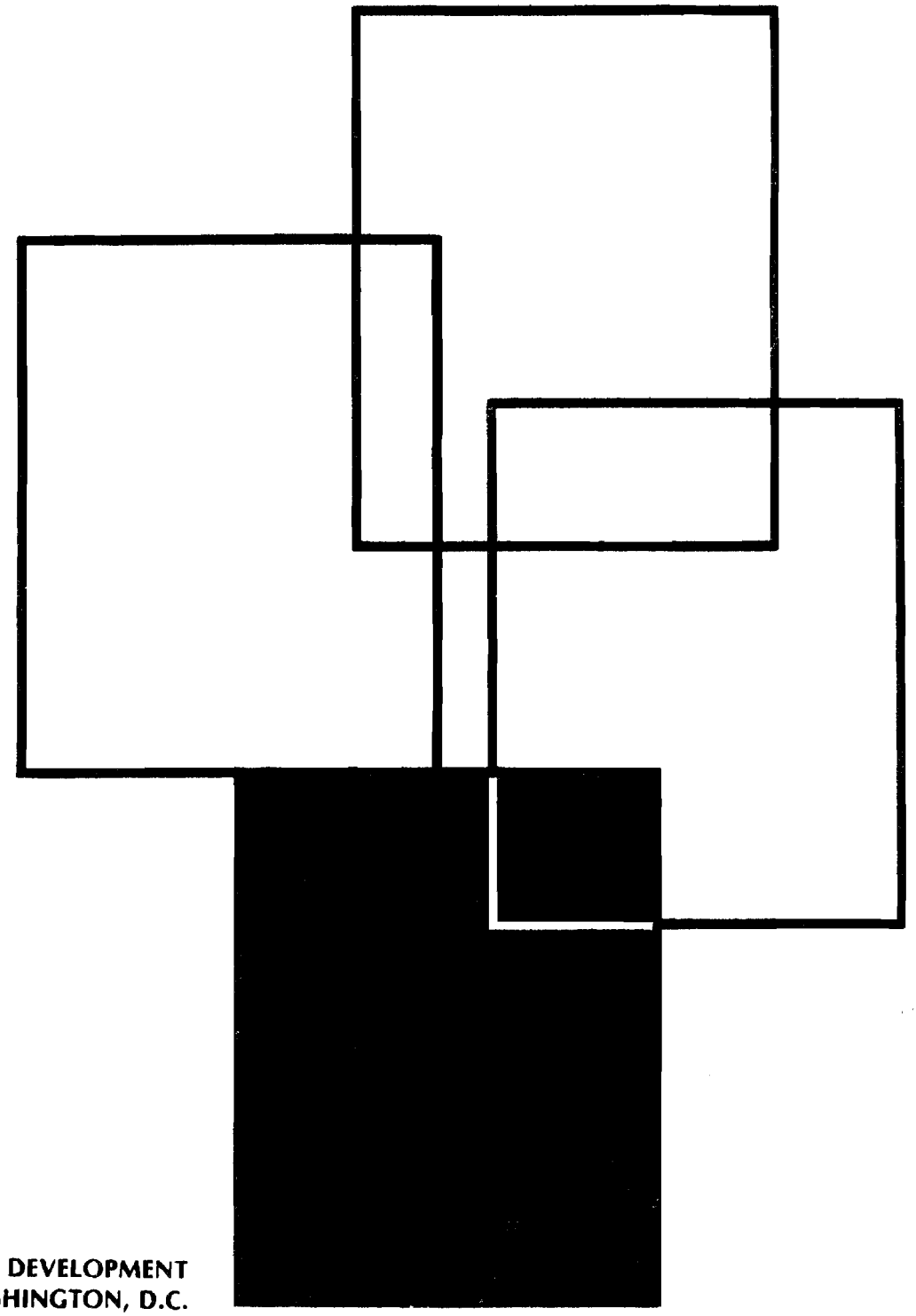
Program Planning and Budgeting



AGENCY for INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C.

AGENCY FOR INTERNATIONAL DEVELOPMENT

HANDBOOK TRANSMITTAL MEMORANDUM	DATE May 25, 1978	TRANS. MEMO NO 2:19

MATERIAL TRANSMITTED:

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Part II - Budgeting: Appendixes 3A through 3I of Chapter 3, The Budget Cycle; pages TC-2a, TC-3, and TC-4 of the Table of Contents; and the Index

These new appendices contain instructions for preparation of the Annual Budget Submission. Extra working copies of this TM 2:19 may be requisitioned from SER/MO/PAV.

SUPERSEDES:

Pages TC-2a (TM 2:15), TC-3, and TC-4 (TM 2:18) of the Table of Contents; Supplement A7d (AIDTO CIRC. A-86 of 3-5-77) (TM 2:12), Supplement A7e (AIDTO CIRC. A-172 of 4-28-77, and State 82923 of 4-13-77) (TM 2:18), and AIDTO CIRC. A-164 of 4-21-77 (not included in the Handbook); and the Index (TM 2:18) of Handbook 2

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6-14-77	Pages 1 and 2 of Supplement D5 (PD-70)	2:17
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AGENCY FOR INTERNATIONAL DEVELOPMENT

HANDBOOK 2

PROGRAM PLANNING AND BUDGETING

TM 2:1
September 15, 1975

HANDBOOK 2

PROGRAM PLANNING AND BUDGETING

P R E F A C E

This Handbook provides a description of the system used by the Agency for International Development to plan and budget its program. The more detailed basic guidance needed by operational personnel involved in program planning and budgeting is contained in its supplements; e.g., guidance on the preparation and use of the key documents which constitute the backbone of the system, planning guidance for activities in each of the functional sectors in which AID resources are concentrated, as well as cross-sectoral program guidance, including key current policy determinations. Additional program planning and budgeting guidance will be issued by AID/W as it is formulated, and incorporated into this Handbook.

There are many factors influencing program planning and budgeting in AID, which is a dynamic process. For instance, this Handbook will need to be revised when the full implications of the Congressional Budget Act of 1974 are known. However, the system described in the following chapters is likely to remain valid for some time to come and the guidance included in the supplement will continue to form the basis for planning and budgeting for AID programs.

The Handbook is being issued with the realization that a number of substantive issues have yet to be resolved, such as:

-- The level of analysis required to prepare an acceptable DAP Part II.

-- Planning documents which will be required for programs of the functional Bureaus.

-- Budgeting for P.L. 480.

Discussion of these issues, which are omitted at this stage, will be incorporated into this Handbook as soon as these issues are resolved.

As part of Phase II of the Directives Conversion Program, which calls for a further effort to review and improve the issued handbooks, Missions and AID/W operating offices are encouraged to suggest changes and additions to this text.

To provide the reader with a succinct overview of the AID program management system described by this Handbook, as well as by Handbook 3 - Project Assistance, and Handbook 4 - Nonproject Assistance, a chart, entitled "Interaction of Major Agency Processes," has been attached. (See exhibit on the next page.) Although some elements; e.g., the project performance tracking system, are not yet operational, this chart provides an illustration of the major processes which comprise the AID program management system and how they interact, and therefore should be useful for the reader as an introduction to this system.

TM 2:1
September 15, 1975

INTERACTION OF MAJOR AGENCY PROCESSES

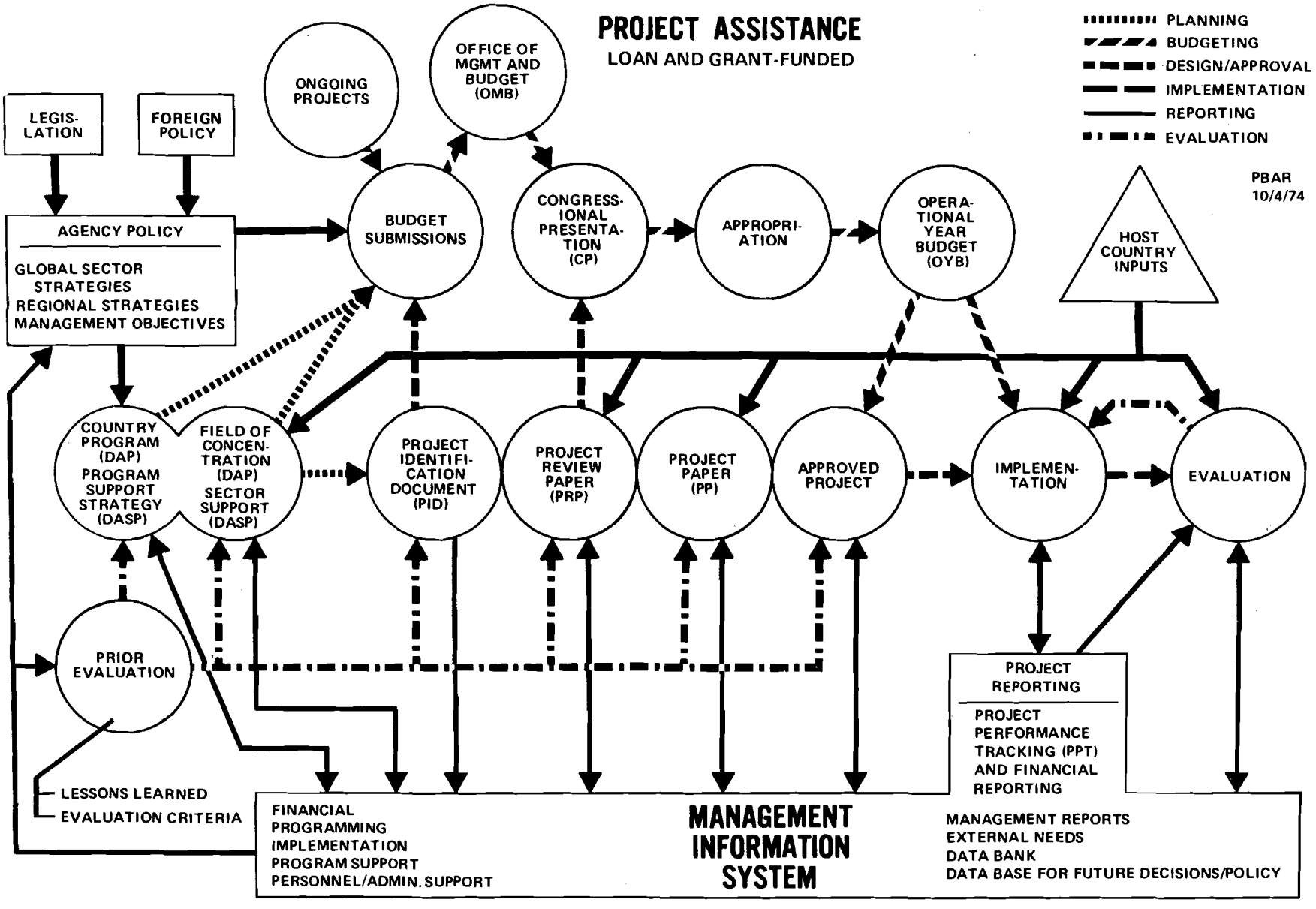

Exhibit to Preface
(TM 2:1) 9-15-75

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PART I: PLANNING

PART I - PLANNING

CHAPTER 1

INTRODUCTION

1A. Definition

1. Planning is defined for the purposes of this handbook as the series of processes by which AID:

a. Establishes, articulates and communicates to its operating elements AID goals, priorities and emphases (concerning types of programs to be undertaken and countries to be assisted), and

b. Ensures that proposed programs and activities to be undertaken by operating elements of AID are consistent with those goals, priorities and emphases.

2. Planning is a dynamic, continuing process. While the descriptions which follow are organized sequentially, program planning does not have a specific beginning and end. For example, the Development Assistance Program (DAP) for each country is the result of a set of specific steps, but it also derives from the combined experiences, over a much longer period of time, of the less developed country (LDC) itself and of the country AID Mission. This handbook treats only the current steps in the planning processes, and assumes that longer-term experience will be built, as a matter of course, into program planning.

1B. Planning Processes

1. The processes described in the remainder of this chapter relate to AID programs and program-related operations. No specific treatment is given to the planning for operating expenses. This latter subject must be considered in the planning of program activities, however, and a description of the considerations relating to operating expenses is found in Chapter 11, Handbook 19 - Financial Management.

2. The four major processes referred to above are:

a. Establishment and communication of AID's goals, priorities and emphases;

b. Establishment of program strategies for AID assistance to recipient countries and groups of countries;

c. Establishment of program support strategies for AID/W-administered regional and central programs; and

d. Ensuring that proposed programs and specific activities are consistent with approved AID goals, priorities and emphases.

CHAPTER 2

ESTABLISHING GOALS, PRIORITIES AND EMPHASES

2A. Major Determinants

While the basic mission of the program administered by AID remains generally constant; i.e., to assist in the economic and social development of less developed countries (LDC's) as an element of overall U.S. foreign policy, the goals, priorities and emphases of the program have evolved over time and will continue to evolve. There are four basic factors that have a direct impact on the shape and direction of U.S. economic assistance programs:

1. Legislative

The principal statements of legislative intent are: (a) the current version of the Foreign Assistance Act of 1961, as amended; (b) the current Foreign Assistance and Related Programs Appropriations Act; and (c) the reports from the House and Senate committees relating to each of these acts. In addition, the current version of P.L. 480, the Food for Peace Act, is an important determinant, as are other pieces of legislation and committee reports that arise periodically and relate directly or indirectly to the foreign economic assistance program. These laws represent a consensus of the Congress intentions as to what the current goals and directions of the program should be.

2. Current U.S. Foreign Policy Goals

The foreign assistance program is an instrument of foreign policy, and AID program planning must consider the relation of assistance programs to overall U.S. foreign political and economic policy.

3. Needs, Aspirations, Priorities and Pressures of the LDC's

It is important to stress that AID programs support LDC development activities. Program planning is therefore based largely on the priorities and needs of the LDC's and must be a joint effort to the greatest extent possible.

4. Coordination of Policies with Other Donors and Institutions

AID is only one of an increasing number of donors and lenders. It is important for AID plans and programs to be coordinated with those of other donors, both centrally and on a country basis, to insure maximum benefit to the recipients.

2B. Synthesizing Changing Factors into AID Goals, Priorities and Emphases

1. The four factors mentioned above are not always completely consistent, either internally or with one another, nor do they necessarily provide a complete basis for program planning. In addition, these factors are dynamic in nature, so AID must constantly be engaged in assessing current situations and sorting out priorities in order to provide a firm basis for program planning. This process involves the identification of situations where ongoing programs or program plans of AID are inconsistent with new legislation, changing U.S. foreign policy, or evolving LDC needs and desires.

2. In regard to new legislation, the General Counsel is responsible for the thorough analysis of changes in the authorization and appropriation acts. These analyses are circulated to permit operating staffs to determine ramifications for planned or ongoing programs. Once issues are identified, they are staffed out by appropriate offices or divisions; and assignments are made throughout AID/W and, where necessary, to particular field Missions that may be affected.

3. In the case of issues affecting overall AID goals, priorities and emphases, the Bureau for Program and Policy Coordination (PPC) serves as the central staff for the Administrator. In addition, the Administrator's Advisory Council (AAC), composed of the top managers from operating and staff Bureaus, may be called upon to discuss critical issues and to provide advice to the Administrator to assist in resolving them. If a major issue is of an operational rather than a policy nature, it is generally referred to the Senior Operations Group (SOG), chaired by the Deputy Administrator and composed of senior managers from AID/W Bureaus and Offices.

2C. Articulation and Promulgation to Operating Elements

Once AID has decided upon particular goals, policies and priorities, it is essential that these be communicated effectively to both field and AID/W operating elements so that they may form the basis for the planning of AID programs. There are different types and levels of decisions, described in the following sections, which necessarily are promulgated in somewhat different ways but which are designed to provide operating units with a broad base for planning assistance programs.

1. A summary of the major current guidance on AID program policies is embodied in Handbook 1 - AID Policy Handbook. Policy guidance is ordinarily the result of a decision by the Administrator dealing with a major issue relating to overall AID goals, priorities, or emphases. The policy handbook is intended to provide an overview of major policy thrusts.

2. Guidance relating to basic methods of programming to carry out AID policies is contained in the three "core" handbooks; i.e., this volume,

2C2

plus the handbooks on project assistance and nonproject assistance. This volume includes supplements with more specific guidance on planning programs in particular sections or technical fields (see 2C3).

3. The translation of legislative mandates and other determinants into guidance on program planning in specific technical fields is accomplished with Global Sector Strategies and Sector Guidelines.

a. Global Sector Strategies analyze the development situation and achievements within major technical fields, and enumerate the specific subfields within which it is appropriate for AID to develop assistance programs.

b. Sectoral Guidelines, which contain more specific data on how the Global Sector Strategies can be carried out through particular types of projects and activities, are prepared for all functional fields where there are strategies. Current Global Sector Strategies and accompanying Sectoral Guidelines are included by sector as Supplements B - E of this handbook.

4. Additional program planning guidance, summarizing current AID program emphases, or expanding upon existing policy guidance, global sector strategies or handbook data, is contained in the Administrator's annual program message to the field. This message together with the annual budget guidance initiates the annual Budget Cycle (see Part II of this handbook) and contains necessary information on current emphases to permit field and AID/W operating entities to plan programs for the budget year. (See Supplement A6.) The annual message may be supplemented by individual Bureau messages relating to issues that concern only particular geographic areas. Such messages are sent with the concurrence of PPC to insure conformity with overall AID policy.

5. In addition to the above vehicles for disseminating policy and planning guidance, material that is multisectoral in nature may from time to time be communicated to the field in the form of worldwide circular messages.

6. In summary, a broad description of AID's current goals, priorities, and emphases at any given time may be found in Handbook 1 - AID policy, and in the supplement to this Handbook 2.

CHAPTER 3

PROGRAM STRATEGIES (DEVELOPMENT ASSISTANCE PROGRAMS) FOR RECIPIENT COUNTRIES AND GROUPS OF COUNTRIES

This chapter is being rewritten on the basis of Supplements A2a and A2b.

CHAPTER 3

THE BUDGET CYCLE

3A. Purpose

This chapter describes the events which constitute a typical AID budget cycle. AID's budget cycle is largely determined by the demands of the U.S. Government's budget process. Changing circumstances in the Federal cycle and evolving management needs within AID dictate changes in the AID budget cycle. As a consequence, the relative importance and timing of budget events may alter during any single cycle. The budget cycle covers a two year period -- the budget year and the operational year. The following budget events for a two year cycle are presented in chronological order. Dates, most of which will vary from cycle to cycle, are based on the scheduling implications in the Congressional Budget Act of 1974. (Although the following describes a continuous cycle, actions relating to the budget year and the operational year occur simultaneously.)

3B. Annual Budget Guidance

Issuance of budget guidance marks the beginning of a new budget cycle. PPC is responsible for preparing and issuing this document with consultation and clearance from Geographic and Functional Bureaus (TAB, PHA, etc.). Bureaus may also transmit additional specific guidance to their respective Missions and operating offices. The Annual Budget Guidance will normally be transmitted to Missions and AID/W operating offices at the end of February; i.e., 19 months prior to the beginning of the fiscal year. The guidance will apply to both regional and centrally funded programs. The most recent guidance is included in Supplement A7 to this handbook. Normally the guidance will include:

1. Format of and detailed instructions for preparing the Annual Budget Submission (ABS).

2. A schedule for submission and review of annual budget submissions from field Missions and AID/W operating Offices. Unless otherwise notified, the principal dates will be:

   a. June 30: Receipt of the ABS from the field.

   b. August 15: Bureau submission to PPC.

   c. September 15: AID submission to Office of Management and Budget.

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3. A schedule for preparation and receipt of Project documentation for the Budget year. Unless otherwise notified, the principal dates will continue to be:

a. On or before June 30: Receipt of Project Identification Documents (PID's) from field Missions and AID/W operating Offices.

b. On or before August 15: Review and Approval of PID's for further development.

c. On or before November 15: Receipt of Project Review Papers (PRP's) for the budget year.

4. Tabular format for presentation of summary data for the budget year.

5. Tabular format for presentation of data for the operational year.

6. A request for information indicating the progress ongoing activities are making toward achieving their objectives.

7. Summary tables and narrative for proposed P.L. 480 programs.

8. A request for certification of the validity of Development Assistance Program (DAP); if appropriate the DAP should be updated or revised.

9. Special guidance on new programs, procedures, and special conditions, as required and appropriate.

3C. Program Guidance

The Administrator may wish to emphasize the importance of some particular aspect of AID policy, or may wish to communicate chages in AID policy. In either case, a Program Guidance message will be transmitted to the field in sufficient time for Missions and AID/W operating Offices to incorporate its guidance as they prepare budget submissions.

3D. Preparation of the Annual Budget Submission (ABS)

Annual Budget Submissions are to be prepared and transmitted for receipt in AID/W by June 30. The ABS serves three critical purposes in AID's programming system.

1. Its preparation and review is the occasion for a comprehensive reassessment of the Mission's or AID/W operating Bureau's program.

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a. Budget proposals contained in the ABS should be consistent with and supportive of the multiyear planning strategies developed by the Mission or AID/W operating Bureau. All PID's and requests for nonproject assistance for the budget year should be contained in the ABS document, or should have been submitted separately before the ABS deadline.

b. Ongoing activities must be reviewed to ensure that they are performing according to plan. The review of ongoing activities should reflect the results of the Mission's project evaluation effort.

2. The ABS is the substantive beginning of a new budget cycle, and the basis for AID's submission to the Office of Management and Budget (OMB) and AID's later presentation to the Congress.

3. The ABS provides the fiscal data and revised cost estimates for the initial decision on funding levels for the operational year.

3E. Bureau Review of the Annual Budget Submissions

Geographic and Functional Bureaus are responsible for review and analysis of submissions from their respective Missions and AID/W operating Offices. These reviews occur from July 1 to mid-August and will generally focus on the following:

1. For the budget year:

a. A reassessment of the validity of the multiyear planning document.

b. Review of proposed PID's. (For a description of the review procedures for PID's, see Handbook 3 - Project Assistance, Part I, Chapter 8B. Missions and AID/W operating Offices will be informed of the results of PID reviews by August 15.)

c. Review of ongoing projects. Bureaus should compare project performance with project plans for all ongoing loan and grant projects. Bureaus should maintain files including Project Papers and Project Appraisal Reports (PAR's) for all ongoing activities. These documents serve as a guide which Bureaus can use to ensure that projects are performing according to plan.

d. A comparison of the programming strategy implicit in the budget submission with the strategy included in the approved multiyear planning document.

2. For the Operational year:

(Note: The content and nature of budget reviews for the operational year heavily depend on the timing and nature of congressional action.)

3E2

a. Fiscal analysis of current year requirements.

b. Revised cost estimates for proposed new projects.

c. Reassessment of program strategy set forth in the multiyear planning document and contained in the Congressional Presentation.

3F. The Office of Management and Budget (OMB) Planning Guidance

The OMB planning guidance which is sent to all Federal agencies provides Presidential policy guidance for use in preparation of AID's budget submission to OMB. The OMB planning guidance is normally received in AID/W by July 31 and consists of:

1. A narrative discussion of the fiscal and economic assumptions which will govern the development of the President's budget.

2. Planning targets to be used in preparing budget estimates. These targets normally apply to budget authority and outlays for AID as a whole. While AID may, and often does take exception to the amounts provided in the planning target, it is normal practice to array the program within these limits in the submission prepared for OMB in the fall. This does not, of course, preclude AID from proposing an alternative, higher level of funding.

3G. Bureau and Office Submissions to PPC

Geographic and Functional Bureaus and AID/W offices submit the results of their Mission and operating Office program reviews to PPC. Submissions are due in PPC by August 15 and, as a minimum, will include:

1. Certification that planning documents required of Missions and operating offices continue to be valid. Where a Mission or operating office does not have a valid planning document, the submission to PPC will include a plan for meeting the requirement.

2. A discussion of the major issues which the Bureau expects to confront in implementing its requested program. PPC will provide guidance on which issues seem critical from the perspective of AID as a whole.

3. A list of those proposed new projects for which the Bureau has approved PID's.

4. A request for dollar resources necessary to implement program proposals.

3H. PPC Reviews

PPC is responsible for preparing recommended funding levels for the budget year and reconciling Bureau requests for resources with the dollar ceilings included in the OMB planning guidance. This process takes place as follows:

1. AA/PPC chairs meetings to review Bureau and Office submissions. A brief critique of the submission is circulated prior to the meeting and will serve as a basis for discussion.

2. PPC aggregates budget year funding requests for ongoing and new projects and develops a funding plan within the planning targets established by OMB. In addition, PPC may develop an alternative funding plan, at higher levels, should this be warranted.

3. PPC presents the Administrator with a series of options comparing Bureau proposals to the OMB planning target and Bureau proposals to a PPC recommended funding level. Options will normally be based on the following general considerations:

a. AID areas of program emphasis as expressed in AID planning guidance. High priority will be given to projects which seem particularly responsive to the Congressional Mandate.

b. Geographic and Functional Bureau priorities.

c. The results of the PPC reviews.

3I. The OMB Submission

PPC is responsible for assembling and transmitting AID's budget request to OMB. September 15 is the normal deadline for the OMB submission. It may be transmitted to them from the Administrator or the Secretary of State. In either case, State clearance is obtained. The submission includes:

1. A program and appropriation request for the budget year including:

a. Fiscal data, total program proposal, new obligational authority, estimated recoveries of prior year obligations, and estimated transfers. The request is normally presented in the form of two alternatives: A "low" level within the OMB planning target, and a "recommended" level.

b. A brief narrative rationale.

2. An item by item listing of proposed new projects for the budget year, indicating which activities would be funded at the recommended level.

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3. A discussion of the long range direction which AID intends to pursue, together with a 5 year projection of resource requirements.

4. Estimates of the manpower needs of AID.

3J. The OMB "Mark"

The International Programs Division in OMB reviews AID's budget proposal for the budget year. As a general practice, OMB examiners participate in the AID reviews and are familiar with program issues. OMB decides on the budget level in mid or late November and this decision is communicated to AID in the form of a limitation on budget authority and outlays. If there is fundamental disagreement with the OMB decision, AID may decide to appeal, setting forth in a letter to the Director of OMB its case for additional funding. OMB then presents its budget recommendations together with AID's appeal to the President. A final decision is normally received by December 1 and is called the budget "mark."

3K. The President's Budget

PPC uses the OMB mark as a basis for preparing AID's portion of the Budget of the U.S. Government (also known as the President's Budget). The President submits his budget to the Congress on the 15th day after a new session begins; i.e., usually around January 20. AID's budget is included under Foreign Assistance in the Chapter of the Budget entitled Funds Appropriated to the President. The Budget is in two volumes and contains for AID:

1. A narrative description of the AID program under the International Affairs function in the volume entitled The Budget of the U.S.

2. Program and Financing tables and narrative description for each major foreign assistance account in the Appendix to the Budget.

3. Object Classification tables indicating the use of AID resources, also in the Appendix.

4. Summary personnel table.

3L. Authorizing Legislation and the President's Foreign Aid Message

Authorizing legislation is normally transmitted by the Executive Branch shortly after the President's annual budget and is generally the vehicle for the President's annual message on foreign aid.

3M. The Congressional Presentation

The annual AID Congressional Presentation (CP) is designed to further justify and explain AID's budget request. It has traditionally been

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transmitted to the Congress in April or May, although the scheduling in the Budget and Impoundment Act implies a much earlier date.

The process of preparing the presentation to the Congress and its consideration of AID's program consists of:

1. The development of narrative and tabular material describing and justifying AID's program proposals. Summary program information and supporting data books concentrate on performance and accomplishments and emphasize proposed activities responsive to the program interests of the Congress.

a. PPC issues budget control numbers as soon as possible after the budget mark is available; i.e., around December 1. Controls will include actual data for the fiscal year just completed and operational and budget year information.

b. The Congressional Presentation is based on and prepared from Project Review Papers (PRP's) or comparable documents and funding estimate which must be received, reviewed and approved at least six weeks prior to the printing of the Presentation. While the deadline for transmittal of the CP will depend on the operation of the Budget Act, AID/W currently estimates that the schedule will be:

(1) PID's approved (August 15)

(2) PRP's received (November 15)

(3) PRP's approved (December 30)

(4) Printing of CP (February 15)

It has become increasingly important to reduce deviations from the Congressional Presentation. Under current legislation, Sec. 113 of the FY 1975 Appropriation Act, AID is required to notify the Congress of every increase over the CP and of every new project not contained in the CP. Reliance on approved, well developed PRP's is intended to reduce later deviations from the CP. Thus, AID/W will have well developed project documentation which will minimize the need to return to Congressional Committees during the operational year to justify projects that were not included in the Congressional Presentation.

2. The Office of Legislative Affairs, Legislative Programs Coordination Staff (LEG/LPCS) will assign responsibility for delivery of testimony in support of AID's program proposals and its followup after consultation with appropriate Congressional Committees.

3. According to the Congressional Budget Act of 1974, Congress will complete required budget action by Steptember 15.

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a. Legislative committees will report bills and resolutions authorizing new budget authority by May 15.

b. By the day after Labor Day, Congress will complete action on bills and resolutions providing new budget authority and new spending authority.

c. By September 15, Congress will complete action on the second required concurrent resolution on the budget (which will bring the overall spending limit into conformance with the sum of the individual actions taken by the Congress). This will provide AID with sufficient information on fund availabilities to permit the development of control numbers for the Operational Year Budget.

3N. The Operational Year Budget (OYB) and Section 653 Report

If the schedule in the new Budget Act holds, AID will have a final appropriation on or before September 15. Control over the allocation of appropriated funds is maintained through the preparation and subsequent revision of the Operational Year Budget. The OYB is prepared along with the "Section 653 Report" in which AID reports to the Congress its initial country allocation of funds. The Section 653 Report and the initial OYB must be prepared within thirty days after the enactment of appropriations that is expected to be about October 15. The OYB and the Section 653 Report will be prepared as follows:

1. The Annual Budget Submission for the upcoming budget year will also contain information to be used in preparing the OYB for the operational year. Geographic and Functional Bureaus will submit requirements for both years simultaneously to PPC, probably on or about August 15.

2. Two weeks after Congress has completed the authorization/appropriation/budget reconciliation process, or normally around October 1, PPC will issue controls for use in preparing the OYB. These levels will be based on:

a. The Congressional Presentation

b. Results of the authorization/appropriation process.

c. Bureau submissions to PPC.

3. Controls will include funding levels by Bureau, appropriation account, loans and grants.

4. PPC will present Bureau and AID/W requests for relief from control levels, together with PPC's recommendations, to the Administrator.

3N

5. On or before October 15, PPC will issue the initial OYB for the year. The Operational Year Budget will contain the approved planning level for each country, regional and interregional program in each category of assistance. PPC will also publish a list of approved new activities as an annex to the OYB.

6. PPC will transmit the Section 653 Report to the Congress within thirty days after the enactment of appropriations, or normally by October 15.

3 O. Apportionment of Funds

Control over the actual availability of funds during the fiscal year is maintained by OMB. OMB Circular A-34 requires AID to present a plan for apportioning its use of funds throughout the fiscal year. The plan is prepared by Office of Financial Management, Funds Control Division (SER/FM/FCD), cleared by PPC and transmitted to OMB fifteen days after the enactment of appropriations.

3P. Revisions of the Operational Year Budget

The Operational Year Budget may be revised according to the following procedures.

1. Within each appropriation category, Geographic and Functional Bureaus may shift funds so long as no individual country or other program listed in the OYB is changed by more than $1.0 million. Changes which exceed $1.0 million require the approval of PPC.

2. Geographic and Functional Bureau OYB changes between appropriation categories require the approval of PPC.

3. Within overall availabilities, PPC may shift funds among Bureaus and among appropriation categories so long as no individual Bureau program or appropriation category is changed by more than $5.0 million. Changes which exceed $5.0 million require the approval of the Administrator.

3Q. The 634(d) Report

The annual Section 634(d) Report is required by the Foreign Assistance Act and represents the culmination of the budget cycle. This report is a comparison of the programs for which AID actually incurred obligations with the programs for which AID requested funds in its Congressional Presentation.

3R. Monitoring Outlays

AID is required by OMB to insure that outlays (net disbursements) do not exceed a ceiling established as part of the OMB mark. Establishment of the ceiling is based on past performance of AID and PPC monitors monthly outlay performance to insure that the ceiling is not exceeded.

CHAPTER 4

STRATEGIES FOR CENTRALLY ADMINISTERED AND REGIONAL PROGRAMS

(Reserved, pending completion, and review by the Deputy Administrator, of the final report of the Senior Operations Group Task Force on Integration of Research and Operating Programs. The Task Force's preliminary report recommended a special planning process for the research program.)

CHAPTER 5

COMMITMENTS OF FOREIGN ECONOMIC ASSISTANCE

5A. Purpose and Scope

1. This chapter sets forth policy guidance on and prescribes procedures for seeking authorization of commitments of foreign economic assistance, for the making of commitments, for notification of certain commitments to Congressional committees, and for implementation of commitments as described in 5A2. See also Handbook 21 - Communications, Part I, Chapter 10, Presidential Determination.

2. It is applicable to commitments of any economic assistance presently authorized or presumptively to be authorized by the Foreign Assistance Act of 1961, as amended from time to time (hereinafter referred to as the FAA), including commitments for:

a. Future year funds for which the President has not yet submitted an estimate to the Congress.

b. Future year funds for which the President has decided to seek an appropriation.

c. Currently available funds which have not been programmed pursuant to Handbook 2 - Program, Planning, and Budgeting, Chapter 3N.

3. This chapter is applicable to project agreements, contracts, and other documents which contain a commitment as defined herein. (See 5E1.) It should be noted that to the extent such agreements, contracts, or comparable documents in addition to the obligation or commitment of specific funds, whether current or future year, carry clear implications of continued U.S. support for the project or program which can reasonably be interpreted as a promise that the U.S. will provide additional funds, goods, or services, such agreement, contract, or document will be subject to the procedures set forth in 5E or 5F.

5B. Authority

1. The Administrator of the Agency for International Development (A/AID) is authorized to make commitments of currently available funds, pursuant to the FAA and Executive Orders and Delegations of Authority pursuant thereto.

Address questions about this Chapter to GC.

5B

2. The President's inherent authority as chief executive and his authority to conduct the foreign relations of the United States includes the authority to make commitments of future year funds, subject to the appropriation of funds by the Congress. While this authority has been delegated to A/AID, commitments of future year funds which have not been requested from the Congress are subject to the clearance requirements developed pursuant to the President's Directive of May 8, 1956, and are reflected in the Procedures set forth in 5E.

3. Sections 202(b) and 251(b) of the FAA authorize the President to commit development loan and Alliance for Progress loan funds in advance of appropriation to the extent such funds have been authorized; such commitments must be, however, subject to appropriation.

5C. Definitions

For the purposes of this chapter:

1. A determination is defined as a decision by a competent official or officials of the U.S. Government with respect to the conditions precedent to making a commitment to a foreign government. This is an internal U.S. Government action.

2. A commitment is defined as any communication between a responsible U.S. official and a responsible foreign official which could reasonably be interpreted as a promise that the United States will provide a foreign government with funds, goods, or services. A commitment should normally be a written agreement which sets forth the respective undertakings of the parties thereto.

3. The term assistance includes cash (dollars or foreign currencies), goods, and services.

4. The terms foreign government and foreign official include:

a. Subordinate foreign governmental units, quasi-governmental agencies and the officials thereof;

b. Private corporations and companies and private organizations, and the officials thereof;

c. International organizations and supra-national entities, and the officials thereof.

5D. Policy

1. It may be in the U.S. interest to make a commitment of assistance to a foreign government in order to persuade that government to embark upon a desirable course of economic development or to take other economic or

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financial measures with a promise of continued support by the United States to take a political course of action desired by the United States; to make a available to the United States military facilities or to take desired action with respect to its military forces; to influence that government to forego the acceptance of aid from or relationships with the Sino-Soviet bloc; to elicit parallel commitments of aid from other donors; or for other reasons.

2. The President's directive of May 8, 1956, requires that no promise or commitment involving future U.S. performance or future expenditure of U.S. funds should be made except upon specific determination:

"A. That such promises or commitments are in accordance with approved policy.

"B. That either funds have been appropriated or authorized by the Congress (including such authority as may be granted for making long-term commitments) or that there is Executive determination to seek such funds as may be required.

"C. As to the extent to which the recipient country may be able to support the programs contemplated.

"D. As to the probable time-span over which such assistance may have to be granted."

3. It is the intent of the Presidential directive to minimize the likelihood that the United States will become committed to another government without a conscious decision to do so by a responsible officer or officers qualified to make such a decision and taking all of the implications of such a decision into account.

4. The necessity for specifying certain procedures to control U.S. commitments is created by the possibility that undesirable results such as the following may ensue if commitment decisions are made without adequate guidance:

a. U.S. Government officials may not be cognizant of and give sufficient consideration to all the factors involved in commitments, such as the availability of goods and services, the technical aspects of the proposed project or program, requirements of U.S. law, the ability of the other country to carry out reciprocal actions necessary to the effectiveness of such assistance, the consistency of such assistance with overall U.S. policies, the likelihood that the Congress will appropriate the funds required, etc.

5D4

b. When commitments made by U.S. officials are vague or ambiguous, or fail to state explicitly any conditions that may be involved, they can subsequently become a source of misunderstanding and irritation.

c. Failure or inability on the part of the United States to carry out a commitment can damage U.S. relations with the country concerned. It may be immaterial, in the eyes of the other country, that the cause of the U.S. failure to perform may be the impracticality or economic unsoundness of the proposed activity or even the inability of the other government to carry out its responsibilities.

d. As the funds required to carry out commitments represent a priority claim on available U.S. resources, it is essential that commitments do not result in the diversion of funds from higher priority purposes.

e. If commitments for future funds are not explicitly made subject to the appropriation of funds by the Congress, the penalties of the Anti-Deficiency Act (Section 3679 Revised Statutes) would apply.

5. The President's directive and this Chapter do not prohibit discussions with foreign officials regarding plans for future projects and programs or the completion of joint planning documents provided that U.S. officials make clear to foreign officials that such actions do not constitute or imply a commitment on the part of the United States to provide funds, unless such a commitment is duly authorized pursuant to this Chapter.

5E. Procedures for Seeking Determinations - Categories of Aid Other Than Development Loans

1. Three Types of Commitments

The form and procedures for seeking an authorization for a commitment of economic assistance funds other than development loans is determined by the category in which it falls.

a. Type 1

(1) The first type of commitment involves, in whole or in part, the commitment of future year funds which the Executive Branch has not formally determined to seek from the Congress. Example: In October 1976, the United States agrees, subject to the availability of funds, to furnish $100 million in Supporting Assistance to country A in FY 1978.

(2) This type of commitment is hereinafter referred to as Type 1. Procedures, which include approval by the Director of the Office of Managment and Budget (OMB), as well as other department or agency heads directly concerned, are set forth in 5E and 5F.

5E1

b. Type 2

(1) The second type of commitment involves, in whole or in part, the commitment of future year funds which have not yet been appropriated but which the Executive Branch has formally determined to seek from the Congress. This determination is evidenced by the communication from OMB to AID of the levels of appropriation requests approved by the President. Example: On December 1, 1976, OMB communicated to the Administrator the FY 1978 foreign aid estimates as approved by the President. In January 1977 the United States agreed, subject to the availability of funds, to furnish $20 million for balance of payments support to country B in FY 1978.

(2) This type of commitment is hereinafter referred to as Type 2. Procedures, which include approval by A/AID and clearance with other departments or agencies directly concerned, but not OMB, are set forth in 5E and 5F.

c. Type 3

(1) The third type of commitment involves only presently available funds. Example: In November 1976, the United States agreed to grant $5 million to country C in FY 1977, the FY 1977 foreign aid appropriation having been enacted in October 1976.

(2) This type of commitment is identified as Type 3. If the commitment involves funds for which A/AID has already given program approval, no additional authorization is required. However, if funds have not been programmed, approval should be sought in accordance with normal programming procedures (HB 2, Ch 3). See also Handbook 4 - Nonproject Assistance, Chapter 3, Approval and Authorization Process; Handbook 3 - Project Assistance, Chapter 8, Drafting and Reviewing of PID's, PRP's, PP's, and Authorizations, and HB 3, Ch 9D, for conditions under which the Administrator's approval is required within approved program levels.

2. Procedures for Type 1 Commitments

a. Initiation

(1) To initiate the procedure for obtaining a Type 1 determination, the administering Bureau initially consults the Assistant Administrator for Program and Policy Coordination (AA/PPC). In the event that there is a difference in opinion as to whether a determination should be sought, the issue is raised to the appropriate level for decision.

(2) When a tentative decision to seek a determination has been made, AA/PPC designates an officer on his staff to be responsible for further action (hereinafter referred to as the PPC Action Officer).

5E2

b. Drafting

(1) The documents for seeking and recording a Type 1 determination consist of (a) the determination (see Attachment A), and (b) a memorandum from AA/PPC to A/AID recommending that he sign the determination (see Attachment C).

(2) The following considerations should be borne in mind in drafting the determination:

(a) The opening paragraph(s) should include a summary justification for the commitment and the total amount of the commitment, indicating the category of aid and whether grant or loan;

(b) The justification should include information on the following:

1. That the commitment is in accordance with approved policy. Refer to Presidential statements, policy papers approved by the Secretary of State, or other official national policy documents, and indicate how the commitment relates to national policy. In those instances where national policy is lacking or where there is doubt or disagreement regarding the approved interpretation of such policy guidance; e.g., with respect to the magnitude of the proposed commitment, agreement and concurrence should be sought at a level appropriate to the nature and scope of the commitment.

2. That the commitment is in accordance with law. State either that the proposed commitment could be implemented under present law or alternatively that implementation will require future compliance (e.g., with Section 611 relating to completion of plans and cost estimates) or a Presidential waiver.

3. That there is Executive Branch intention to seek the necessary funds. Indicate the category or categories of assistance and the time phasing by U.S. fiscal years, and whether funds for part of the commitment are currently available or are included in a request presently before the Congress.

4. The extent to which the recipient may be able to support the program contemplated. Show the relation of the proposed commitment to the country's general economic condition; indicate the country's contribution, if any, to the program or project; present the reasons for believing that the country will be able to do its part; and state the benefits anticipated from the program or project.

5. The probable time span over which the subject assistance may have to be granted. Give the planned time phasing of obligations by U.S. fiscal year, and if appropriate, indicate factors which may affect the time phasing. Indicate whether future expectations and requests will be generated by the initial commitment, and the U.S. Government's position with respect to such expectations.

5E2b(2)(b)

6. In the case of any commitment of Alliance for Progress grant funds or of development or Alliance loan funds not under Section 202(b) in excess of $100,000, the fact that such commitments constitute a first claim on any future appropriations for the years specified in the commitment necessitates compliance as provided in Section 251(e) of the FAA at the time the commitment is made. Accordingly, the determination should specify that the agreement constituting the commitment will contain assurances from the country that the funds will be used in a technically sound manner and the determination should contain an appraisal of the probabilities that the funds committed will be so used.

c. Preparation of Initial Draft

With respect to proposed determinations considered by the PPC Action Officer to present significant issues, he/she (1) prepares or coordinates the preparation of a first draft which is then transmitted to the offices immediately concerned for formal comment; and (2) prepares the interagency draft on the basis of these comments.

d. Clearance

Copies of the interagency draft are circulated for clearance under cover of a transmittal memorandum (See Attachment B) to the following:

(1) All Determinations

(a) The General Counsel, AID.

(b) The appropriate AID Assistant Administrator.

(c) The Chief, International Division, OMB.

(d) The appropriate State Regional or other Assistant Secretary.

(e) The Assistant Legal Advisor for Economic and Business Affairs of the State Department (L/EB).

(f) The Controller, AID.

(2) Determinations having Military Assistance Implications

(a) The Assistant Secretary of Defense (International Security Affairs), DOD/ISA.

(b) The Director, Bureau of Politico-Military Affairs, Department of State (PM).

5E2d

(3) As Appropriate

Heads of other offices, departments, and agencies - when the proposed commitment necessitates subsequent action by them or affect their responsibilities.

(4) Clearance or comment by OMB is obtained at the Staff level. Concurrence by any other office or agency will be considered to have been made on behalf of its principal officer.

(5) Throughout the process of drafting and clearing determinations, the PPC Action Officer seeks to reconcile any differences which arise and, if unable to do so, raises them to the appropriate level for prompt resolution.

(6) The PPC Action Officer notifies all officies concerned of any significant changes in the documents and gives them an opportunity to review and clear such changes.

e. Preparation of Final Draft and Transmission to Appropriate Offices For Signature

(1) When agreement has been reached on the text of the determination, the PPC Action Officer has it typed. At this stage a number; e.g., D-77-1 is assigned to the determination by the officer in PPC designated as the control officer for determinations (PPC Control Officer). (The D series is used for determinations.)

(2) The yellow carbon copy of the determination constitutes the record copy. The drafting officer and all clearing officers place their initials and the clearance date on that copy unless a clearance is made by memorandum. In the latter case, an entry indicating the sender and the date of the memorandum is made on the yellow copy and the memorandum is retained in the official file.

(3) The final draft of the determination is transmitted to the Administrator under cover of an action memorandum from AA/PPC (see Attachment C). When signed by the Adminstrator, the Executive Secretary (ES) transmits the determination to the Director of OMB. When the latter has signed, the determination is returned by OMB through ES to the PPC Control Officer.

f. Distribution of Completed Determinations

Upon receipt of an approved determination, the PPC Control Officer reproduces the determination, and distributes copies of the documents within the Executive Branch to all offices involved in drafting and clearance and to other interested offices and agencies as appropriate.

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g. Official Records of Determinations

The PPC Control Officer transmits to the Controller, AID, the official file including the original signed determination, yellow copy of the determination, reproduced copies of the documents, and appropriate supporting papers pertinent to the history of, and justification for, the determination. The Controller maintains the official records of such determinations.

h. Invalidation of Determination

(1) Normally, commitments are made shortly after approval of the required determination. A determination becomes invalid if the commitment authorized has not been made within a calendar year from the date it was authorized or if the delay in completing the commitment would require an extension of the time-span into a fiscal year beyond that specified in the determination.

(2) For extension of determinations, see 5K.

3. Procedures for Type 2 Commitments

Procedures for seeking determinations involving funds which the Executive Branch has formally determined to seek from Congress (Type 2) are the same as procedures for Type 1 commitments with the following exceptions:

a. The form is an action memorandum to A/AID from the appropriate Assistant Administrator through AA/PPC.

b. The determination does not require the concurrence of the Director, OMB.

5F. Procedures for Determinations - Development Loans

1. All commitments of development loans (including Alliance for Progress loans) involving funds not currently available will be made pursuant to the authority of Sections 202(b) and 251(b) of the FAA except commitments whose time span extends beyond the limits authorized in the FAA.

2. Policy guidance on commitments of development loans made pursuant to statutory authority is contained in HB 21, Part I, Chapter 10. Presidential determinations authorizing commitments pursuant to Sections 202(b) and 251(b) are processed in accordance with Chapter 10, which provides for notification to the Congress of both the Presidential determination and the subsequent commitment agreement.

3. Commitments of development loan (including Alliance for Progress loan) funds are processed in the same manner as Type 1 commitments of economic assistance other than development loans (see 5E) in the following situations:

5F3

a. Where the commitment goes beyond the year for which Sections 202(b) and 251(b) commitments are authorized (i.e., FY 1977).

b. Where the total Type 1 commitment includes resources administered by AID in addition to development loan or Alliance for Progress loan funds which could be commited under Section 202(b) or 251(b), and where it is considered preferable from the policy standpoint to use the NSC Action 1550 procedures for the whole instead of the statutory procedures for a part.

c. Where Sections 202(b) or 251(b) procedures could be used but for policy reasons it is considered desirable not to elevate the commitment to the level of formal Presidential approval and intergovernmental commitment agreement.

5G. Commitments

1. When the requisite determination has been approved in accordance with 5E or 5F, the appropriate Bureau is responsible for negotiating, or participating in the negotiation, of the agreement with the other government which incorporates the commitment of funds. Such agreements may be in the form of an exchange of letters or diplomatic notes, consortium pledges, pledges to international organizations, etc.

2. All substantive changes in the terms of the agreement from the determination require the concurrence of AA/PPC, the Controller, and the General Counsel, and any major changes require the concurrence of A/AID and, where appropriate, the Director, OMB.

5H. Commitments Made on the Initiative of Senior Officials

Senior officials of the U.S. Government sometimes, without prior determination as prescribed in NSC Action 1550 and this Chapter, take actions which are tantamount to commitments of foreign economic assistance. When this occurs, it is the responsibility of the AID Bureau concerned to prepare promptly the usual commitment documentation.

5I. Notification to the Congress

1. Certain Congressional Committees are to be notified of commitments of development loan funds, including supporting information. HB 21, Part I, Ch 10, provides for notification of Presidential determinations as well as commitments of development loan funds made pursuant to statutory authority.

5I

2. Notification of commitments of development loan funds made pursuant to the President's inherent authority (5F) are accomplished by the transmission to the Chairmen of the Senate Foreign Relations and Appropriations Committees and to the Speaker of the House (for the House International Relations and Appropriations Committees) of letters signed by AA/PPC. The PPC Action Officer will be responsible for drafting, or coordinating the drafting, of the letters which will include the terms of the commitment, and the relevant background.

5J. Implementation and Records

1. The appropriate AID Bureau is responsible for:

a. All actions required to fulfill commitments, including (1) submission of budget estimates and (2) monitoring the progress of the implementation action.

b. Providing SER/FM and AA/PPC with reports as requested on the implementation of commitments.

c. Notifying SER/FM and AA/PPC of the completion of commitments or their termination short of completion.

2. SER/FM is responsible for:

a. Maintaining official files of determinations and commitments.

b. Maintaining a control register on all commitments by type; i.e., whether Type 1, 2, or 3 and whether Section 202(b) or NSC Action 1550.

c. Reserving funds by appropriation category and fiscal year.

d. Preparing periodic summaries of funds reserved, obligated, and expended against commitments of foreign economic assistance.

5K. Extensions and Modifications of Commitments

Requests for extensions or for material changes in other aspects of the proposed commitment (e.g., amount, terms, or conditions) are proposed in accordance with the procedures applicable to the original determination.

--

CLASSIFICATION

ATTACHMENT 5A

Sample Draft for a Determination in
Accordance with NSC Action 1550

/Date _____

1550 Determination
No. D-77-xx

Determination in accordance with NSC Action 1550
Relating to a Commitment that the United States will
Provide up to $8,000,000 to Ruthinia to construct
Technical School Facilities.

It is determined that in order to promote closer cooperation between the governments of Ruthinia and of the United States, to maintain and promote political and economic stability, and to contribute to the longer term economic development of Ruthinia, the United States will provide grant assistance in an amount not to exceed $8 million over a three-year period to finance part of the costs of constructing a dormitory-classroom complex for the Technical Institute of Ruthinia in _____ City.

The recently established Government of Ruthinia has given evidence of its ability to organize and maintain a stable society and desires to take measures to provide additional training opportunties for a cadre of technical personnel. It is considered that the provision of U.S. assistance at this time may serve important objectives. The new Ruthinian Government is especially interested in rapidly improving the quantity and quality of technical personnel needed for the country's economic development and in reducing the dissidence prevailing among the students of the institute arising in part from inadequate facilities. The Ruthinian Government has approached the United States for assistance in constructing the dormitory-classroom complex. A prompt and decisive response to this request would demonstrate to the Ruthinian Government that it may plan its future policy on the basis of a close and friendly association with the United State.

The $8 million commitment would include $6 million to be provided on a grant basis under Supporting Assistance authority ($500,000 of which is presently available and would be obligated before the end of FY 1977) and the equivalent of $2 million in Ruthinian piasters, to be provided on a grant basis and to be generated by sales of surplus agricultural commodities pursuant to Title I, P.L. 480. The $6 million to be provided under Supporting Assistance will be utilized to finance procurement of U.S. goods and services and the $2 million equivalent in piasters will, together with the Ruthinian Government's contribution, meet the local currency costs of the building.

CLASSIFICATION

Justification

National Security Council Action 1550, as approved by the President on May 8, 1956, directs that no promise or commitment, involving future performance or future expenditures of United States funds for foreign assistance, should be made or implied except on specific determination by the Executive Branch covering the following points:

1. That the commitment is in accord with approved policy. The Department of State Guidelines paper on Ruthinia, approved by the Secretary of State on Feb 10, 1976, provides that the United States should respond on appropriate occasions to requests from the Ruthinian Government for economic assistance if that government demonstrates a real desire to reduce its previous dependence on the USSR, and that it is in the U.S. interest to assist in improving the quality of the Ruthinian educational system.

2. That the commitment is in accordance with law. The commitment to the Ruthinian Government will indicate that the obligation of any U.S. funds for the dormitory-classroom complex, beyond the $500,000 for the costs of an architectural and engineering survey, will be subject to the appropriation of funds by the Congress and the completion of plans and cost estimates.

A determination has not yet been made that Ruthinia is a country "not dominated or controlled by the international Communist movement," a prerequisite to furnishing assistance to the Government of Ruthinia (Section 620(f) of the Foreign Assistance Act of 1961, as amended). However, it is not expected that there will be any problems encountered in the Secretary of State's making such a determination within the next week.

3. That the funds have been approved by the Congress or that there is an Executive determination to request additional appropriations. Of the proposed commitment of $6 million in Supporting Assistance grant funds, $500,000 is available from the current FY 1977 funds. It is hereby determined that up to $3 million of the Supporting Assistance funds requested by the Executive Branch for FY 1978 will be programmed for the present commitment. It is further determined that the Executive Branch will seek $2.5 million in FY 1979 to complete the commitment.

Of the $2 million equivalent in Ruthinian piasters proposed to be committed for the technical school, $1 million is already available and an additional $1 million will be generated through additional sales of surplus agricultural commodities in FY 1977 and FY 1978.

4. The extent to which the recipient may be able to support the program contemplated. The present Ruthinian Government gives every indication of having the support of a substantial majority of the Ruthinian people, not only with respect to

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its pro-Western orientation but also with respect to the improvement of its educational system. The Ruthinian Government will be required on its part to provide a suitable site for the dormitory-classroom complex and to construct the necessary streets and public utilities required for the new site which is to be located on the outskirts of _____ City. Furthermore, with the rising production and export of oil in Ruthinia, its future foreign exchange earnings should be adequate to meet the costs of equipment needed for the technical institute as well as for the salaries of faculty members who initially will be drawn in part from the United States and Western Europe.

5. Probable time-span over which the subject assistance may have to be granted. As indicated in paragraph 3 above, the obligation of United States funds will be made in the beginning in the United States FY 1977 and terminate in FY 1980. It is anticipated that expenditures will be completed by the end of FY 1981.

While the Ruthinian Minister of Education has suggested that the United States provide equipment and faculty members on a grant basis, the U.S. Ambassador and the AID Mission Director have made it clear that in view of the prospective increase in Ruthinia's foreign exchange earnings, it is the U.S. view that Ruthinia should finance the equipment and operating costs of the technical institute from its own resources.

_____ _____
Agency for International Development — Date

_____ _____
Office of Management and Budget — Date

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Concurrences:

A.I.D.

Mr. V. V. Voe, GC _____
Mr. S. S. Soe, LA _____
Mr. R. R. Roe, SER/FM _____
Mr. N. N. Noe, PPC _____

State

Mr. T. T. Toe, ARA _____
Mr. R. S. Coe, L/EB _____

OMB

Mr. P. P. Poe, International Division _____

WWWoe:PPC/XYZ:abc

CLASSIFICATION

Type on plain white bond paper:
1 yellow flimsy for PPC Control Officer for SER/FM
1 white flimsy for PPC Control Officer
1 green flimsy for PPC Action Officer
3 white flimsies for ES
All copies (except the ribbon copy) show drafter and clearances.
Initials on yellow copy.

CLASSIFICATION

ATTACHMENT 5B

Memorandum Transmitting Draft Determination
for Interagency Clearance

/Date

MEMORANDUM FOR: Mr. V. V. Voe, GC
Mr. T. T. Toe, ARA
Mr. R. S. Coe, L/EB
Mr. S. S. Soe, AA/LA
Mr. R. R. Roe, SER/FM
Mr. P. P. Poe, OMB

FROM: N. N. Noe, PPC/XYZ /PPC Division Chief/

SUBJECT: Determination in accordance with NSC Action 1550 relating to a commitment that the United States will provide up to $8,000,000 to Ruthinia to Construct Technical School Facilities

We have prepared the attached draft of a determination for a commitment to Ruthinia. Your comments and concurrence are requested in writing by c.o.b. December 10, 1977. All clearances, with the exception of the Office of Management and Budget, are to be made by or on behalf of the principal officers of the organizational units addressed. The Office of Management and Budget clearance is at the staff level.

Further drafts will not be circulated unless significant changes are made in the present draft. The PPC Action Officer, W. W. Woe (ext. xxxxx) is prepared to furnish further information.

In view of the urgency attached to completing this action, you are requested to respond promptly to this memorandum.

Attachment: Draft determination

WWWoe:PPC/XYZ:abc

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ATTACHMENT 5C

Memorandum Transmitting Determination
for the Administrator's Approval

DRAFTED: /Date/
INITIALED: /Date/

ACTION MEMORANDUM FOR THE ADMINISTRATOR

THROUGH: ES

FROM: Z. Z. Zoe, AA/PPC

SUBJECT: Determination in accordance with NSC Action 1550 relating to a commitment that the United States will provide up to $8,000,000 to Ruthinia to construct Technical School Facilities.

Discussion: /Summarize in a few sentences the proposed determination and any significant background material not included in it. This memorandum should not exceed one page./

Recommendation: That you sign the attached determination. /If a Type 1 determination add - and forward it to the Director, Office of Management and Budget./

Attachment: Proposed determination D-77-xx

WWWoe:PPC/XYZ:abc

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Type on plain white bond paper:
1 yellow flimsy for PPC Control Officer;
1 green flimsy for PPC Action Officer;
3 white flimsies for ES:
Initials on ribbon copy.

PART II: BUD(

PART II - BUDGETING

CHAPTER 1

INTRODUCTION

1A. Purpose

This part of Handbook 2 describes AID's budgetary process. It includes a description of major events during the usual two year U.S. Government budget cycle, defines several of the frequently used budgetary terms and sets forth in general terms requirements for the Annual Budget Submission (ABS).

1B. Definition of Budgeting

Budgeting is the process by which AID establishes funding priorities and allocates resources to competing programs for both the budget year and the operational year. Budgeting involves a series of interactions: Between PPC and the Geographic and Functional Bureaus; between AID and the Office of Management and Budget; between the Executive Branch and the Congress. (An exhibit describing AID's Budget Process is provided.) (See Exhibit 1A, "Budgeting Process.")

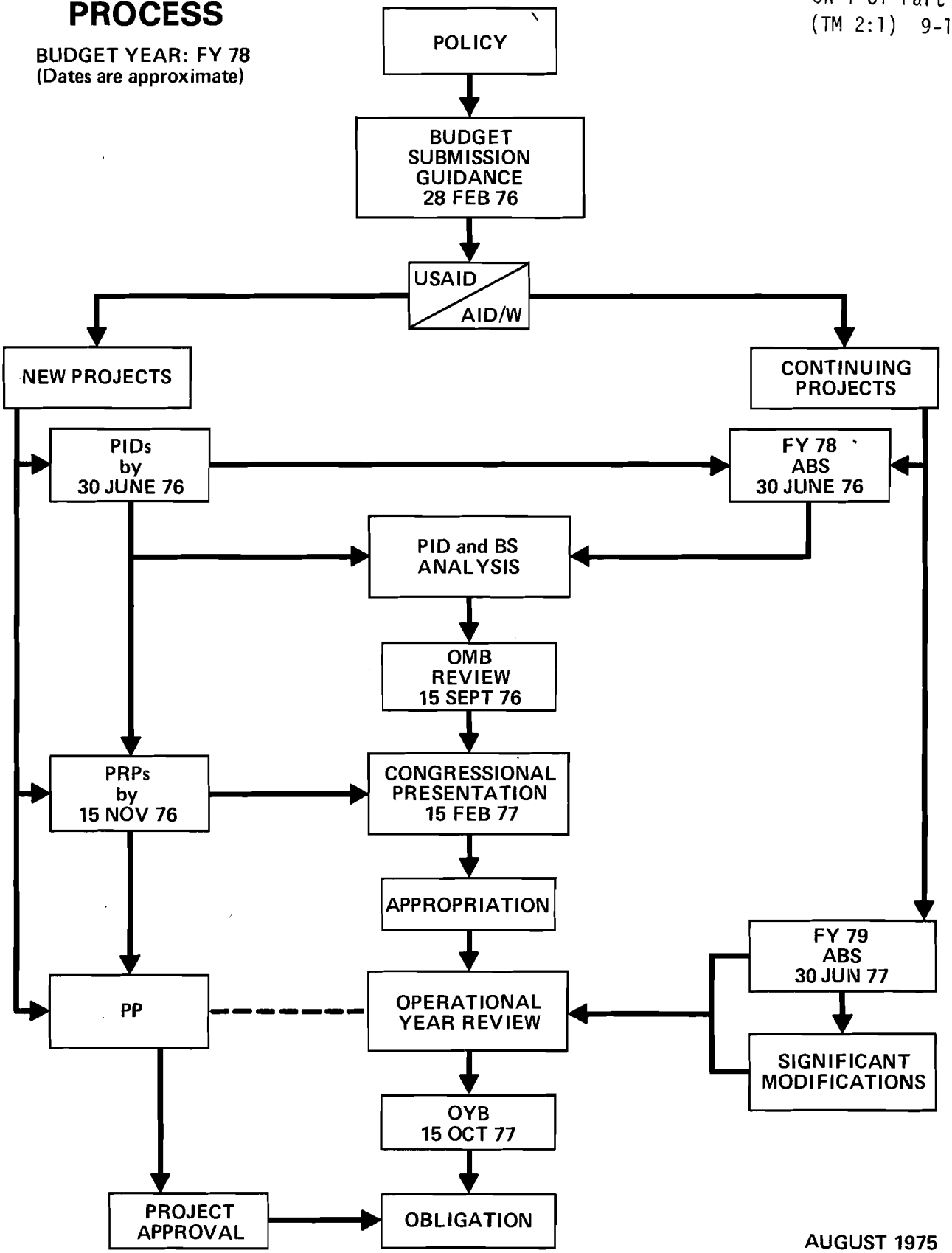
1C. Coverage of this Part

Part II deals with budgeting for all AID resources, except for operating expenses. The subject of operating expenses is covered in Handbook 19, Financial Management.

BUDGETING PROCESS

BUDGET YEAR: FY 78
(Dates are approximate)

Exhibit 1A to
Ch 1 of Part II
(TM 2:1) 9-15-75



AUGUST 1975

CHAPTER 2

GLOSSARY OF FREQUENTLY USED BUDGET TERMINOLOGY

2A. Frequently Used Budget Terminology

1. Total Program - represents the total of all dollar funds available to AID during a fiscal year and consists of newly appropriated funds plus "bridge items" as described below.

2. Budget Authority (BA) - The Office of Management and Budget (OMB) defines budget authority as follows: "Budget authority for any year represents the authority becoming available during the year to incur obligations. Most budget authority is in the form of new appropriations; other types are contract authority and authority to spend debt receipts." In the case of AID, budget authority is normally synonymous with New Obligation Authority (NOA) plus or minus transfers to and from other Federal agencies. Net budget authority applies to the total NOA for AID, less certain receipts which return directly to the U.S. Treasury.

3. Appropriated Funds - Also known as New Obligation Authority (NOA) represents the new funds appropriated by the Congress each year in the Foreign Assistance and Related Programs Appropriations Act to enable the President to carry out the provisions of the Foreign Assistance Act.

4. Bridge Items - Each year, the Congress has authorized AID to use certain funds known as "bridge items" to carry out its program which, when added to the new funds appropriated by the Congress, represents the total amount of funds available to AID for the fiscal year. Bridge items include: Unobligated balances from the previous year; deobligations and deauthorizations; reimbursements; loan receipts; transfers. Bridge items are not available without positive, affirmative action by the Appropriations Committees and, subsequently, by the entire Congress. All AID funds, including bridge items, are subject to the appropriation process, and the Appropriations Committees have control over all funds that they make available to AID.

5. Unobligated Balances - Represent funds that become available when obligations/authorizations in the previous fiscal year are less than the amount of funds made available by the Congress for that year.

a. Congress appropriates some funds (e.g., loan funds for the five Development Assistance accounts) with the provision that the funds will be available until expended. Any unobligated balances in these "no-year" appropriations are therefore continued available into the next fiscal year.

2A5

b. Unobligated balances in annual appropriation accounts expire at the end of the fiscal year. However, the Congress has traditionally included a special provision in the annual Appropriations Act for the following year reappropriating these balances.

6. Deobligations/Deauthorizations - Represent recoveries of funds obligated or authorized in prior years.

7. Reimbursements - Represent the recovery of the cost of services provided by AID to other U.S. Government agencies such as administrative support for the State Department at some overseas posts.

8. Loan Receipts - Represent interest and principal repayments to AID by borrowers from loans made by AID and predecessor agencies in prior years.

9. Transfers - Represent the transfer of AID funds to other agencies and from other agencies to AID under various legislative authorities.

Transfers also take place when funds are moved between AID accounts. (For example, Section 109 of the Foreign Assistance Act permits the transfer of up to 15% of the funds made available for any of the five functional accounts to any other of the other functional accounts, with the limitation that no account may be increased by more than 25% of the amount authorized in the Act.)

10. Pipeline - AID's pipeline represents funds which have been obligated or committed for specific projects or activities through negotiated bilateral agreements with foreign governments, with contractors, and with nongovernment grantees but which have not yet been expended. (Also known as unliquidated obligations or obligated balances.) Pipeline data is presented in two ways. The Cash Basis pipeline represents funds obligated against which checks have not yet been drawn. The Accrual Basis pipeline is the Cash Basis pipeline less the estimated value of goods and services already delivered but not yet paid for.

11. The President's Budget - is prepared by the Office of Management and Budget (OMB) and sets forth the President's budget year. It contains a summary of economic and fiscal conditions affecting the preparation of the President's budget; a narrative statement for major functional categories (AID programs are contained under the function "International Affairs and Finance"); a listing of each individual appropriation account for all agencies and programs for a 3 year period -- past, operational and budget.

The Appendix to the President's Budget contains detailed financial schedules for each account, a brief narrative rationale, proposed appropriation language, and projected employment levels for each Federal agency.

2A

12. Budget Amendments - involve an increase or decrease in the amounts proposed in the President's budget. Proposed amendments are prepared by AID, processed by the Office of Management and Budget and transmitted by the President to the Congress. The President's budget may be "amended" up until enactment into law of an appropriation.

13. Budget Supplementals or Recissions - involve a proposed increase or decrease in the amounts already appropriated by the Congress for a particular year. They are processed in much the same way as a budget amendment.

14. Budget Year - refers to the upcoming fiscal year (FY); e.g., during FY 1976, the budget year means FY 1977.

15. Operational Year - is the fiscal year preceding the budget year; e.g., during FY 1976, the operational year means the same period of time as the fiscal year.

CHAPTER 4

ESTIMATING BUDGET YEAR REQUIREMENTS

4A. Purpose

1. This chapter briefly describes the factors which generally influence decisions regarding AID's request for the resources necessary to implement its budget year program.

2. The decision to request resources to fund programs is a decision to select certain activities for intensive development. That selection is based on and reflects AID priorities. Estimating budget year requirements is a process of analyzing and defining AID priorities and balancing those priorities against broad limits of resource availability.

4B. Policy Inputs

AID's existing pool of program planning guidance is fed by three policy sources:

1. The Congress is responsible for authorizing the programs which AID implements. AID's legislation and its history provide the legal basis for what AID is supposed to be doing.

2. The Executive. The President, OMB, the Department of State, and to a limited extent, other Departments and agencies of the Federal Government provide direction for AID's program, help to ensure that it is coordinated with other U.S. Government programs, and provide technical guidance from their respective areas of experience and expertise.

3. AID Management. The central management staff of AID is responsible for:

a. Insuring that policy from all sources is reflected in AID programs. AID central management is responsible for interpreting and clarifying policy for AID. This is accomplished through the Administrator's policy determinations and guidance messages.

b. Providing precise technical guidance which will help to insure that AID activities reflect AID policy from the earliest stages of their design.

4C. Program Inputs

The budgetary demands of AID's program come from three sources:

1. Ongoing activities which require funding if they are to successfully accomplish their objectives.

4C

2. Project Identification Documents or comparable documents for new activities which have been approved by AID and are designed to reflect the planning strategies of Missions and AID/W operating Offices.

4D. OMB Planning Guidance

The OMB planning guidance establishes a general framework of funding priorities among all Federal agencies.

4E. Estimating Budget Year Requirements

In practice, it is impossible to provide an exact formula for determining the level of budget year resources to be requested from OMB. In some years policy issues and AID's attempt to respond to them will dominate the process. In other years, particularly when the Federal Government faces severe fiscal constraints, funding issues will dominate the process. When the program demands of AID for resources for ongoing and new projects are less than or are quite close to the targets included in the OMB planning guidance, the process of requesting budget year resources is simplified.

When there are worthy program demands well in excess of targets included in the OMB planning guidance, AID must solve two problems: What will the content of the program within the OMB planning level be and what level of additional resources will be requested from OMB. The process works as follows:

1. AID Geographic and Functional Bureaus aggregate requirements for ongoing projects for the budget year. In some cases, a Bureau may choose to terminate or phase down an ongoing project in order to free funds for new activities. This should occur when the project is not germane to the planning strategy or will not accomplish its objectives.

2. AID Geographic and Functional Bureaus transmit their ongoing funding requirements, together with initial funding requirements for approved new PID's, and comparable documents, to PPC.

3. PPC aggregates budget year funding requests for ongoing and new projects and develops a funding plan comparing requested levels with the planning targets established by OMB.

4. PPC presents the Administrator with a series of options, together with PPC's recommendations, which compare Bureau proposals to the OMB planning target and Bureau proposals to an alternative funding level recommended by PPC.

5. The Administrator will select his preferred option and PPC will use it as the basis for preparing the OMB submission. The request for budget year resources will normally be presented in the form of two alternatives:

4E5

a. A "low" level within the OMB planning level, including as proposed new activities those projects included in the Administrator's preferred option.

b. A "recommended" level based on all the proposed new activities which AID feels it must implement in order to accomplish its mission.

CHAPTER 5

ESTIMATING REQUIREMENTS FOR THE OPERATIONAL YEAR

5A. Purpose

This chapter briefly describes the process used to allocate resources for the operational year, the OYB process. The process is similar to that used to estimate requirements for the budget year. However, the allocation of resources is done within the basic framework set forth in AID's Congressional Presentation. To the greatest extent reasonable and practicable, AID will adhere to the funding plan contained in this document.

5B. Policy Inputs

AID has fresh Congressional policy guidance for use in preparing the OYB. Authorizing legislation and its history as well as the appropriation bill and its history provide pointed policy reference for preparation of the OYB.

5C. Program Inputs

As with the OMB submission, the three program inputs are:

1. Data on ongoing activities which are drawn from the Annual Budget Submissions

A precise estimate of the resources necessary for each ongoing project is critical to the efficient use of AID resources during the operational year. Overfunded projects limit AID's ability to initiate new activities, so careful fiscal analysis of ongoing requirements is an important input for the OYB.

2. New Projects

Project Review Papers will have been completed prior to preparation of the Congressional Presentation. Since PRP's will be at least eleven months old when the OYB is issued, Project Papers for most proposed new projects will have been prepared by the time of the OYB.

3. Approved nonproject activities.

5D. Estimating Operational Year Requirements

By the time PPC issues controls for the OYB, AID has invested some twenty months in developing its program for the operational year. It also has reasonably firm program levels by each appropriation category. Reconciling program demands with availabilities takes place as follows:

5D

1. Geographic and Functional Bureaus reestimate requirements for ongoing projects based on:

a. A review of actual and planned project performance.

b. A review of planned obligations by cost component and method of implementation. This data should be consistent with comparable data in the Project Paper, as modified by subsequent evaluation and other reviews and replanning.

c. An analysis of planned funding periods to insure that Missions and AID/W Offices are observing AID forward funding guidelines. Bureaus will be praticularly sensitive to the unwarranted accumulation of funds in the project pipeline.

2. When Bureaus have arrived at their best estimate of requirements for ongoing projects, they transmit that estimate together with requirements for new projects beginning during the operational year to PPC. PPC then reconciles requested levels with program availabilities. This process takes two different forms:

a. When program availabilities approximate Bureau requests for funds, preparation of the OYB involves arranging Bureau requests in the desired format and publishing the document.

b. When program availabilities are significantly less than Bureau requests, preparation of the OYB involves a difficult choice between new projects and a balancing of new proposals with ongoing activities. In extreme cases, Bureaus may be requested to "short-fund" ongoing activities and to cancel plans for implementing new projects. Bureaus will be given an opportunity to raise OYB issues with PPC to the Administrator.

3. The Administrator will approve the OYB.

CHAPTER 6

OPERATING UNDER A CONTINUING RESOLUTION

6A. Introduction

In cases where an appropriation has not been enacted by the time the operational year begins, it is normal practice for the Congress to enact a temporary continuing resolution to permit continuation of programs pending final Congressional action. While the specifics of the continuing resolution may vary from year to year, the basic intent is to permit orderly continuation of Federal programs but in such a manner as to preserve to the maximum extent practicable Congressional prerogatives and flexibility.

6B. Theory of the Continuing Resolution

1. The Continuing Resolution is an appropriation act. In its application to AID it normally authorizes and appropriates funds for any purpose for which funds were available under the Foreign Assistance and Related Programs Appropriations Act, and for which funds are included in the budget estimate.

With respect to any particular activity, the availability of funds during the period of the Continuing Resolution will normally cease when and if both Houses enact an appropriation act without any provision for such activity or when an appropriation act providing for such activity becomes law.

2. Obligation made during the period of the Continuing Resolution will ultimately be charged to the specific appropriation available for such obligation under the appropriation act, when the latter becomes effective.

6C. Continuing Project or Activity

Under the normal Continuing Resolution, AID may obligate and expend funds for "continuing projects or activities." This language has been construed both by opinions of the General Counsel and by AID practice to limit activities during the Continuing Resolution period to those statutory purposes or general appropriation categories for which funds were provided in the previous years appropriation act.

Nevertheless, both the House and Senate Appropriations Committees have made it clear that operations during a Continuing Resolution period must be conducted so as to avoid program items on which the Committees have expressed strong criticism and otherwise to preserve the Congressional prerogatives of the regular authorization and appropriation process.

6D. Rate for Operations

The Continuing Resolution normally permits activities to be carried out at an annual "rate for operations" not in excess of the current rate or the rate provided for in the President's budget estimate, whichever is lower. In some cases, Continuing Resolutions contain time restrictions; e.g., a quarterly limit. In order to determine the "rate for operations"; i.e., the funding availability on an annual basis, the total fiscal year program must be considered. For this purpose it is not the actual obligations in the preceding year which must be considered by what was available for obligation, as the rate referred to is the rate for operations; i.e., available for, and not the rate of operations. This means that the rate available for obligation during the Continuing Resolution period is the lesser of the total fiscal year program availabilities for which provision was made in the preceding year or in the budget estimate for the budget year.

6E. Administrative Control over Obligations During the Period of the Continuing Resolution

Because of the importance of maintaining Congressional prerogatives, it is normal practice to establish special procedures to carefully monitor and control obligation of funds during the Continuing Resolution. Although the specific elements of these special procedures vary from year to year, they normally involve a system whereby the authority to approve certain categories of funds for obligation is elevated to the Office of the Administrator.

CHAPTER 7

RELEVANT STATUTORY PROHIBITIONS AND RESTRICTIONS

7A. Purpose

This chapter describes the major statutory provisions which regulate and control AID's budget process. These provisions are drawn from three pieces of legislation:

1. The Congressional Budget Act of 1974;

2. The Foreign Assistance Act of 1961, as amended;

3. The Foreign Assistance and Related Programs Appropriation Act of 1975 (hereinafter referred to as the Appropriations Act).

In a sense, these Acts in their entirety are relevant to AID's budget process in that they provide policy guidance used to develop AID's program. The sections of the legislation included in this chapter are those which directly affect the process used to request and allocate resources.

7B. Provisions which Regulate the Budget Cycle

While AID and the Executive Branch have some flexibility with respect to the flow of the budget cycle, the basic framework regulating the timing of budget events is provided by legislation.

1. Section 300 of the Congressional Budget Act of 1974 is a timetable for the Congressional budget process. AID's budget cycle, and that of the Executive as a whole, must integrate with the Congressional process. Section 300 provides, in part, that:

a. On or before the 15th day after Congress meets, the President sumbits his budget (usually around January 20th).

b. On or before April 15 the Budget Committees report the first concurrent resolution on the budget to their Houses.

c. On or before May 15 Committees report bills and resolutions authorizing new budget authority.

d. On or before the 7th day after Labor Day, Congress completes action on bills and resolutions providing new budget authority and new spending authority.

7B1

e. On or before September 15 Congress completes action on the second required concurrent resolution on the budget.

f. October 1, the new fiscal year begins.

2. Section 653 of the Foreign Assistance Act requires, in part, that within thirty days of the enactment of appropriations the President shall notify the Congress of each foreign country which will receive assistance, the amounts of such assistance, and the category of such assistance. Since this requirement is substantially the same as the OYB, it dictates the timing of the OYB. These requirements do not apply to funding under a Continuing Resolution and may not be waived under Section 614(a).

7C. Provisions which Permit AID Flexibility in the Implementation of Programs for which Funds are Appropriated

1. Section 614 of the Foreign Assistance Act, in part, provides the President with authority to use for Foreign Assistance Act purposes up to $250 million of foreign assistance funds when he determines the purpose to be important to the security of the United States, without regard to other provisions of the Act (other provisions of the Act restrict this authority in certain instances).

2. Section 610 of the Foreign Assistance Act authorizes, in part, the transfer of not to exceed 10 percent of the funds made available for any provision of the Act for use with funds made available for any other provision of the Act. The total in the provision benefitting from transfer may not be increased by more than 20 percent of the funds originally made available. In general, provisions of the Act correspond to the appropriation categories in which funds are made available. (Other restrictions in the Act restrict this authority in certain instances.)

3. Section 109 of the Foreign Assistance Act authorizes, in part, the transfer of not to exceed 15 percent of the funds made available for one of the functional development programs for use with funds made available for any other functional development program. The total in the program benefitting from transfers may not be increased by more than 25 percent of the funds originally made available. (This section prohibits the use of Section 610 and Section 614 authority to transfer funds from the functional development program for any other use.)

7D. Provisions which Help to Maintain the Integrity of the Budget Process

1. Section 113 of the Appropriations Act provides that no funds made available to AID shall be available for obligation unless House and Senate Appropriations Committees are notified 15 days in advance. It is AID policy that notifications subsequent to the Congressional

7D1

Presentation be processed only in exceptional circumstances. This means that the Congressional Presentation must be as firm as possible and as a result, that other budget documents must be "real" rather than illustrative.

2. Section 102 of the Appropriations Act provides that not more than 20 percent of the grant program in any appropriation category (excluding Contingency and Disaster appropriations) may be obligated during the last month of availability. This provision encourages AID to formulate a funding plan for the entire fiscal year which distributes obligations and consequent workload evenly.

3. Section 634(d) of the Foreign Assistance Act requires that the President notify the Congress of actions taken during the previous fiscal year which resulted in furnishing assistance substantially different from that included in the Congressional Presentation. This report represents the culmination of a budget cycle. In a sense, it measures the effectiveness of the planning and budgeting process.

CHAPTER 8

BUDGETING FOR P.L. 480

(RESERVED)

APPENDIX 3A1

LONG RANGE PLAN

Instructions for Preparing Table I - Long Range Plan

FY 19PY data should be based on the current Operational Year Budget (OYB) and be consistent with Tables IVB.

FY 19CY data should be based on uptodate mission estimates and be consistent with Tables IVB.

FY 19BY data should be taken from the Decision Packages in the Annual Budget Submission showing cumulative levels from the Minimum to the Proposed.

FY 19BY+1 - 19BY+4 data should relate to the long range goal described in the decision unit overview. The grant/loan split is necessary for outlays estimates required by OMB.

Appropriation Stubs - Refer to Appendix 3C if there is a question on proper funding of activities by appropriation account. List each of the "Other" accounts separately.

PL 480 should include dollar levels only.

Personnel in workyears should include all types of Operating Expense-funded personnel required by the program at each level. Data should be drawn from the Annual Budget Submission, relevant mission experience, and be consistent with the discussion of long-range goals, program content and program approaches set forth in the Decision Unit Overview.

Operating Expenses data should cover all categories of operating expenses for the mission.

Exhibit 3-1

TABLE 1 - LONG RANGE PLAN

DECISION UNIT:_____

($ millions)

	FY 19PY	FY 19CY	FY 19BY			PLANNING PERIOD			
	ESTIMATE	REQUEST	MINIMUM		PROPOSED	BY+1	BY+2	BY+3	BY+4
Food & Nutrition									
Grants									
Loans									
Population									
Grants									
Loans									
Health									
Grants									
Loans									
Education									
Grants									
Loans									
Selected Development Activities									
Grants									
Loans									
Total Functional Accounts									
Grants									
Loans									
Other Accounts (specify)									
Grants									
Loans									
Total Program									
Grants									
Loans									
PL 480 (non-add)									
Title I (of which Title III)									
Title II									
Housing Guaranties (non-add)									
Personnel (in workyears)									
Mission - U.S.									
- F.N.									
TDY - U.S. D.H.									
Contract, other -									
Operating Expenses									

Note: PY = Past Year, CY = Current Year, BY = Budget Year
Example: Budget submitted in May 1978 includes data for PY (FY 1978), CY (FY 1979), and BY (FY 1980). Long range plan includes BY+1 (1981), BY+2 (1982), BY+3 (1983), and BY+4 (1984).

APPENDIX 3A2

(Reserved for Table II and Instructions to AID/W Bureaus)

APPENDIX 3A3

SUMMARY OF RESOURCES

Program funding and operating expense-funded personnel levels are presented on Table III for three fiscal years including all decision package levels for the budget year. The data is drawn from Activity Budget tables (Table IVB) for program activities and from Personnel Requirements and Operating Expenses Budget tables for non-program activities.

INSTRUCTIONS FOR PREPARING TABLE III

1. Under the heading for Program Activities, list by account each activity contained in the budget submission with funding and/or personnel requirements during the current year and/or budget year.

2. Under the heading for Non-Program Activities, list the following:

   Policy Direction and Management
   Financial Management
   Mission Support
   IDIs
   Other (specify, if other categories are used)
   Non-Mission Specific Personnel
   Operating Expenses:
      Personnel
      Housing
      Office Operations

3. For each program activity take the funding and personnel workyears data from the appropriate columns of Table IVB. Budget year levels for decision packages are cumulative totals, not increments. Use additional forms if more than four alternative program levels are addressed in the budget submission.

4. For non-program activities, take the personnel workyears data from the Mission Operating Expense-Funded Personnel Requirements table.

5. For Operating Expenses, take the amounts from the Operating Expense budget for Personnel (line 01), Housing (line 30), and Office Operations (line 54).

6. For each program account and for operating expenses give a subtotal in parenthesis on the same line as the account heading.

Exhibit 3-3

TABLE III - SUMMARY OF RESOURCES - BY ACTIVITY

(FUNDING IN $000 AND OPERATING EXPENSES-FUNDED PERSONNEL IN WORKYEARS (XX.X))

DECISION UNIT: 123 COUNTRY X

PAGE 1 OF 2

ACTIVITY	PY: 1978			CY: 1979			BY: 1980 MARK			MINIMUM			EXPANSION			PROPOSED		
	FUNDING	PERSONNEL US	PERSONNEL FN	FUNDING	PERSONNEL US	PERSONNEL FN	FUNDING	PERSONNEL US	PERSONNEL FN	FUNDING	PERSONNEL US	PERSONNEL FN	FUNDING	PERSONNEL US	PERSONNEL FN	FUNDING	PERSONNEL US	PERSONNEL FN
PROGRAM ACTIVITIES																		
Food and Nutrition (list of Projects)	(____)			(____)			(____)			(____)			(____)			(____)		
Population (List of Projects)	(____)			(____)			(____)			(____)			(____)			(____)		
Health (List of Projects)	(____)			(____)			(____)			(____)			(____)			(____)		
Education (List of Projects)	(____)			(____)			(____)			(____)			(____)			(____)		
Selected Development Activities (list of Projects)	(____)			(____)			(____)			(____)			(____)			(____)		
Sahel Development Program (List of Projects)	(____)			(____)			(____)			(____)			(____)			(____)		
Security Supporting Assistance (List of Projects)	(____)			(____)			(____)			(____)			(____)			(____)		
Other (specify) (List of Projects)																		
TOTAL PROGRAM FUNDING																		
Housing Guaranties (List)																		
PL 480 Title I																		
(of which PL 480 Title III)																		
PL 480 Title II																		

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TABLE III - SUMMARY OF RESOURCES - BY ACTIVITY

(FUNDING IN $000 AND OPERATING EXPENSES-FUNDED PERSONNEL IN WORKYEARS (XX.X))

DECISION UNIT: 123 COUNTRY X

PAGE 2 OF 2

ACTIVITY	PY: 1978			CY: 1979			BY: 1980 MARK			BY: 1980 MINIMUM			BY: 1980 EXPANSION			BY: 1980 PROPOSED		
	FUNDING	PERSONNEL US	PERSONNEL FN	FUNDING	PERSONNEL US	PERSONNEL FN	FUNDING	PERSONNEL US	PERSONNEL FN	FUNDING	PERSONNEL US	PERSONNEL FN	FUNDING	PERSONNEL US	PERSONNEL FN	FUNDING	PERSONNEL US	PERSONNEL FN
NON-PROGRAM ACTIVITIES																		
Policy Direction and Management	NO ENTRY			NO ENTRY			NO ENTRY			NO ENTRY			NO ENTRY			NO ENTRY		
Financial Management																		
Mission Support																		
IDIs																		
Other (specify)																		
Non-Mission Specific Personnel																		
Operating Expenses:																		
Personnel		NO ENTRY			NO ENTRY			NO ENTRY			NO ENTRY			NO ENTRY			NO ENTRY	
Housing																		
Office Operations																		
TOTAL																		

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Exhibit 3-3

APPENDIX 3A4

ACTIVITY DATA

Activity Data Tables IVA (Narrative) and IVB (Budget) will be prepared for each of the following: all new program-funded activities that will be funded in the current year or in the budget year, and all ongoing program-funded activities that will be funded in the current year or in the budget year, including the Housing Guaranty program; PL 480 Title I; PL 480 Title III; PL 480 Voluntary Agency programs; and each PL 480 Title II government-to-government program. Table IVB will be prepared for each ongoing activity that will have unexpended obligations (pipeline) during the current year and/or the budget year, and for each regional or interregional activity that requires mission support in workyears or operating expenses. Information is to be provided for three fiscal years: past year (PY), current year (CY), and budget year (BY). Activity data will be used in AID/W for budget review and analysis purposes and, after any necessary revisions, for input into the Congressional Presentation. Tables IVA and IVB are to be prepared for every activity increment that is presented in decision packages submitted by the decision unit. Use additional Tables IVB if increments of an activity are presented in more than two decision package levels. The tables are to be completed as follows:

A. Table IVA. Activity Data - Narrative. Give brief, concise statements under each of the headings.

1. Purpose. State the activity purpose as it would be presented in a Project Identification Document, Project Paper, or PL 480 proposal.

2. Background (for all projects, similar to data given on project sheets for the Congressional Presentation). Describe linkages between the activity and the U.S. country development strategy, the host country's development priorities and the decision unit's program objectives as set forth in the decision unit overview and in decision packages. (See Appendix 3B Zero Base Budgeting.)

   Project Description (for new activity). Give a brief (page or less) description of the problems to be dealt with under the project, the proposed means of dealing with these problems, the host country entities involved, and any major issues that need to be addressed during project development.

   Progress to Date (of ongoing activity). Indicate major output and progress toward objectives of the activity in relation to the short-range program objectives of the decision unit.

3. Beneficiaries. Identify target group and indicate nature and extent to which the activity would benefit poor people; give estimate of total project cost per family benefited.

4. Current Year Program. State explicitly in objectively verifiable terms the results expected during the current year. In relation to these results, explain any differences between the planned current year program and funding and the activity budget requested in the Congressional Presentation of that year.

ACTIVITY DATA

5. Budget Year Program. For each decision package level state explicitly in objectively verifiable terms the results expected during the budget year.

6. Major Outputs Cumulative through life of project and in quantified terms, indicate major outputs of the activity in relation to the short-range program objectives of the decision unit.

B. Table IVB Activity Budget Data

1. Identifying Information

a. Decision Unit. Enter the name of the organizational entity that manages and provides reources required by the activity.

b. Activity Title. For project activity enter Project Title; for PL 480 or Housing Guaranties enter appropriate identifying information.

c. Project Number. Enter two-segment project number, i.e., country code, and sequence number.

d. Appropriation. Enter the alphabetic code of the appropriation under which funds are requested. A list of current appropriations and codes is given in Attachment 1 of this Appendix.

2. Estimates of U.S. Dollar Costs

Refer to Appendix 3C Program Funding Guidelines for guidance in developing project funding levels.

Past year estimates should be consistent with PY level shown in Table I which should reflect the latest approved Operational Year Budget for the decision unit. Current year estimates should reflect any changes from funding requested in the Congressional Presentation of that year. These changes are to be explained in the Activity Narrative (Table IVA).

Funding Period (From-To) under current year and each budget year decision package level gives period during which obligations will be expended for each input.

a. Activity Inputs. List inputs that are to be financed during PY, CY, BY under AID and PL 480 appropriations. For project activities include an item for project evaluation costs. If contract services are included, show a breakout for contractor support costs.

b. Host Country and Other Donor Inputs. Indicate source, nature of assistance, and dollar value for PY, CY, BY and for the life of the project.

3. Personnel Intensity

The three designations make distinctions among program activities based on their relative need for direct workyear support. The personnel intensity designation should be thought of on a per Program Activity dollar basis, not an absolute basis. In other words, we are trying to determine the amount of personnel support per Activity dollar over its life, not that activities with large dollar funding require more support than small projects.

Use the following general guidelines to classify program activities:

LOW support per program dollar. The primary attribute of these activities is a transfer of funds. The use of the funds is easily defined or handled mainly by the host country. Examples may include:

- PL 480 - Title I
- Commodity Drops such as fertilizer purchases
- Housing Guarantees
- The provision for budgetary support for a group of activities or problems, or sector, on an attribution basis, i.e., host country budget are supplemented.

MEDIUM support per program dollar. These activities require more support than the LOW support activities, due to greater involvement on our part to control, oversee, and coordinate the various aspects of the program. Coordination involves more parties than the host government. Examples may include:

- PL 480 - Title II

- Training activities where we support rather than conduct the training

- Intermediate Credit Institutions where the major input is the provision of funds and possibly some technical assistance

- Projectized Sector Assistance which is made up of a number of separate but related program activities. AID is involved in the approval and monitoring of each program activity.

HIGH support per program dollar. The attributes of these program activities are that AID bears the main burden for design, implementation, and control, and that the activity itself is complex. Examples may include:

- Construction of things, and the development of host country's capabilities required for ongoing support. (roads, rural electrification, irrigation, schools, etc.)

- Institution building whose main purpose is to strengthen the capacity of the government and/or private organizations. (extension services, planning units, university facilities, etc.)

- Area Development or Integrated Rural Development Projects. These activities are characterized by a wide variety of inputs involving technical assistance in various functional areas as well as capital.

- Research including sector and other types of analysis that lead to project development.

NOTE: The three designations refer to the program activity over its life, and not the particular need for support in any one year. The above examples are meant as guidelines, not as substitutes for your specific knowledge of the nature of each activity.

4. Personnel Workyears

The workyears directly related to program activities measures the time and effort required to design, document, monitor, and evaluate these activities. Also, the workyear measures include the efforts by technical personnel as they might relate to any of the functions mentioned above. Program activities are to include participant training, food and nutrition, rural/urban development, population, health, education, and all other special activities. Workyear efforts in support of program activity by legal staffs, contract officers as well as the accounting functions performed by the Controller's staff are not included in this category. The workyears directly related to program activities could be funded from the Mission's Operating Expenses, Program funds, or be provided by TDY of direct hire staff from another official AID duty station.

NOTE: In the Workforce and Operation Expenses section of the guidance you will be asked to identify the source of the workyears of Operating Expense Funded directly related to Program Activity as USDH, FNDH, or Contract. If you feel it necessary to determine this breakdown at the activity level, as opposed to the aggregate levels (Mark, Minimum, Proposed), this information can be developed in a worksheet for Table IVB.

5. Participants. Long-term participants include those in nine months or more of training.

Please note: Decisions on program budgeting and resource allocation must be basedon objective information about the actual performance effectiveness and impact of ongoing projects. In the case of proposed new projects, such decisions must be predicated on the results planned.

For both new and ongoing projects, information on effectiveness and impact ultimately must be developed through rigorous evaluation. Rigorous evaluation in turn is dependent upon whether or not the project is evaluable, i.e., whether it contains statements of targets expressed in explicit, finite, and verifiable terms, baseline data, progress indicators, and means of verification and other evaluative data. It is of critical importance therefore that mission management determine that the evaluation plans of both new and ongoing projects are carefully formulated. For this purpose, refer to Handbook 3, Part I, Annex 3H, which describes the requirements for project evaluation plans and Appendix 3D.

Attachment 1

Appropriations and Codes for AID Program Activity Budgets*

Code	Appropriation
FN	Food and Nutrition
PN	Population Planning
HE	Health
EH	Education and Human Resources Development
SD	Selected Development Activities
SA	Security Supporting Assistance
SH	Sahel Development Program
DR	International Disaster Assistance
AS	American Schools and Hospitals Abroad
CF	Contingency Fund

* A complete list of AID's appropriations is given in Attachment A1 to Appendix D, Handbook 18.

EXHIBIT 3-4

TABLE IVB ACTIVITY BUDGET DATA

ACTIVITY TITLE	DECISION UNIT	DECISION PACKAGE	BUDGET YEAR
	INITIAL OBLIGATION	FINAL OBLIGATION	TOTAL COST
PROJECT NUMBER / APPROPRIATION	DATE PP/REVISION	DATE LAST PAR	DATE NEXT PAR

ESTIMATED U.S. DOLLAR COST ($ 000)

ACTIVITY INPUTS	PY: 19			CY: 19				BY: 19			
	OBLI-GATION	EXPEN-DITURE	PIPE-LINE	FUNDING PERIOD (FR-TO)	OBLI-GATION	EXPEN-DITURE	PIPE-LINE	FUNDING PERIOD (FR-TO)	OBLI-GATION	EXPEN-DITURE	PIPE-LINE
AID-FINANCED TOTAL-											
HC AND OTHER DONOR TOTAL-									LIFE OF PROJECT		

NOTE: PY = Past Year, CY = Current Year, BY = Budget Year
Example: Budget submitted in May 1978 includes data for BY (FY 1980), CY (FY 1979) and PY (FY 1978).

PERSONNEL WORKYEARS (XX.X)

FUNDING	FISCAL YEAR 19	19	19	19	19	BEYOND
PROGRAM ACCOUNT						
TDY (NON-ADD)						
OPERATING EXPENSES						

PERSONNEL INTENSITY
- [ ] HIGH
- [ ] MEDIUM
- [ ] LOW

PARTICIPANTS PROGRAMMED

TYPE	A=NONCONTRACT B=CONTRACT	FISCAL YEAR 19	19	19
TYPE A	LONG-TERM			
	SHORT-TERM			
TYPE B	LONG-TERM			
	SHORT-TERM			

FOOTNOTES

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APPENDIX 3B

ZERO BASE BUDGETING

I. Concept

Zero base budgeting is a management process that provides for systematic consideration of all programs and activities in conjunction with the formulation of budget requests. The concept is central to the Federal budget process and the Agency's internal budgeting system. Zero base budgeting requires:

- Participation of managers at all levels in the planning, budgeting, and evaluation processes;
- Justification of the resource requirements for existing activities as well as for new activities;
- A focus in the budget justification on the evaluation of discrete programs or activities;
- Establishment, for all managerial levels in the Agency, of objectives related to programs against which accomplishments can be identified and measured;
- Identification and assessment of alternative methods of accomplishing objectives;
- Analysis of the probable effects of different budget amounts or performance levels on the achievement of objectives;
- A credible rationale for reallocating resources, especially from old activities to new activities;
- Use of decision packages as the major tool for budgetary review, analysis and decision-making;
- Ranking of activities within decision packages in order of priority at the mission and AID/W office level, and of decision packages at the Bureau and Agency level.

II. Definitions

The following definitions are integral to AID's zero base budgeting process:

A. Decision unit. The basic program or organizational entity for which budget requests are prepared and for which its manager makes significant decisions on the amount of spending and the scope or quality of work to be performed. Each mission or country office and each AID/W operating office is a decision unit. However, ZBB concepts and procedures can be installed within Missions and AID/W offices so that managers below the Mission or Office Director level could be designated Decision Unit Managers.

B. Decision package. A brief justification document that includes the information necessary to make judgments on program or activity levels and resource requirements. A series of decision packages (decision package set) is prepared for each decision unit. Together with the narrative Decision Unit Overview, these packages represent the total budget request for that unit.

Consolidated decision packages are prepared to summarize and supplement information contained in individual packages. These consolidated packages address the objectives of management officials at a higher level than those who prepare decision packages and may reflect priorities, including the addition of new programs or the abolition of existing ones, that differ from the more detailed individual packages.

C. Ranking. The process by which managers array program or activity levels shown in decision packages in decreasing order of priority. Ranking identifies the relative priority assigned to each decision package increment contained in the budget request.

D. Minimum Level. The level below which it is not feasible to continue operating because no adequate contribution can be made toward fulfilling objectives defined in the context of the program goals and strategies. The minimum level might not permit complete achievement of the stated objectives but is defined as the level of resources required to make it worthwhile continuing a program.

Assume: The goal is to help meet basic health needs of poor rural people in Country X.

The assistance strategy includes as one element, among others, a program to help the country provide by BY+2 basic health services to at least 50 percent of the poor people in at least 10 states in which poor people constitute 80 percent or more of the population. Resource needs for BY are estimated at $20 million and six work years to permit complete achievement of the stated objective by BY+2.

The mission determines that if resources for BY fall below $10 million and two work years, the basic health services objectives would not be met because either the quality of technical advice on health services or the extent of coverage by country institutions would fall so far short of expected results that the program strategy would be undermined.

Therefore, the minimum level for the program must contain $10 million and two work years for basic health services or it would not be feasible to continue working on health activities to attain the objectives as stated.

Within a given program strategy, managers should make trade-offs among objectives to be met with limited resources to arrive at an overall minimum level.

The minimum program level for each decision unit must be at or below the Mark and below the Current level.

E. Mark. The level allocated to a Decision Unit representing a share of a total budget issued by OMB for Development Assistance. Missions are expected to treat the Mark as one of three mandatory levels to be presented in Decision Packages. Marks for Security Supporting Assistance will be issued by regional bureaus as appropriate.

F. Current level. The level proposed for CY in the latest Congressional Presentation. For the Agency as a whle the current level implies continuation without increases in resources over CY. For AID/Washington offices the Current Level should be addressed in lieu of a mark.

G. Proposed level. The total of the BY proposed program.

H. Expansion level. Optional alternative levels between the Minimum and Mark or between the Mark and Proposed Level. An indication of the desirability of Expansion levels would be a large difference in total program between, say, the Mark and the Proposed.

III. Application

Each Decision Unit provides the following materials in the annual budget submission: a Decision Unit Overview, a Decision Package representing each level of resources addressed in the submission and a Ranking of proposed activities contained in the level. These elements together are referred to as the Decision Package Set.

A. Decision Unit Overview. The Overview provides information necessary to evaluate the Decision Packages without repeating the information in each package. In itself it should not exceed four pages, but may be supplemented by a more detailed discussion in an attached strategy narrative. The Overview, prepared in narrative form, should summarize the following in the context of the decision unit's assistance strategy:

1. Long-range goal. The Overview identifies the long-range goal of the Decision Unit based on the current assistance strategy that determines the major objectives of the Decision Unit. If both Development Assistance (DA) and Security Supporting Assistance (SSA) are to be proposed, the long-range goal will cover both.

2. Major objectives. The section describes the major objectives of the Decision Unit in terms of needs these objectives are intended to meet. Major objectives normally are of a continuing nature or take relatively long periods to accomplish and are end purpose oriented. They form the basis for first determining and subsequently evaluating the accomplishments of programs or activities; they should be explicit statements of intended results of output clearly related to the basic need for which the program or organization exists. The objectives of DA and SSA should be separately identified as appropriate.

3. Alternatives. The section describes the feasible alternative ways to accomplish the major objectives and identifies the alternative representing the method proposed for the budget year, briefly explaining how the approach selected contributes to satisfying the major objectives and giving the rationale for not pursuing other alternatives.

4. Accomplishments. The section describes the progress of the Decision Unit to date toward meeting the major objectives using both quantitative and qualitative indicators of results.

5. Commentary on Personnel and Operating Expenses. This attachment to the Overview sets forth issues and/or options that have been raised and decisions made in developing the relationship between program levels and the required workforce and operating expenses. The commentary should provide a rationale for the final choices described in quantitative data for personnel requirements and operating expenses. Possible issues of concern include the following:

   a. The general ability and commitment of the host country(s) to support AID programs and projects.

   b. The influence of factors described in (a) on the types of projects proposed in terms of the need for Operating Expenses-funded personnel.

   c. The impact of various program levels on the need for Operating Expenses-funded personnel to directly support those levels.

Decision Unit managers should make complete and forthright justifications for personnel requirements in the expectation that AID/Washington will use those justifications to advise OMB and the President on total Agency needs.

B. Decision Packages. Decision Packages serve as a primary tool for budgetary review, analysis, and decision making. Each Decision Package reflects an incremental level of funding so that the cumulative amount of all packages represents the total proposed budget request of the Decision Unit. Information given in each decision package is complete for the amount of resources (funding and personnel) represented by the package. Each Decision Unit submits a series of Decision Packages in the format of Exhibit 3-5. Separate series should be presented for DA and SSA programs. The Decision Package, which need not exceed two pages, contains the following:

1. Activity Description. A description of the program or activity that will be provided with the resources specified in the package.

2. Resource Requirements.

   a. A summary by account of the program funding and personnel required for PY, for the package itself, and for the cumulative total for the BY. Funding requirements for PL 480 and Housing Guaranty are included as non-add items; personnel requirements are additive.

   b. The total obligations projected for each of five years: BY, BY+1, BY+2, BY+3, and BY+4 assuming that no more than the cumulative level represented by the package is available in the BY.

3. Short-term Objectives. A statement of short-term objectives that will be accomplished and the benefits that will result from addition of the increment to reach the cumulative funding shown in the package, specifying the expected results to the maximum extent possible in objectively verifiable, quantitative measures.

4. Impact on Major Objectives. A description of the impact on major objectives of both the increment and the cumulative funding shown in the package, with discussion and evaluation of significant accomplishments planned in the framework of the Decision Unit's long-range goal or overall program strategy.

5. Other Information. Include other information that can be used in evaluating the resource request contained in the decision package. For example:

- The consequences of not approving the package (for the Minimum level package, this would set forth in effect an all or nothing, i.e., zero alternative for the Decision Unit).

- For any package below the Current level an explanation of what now is being accomplished that could not continue to be accomplished at the lower level.

- The impact of lower personnel levels on program effectiveness or feasibility.

- Factors potentially impeding proposed increases in personnel levels.

- Alternative means of achieving a similar impact on accomplishment of objectives, e.g., different mixes among U.S. direct-hire, foreign national direct-hire, and contract personnel or different mixes of program content.

IV. Ranking of Activities and Decision Packages

Activities and decision packages are ranked in order of priority for funding on Table V (See Exhibit 3-6). Two separate rankings should be prepared if both DA and SSA are proposed. In ranking packages, the Minimum level for the Decision Unit is always ranked higher than any increment for the same unit, since it represents the level below which the program can no longer be conducted effectively. Activities within each package are also ranked in priority order and the direct-hire personnel requirements for each activity are identified. Thus, in a single list on Table V the priority for funding of all activities comprising the budget request is set forth with associated activity-related personnel needs.

Complete Table V as follows:

1. Rank. Enter the number for each ranked activity in sequence, beginning with 1.

2. Decision Packages/Program Activity/Support Item. List in descending order of priority all the ongoing and new activities comprising the budget year program, including ongoing activities that will not have new obligations but will have unexpended obligations. Include PL 480 Title I and II activities and Housing Investment Guaranties in the ranking as determined by their importance to Decision Unit objectives, with funding levels shown as items in parenthesis (non-add) but personnel needs as additive items. Identify each dollar-funded activity by number and title follow by (L) or (G) for loan or grant and (O) or (N) for ongoing or new and (OPG) for grants to PVOs.

3. Appropriation Account. Enter the alphabetic characters for the code of the appropriation related to each activity. Leave blank for PL 480 and Housing Guaranties. Attachment 1to App. 3A4 provides a list of current appropriations and codes.

4. Personnel Intensity. Enter code designating direct-hire personnel intensity from Table IVB for the activity: "H" for high, "M" for medium, and "L" for low.

5. Resource Requirements.

   a. Personnel. Enter Operating Expenses-funded personnel in workyears from Table IVB for the related decision package increment for the activity.

   b. Program Funding. Enter the estimated BY U.S. Dollar Cost from Table IVB for the related decision package increment for the activity.

6. Summary Data. At each decision package level, Minimum, Mark, Proposed, and any Expansion level, indicate the cumulative total resource requirements and the requirements for each set of activities grouped by personnel intensity (See Exhibit 3-6).

Exhibit 3-6 Page 1 of 2

TRANSACTION CODE: BUREAU CODE:

TABLE V - PROPOSED PROGRAM RANKING

DECISION UNIT: 123 Country

NAME OF DECISION PACKAGE SET:

RANK	DECISION PACKAGES/PROGRAM ACTIVITY/SUPPORT ITEM			RESOURCE REQUIREMENTS				
				WORKYEARS (XX.X) FUNDED FROM			PROGRAM FUNDING ($000)	
	DESCRIPTION	APPROP ACCT	PERSONNEL INTENSITY	OPERATING EXPENSES MISSION	OPERATING EXPENSES TDY	PROGRAM ACCOUNT	INCREMENT	CUMULATIVE
	DECISION PACKAGE - MINIMUM							
1	0123 Project A (GO)	FN	H	.5		4.0	-	
2	0456 Project B (LO)	FN	M	.2		5.0	-	
3	0222 Project C (GO)	HE	H	.8		3.5	500	500
4	0321 Project D (GO)	EH	H	.5		4.0	1,500	2,000
5	PL 480 Title II		M	1.0		-	(5,000)	2,000
	Summary by Personnel Intensity: Medium (2 projects)			(1.2)		(5.0)	(5,000)	
	High (3 ")			(1.8)		(11.5)	(2,000)	
	Total			(3.0)	-	(16.5)	(7,000)	
	DECISION PACKAGE - MARK							
6	0444 Project E (GO)	PN	M	1.5		2.0	1,000	3,000
7	0521 Project F (GN)	HE	H	.2	.1	-	1,500	4,500
8	0682 Project G (LN)	FN	M	.5	.1	-	3,000	7,500
	Summary by Personnel Intensity: Medium (2 projects)			(2.0)	(.1)	(2.0)	(4,000)	
	High (1 project)			(.2)	(.1)	-	(1,500)	
	Cumulative Total			(5.2)	(.2)	(18.5)	(12,500)	

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TRANSACTION CODE: BUREAU CODE:

TABLE V - PROPOSED PROGRAM RANKING

DECISION UNIT: 123 Country

NAME OF DECISION PACKAGE SET:

RANK	DECISION PACKAGES/PROGRAM ACTIVITY/SUPPORT ITEM			RESOURCE REQUIREMENTS				
				WORKYEARS (XX.X) FUNDED FROM			PROGRAM FUNDING ($ 000)	
	DESCRIPTION	APPROP ACCT	PERSONNEL INTENSITY	OPERATING EXPENSES MISSION	OPERATING EXPENSES TDY	PROGRAM ACCOUNT	INCREMENT	CUMULATIVE
	DECISION PACKAGE - EXPANSION							
9	0633 Project H - OPG (GN)	FN	H	.2			500	8,000
10	PL 480 Title I	-	L	.2	.1		(3,000)	8,000
11	0634 Project I (GN)	SD	H	.1			1,000	9,000
	Summary by Personnel Intensity: Low (1 project)			(.2)	(.1)	-	(3,000)	
	High (2 projects)			(.3)	(-)	-	(1,500)	
	Cumulative Total			(5.7)	(.3)	(18.5)	(17,000)	
	DECISION PACKAGE - PROPOSED							
12	0632 Project G (LN)	FN	M	-	-	-	2,000	11,000
13	0635 Project L (LN)	HE	M	.1	.3	-	3,000	14.000
14	0636 Project M - OPG (GN)	SD	L	.1	-	-	1,000	15,000
	Summary by Personnel Intensity: Low (1 project)			(.1)	-	-	(1,000)	
	Medium (2 projects)			(.2)	(.3)	-	(5,000)	
	Cumulative Total			(5.9)	(.6)	(18.5)	(23,000)	

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Page 1 of 2

FY 19BY ANNUAL BUDGET SUBMISSION
(in $000)

DECISION UNIT: _____

DECISION PACKAGE: _____

(Minimum, Mark, Current, Proposed, Expansion)

ACTIVITY DESCRIPTION

RESOURCE REQUIREMENTS	19PY	19CY	19BY THIS PACKAGE	19BY CUMULATIVE TOTAL
Food and Nutrition				
Population				
Health				
Education				
Selected Development Activities				
Sahel Development Program				
Other (specify)				
Total Program				
PL 480 Title I (non-add)				
(of which Title III)				
PL 480 Title II (non-add)				
Housing Guaranties (non-add)				
Employment - Full-time Permanent				
U.S. Direct Hire				
Foreign Nationals				
TDY				
Total				

FIVE YEAR PROJECTIONS	BY	BY+1	BY+2	BY+3	BY+4
Program					
Personnel (in workyears)					
Mission - US					
- FN					
TDY - USDH					

Exhibit 3-5

FY 19BY ANNUAL BUDGET SUBMISSION
(in $000)

DECISION UNIT: _____

DECISION PACKAGE: _____

(Minimum,
Mark,
Current,
Proposed,
Expansion)

Short-term Objectives

Impact on Major Objectives

Other Information

Exhibit 3-5

APPENDIX 3C

PROGRAM FUNDING GUIDELINES

A. Forward Funding

1. Missions and AID/W offices should consider with care the period for which funding of each input component of a project is proposed, recording the funding period in the appropriate columns of Table IV, according to the following guidelines:

a. Any project can be funded for the life of the project with initial funding.

b. Subject to the limitation below (parag. 2c) it is appropriate to fund an incrementally funded project through a defined implementation period (e.g., through the pilot period, through the time of a major evaluation, to the time when interim objectives are expected to be met) or to fund it through to completion.

c. To the extent that the funding anniversary dates of incrementally funded projects can be moved to the early part of the fiscal year, that should be done.

d. Participant training should be funded for the full period of training.

2. Restrictions affecting forward funding are as follows:

a. Development Assistance Grant funds and Security Supporting Assistance funds may not be committed or expended over a period exceeding five years at any one time (refer to AIDTO Circular A-24, parag. D dated January 26, 1978).

b. Section 110(b) of the Foreign Assistance Act of 1961, as amended, restricts disbursement of capital grants to a period of 36 months without justification satisfactory to the Congress (Relatively Least Developed Countries are excluded from this restriction).

c. Incremental funding for ongoing projects should be budgeted taking into consideration the fact that actual obligations can not be made beyond the third fiscal year of implementation unless prior to that action an in-depth evaluation of the project has been made and the evaluation results have been considered (refer to Handbook 3, Chapter 8C2(b)).

B. Placement of Development Assistance Activities by Appropriation Account

Most projects can be placed in the proper functional assistance appropriation account by reference to the following sections of the Foreign Assistance Act of 1961, as amended:

1. Section 103, Food and Nutrition, funds activities to alleviate starvation, hunger and malnutrition and to provide basic services to poor people in agriculture, rural development and nutrition. Assistance under this Section is to be used primarily for

activities for the establishment of more equitable and more secure land tenure arrangements; for activities specifically designed to increase the productivity and income of the rural poor through such means as creation and strngthening of local institutions linked to the regional and national levels: expansion of local or small-scale rural infrastructure and utilities such as farm-to-market roads, land improvement, energy, and storage facilities; improvement of marketing facilities and systems; stimulation of small, labor - intensive enterprises in rural towns; organization of a system of financial institutions which provide both savings and credit services to the poor; and creation and strengthening of systems to provide other services and supplies needed by farmers. Assistance for physical infrastructure under this Section is appropriate if used primarily for facilities and institutions required to bring the benefits of those facilities within the reach of the poor. Assistance for major infrastructure projects should be considered only when sufficient financing is not available from other sources.

2. Sections 104(a) and (b), Population Planning and Health funds are each to be used primarily for integrated delivery systems to provide health and family planning services, especially to rural areas and to the poorest economic sectors using paramedical and auxiliary medical personnel, clinics, and health posts, commercial distribution systems, and other modes of community outreach. Section 104(a) funds activities to increase the opportunities and motivation for family planning and to reduce the rate of population growth; provide education in responsible parenthood; and deliver family planning services which are coordinated with programs aimed at reducing the infant mortality rate, providing better nutrition to pregnant women and infants, and raising the standard of living of the poor. Section 104(b) funds activities to assist governments in formulating and implementing programs to provide low-cost preventive and basic curative health services; prevent and combat disease; establish environmental sanitation; and provide health education.

3. Section 105, Education and Human Resources Development funds activities to reduce illiteracy, extend basic education and increase manpower training in skills related to development through expanded education, improved public administration, and other human resources development. Assistance under this Section is to be used primarily to expand and strengthen non-formal education methods, especially those designed to improve productive skills of rural families and the urban poor and to provide them with useful information; to increase the relevance of formal education systems to the needs of the poor, especially at the primary level, through reform of curricula, and to strengthen the management capabilities of institutions which enable the poor to participate in development.

4. Section 106, Technical Assistance, Energy, Research, Reconstruction, and Selected Development Problems (referred to as Selected Development Activities), is used to fund the following activities, to the extent that such activities are not authorized under the functional categories above:

   (a) the development efforts of United States private and voluntary agencies and regional and international development organizations;

   (b) programs to help developing countries alleviate their energy problems by increasing their production and conservation of energy, through such means as research and development of suitable energy sources and conservation methods, collection and analysis of information concerning countries' potential supplies and needs for energy, and pilot projects to test new methods of production or conservation of energy;

   (c) programs of research into the evaluation of, the process of economic development in less developed countries and areas, into the factors affecting the relative success and costs of development activities, and into the means, techniques, and such other aspects of development assistance as the President may determine in order to render such assistance of increasing value and benefit;

   (d) programs of reconstruction following natural or man-made disasters;

   (e) programs designed to help solve special development problems in the poorest countries and to make possible proper utilization of infrastructure and related projects funded with earlier U.S. assistance; and

   (f) programs of urban development, with particular emphasis on small, labor intensive enterprises, market systems for small producers, and financial and other institutions which enable the urban poor to participate in the economic and social development of their country.

C. Activities Falling Into More Than One Category

In most instances, the statute provides sufficient guidance to permit proper placement of activities in funding categories. For those instances where there is some question, the following ground rules should be used:

PROGRAM FUNDING GUIDELINES

1. Projects should be placed in funding categories according to their primary purpose or purposes. The primary purpose of some projects clearly falls under the purposes of more than one funding category. This is particularly true of integrated health and family planning projects. In instances of such integrated projects, the combination of purposes should be clear from the project design. To the extent that each separate purpose is significant to the overall project purpose, the appropriate funding category should be charged proportionately. Thus, establishment of rural health clinics that will provide family planning services might appropriately be funded 80 percent under Health and 20 percent under Population Planning.

2. Many projects will have important secondary benefits and AID/W will often wish to collect information on these for reports to senior management and the Congress. However, projects should be funded according to the primary purpose of the project to keep budgeting and accounting problems manageable. For example, a forestry production project with important environmental benefits might be funded under Selected Development Activities, but if the primary purpose is reclamation of land for production purposes it should be funded under Food and Nutrition. However, a project that is primarily directed to conservation of recreational land or wildlife or prevention of destruction of settlements should be funded under Selected Development Activities.

3. On occasion, particularly in PVO activities, a project may cover many smaller activities with diverse purposes. In such instances, it makes sense to fund the total activity under one funding category. That category will be Food and Nutrition if the purpose of the project is primarily rural development, Health if it is community water supply, or Selected Development Activities if the purpose is support of the PVOs themselves.

4. For Program Development and Support/and PVO activities that will be developed some time after the budget submission, an estimate of needs in each funding category should be made. These activities should not be arbitrarily lumped under Selected Development Activities.

Attachment 1

Participant Funding Standard Costs

1. In estimating training programs, the following figures are to be used per participant-month.

Year	Academic	Non-Academic
1979	$ 1,100	$2,100
1980	1,285	2,350
1981	1,375	2,515
1982	1,470	2,640

CHECKLIST OF BUDGET GUIDANCE APPENDICES, EXHIBITS AND ATTACHMENTS

APPENDIX	TITLE	PAGE
3A1	Long Range Plan Exhibit 3-1 Table I Long Range Plan	
3A2	(Reserved for Table II and Instructions to AID/W Bureaus)	
3A3	Summary of Resources Exhibit 3-3 Table III Summary of Resources	
3A4	Activity Data Attachment 1 Appropriations and Codes Exhibit 3-4 Table IVB Activity Budget Data	
3B	Zero Base Budgeting Exhibit 3-5 Decision Package Exhibit 3-6 Table V Proposed Program Ranking	
3C	Program Funding Guidelines Attachment 1 Participant Training Standard Costs	
3D	Workforce and Operating Expenses	
3E	Special Concerns Exhibit 3-7 Table VI Funding for Special Concerns	
3F	Research and Development	
3G	Mission Evaluation Activities Exhibit 3-8 Mission Evaluation Plan	
3H1	PL 480 Title I Exhibit 3-9 PL 480 Title I Agreements and Shipments	
3H2	PL 480 Title II Exhibit 3-10 PL 480 Title II	
3H3	PL 480 Title III	
3I	Population Planning - Commodities Exhibit 3-11A Program Analysis for the Oral and Condom Supplies Needed to Achieve Full Availability Exhibit 3-11B AID Bilateral Logistic and Financial Analysis of Orals Exhibit 3-11C AID Bilateral Logistic and Financial Analysis of Condoms	

NOTE: PY = Past Year, CY = Current Year, BY = Budget Year
Example: Budget submitted in May 1978 includes data for PY (FY 1978), CY (FY 1979), and BY (FY 1980). Long range plan includes BY+1 (1981), BY+2 (1982), BY+3 (1983), and BY+4 (1984).

APPENDIX 3D

WORKFORCE AND OPERATING EXPENSES

INTRODUCTION

FY 80

OPERATING EXPENSE BUDGET AND WORKFORCE PLAN

This year's operating expense budget is quite different from last year's. A continuing high level of interest by AID/Washington, the President, as well as the Congress to understand the relationships between Program level and workforce has prompted a change in approach. Mission Directors are urged to take some time to examine the organization of the request, clarify points of confusion, and make sure that everyone associated with developing the information understands the overall sequence of events.

The "overall sequence of events" is the first, most important concept to understand before attempting to "fill out" the forms. There are five steps required to complete the FY 80 Operating Expense Budget and workforce plan. Each of these steps must be taken in sequence, since portions of the information pass from one step to the next.

Following is a brief description of the steps and the purpose of each:

STEP	Description
1	The requirements for Step 1 will have been met by completing the Activity Budget Data (Table IVB) and Proposed Program Ranking (Table V) forms asked for earlier in this budget guidance. On these forms, you have indicated the number of Operating Expense funded work years required to directly manage each activity and identified the program resources and work years required at three or more "Zero Base" levels of activity (Mark, Minimum, and Proposed).
2	Beginning with Operating Expense Funded work years required to directly support the project load, total mission staffing is developed for each "Zero Base" level of activity. The total work years are divided into three categories indicating the source of the personnel as: U.S. direct hire, foreign national direct hire, or contract personnel. This information is recorded on a form called Mission Operating Expense Funded Personnel requirements.
3	The Operating Expense Budget is developed. Expenses are broken down into three major categories: (1) Personnel (which should tie to the Mission's staffing - Step 2), (2) Housing and (3) Office Operations. Object Code detail is required in this step only for the Mark "Zero Base" level.
4	An Operating Expense Commentary is written to provide a perspective on the major decision/issue relative to work force and expenses.

WORKFORCE AND OPERATING EXPENSES

STEP	Description
5	This step is directed at a position analysis for FY 1979. The purpose is to detail the immediate staffing decisions facing the Office of Personnel and Training concerning U.S. direct hires.

Each step is separately identified and documented in this FY 80 Guidance. Although the documentation by step is complete within itself, it is important to remember that information must flow from one step to the next. The forms cannot be completed independently.

If you have questions or problems concerning any of the workforce or operating expense budgeting forms or instructions, contact your AID/W Bureau's Development Planning Office or the Office of Financial Management, Support Planning Division in AID/W at:

Mailing Address: Agency for International Development
FM/SPD - Rm. 518, SA-12
Washington, D. C. 20523

Telephone No: 202/632-0182

CABLE: Directed to FM/SPD

With your support, this new presentation of information will assist all of us in AID to manage better and explain what is required to successfully and efficiently carry out our programs. To accomplish this goal you must help! AID/Washington has tried to better relate activities and expenses, in this budget guidance. However, the key is the thought you provide to the process. Let's make it work.

STEP 1

PROGRAM/PROJECT BUDGETING

Step 1 documentation must be completed in the program budgeting stage before proceeding to Step 2. In particular, Table IV B (Activity Budget Data) and Table V (Proposed Program Ranking) must be completed. The key information developed in the above Tables, that carries forward to Step 2, is the Operating Expense Funded Workyears directly related to Activities, as summarized on Table V at three or more "Zero Base" levels of activity.

When this information is available, procede to Step 2.

STEP 2

MISSION OPERATING EXPENSE FUNDED PERSONNEL REQUIREMENTS

INTRODUCTION

Starting with the workyears directly related to projects as identified in Table V, Step 2 builds the full Mission staffing to su-port all Mission activities. These Mission workyears are divided into two groups: (1) Mission Specific Personnel, which includes all personnel needed at the Mission to carry out the Mission's program; and (2) non-Mission Specific Personnel which includes personnel located at the Mission and charged to the Mission budget, but whose responsibilities and activities are extended to other missions.

PREPARATION

A. General

The data submitted is workyears of effort, not a count of the various positions in different sections of the Mission. The only exception to this is where the end of year ceiling is requested. This ceiling reflects the number of full-time employees actually needed by the Mission. The ceilings recorded for FY 78 and FY 79 are those already established.

B. Column Definitions

Three different breakdowns of workyear data are requested: (1) U.S. direct-hire; (2) Foreign National direct-hire; and (3) contracted workyears. This information is requested for the FY 78 estimated actual; FY 79 estimated,* and the three zero base levels (Mark, Minimum, and Proposed) for FY 80. If the Mission wishes to submit additional optional levels for FY 80, please do so by changing the column heads on another Step 2 sheet.

C. Line Definitions

1. Directly Related to Activities (from Table V)

The workyears directly related to program activities measures the time and effort required to design, document, monitor and evaluate these activities. Also, the workyear measures include the efforts by technical personnel as they might relate

*You may want to complete Step 5, which asks for a detailed staffing pattern for FY 79 before providing this information.

to any of the functions mentioned above. Program activities are to include participant training, food and nutrition, rural/urban development, population, health, education and all other special activities. Workyear efforts in support of program activity by legal staffs, contract officers as well as the accounting functions performed by the Controller's staff are not included in this category. (NOTE: Only Operating Expense Funded.)

2. Policy, Direction and Management

This category includes workyears involved in the top policy formulation and direction of the Agency, and personnel involved in overall program planning and allocation of Agency resources. Examples of those whose workload would fall primarily in this category would be: Mission Directors (or A.I.D. Representatives, A.I.D. Affairs Officers, Regional Development Officers), their Deputies and immediate staff, Program Officers and Capital Development Officers (except for their time associated directly with the activities). This category includes personnel involved in identifying country and regional development needs, determining the extent to which these needs are met by the countries themselves or by other assistance donors, and setting priorities for the use of available A.I.D. resources.

3. Financial Management

This category includes workyears involved in controller support and the personnel components in the Mission Controller staff.

4. Mission Support

This includes workyears involved in the full range of administrative management services including administrative planning, personnel management, data management, communications and publications, vehicle operations and maintenance, procurement and supply, security, travel and shipping, and leasing and real property maintenance.

5. IDI's

The International Development Interns assigned to special temporary training positions.

6. Other (specify)

Personnel that do not fall in any of the above categories.

7. Non-Mission Specific Personnel

Workyears of effort of personnel that happen to be located at Mission but not solely responsible for Mission's work. This includes workyears of effort devoted to regional support (such as regional legal advisors or regional contract officers) and also includes workyears of effort that are not associated with any one mission such as the Auditor General staff.

WORKFORCE AND OPERATING EXPENSES

STEP 2.

MISSION OPERATING EXPENSE FUNDED PERSONNEL REQUIREMENTS
(In work years xx.x)

MISSION SPECIFIC PERSONNEL	FY 78 Estimated Actual			FY 79 Estimated			FY 80 Mark			FY 80 Minimum			FY 80 Proposed		
	USDH	FNDH	CONT	USDH	FNDH	CONT	USDH	FNDH	CONT	USDH	FNDH	CONT	USDH	FNDH	CONT
Directly Related to Activities*															
Policy, Direction & Management															
Financial Management															
Mission Support															
IDI's															
OTHER (Specify)															
TOTAL															
END OF YEAR CEILING	+ = Total			+ = Total			+ = Total			+ = Total			+ = Total		

NON-MISSION SPECIFIC PERSONNEL															
Auditor General & IIS															
Other (Specify):															
TOTAL															
END OF YEAR CEILING	+ = Total			+ = Total			+ = Total			+ = Total			+ = Total		

*From Table V.

STEP 3

OPERATING EXPENSE BUDGET

INTRODUCTION

The Operating Expense Budget organizes expense categories in a structure meaningful for AID/W management and accommodates the options of the Zero Base Budgeting System. It is, therefore, imperative that program funding levels and staffing requirements are determined before the Operating Expense Budget is prepared. The Operating Expense Budget will cost all Operating Expense funded personnel (including Non-Mission Specific). Supplementary Budget forms may be submitted on Non-Mission Specific Costs at your discretion. The basic features of the budget are discussed below:

Expense Categories

The budget organizes expenses into three major categories: (a) Personnel; (b) Housing; and (c) Office Operations. This new organization allows expenses to be analyzed in terms of staffing requirements from Step 2, which in turn allows operating expenses to be related to program funds. While the main purpose of the Operating Expense Budget is to satisfy management needs internal to AID, the budget will also provide for the external requirements of reporting to OMB and Congress by object class. The budget is, therefore, no longer arranged in object class sequence and in some cases, one object class may be spread over more than one line. Missions are alerted to this feature for object classes 119, 129, 210, 212, 215, 22, 234, 235, 259, 26, 310, 311, 312, and 320. Instructions contained in the section on Preparation, below, define which expenses are to be included in each specific budget line.

Quantitative Relationships

The budget format provides a "units" column for each expense category. Missions are only required to make entries for those lines where a unit of measurement is preprinted. The purpose of these measures are (1) for the "Personnel" category, to allow the expenses to be directly related to the staffing requirements of Step 2 and (2) for all other cases, to give more significance to the dollar amounts.

Amount Column Categories

The budget format provides for five amount columns, of which the last three are related to the Zero-Base Budgeting options of Step 2. Missions are required to make entries of all applicable expense categories for the actual and operational years, and for the "Mark" column of the budget year. For the "Minimum" and "Proposed" columns of the budget year, only summary totals are required.

In those cases where Missions have prepared program budget levels for optional alternative levels in addition to the "mandatory levels", then the operating expense requirements for these additional levels should be submitted on additional sheets. Again, only summary totals are required.

PREPARATION

General

a. The mission operating expense budgets are to be completed for FY 1978 utilizing the missions' accounting records where possible to support the actual obligations incurred. It is recognized in the cases where missions do not maintain the obligation records that best estimates will have to be used, e.g., for AID/W funded salaries and benefits.

b. FAAS amounts for use in preparing the MOB will be provided by separate message.

c. Budget amounts for U.S. direct-hire salaries are to be based on pay rates effective October 9, 1977. Do not make any adjustment for further general salary increases. The annual general salary increases are budgeted separately by AID/W for the entire Agency.

d. Amounts are to be reported in hundreds utilizing a decimal after the thousands units. All numbers must contain a decimal even in instances where the decimal is followed by a zero. For example $14,580 = 14.6; 16,000 = 16.0; etc.

Budget Column Definitions

Column 1 -- Preprinted Expense Category

Column 2 -- Preprinted line No. used for reference in instructions for individual lines.

Column 3 -- Preprinted Object Class - this column will be used by AID/W for analyses by object class.

Column 4 -- Preprinted unit of measurement.

Column 5 -- Units of Activity for FY 78. - Entries are required only for those lines where a preprinted unit of measurement appears in Column 4.

Column 6 -- Estimated Actual amounts for FY 78.

Column 7 -- Units of Activity for FY 79. - Entries are required only for those lines where a preprinted unit of measurement appears in column 4.

Column 8 -- Estimated Amounts for FY 79.

Column 9 -- Units of Activity of "Mark" level of FY 80. - Entries are required only for those lines where a preprinted unit of measurement appears in Column 4.

Column 10 -- Dollar amounts for "Mark" level of FY 80.

Column 11 -- Units of Activity of "Minimum" level of FY 80. - An entry is required only on line 02 (U.S. Direct Hire Workyears)

Column 12 -- Dollar amounts for "Minimum" level of FY 80. - Entries are only required for summary lines 1, 2, 19, 25, 30, and 54.

Column 13 -- Units of Activity of "Proposed" level of FY 80. - An entry is required only on line 02 (U.S. Direct Hire Workyears)

Column 14 -- Dollar amounts for "Proposed" level of FY 80. - Entries are only required for summary lines 1, 2, 19, 25, 30 and 54.

BUDGET LINE DEFINITIONS

LINE NUMBER	DIRECTIONS
PERSONNEL:	
Line 01	Enter Sum of Lines 2, 19, and 25.
Line 02	Enter Sum of Lines 3 through 18.
Line 03	110 Regular U.S. Citizens Basic Pay - Base salaries for employees occupying regular full-time positions at rates of compensation established for regular U.S. citizen personnel.
Line 04	112 Part-Time and Temporary U.S. Citizens Basic Pay - Basic pay of personnel employed on a part-time, temporary WAE (when actually employed), or consultant basis at rates of compensation established for U.S. citizen part-time and temporary personnel.
Line 05	116 Differential Pay, U.S. Citizens - Additional salary payments to U.S. citizen personnel at certain selected posts to compensate for sacrifices of normal comfort or safety incident to their assignment to the post, based on Standardized Allowance Regulations.
Line 06	128 Living Allowance, U.S. Citizens - Cost of living allowances granted to U.S. citizen personnel at a foreign post paid by the Mission to employees of the U.S. Government, based on Standardized Allowance Regulations (excludes such payments to contract personnel which are included in Line 29).
Line 07	119 Other Pay - Other pay for personal services not otherwise classified such as night differential pay, overtime and holiday pay.
Line 08	126 Educational Allowance - Allowances granted to U.S. citizen personnel to defray the expenses of educating dependent children, based on Standardized Allowance Regulations (excludes such payments to contract personnel which are included in Line 29).
Line 09	120 Contribution to Retirement Fund - Payments into the Foreign Service Retirement Fund by agencies of the Government to match amounts of retirement deductions from employee's earnings.
Line 10	Total of Lines 11 through 17.
Line 11	212 Post Assignment Travel - Travel of employees and dependents resulting from assignment to another post or AID/W. Includes travel resulting from transfers to other agencies, resignations, retirement, or separation.

WORKFORCE AND OPERATING EXPENSES

LINE NUMBER	DIRECTIONS
HOUSING:	
Line 30	Sum of Lines 31 through 52.
Line 31	320 Lands and Structures - Includes the construction or purchase outside the United States of essential living quarters, schools (including dormitories and boarding facilities) and hospitals; and equipment for such schools and hospitals.
Line 32	235 Rents - Residential - The rental of residential space paid directly from A.I.D. funds in lieu of payment of quarters allowances for such space.
Line 33	235 Utilities - Residential - Utilities paid directly from A.I.D. funds in lieu of payment of quarters allowances.
Line 34	Renovation - Alterations and renovations to residential facilities, except for Mission Director's residence.
Line 35	Maintenance - Routine maintenance and repairs to residential facilities, when done under contract. Includes maintenance to project funded residences, when such maintenance is properly charged to operations expense funds. Enter in the units columns the total number of residences maintained with operating expense funds.
Line 36	Sum of Lines 37 through 39.
Line 37	311 Residential Furnishings - Furniture and fixtures for the furnishing of residential quarters, added to Mission inventory.
Line 38	311 Residential Furnishings - Furniture and fixtures for the furnishing of residential quarters, replacing existing items.
Line 39	Transportation - Transportation and related charges for residential furnishings.
Line 40	127 Quarters Allowances, U.S. Citizens - Temporary lodging and permanent quarters allowances for U.S. citizen personnel at a foreign post paid by the Mission to employees of the U.S. Government based on Standardized Allowance Regulations (excludes such payments to contract personnel which are included in line 29).
Line 41	Sum of Lines 42 through 52.
Line 42 to 52	Include all expenses directly associated with the Mission Director's residence, under the categories shown. In line 48 (Representation Allowance) include entertainment and similar items of expense having as their underlying purpose the attainment of A.I.D. program objectives which are incurred at overseas

LINE NUMBER	DIRECTIONS
HOUSING:	
	posts by or for the head of the A.I.D. mission.
Line 53	In the amount columns, show the portion of Lines 31-52 that represent the housing expenses included in the Operating Expense Budget for the support of program funded personnel. This is a non-add amount.

WORKFORCE AND OPERATING EXPENSES

LINE NUMBER	DIRECTIONS
PERSONNEL:	
Line 12	212 Home Leave Travel - Travel of employees and their dependents on authorized statutory home leave to the U.S. and return travel to the same post of duty (including consultation period while on home leave).
Line 13	220 Transportation of Things - Charges for transportation of things which are paid directly by the Government, or by reimbursing an employee for the authorized movement of his household effects, automobiles, unaccompanied baggage, etc. It includes charges for the storage of household effects of Foreign Service personnel.
Line 14	Rest and Recuperation Travel.
Line 15	Education Travel.
Line 16	Medical Travel - Authorizes travel costs of patient's travel to another location for medical treatment and any authorized travel costs of medical attendant.
Line 17	215 All Other Travel - Includes all travel not otherwise classified, such as visitation, emergency visitation, and emergency evacuation travel of eligible employees and their dependents when approved by proper authority.
Line 18	129 Other - Other cash emoluments incident to personal benefits including separation or transfer allowances. Separate Maintenance Allowance.
Line 19	Sum of Lines 20 through 24.
Line 20	114 Local Employees Basic Pay - All pay for personal services of local employees on a per annum, part-time, temporary, or WAE basis occupying positions at rates of compensation established in accordance with local wage and salary scales, except overtime.
Line 21	115 Overtime and Holiday Pay - Local employees -- Additional compensation to local employees for overtime and holiday work.
Line 22	119 Other Pay - Other pay for personal services not otherwise classified such as night differential pay.
Line 23	129 Personal Benefits - Other cash emoluments incident to personal benefits (including separation) for local employees.

LINE NUMBER	DIRECTIONS
PERSONNEL:	
Line 24	13 Benefits for Former Personnel - Comprises benefits due former employees or their survivors based (at least in part) on the length of their services to the Government, other than benefits paid from funds financed from employer and/or employees contributions and premiums. Includes Federal payments to funds which provide benefits to former employees and severance pay to foreign national employees, pursuant to Handbook 31 - Foreign National Personnel.
Line 25	Sum of Lines 26 through 29.
Line 26	258 Other U.S. Government Agency Reimbursements - Expenditures of of U.S. Government (participating) agencies from their own funds subject to reimbursement by A.I.D. on a billing basis.
Line 27	111 Reimbursable Details - Amounts paid or to be paid by A.I.D. to a U.S. Government agency as a reimbursement for base salary paid by that agency from its funds to personnel of the agency detailed to A.I.D. pursuant to special letter authorizations or agreements and working under the direct supervision of A.I.D. personnel. This classification is to be used primarily, but not exclusively, for Foreign Service officers of the Departement of State and U.S. Public Health Service officers (not for personnel assigned to A.I.D. under a Participating Agency Service Agreement which are reported on line 26).
Line 28	113 Pay to Experts, Consultants, Technicians, Etc., under Personal Contract - Salary for services of experts, consultants, technicians, etc., employed directly under personal service contracts. This classification will not be used for salaries of technicians, etc., employed directly by another agency of the U.S. Government.
Line 29	255 Technicians under Contract - Costs for services of technicians furnished under contract with institutions. This classification is not used for technicians employed directly under personal service contracts (include such technicians in line 28).

LINE NUMBER	DIRECTIONS
OFFICE:	
Line 54	Sum of Lines 55 through 80.
Line 55	320 Lands and Structures - Includes the construction or purchase outside the United States of office space and supporting facilities.
Line 56	234 Rents - Office - Rental of office, warehouse, and storage space; and rental of equipment.
Line 57	Utilities - Office - Utilities for office, warehouse and storage space.
Line 58	Renovations - Includes renovations and alterations to office and warehouse space, when performed under contract.
Line 59	Building Maintenance - Includes repairs to office and warehouse space when performed under contract; janitorial and other building maintenance contracts.
Line 60	Sum of Lines 61 and 62.
Line 61	310 Office Furnishings and Equipment - Office furniture and fixtures such as desks, tables, chairs, etc., and office equipment, such as typewriters, duplicating machines, calculators, etc., which are addition to inventory.
Line 62	Office Furnishings and Equipment - Office furniture and fixtures such as desks, tables, chairs, etc., and office equipment, such as typewriters, duplicating machines, calculators, etc., that replace existing items.
Line 63	319 Other - All equipment not covered by any other object of expense.
Line 64	22 Transportation of Things - Contractual charges for the transportation of things and for the care of such things while in process of being transported. It includes postage use in parcel post, rental of trucks and other transportation equipment. Do NOT include items included in Lines 12 and 39.
Line 65	230 Communications - All communications charges including local and long-distance telephone calls; telegram, telegraph, teletype services; installation of communications facilities; lease of intercommunications systems, tie-lines, teletype facilities, and postage-meter machines; postage; etc.
Line 66	Security - Charges related to Guard Services.

LINE NUMBER	DIRECTIONS
OFFICE:	
Line 67	24 Printing and Reproduction - Printing, reproduction and duplicating obtained on a contractual or reimbursable basis.
Line 68	210 Operation Travel Overseas - All travel that is required in performance of Mission operations other than travel properly chargeable to lines 11 to 17. Includes all TDY travel.
Line 69	That portion of line 68 related to travel outside the host country.
Line 70	That portion of line 68 related to travel within the host country.
Line 71	Charter/Contract Transportation - Include any transportation done under contract, such as aircraft, buses, boats, etc.
Line 72	Sum of lines 73 through 76.
Line 73	312 Automobiles - Acquisition cost of automobiles, additions to inventory.
Line 74	312 Automobiles - Acquisition cost of replacement automobiles.
Line 75	Maintenance - Include all costs incidental to maintaining the motor vehicle fleet, including parts and contract labor. Also includes maintenance for project vehicles, when such maintenance is properly chargeable to operating expense funds. Enter in the units columns the total number of vehicles maintained with Operating Expense funds.
Line 76	Automotive Supplies and Materials - Automotive parts, supplies and materials, including fuel.
Line 77	26 Supplies and Materials - Comprises all commodities (1) which are ordinarily consumed or expended within 1 year after they are put into use, or (2) which are used to form a minor part of equipment or fixed property. (For purposes of these instructions, other property of little monetary value which does not meet any of these criteria may also be classified as "Supplies and Materials".
Line 78	257 Foreign Affairs Administrative Support - Includes all charges for Foreign Affairs Administrative Support.
Line 79	258 Other U.S. Government Agency Reimbursements - Expenditures of U.S. Government (participating) agencies from their own funds subject to reimbursement by A.I.D. on a billing basis other than personal services which are included in line 28.
Line 80	259 Miscellaneous Contractual Services - Contractual services not covered by any other object class such as graphic arts when not a

LINE NUMBER	DIRECTIONS
OFFICE:	
	part of printing and reproduction, etc. Also includes all costs (except travel) of authorized medical services or care, including immunizations and physical examinations only when obtained elsewhere than at Department of State facilities; hospitalization; occasional services of physicians, anesthetists, nurses. Includes any payments for such costs to military or other U.S. Government hospitals but excludes any payments covered by PIO/Ts issued to Participating Agencies. Personal service contracts are excluded and are classified as 113. Effort should be made to charge costs oth other object classes, as defined, before charging the cost to this object class. Contingencies are specifically excluded. All costed services included should be detailed as to the nature of the expense to facilitate review and approval.
Line 81	In the amount columns, show the portion of lines 55-80 that represent the office expenses included in the Operating Expense Budget for the support of program funded personnel. This is a non-add amount.

ADDITIONAL SCHEDULES AND ANALYSES

GENERAL

Additional Schedules and Analyses will be required under the following conditions:

a. Missions who have the use of host country trust funds.

b. Missions who now have or plan to have ADP equipment and/or services.

c. Missions with expenses projected on budget line 80, detail the major categories by purpose and amount in a separate schedule.

d. Missions that plan to acquire land or structures, i.e., made entries on budget lines 31 or 55, detail the purpose and amount in a separate schedule.

e. If the Mission budgeted for any category that is also included in the FAAS charge, these items are to be detailed in a separate schedule.

TRUST FUNDS

The Operating Expense Budget is to include expenses from all sources of funds, i.e., Mission Allotments, AID/W allotments and Trust Funds. Trust Fund items are to be deducted from the budget as part of line 87, and a separate statement is to be attached that breaks out the trust fund items according to the following 2-digit object class categories for FY 78, FY 79, and the "Mark" level of FY 80:

OBJECT CLASS	DESCRIPTION
11	Personnel Compensation
12	Personnel Benefits
13	Benefits for Former Personnel
21	Travel, Transportation of Persons
22	Transportation of Things
23	Rent, Communications, Utilities
24	Printing and Reproduction
25	Other Services (detail FAAS charges separately)
26	Supplies
31	Equipment
32	Lands and Structures

DATA ON ACQUISITION, OPERATION, AND USE OF AUTOMATIC DATA PROCESSING (ADP) EQUIPMENT, SERVICES AND SYSTEMS

A. Background

OMB Circular A-11 requires identification of Agency-wide ADP-related costs in a schedule incorporated in the Agency's budget submission. The ADP schedule is also forwarded to Congress. Most USAIDs do not currently utilize ADP equipment or services, thereby making preparation of an ADP schedule unnecessary for such USAIDs. During FY 1978, plans to acquire mini-computers to be installed in a number of USAIDs had to be deferred because of constraints in FY 78 Operating Expense funds. USAIDs which still have an interest in automation may include such funds in their FY 1980 budget requests (and revised FY 1979 budgets). A pilot test in one USAID is expected during FY 78/early FY 79. Following this, other interested USAIDs will be notified about the Agency's FY 79/FY 80 USAID automation implementation plans.

The narrative statement, below, does not constitute a request to proceed with the acquisition of ADP resources, nor does approval of the MOB constitute approval of mission plans to acquire ADP. Approval procedures are described in HB 18, Part V. USAIDs which have expressed interest in automation will be notified as to the results of initial installation in the pilot USAID now being selected. We suggest USAIDs hold off any further submission beyond this ADP budget schedule until advised further by AID/W.

B. Scope

Costs of automatic data processing services and equipment required for the direct benefit of the Federal Government, i.e., for AID's administrative or operating purposes, are to be budgeted and reported. (ADP equipment/services/ systems acquired under AID loan or grant project or program financing by host countries for their own requirements are excluded from this budget. However, such acquisitions are subject to separate review and approval as provided in HB 18, Part V.)

C. Items Required

1. Narrative Statements:

Briefly describe both current and long-range plans and issues affecting ADP and related financial requirements in the budget year and in future years. Provide model names of owned or leased equipment. If you plan to acquire ADP resources in FY 1979 or FY 1980, indicate:

a. USAID preferences re date the new system is expected to become operational.

b. The funding priority of the acquisition: "minimum" or "proposed".

2. Report on Obligations and Inventory of ADP Systems:

This report will contain information on work years and obligations as described as follows:

ADP SYSTEMS INVENTORY

	Fiscal Year								
	1978			1979			1980		
	$	TF	TOT	$	TF	TOT	$	TF	TOT
1. Capital Investments									
A. Purchase of ADP Equipment[1/]									
B. Purchase of Software									
C. Sub-Total									
2. Personnel[2/]									
A. Compensation, benefits, travel									
B. Workyears									
C. Sub-Total									
3. Equipment Rental and Other Operating Costs									
A. ADP Equipment (ADPE) Rentals[3/]									

WORKFORCE AND OPERATING EXPENSES

ADP SYSTEMS INVENTORY

	Fiscal Year								
	1978			1979			1980		
	$	TF	TOT	$	TF	TOT	$	TF	TOT
B. Supplies and Leased Software									
C. Sub-Total									
4. Commercial Services									
A. ADP Service Bureau[4/]									
B. Systems Analysis and Programming									
C. ADPE Maintenance (If separate from item 3.A)									
D. Sub-Total									
5. Total Obligations - (Sum of 1C, 2C, 3C, & 4D)									
6. Interagency Services[5/]									
A. Payments									
B. Offsetting Collections									
C. Sub-Total									
7. Grand Total - (Sum of 5 plus 6C)									

1/ Computers, i.e., electronic data processing equipment and all peripheral equipment electronically attached to central processors (cpu's) punched and magnetic card accounting machines.

2/ "Direct-hire personnel assigned primarily to ADP duties such as equipment operators, data-entry clerks, systems analysts and programmers, excluding any mission personnel who simply use ADP incidental to the performance of their primary function."

3/ Includes maintenance furnished as part of rental contracts.

4/ Includes cost of obtaining computer processing service from any host country government agencies as well as from commercial sources.

5/ Cost of ADP services provided to or received from other U.S. G. agencies.

OPERATING EXPENSE BUDGET

EXPENSE CATEGORY	LINE NO.	OBJECT CLASS	EXPENSE RELATED TO	FY 1978		FY 1979		FY 1980 MARK		FY 1980 MINIMUM		FY 1980 PROPOSED	
				UNITS	$	UNITS	$	UNITS	$	UNITS	$	UNITS	$
PERSONNEL	01												
U.S. Direct Hire	02		USDH Workyears										
U.S. Citizens Basic Pay	03	110	USDH Workyears										
Part-time, Temp. U.S. Basic Pay	04	112	USDH Workyears										
Differential Pay	05	116	USDH Workyears										
Living Allowances	06	118	USDH Workyears										
Other Pay	07	119	-										
Education Allowances	08	126	No. of Dependents										
Retirement	09	120	USDH Workyears										
Transportation/Travel	10												
Post Assignment - Travel	11	212	No. of Movements										
Home Leave	12	212	No. of Movements										
Post Assignment/Home Leave Freight	13	22											
R & R	14	215	No. of Movements										
Education Travel	15	215	No. of Movements										
Medical Travel	16	215											
Other Travel	17	215											
Other Personnel Benefits	18												
Local Employees	19		FNDH Workyears										
Basic Pay	20	114	FNDH Workyears										
Overtime, Holiday Pay	21	115	FNDH Workyears										
Other Pay	22	119											
Personnel Benefits	23	129	FNDH Workyears										
Benefits for Former Personnel	24	13											
Contract Personnel	25		Workyears										
PASA Technicians	26	258	Workyears										
Other Reimbursable Details	27	111	Workyears										
Experts and Consultants	28	113	Workyears										
Other Technicians	29	255	Workyears										
HOUSING	30												
Acquisition of Land and Structures	31	320	No. of Residential Units										

OPERATING EXPENSE BUDGET

EXPENSE CATEGORY	LINE NO.	OBJECT CLASS	EXPENSE RELATED TO	FY 1978		FY 1979		FY 1980					
								MARK		MINIMUM		PROPOSED	
				UNITS	$	UNITS	$	UNITS	$	UNITS	$	UNITS	$
HOUSING Continued													
Rent	32	235	No. of Residential Units										
Utilities	33	235	No. of Residential Units										
Renovation	34	259	No. of Residential Units										
Maintenance	35	259	Total Square Feet										
Residential Furnishings and Equipment	36												
Additions to Inventory	37	311	No. of Residential Units										
Replacement	38	311											
Transportation	39	22											
Quarters Allowance	40	172	No. of Residential Units										
Mission Director	41												
Rent	42	235											
Utilities	43	235											
Renovation of Residence	44	259											
Maintenance of Residence	45	259											
Supplies and Materials	46	26											
Furniture Procurement	47	311											
Official Residence Allowance	48	254											
Representation Allowance	49	252											
Vehicles	50												
Acquisition	51	312											
Operation/Maintenance	52	259											
Portion of Lines 31-52 for Program Funded People	53												
OFFICE OPERATIONS	54												
Acquisition of Land and Structures	55	320											
Rent	56	234											
Utilities	57	234											
Renovations	58	259											
Building Maintenance	59	259											
Office Furnishings and Equipment	60												
Additions to Inventory	61	310											
Replacement	62	310											

OPERATING EXPENSE BUDGET

EXPENSE CATEGORY	LINE NO.	OBJECT CLASS	EXPENSE RELATED TO	FY 1978		FY 1979		FY 1980					
								MARK		MINIMUM		PROPOSED	
				UNITS	$	UNITS	$	UNITS	$	UNITS	$	UNITS	$
OFFICE OPERATIONS Continued													
Other Equipment	63	319											
Transportation (Freight)	64	22											
Communications	65	230											
Security (Guard Services)	66	259											
Printing and Reproduction	67	24											
Operational Travel	68												
International	69	210											
Domestic	70	210											
Charter/Contract Transportation	71	259											
Vehicles	72												
Addition	73	312	No. of Vehicles										
Replacement	74	312	No. of Vehicles										
Maintenance	75	259	No. of Vehicles										
Automotive Supplies and Materials	76	26	No. of Vehicles										
Other Supplies and Materials	77	26											
FAAS	78	257											
Other U.S. Government Reimbursements	79	258											
Other	80	259											
Portion of Lines 55-80 for Program Funded People	81												

OPERATING EXPENSE BUDGET

EXPENSE CATEGORY	LINE NO.		FY 1978	FY 1979	FY 1980		
					MARK	MINIMUM	PROPOSED
TOTAL OPERATING EXPENSE BUDGET	82						
Reconciliation							
Deduct from item 82 items not funded from Mission's allotment:							
Object Class 11	83						
Object Class 12	84						
Object Class 13	85						
Net FAAS (from line 78)	86						
Other - Explain on Attachment	87						
Net Allotment Requirements	88						
Operational Year Allotment Requirement by Quarter							
First Quarter	89						
Second Quarter	90						
Third Quarter	91						
Fourth Quarter	92						

ADDITIONAL SCHEDULES AND ANALYSES	Attached	
	Yes	No
Use of Trust Funds		
ADP Equipment		
Budget Line 31 Detail		
Budget Line 55 Detail		
Budget Line 80 Detail		

STEP 4

COMMENTARY ON

OPERATING EXPENSE AND WORKFORCE

While you developed the relationship between program levels and the required workforce and related expense for FY 80, certain issues and/or options should have been raised and decisions made. This commentary should focus on those issues and decisions, providing a rationale for the final choices which are described in quantitative data.

Issues of concern include the following:

STEP 1 -- Workyears Directly Related to Activities

In the commentary portion of the program guidance, you have discussed the ability and commitment of the host government to support the program. Reconcile this assessment to your requirements for personnel directly related to program activities and the mix of program activities in terms of their personnel intensity categorizations.

STEP 2 -- All Mission Personnel

1. The quality and availability of Foreign National personnel as direct hires.

2. Alternative mixes of personnel used by a mission in terms of USDH, FNDH, and contract personnel.

3. How the various zero base levels affect the need for mission personnel other than those directly related to projects.

4. The impact of MODE restrictions of personnel decisions.

5. Personnel included in the ceiling but not included in the workyear efforts itemized. Explain.

6. Efforts not related (directly or indirectly) to program activities, that require Mission staffing.

7. Any plans to upgrade or assume services now provided by AID/Washington. Itemize services and staffing.

STEP 3 -- Expenses

1. The inflation/exchange rate factors by year.

2. The use of housing allowance or directly providing residences.

3. Any significant changes in the expense for Office Operations from FY 78 to FY 80.

4. The factors that define direct hire Foreign National benefits.

5. Operating Expenses used to support program funded personnel. Explain.

6. Specifically outline any measures that you are now taking or plan to take to use the taxpayers money more efficiently.

The commentary you provide should highlight any aspects of your Mission's budget that are key to your ability to effectively administer and implement the programs proposed. Therefore any important topic not covered above can be added at your discretion.

STEP 5
WORK FORCE REQUIREMENTS
Schedule 1 - Existing Positions

Introduction

The purpose of Step 6 is to assist in providing a base for planning Agency-wide staffing needs for FY 79 and FY 80. Information you provide at this time will contribute to FY 79 staffing decisions. Later this fiscal year a more generalized position review will be used to begin a staffing needs planning effort for FY 80.

Preparation

A. General

Step 5 should, where appropriate, relate directly to narrative comments in Step 4 and to data provided in Steps 1, 2, and 3 of this guidance. Of primary concern for FY 79 position management actions are the degree of accuracy of estimates for status of positions; related dates; indications of most probable skill requirements; and the type, number, and timing for new positions. Included in this Step are two forms,

Work Force Requirements - Schedule 1 - Existing Positions, and
Work Force Requirements - Schedule 2 - New Positions through FY 79.

The former has attached to it a duplicate form containing relevant headings but not the computer printed staffing pattern. The duplicate form is to be used for corrections, deletions, additional remarks, etc.

The Schedule 2 is extremely important in that it will serve as a primary tool in estimating worldwide work force/skill requirements based on AID/W and field program directions.

B. Column Definitions

Headings and Subheadings for columns are keyed to a three digit number on both Schedule 1 and 2. Separate definitions for each schedule are given below.

Work Force Requirements - Schedule 1 - Existing Positions.

Columns/Headings 002, 013, 014, 015, 016 are preprinted records from the most recent monthly staffing pattern report. Corrections

and deletions should be entered on the attached blank Schedule 1. See additional instructions below.

Column/Heading No.	Definition
003	Mode Level. U.S. direct-hire level approved by the Chief of Mission through FY 78. Where there is no approval for FY 78, Step 5 should be used for discussion of circumstances where appropriate.
004	Authorized Positions. Authorized U.S. direct-hire level agreed to by Mission/Regional Bureau for the end of FY 78.
005	Budgeted Positions. U.S. direct-hire level agreed to by Mission/Regional Bureaus for the end of FY 79. This entry should reflect the U.S. direct-hire ceiling authorized in FY 78 for FY 79 and Mission revisions, if any, as a result of completing previous steps pertinent to the FY 79 Operating Expense Budget.
006	Based on the FY 80 MARK in Step 2 enter here your estimated request for U.S. direct-hire personnel.
007-8-9	IDI's assigned to field offices who are not counted in the U.S. direct-hire authorized ceilings for field offices and who will be on board at the end of FY 78 and FY 79; and the estimated number of IDI's you plan to request for FY 80, respectively.
010	Total U.S. direct-hire occupying authorized positions at the end of FY 78.
011	Total authorized positions expected to be vacant at the end of FY 78.
012	Line No. Enter the appropriate number for each entry where corrections or deletions are required for the computer printed data. The number entered should then be used on the attached blank form preceding all corrections or explanations regarding entries on the original Schedule 1 forms.
013 - 017	Computer printed data from RAMPS, to be reviewed by field offices and corrected where required.

Column/Headings No.	Definition
018	For each authorized position in FY 78 and FY 79 one of the following status indicators applies: "C" the position is continuing through the operational year but will be eliminated during the budget year "D" the position will continue through the budget year "E" eliminated before the end of the operational year. Enter the appropriate status indicator in column 018 and where applicable indicate in the remarks section on the form if the "C" or "E" status position is to be replaced with a different position.
019	For each entry in 018 above enter here the actual or planned calendar month and year for the effective date of the status.
020	For each authorized position regardless of status enter the final month and year occupant will continue to serve in the position.
021	Based upon actual and estimated dates in 020 above, enter here, where applicable, the earliest month and year a replacement is required for the occupant.
022	Based upon vacant authorized positions, enter here, where applicable, the earliest date an occupant is required.
023-024-025	For vacant authorized positions indicate whether you plan to fill the position with an IDI who will graduate from the program. The IDI may or may not be at post. In either case please indicate a preference and comment in the remarks section if there are no IDI's at post but would be preferred in filling a vacant or replacement position.

Column/Headings No.	Definition
026	For vacant positions and positions requiring a replacement in FY 79 indicate the most preferred skill characteristic by referencing the Agency Occupational Skill Codes titles found in AID Handbook 33, Overseas Position Management, or as a second source, the AID monthly staffing pattern.
027	Remarks self explanatory.

Instructions for Completing "Workforce Requirements Schedule 2 - New Positions thru FY 79"

Headings and sub-headings are keyed to a three digit number which will be referred to in the following instructions.

Heading Number	Enter
001	NA
002	Example: Chile/USAID
003	NA
004	Enter Agency Occupational Skill Code (AOSC) Title found in AID Handbook 33, "Overseas Position Management."
005	FA, FS
006	FS, FSR, FSRL, FSS
007	Earliest date Mission expects to complete SPAR including complete position description.
008-010	Date required, in position and on duty at Mission.
011-014	From HB 33 mentioned above enter 4 or 6 digit number for preferred skill or skill mix employee should possess to function in position.
015-017	If additional ceiling is required as a result of an additional position.
018-020	Self explanatory
021-023	If IDI currently assigned to Mission will graduate from Program before end of FY 79 enter whether Mission will fill new position with IDI staff.
024	Self explanatory

Work force Requirements - Schedule 2 - New Positions Thru FY 79 001 Country/Organization 002

Direct-Hire Only

LINE NO 003	Position Title 004	PPALYAN 005	GRADE 006	Est. Date SPAR to be sent to AID/W 007	Date Employee required on duty 008		Required AOSC's for new position 011			New ceiling required 015		Mode clearance required 018		Will IDI graduate be assigned to position 021		Remarks 024
					Earliest 009	Latest 010	Primary 012	Secondary 013	Tertiary 014	Yes 016	No 017	Yes 019	No 020	Yes 022	No 023	

APPENDIX 3E

SPECIAL CONCERNS

Each year AID/W must compile information on Agency activities of special interest to Congress and OMB. In some cases, funds are earmarked for these activities. In order to ensure accurate reporting to the Congress and to monitor the implementation of activities for which funds are earmarked, missions and AID/W operating offices should provide data on projects that include the following "special concerns" activities on Table VI:

- Appropriate technology activities
- Assistance for cooperatives, and amounts of this assistance for LDC cooperatives
- Programs in renewable and unconventional energy technologies
- Paramedical and auxiliary health worker training
- Programs to encourage or promote increased adherence to civil and political rights
- Women in development activities
- Programs to protect and manage the environment and natural resources
- Assistance to local, in-country training institutions
- Research activities
- Title XII activities
- U.S. private and voluntary organizations
- Non-U.S. private and voluntary organizations

DEFINITIONS

CODE	CONCERN	DEFINITION
ATNL	APPROPRIATE TECHNOLOGY	Appropriate technologies are those technologies which require low capital per worker (labor intensive), are usually efficient on a small scale, are easily serviced and maintained, do not require high levels of education, or training to operate, and utilize locally available resources. In short, technologies which are appropriate to the environment of developing countries, where capital is in short supply and labor is abundant. The definition of capital is not limited to equipment and machinery, but also includes investments in "human capital", e.g., education, training, etc.
COUS	US COOPERATIVES	Includes direct assistance to U.S. cooperatives which work with, promote, or support international development activities. Includes under grants, technical advisors and support personnel funding for participants, commodities and other costs, and under loans, only the cost of technical advisors and support personnel and training.
CODC	LDC COOPERATIVES	Includes direct technical assistance to LDC cooperatives and technical assistance to government or private agencies who work with, promote, or support LDC cooperatives. Includes under grants, technical advisors, funding for participants, commodities and other costs, and under loans, only the cost of technical advisors and training.
ENER	ENERGY TECHNOLOGIES	Includes renewable energy activities directed toward the earliest practicable development and use of energy technologies which are environmentally acceptable, require minimum capital investment, are most acceptable to and affordable by the people using them, are simple and inexpensive to use and maintain, and are transferable from one region of the world to another.
ENVR	ENVIRONMENT	Includes activities for developing and strengthening the capacity of less developed countries to protect and manage their environment and natural resources, including efforts to maintain where possible, restore the land, vegetation, water wildlife and other resources upon which depend economic growth and human well, especially that of the poor.

DEFINITIONS

CODE	CONCERN	DEFINITION
HRTS	CIVIL AND POLITICAL RIGHTS	Includes studies for identifying and for openly carrying out, programs and activities which will encourage or promote increased adherence to civil and political rights, as set forth in the Universal Acceleration of Human Rights.
LTRG	LOCAL TRAINING INSTITUTIONS	Includes assistance to all local training institutions, including departments and faculties of universities which provide the skilled manpower necessary for development.
PARA	PARAMEDICAL AND AUXILIARY HEALTH WORKER TRAINING	Includes programs providing training to auxiliary or paramedical personnel who will be engaged in the delivery of health and family planning services to rural areas.
PVOU	US PRIVATE AND VOLUNTARY ORGANIZATION	A PVO is defined as a tax-exempt, non-governmental organization established and governed by a group of private citizens whose purpose is to engage in voluntary, charitable, development assistance operations. At least 20% of a U.S. PVO's international activities must be funded from private sources. Include cooperative societies that fit this definition. Exclude universities, colleges, or other similarly accredited U.S. institutions of learning, research organizations and scientific organizations.
PVOL	LDC PRIVATE AND VOLUNTARY ORGANIZATION	An LDC PVO is defined as a local national, non-profit, non-governmental organization established and governed by a group of private citizens of the host country whose purpose is to engage in charitable, development-related activities in the host country. While no specific minimum share of the PVOL's budget for development-related activities is required to be funded from private sources, PVOLs should be encouraged to maximize private-sector contributions for such activities. A regional private voluntary organization established and governed by a group of private citizens or of PVOs of the several LDCs in the region served by the organization, and otherwise meeting the preceding criteria, would also be considered a PVOL for the purpose of this definition. Include cooperative societies that fit this definition. Exclude universities, colleges and other similarly accredited institutions of learning, research organizations and scientific organizations.
RESB	BASIC RESEARCH	Basic Research is defined as systematic intensive study directed toward greater knowledge or understanding of the subject studied (in the past, AID has reported that it conducts no basic research).

SPECIAL CONCERNS

DEFINITIONS

CODE	CONCERN	DEFINITION
RESA	APPLIED RESEARCH	Applied Research is defined as systematic intensive study directed toward applying new knowledge to meet a recognized need.
RESD	DEVELOPMENT RESEARCH	Development Research is defined as systematic application of knowledge toward the production of useful materials, devices and systems or methods including design, development and improvement of prototype and new processes to meet specific functional or economic requirements.
XIIR	TITLE XII-RESEARCH	Research includes the following: (a) support to International Agricultural Research Centers and similar organizations, (b) food production and nutrition components of AID's centrally funded research program, (c) a new Collaborative Research Support Program and country-or-regional specific research falling within Title XII's mandate.
XIIB	TITLE XII-INSTITUTION BUILDING	Institution building is defined as the strengthening of host country institutions in research, teaching, extension, and other services essential to agricultural development.
XIIS	TITLE XII-ADVISORY SERVICES	Advisory services include services to LDC government ministries, other than research and institution building, on fisheries, agricultural production, and marketing, nutrition projects, and technical assistance for rural development.
WID	WOMEN IN DEVELOPMENT	Includes activities which give particular attention to efforts to integrate women into the national economics of developing countries, thus improving their status and assisting the total development effort. Do not include projects for which women are not purposefully targeted as beneficiaries. For example, do not include rural roads projects, even though women may travel along those roads, unless the integration of women in the national economy is the primary purpose of the road.

INSTRUCTIONS FOR PREPARING TABLE VI- FUNDING FOR SPECIAL CONCERNS

1. List all projects that include activities defined as special concerns. The special concerns definitions are not mutually exclusive so the same project may be cited for more than one concern.

2. After project title, indicate (L) or (G) for loan or grant, and (OPG) for grants to PVOs.

3. Under Project Total, enter total obligations for each fiscal year from Table IVB; for BY use Proposed level.

4. Under Special Concern, enter the amount of funding for project activities that directly address the special concern.

EXHIBIT 3-7

TABLE VI - FUNDING FOR SPECIAL CONCERNS

DECISION UNIT

PROJECT NUMBER AND TITLE	APPROP CODE	SPECIAL CONCERN CODE	OBLIGATIONS ($ 000)					
			PY:		CY:		BY:	
			PROJECT TOTAL	SPECIAL CONCERN	PROJECT TOTAL	SPECIAL CONCERN	PROJECT TOTAL	SPECIAL CONCERN

AID 1330-16 (3-78)

APPENDIX 3F

RESEARCH AND DEVELOPMENT

Missions are requested to identify development problems that may be appropriate for research and development efforts. Problems should be described in terms of their importance for the country program and the host government as well as judgment about the problem is likely to be important in other countries also. AID/Washington bureaus (i.e., DS, PPC and IIA) will review the suggestions to identify areas appropriate for centrally financed research or areas in which they can offer advice or assistance to missions.

APPENDIX 3G

MISSION EVALUATION ACTIVITIES

Mission evaluation planning is an integral part of program development and the Mission Evaluation Schedule is an integral part of the Annual Budget Submission. The preparation of this schedule provides an opportunity to assure that evaluation activities are comprehensive and geared into the program management and budget decision processes. This evaluation planning effort is also important to assure the allocation of time, funds and staff needed to carry out the Evaluation Schedule. In the past, some evaluation activities have suffered from inadequate preparation and lead time in the formulation of evaluation objectives, scopes of work, study designs, and selection and briefing of evaluation personnel.

Previously issued evaluation guidelines, including ground rules for frequency and intensity of project evaluation, remain in force. The draft version of Handbook 3, Part II, Chapter 8 sent to Missions under cover of AIDTO CIRC A-357, dated October 14, 1977 provides detailed discussion of current evaluation requirements. AIDTO CIRC A-231, April 23, 1976 also discusses the preparation of the Mission Evaluation Schedule and provides a format for reporting plans for all evaluations.

The Mission Evaluation Schedule is normally derived from individual project evaluation schedules contained in the evaluation plans and implementation schedules of Project Papers. In preparing its evaluation schedule, the Mission should assure that its projects are evaluable. Handbook 3, Part I, Chapter 6 (4-C on pages 6-13 to 6-15) and Chapter 3, Appendix 3H describe the requirements for incorporating evaluation elements and plans into the project design process. In the event an evaluation schedule based on project documentation has not yet been formally worked out, Missions should plan a regular evaluation at least once a year. The Mission Evaluation Schedule should, however, reflect and explain changes in timing resulting from changes in project progress or newly identified needs of A.I.D. or host country authorities. Missions are requested to indicate for each proposed evaluation whether it can be carried out entirely with in-country resources or whether outside assistance will be needed. If outside direct-hire or contract assistance is needed, the Mission should estimate type(s) of expertise and person-weeks.

The new Project Evaluation Summary (PES) format and insructions will be transmitted to field missions shortly. In the meantime, Missions should be guided by AIDTO A-311 dated 8/19/77 and submit each PES by airgram to assure proper control and distribution.

In addition to the information on scheduling reported in the attached tabular format, Missions are requested to provide a narrative statement, which should be kept under two pages, commenting on the following for this fiscal year.

-- ideas or proposals for evaluations to be carried out on a Bureau or Agency-wide basis;

-- positive and negative experiences noted in carrying out mission evaluation responsibilities, including the use of contract services;

-- ideas for changes in evaluation methodology and procedures, with particular attention to questions of impact and Agency effectiveness;

-- programming, management or other lessons learned which may be of particular interest to other missions or to AID/W (citing the relevant evaluation report where appropriate);

-- Country and Mission experiences with the services provided by the DIS and other automated information units; describe both useful and unuseful experiences, as well as suggestions for change.

-- Comments on whether opportunities exist, consistent with the Mission program, to enhance the evaluation capabilities of the host country.

As part of the narrative Missions are also asked to up-date information on the internal Mission administrative arrangements for evaluation. Attach the most recent Mission Evaluation Order where appropriate.

In planning their evaluation activities, Mission should take into account the intent of Section 102(d) and give special attention to the criteria and factors proposed by the Agency in its report to the Congress (AIDTO CIRC A-35, sent February 3, 1978). To the extent that the progress indicators for a particular project or program can be related to these criteria and factors, they should be highlighted in the evaluation.

In addition to planning for evaluations of ongoing projects, Missions are requested to take account of the increasing Agency concern with "ex post" evaluations. These are studies of the impact of AID-supported activities at a point several years after AID funding terminates. This can be provided in two ways:

(a) by including budget figures for evaluating a project post-termination as part of the project sheet in the ABS; and

(b) by providing under PDS funding for evaluation of projects which were terminated in the past, whose impact may be observable, and which the Mission believes offer a useful lesson for the country program or for similar activities in other countries.

The evaluation plan will be an important element of the Mission program to be considered in the course of the ABS review. Bureaus will consider: (a) the adequacy of past evaluation performance and extent to which evaluation findings are highlighted and used in the implementation, reprogramming and budgeting process; and (b) the adequacy of evaluation planning, including allocation of personnel and other resources, and suitability of advance preparation arrangements.

Instructions for Completing Mission Evaluation Schedule Format for (CY) and (BY)

Column I - List all projects active in either (PY-1) or (PY) or included in the (CY) Congressional Presentations for a start-in (CY). For the purpose of this guidance, a project is active until all goods have been delivered and/or services have been performed pursuant to implementation documents issued under the terms of the Project Agreement.

List all projects by source of funding, loan or grant funded. Include Housing Guarantees and government-to-government PL-480 projects.

In addition, Missions should indicate planned evaluations which are not related to a specific ongoing project. These could include evaluations of completed projects, of programs or sectors, of the combined impact of a group of projects, etc.

Please indicate by footnote all cases where the project title has changed during the last year, and all projects which are "follow-on" projects to earlier activities.

Column 2 - Show the number and date of the last PAR/PES, if any, that was submitted. If another report was submitted instead of a PAR/PES, provide identifying data.

With respect to Column 2, if an evaluation has been scheduled for the PY, and not completed, cite original scheduled date, new date and explanation of change if appropriate.

Column 3 - Indicate the month in which the PAR/PES or other evaluation report is expected to be submitted to AID/W. Dates for CY should be firm and dates for BY should be reasonably good estimates. If a date proposed for the evaluation involves a deviation from previous schedule, give reasons for the deviation.

Column 4 - Indicate the period to be covered by the report from month, year to month, year.

Column 6 - in brief statements, indicate for appropriate projects the following:[1/]

- -- why the mission has determined no evaluation is required for the project;
- -- when a pending evaluation plan and schedule will be submitted to AID/W;
- -- why a scheduled evaluation was not completed;
- -- when and why an evaluation plan and/or schedule was changed for a project;
- -- where a number of performance level evaluations will be "bunched";

1/ Where information has been communicated previously, Mission may merely provide reference to cable or airgram.

-- where a scheduled special evaluation is actually part of a project or sector type evaluation, rather than a project study per se.

-- an anticipated need for resources from outside the Mission to plan or implement a particular evaluation. (Action requests should be submitted thru usual channels).

DECISION UNIT:

PERIOD COVERED:

DATE:

Mission Evaluation Schedule for Operational Year and Budget Year[1/]

(1) Project Title and Number/Subject	(2) Number and Date of last PAR/PES Submitted	(3) Proposed date of next PES	(4) Period to be Covered	(5) Identification Special Evaluations and Purpose for them	(6) Remarks[2/]

1/ Supplementary information may be provided either as footnotes or in accompanying narrative.

2/ Include indication of help needed from AID/W - for information and planning only; action requests to be submitted in accordance with normal procedures.

Exhibit 3-8

APPENDIX 3H1

P.L. 480 TITLE I

Missions requesting Title I must complete tables in the format at Exhibit 3-9 and submit a Title I Proposal narrative following the outline set forth in paragraph IIB of AIDTO CIRC A-313 dated June 3, 1976 on P.L. 480 Title I as a Development Resource. Those missions which supplied analytical data in the response to the guidance message should make reference to that submission and either (1) state that it is still relevant or (2) state the necessary modifications explaining the factors which led up to those changes. Those missions which have not already updated the DAP to cover P.L. 480 or provided a separate analysis should expand the Title I Proposal to cover the topics set forth in paragraph I.C. of AIDTO CIRC A-313, June 3, 1976.

The narrative should fully discuss the economic and development rationale for the program.

APPENDIX 3H2

P.L. 480 TITLE II

Title II: AIDTO CIRC A-287, dated May 13, 1975, excluding Sections A and B continues to provide the basic guidance applicable to preparation of Title II material for the ABS. Title II proposals should contain a narrative section and supporting tables. Instructions for preparing supporting tables are given below. The narrative section and proposed funding levels should be developed in the context of a multiyear program, country goals, availability of commodities and application of Section 206 of P.L. 480.

Multiyear Program Planning

As missions are aware, Section 201 of P.L. 480 was amended in 1975 to establish a minimum tonnage level for Title II of 1.3 million, of which not less than 1.0 million tons (subminimum) must be distributed through the World Food Program and non-profit voluntary agencies. The minimum tonnage was further amended in 1977 to increase the minimum to 1.6 million tons with a subminimum of 1.3 million tons. With availability of commodities thus ensured, we are in a position to develop firm Multiyear Program Plans (MYP) in cooperation with the host country. Some missions submitted a MYP as part of a recent ABS. These plans should be updated, if appropriate. If no substantive changes have occurred in the MYP, this should be so stated in the Budget Year ABS. Other missions should prepare an initial MYP referring to instructions contained on pages 8 and 9, AIDTO CIRC A-201, April 6, 1976, published in Handbook 2 as Supplement A7.

We recognized that year-by-year programming may be more appropriate in particular instances. If, in the Mission Director's judgment an MYP cannot be prepared, missions should briefly set forth the reasons.
NOTE: Multiyear planning is particularly appropriate in fostering a more deliberate integration of Title II and other development aid. A separate message will be issued on this subject and missions are urged to consider its content.

Sensitivity and Responsiveness to Individual Country Development Goals (See AIDTO CIRC A-201 for general discussion)

Recipient Category - In general, MCH, FFW and School Feeding continue to have priority in that order. However, some missions may demonstrate that to achieve an agreed-upon development goal, another ordering of recipient categories would constitute a more effective course of action.

Rations - Recommended ration levels are contained in the Commodity Reference Guide - AIDTO CIRC A-372, dated October 13, 1977. In some countries, particularly in food-for-work activities voluntary agencies and missions may have justification for recommending increased rations and modifying the commodity mix in order to provide a better nutrition package to the family and more equitable wage for the worker.

Operating Reserves - To be responsive to small-scale emergencies and to cover losses during commodity handling, voluntary agencies may justify an operating reserve of up to 25 percent of their approved program. This will provide cooperating sponsors with a sense of security and an improved responsiveness to local needs.

Adult Feeding Cases - Although current policy deemphasizes adult health cases and institutional feeding program categories, AID/W is willing to consider small programs in the adult feeding category on a case-by-case basis where appropriate.

Commodity Availability

The Commodity Reference Guide transmitted under AIDTO CIRC A-372 dated October 13, 1977, sets forth the commodities and prices to be used in preparation of the Budget Year Voluntary Agency program plan.

Section 206

Section 206 proposals should be considered under conditions set forth in AIDTO CIRC A-30 dated February 2, 1978.

INSTRUCTIONS FOR P.L. 480 TITLE II (BUDGET YEAR) STATISTICAL TABLES

1. For each cooperating sponsor prepare one statistical table for the budget year and one additional statistical table for each fiscal year projected in the multiyear programming statement (format is given at Exhibit 3-10).

2. All weights should be reported in the metric system.

3. To estimate dollar values use current CCC prices as provided in the Commodity Reference Guide (AIDTO CIRC A-372 dated October 13, 1977), Section 2.

4. To compute total commodity requirements refer to ration guideline message, "Suggested Maximum Per Capita Rates of Commodity Use by Project Category," Section 4, Commodity Reference Guide (AIDTO CIRC A-372 dated October 13, 1977).

5. List kilograms, dollars, and recipients in thousands. Carry recipient data to one decimal point, i.e., 10,138 equals 10.1.

6. Voluntary Agency program information provided on the statistical tables is basically the same as that carried on lines 1-8 of the Annual Estimate of Requirements (AER).

COUNTRY/PROGRAM _____ Page 1

PL 480 Title I Agreements and Shipments

	Past Year Estimate*			Current Year Request		
Commodity	Agreements (MT)	Shipments (MT)	Carryover to FY 19CY (MT)	Agreements	Shipments	Carryover to FY 19BY

	Budget Year Request		
Commodity	Agreements (MT)	Shipments (MT)	Carryover to FY 19BY+1 (MT)

* Instructions: All estimates should be in thousands of metric tons of the raw commodity, except cotton which should be in thousands of bales. For dollar amounts, use attached price list and show in millions. Dollar values are only required for Current Year and Budget Year.

Exhibit 3-9

	Prior Year Stock Situation	Actual Year Stock Situation
Beginning Stocks		
Production		
Imports:		
Concessional		
Non-Concessional		
Consumption		
Ending Stocks		

An explanation of any significant changes in consumption, production, or imports should be fully detailed.

Exhibit 3-9

Estimated Prices for Budget Submission
for FY 1979 and FY 1980

$ Per Metric Ton Unless Otherwise Indicated *

	FY 1979 Estimates	FY 1980 Projections
Wheat	116.00	121.00
Rice	289.00	284.00
Corn	93.00	96.00
Upland Cotton* (per bale)	317.00	326.00
Tobacco	4,409.00	4,630.00
Vegetable Oil	408.00	457.00
Flour (Wheat)	167.00	173.00

* Note: Estimate not yet calculated for either sorghum or bulgur. However, USAIDs projecting need for these commodities should use price of corn for sorghum and price of flour for bulgur.

P.L. 480 TITLE II
(FY)

Exhibit 3-10

Country_____

Sponsor's Name_____

A. MATERNAL AND CHILD HEALTH ..... TOTAL RECIPIENTS_____

No. of Recipients by Commodity	Name of Commodity	KGS (Thousands)	Dollars (Thousands)
TOTAL MCH -			

B. SCHOOL FEEDING ..... TOTAL RECIPIENTS_____

No. of Recipients by Commodity	Name of Commodity	KGS (Thousands)	Dollars (Thousands)
TOTAL SCHOOL FEEDING -			

C. OTHER CHILD FEEDING ..... TOTAL RECIPIENTS_____

No. of Recipients by Commodity	Name of Commodity	KGS (Thousands)	Dollars (Thousands)
TOTAL OTHER CHILD FEEDING -			

D. FOOD FOR WORK ..... TOTAL RECIPIENTS_____

No. of Recipients by Commodity	Name of Commodity	KGS (Thousands)	Dollars (Thousands)
TOTAL OF FOOD FOR WORK -			

E. OTHER (SPECIFY) ..... TOTAL RECIPIENTS_____

No. of Recipients by Commodity	Name of Commodity	KGS	Dollars
TOTAL OTHER -			

APPENDIX 3H3

P.L. 480 TITLE III

Food for Development Proposals

Mission requesting a Title III program must submit details called for in AIDTO CIRC A-434, dated November 29, 1977, Attachment C, including specific development efforts to be undertaken under the multiyear Title III program and indication of annual inputs required. For those countries which have not updated the DAP to cover P.L. 480, ABS should include sector details as requested in paragraph I.C. of AIDTO CIRC A-313, dated June 3, 1976.

The narrative should fully discuss the economic and development rationale for the program.

APPENDIX 3I

POPULATION PLANNING - COMMODITIES

I. Instructions for Completing Table 1: Program Analysis of the Oral and Condom Supplies Needed to Achieve Full Availability (see format at Exhibit 3-11A)

Definition and Assumptions

A. "Full Supply" Analysis

The "Full Supply" Analysis is designed to quantify the volume of fertility management commodities that need to be made available if LDCs are to achieve a replacement level fertility in the foreseeable future. It is illustrative and not meant to be a precise form of analysis. For "Full Supply" to be possible, the following assumptions are made:

1. Some form of fertility control will be used effectively by 65 percent of the married couples of reproductive age (MCRA).

   a. Sixty-five percent participation is the theoretical base for achieving the replacement level of fertility.

   b. The eligible population includes the total number of women exposed to sex (married) from 15 to 49 years old. Data will be provided for use by Missions in a separate airgram by DS/POP. Missions, however, may change these figures if more accurate data are currently available. The reasons for the change and the source for the new data must be stated.

2. Approximately 50 percent of the eligible population is assumed to use orals and condoms and 15 percent to use some other form of fertility management (i.e., sterilization, IUD, aerosol foam, diaphragm, abortion, etc.). Missions may revise the assumed proportion with an explanatory note reflecting local experience.

3. Of the approximately 50 percent of women protected by orals and condoms, one-half are assumed to use orals and one-half are assumed to be protected by condoms. Missions may also revise this assumed proportion with appropriate explanatory notes.

B. Annual New Supply from Non-AID Bilateral Sources

To improve programming for contraceptive supplies and to gain a better knowledge of the number of new contraceptive supplies to be made available from other than AID bilateral sources, additional information is required. New contraceptive supplies are defined as the quantity to be imported and/or locally produced each calendar year. Do not include prior year inventory. Specifically, Missions must determine the quantity of new contraceptive supplies expected to be imported and/or produced in LDCs by private commercial manufacturers/distributors, other donors, and host country governments. AID-supplied intermediaries should be included in these sources of supply.

C. Gap to be Filled to Achieve "Full Supply"

The gap is the difference between the total number of orals and condoms required for "Full Supply" less the total number of new orals and condoms to be imported and/or locally produced during the calendar year. The gap to be filled does not include orals and condoms to be supplied under AID bilateral agreement, but will include any AID-financed supply channeled through intermediary organizations.

D. AID Bilateral Supply Objective

The AID bilateral supply objective is to ensure that every program has sufficient supplies to achieve "full supply." But because "full supply" cannot now be achieved, AID and other donor programs may alternatively aim to provide, as a minimum, total in-country commodities large enough to supply at least 10 percent of the married women of reproductive age with orals and at least 10 percent with condoms. If country programs have the capability for absorbing higher levels, or for some reason cannot realistically meet the 10 percent targets, the percentage should be adjusted.

While there is no set formula which can be used to determine what the AID share should be, the Missions should be aware that availability of orals and condoms cannot be limited to clinic-based distribution systems and, therefore, significantly greater quantities of supplies are needed for commercial, village, and household distribution systems. If these latter distribution systems are not now in place, plans should be made to have them in place to ensure effective distribution upon receipt of the supplies.

Oral and Condom commodity data for each calendar year under this section are derived as follows:

1. Calendar year (PY-1) - actual stock deliveries during the year.

2. Calendar year (PY) - expected stock to be delivered this calendar year.

3. Calendar year (CY) - same as calendar year (PY). Projections will be supplied by DS/POP/AID/W.

4. Calendar year (BY) - while this quantity for orals was projected for (CY) procurement and is reflected in the fiscal year Congressional Presentation, USAID should make whatever adjustments judged appropriate based upon current and future program plans. For condoms, insert desirable stock levels based on the AID bilateral supply objective.

5. Calendar year (BY+1) - insert desirable stock levels based on AID bilateral supply objective.

For calendar year (BY+1) and calendar year (BY+2), the AID bilateral supply objective will actually be the "scheduled deliveries" in the Logistic and Financial Analysis Tables (see Tables 2 and 3).

Exhibit 3-11A

TABLE 1

Program Analysis for the Oral and Condom Supplies Needed to Achieve Full Availability

	(PY-1)	(PY)	(CY)	(BY)	(BY+1)	(BY+2)
A. Full Supply Analysis						
1. Married women of reproductive age (thousands)						
2. 65% of line A1 (contracepting women required to achieve replacement fertility)						
3. 50% of line A1 (contracepting women utilizing orals and condoms)						
4. Annual stock requirements for "full availability"						
a. Orals ½ of line A3 x 13 monthly cycles						
b. Condoms ½ of line A3 x 100 units						
B. Annual New Supply From Non-AID Bilateral Sources						
1. Private Commercial Sector						
a. Orals						
b. Condoms						
2. Other Donors						
a. Orals						
b. Condoms						
3. Host Country Government Procurement						
a. Orals						
b. Condoms						
4. Total In-Country Stock						
a. Orals						
b. Condoms						
C. Gap to be Filled to Achieve "Full Availability"						
1. Orals (line A4a less line B4a)						
2. Condoms (line A4b less line B4b)						
D. AID Bilateral Supply Objectives						
1. Orals						
2. Condoms						
E. Total New Supply						
1. Orals (line B4a plus line D1)						
2. Condoms (line B4b plus line D2)						
F. Remaining Supply Gap						
1. Orals (line A4a less line E1)						
2. Condoms (line A4b less line E2)						
G. People Gap						
1. Orals (line F1 divided by 13)						
2. Condoms (line F2 divided by 100)						
3. Total (line G1 plus line G2)						

NOTE: PY = Past Year, CY = Current Year, BY = Budget Year
Example: Budget submitted in May 1978 includes data for BY (FY 1980), CY (FY 1979) and PY (FY 1978).

Table 2

AID Bilateral Logistic and Financial Analysis of Orals
(Thousand M/C)

	CALENDAR YEAR				
	PY-1	PY	CY	BY	BY+1
A. AID Inventory Analysis					
1. Beginning of year stock					
2. Add: Scheduled deliveries					
3. Less: Expected Use					
4. End of Year Stock					

To be completed by AID/Washington

B. Financial Analysis (CY)

1. Calendar Year 19CY deliveries (line A2 above)
2. Estimated cost per unit in FY of purchase
3. Estimated total cost for FY 19CY (to be determined by AID/W)

C. Financial Analysis (BY)

1. Calendar year 19BY deliveries (line A2 above)
2. Estimated cost per unit in FY of purchase (to be determined by AID/W)
3. Estimated total cost for FY 19BY (to be determined by AID/W)

Exhibit 3-11B

E. Total New Supplies

This represents the total number of new orals and condoms to be imported and/or locally produced by private commercial manufacturers/distributors, other donors (including AID-supported intermediaries) and the host country. Total New Supplies also includes the quantity inserted as the AID bilateral supply objective. The total level for each year represents an achievable intermediate target, recognizing that ultimate program success will require a level which approximates 50 percent coverage with orals and condoms in an "average" country.

F. Remaining Supply Gap

This represents the total number of new orals and condoms remaining to be imported or produced by all sources in order to achieve "Full Supply" in each calendar year.

G. People Gap

This represents the total married women of reproductive age yet remaining who must be supplied with orals and condoms each calendar year if "Full Supply" is to be achieved by the country.

II. INSTRUCTIONS FOR AID BILATERAL LOGISTIC AND FINANCIAL ANALYSIS OF ORALS (See format at Exhibit 3-11B)

A. AID Inventory Analysis (Calendar Year Basis)

Line 1. Beginning of year stock - Insert the quantity of AID bilaterally provided orals existing in central and regional warehouses at the beginning of calendar year (PY). Calendar year (CY) through (BY+2) will be based on computations derived from the Table. If AID bilateral supplies are comingled with other donor supplies, please indicate such.

Line 2. Add: Scheduled deliveries - For scheduled deliveries of the AID Bilateral Supply objectives through calendar year (BY) please refer to projections provided by DS/POP. As stated in Section I.D of the Instructions above, please revise the 10 percent targets if necessary. Calendar year (BY+1) and (BY+2) scheduled deliveries are actually the Mission's commodity requests financed with fiscal year (BY) and (BY+1) obligations. These scheduled deliveries correspond to the AID bilateral supply objective derived on Table 1.

Line 3. Less Expected Use - Insert the quantity of orals realistically expected to be used and/or distributed to clinics and other distribution outlets during each calendar year. Please take into consideration plans for new initiatives scheduled for each calendar year, and do not rely exclusively on prior year experience to make these projections.

Line 4. End of year stock - For calendar year (BY) through calendar year (BY+2), the end-of-year stock is simply the mathematical calculation arrived at by adding the "Scheduled deliveries" (line 2) to the "Beginning-of-year stock" and subtracting "Expected use."

B. and C. Fiscal Year (CY) and Fiscal Year (BY) Analysis
This section is provided for USAID information only. AID/W will complete this part of the table based on Mission program and logistic analysis, using current cost information.

III. INSTRUCTIONS FOR AID BILATERAL LOGISTICAL AND FINANCIAL ANALYSIS OF CONDOMS
(See format at Exhibit 3-11C)

A. AID Inventory Analysis (Calendar Year Basis)

Line 1. Beginning of year stock - Insert the quantity of AID bilaterally provided condoms existing in central and regional warehouses at the beginning of calendar year (PY). Calendar year (CY) through (BY+2) will be based on computations derived from the Table. If AID bilateral supplies are comingled with other donor supplies, please indicate such.

Line 2. Add: Scheduled deliveries - For scheduled deliveries of the AID Bilateral Supply Objectives through calendar year (CY) please refer to projections supplied by DS/POP. As stated in Section I.D of the Instructions above, please revise the 10 percent targets if necessary. Calendar year (BY), (BY+1), and (BY+2) scheduled deliveries are actually the Missions commodity request financed with fiscal year (BY), fiscal year (BY+1), and fiscal year (BY+2) obligations. These scheduled deliveries correspond to the AID bilateral supply objective derived on Table 1.

Line 3. Less: Expected Use - Insert the quantity of condoms realistically expected to be used and/or distributed to clinics and other distribution outlets during each calendar year. Please take into consideration plans for new initiatives scheduled for each calendar year and do not rely exclusively on prior year experience to make these projections.

Line 4. End of year stock - For calendar year (PY) through calendar year (BY+2) the end of year stock is simply the mathematical calculation arrived at by adding the "Scheduled deliveries" (Line 2) to the "beginning-of-year stock" and subtracting "Expected Use."

B. and C. Fiscal Year (CY) and Fiscal Year (BY) Financial Analysis
This section is provided for USAID information only. AID/W will complete this part of the table based upon Mission program and logistic analysis, using current cost information.

Exhibit 3-11(

Table 3

AID Bilateral Logistic and Financial Analysis of Condoms

(thousand pieces)

	CALENDAR YEAR				
A. AID Inventory Analysis	PY-1	PY	CY	BY	BY+1
1. Beginning of year stock					
2. Add: Scheduled deliveries					
3. Less: Expected Use					
4. End of Year Stock					

To be completed by AID/Washington

B. Financial Analysis (CY)

1. Calendar Year 19CY deliveries (Line A2 above)
2. Estimated cost per unit in FY of purchase
3. Estimated total cost for FY 19CY (to be determined by AID/W)

C. Financial Analysis (BY)

1. Calendar Year 19BY deliveries (Line A2 above)
2. Estimated cost per unit in FY of purchase (to be determined by AID/W)
3. Estimated total cost for FY 19BY (to be determined by AID/W)

SUPPLEMENT A - Program
Planning and Budgeting
Guidance

POLICY DETERMINATION

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT

File as: AID HANDBOOK

TRANS. MEMO NO.	EFFECTIVE DATE	PAGE NO.
	Sup A1 to HB 2	(TM 2:1)

PD-37
February 10, 1967

AID'S ROLE WITH RESPECT TO NON-AID RESOURCES
IN THE TOTAL FOREIGN ASSISTANCE EFFORT

Our resources in AID - both in staff and money - are not equal to the needs of the developing countries. Therefore we must work harder than ever to mobilize other resources - private, community, and local government.

I am convinced that the attached Policy Determination will enable us to get more mileage from each dollar spent and each direct-hire employee on board.

William S. Gaud

William S. Gaud

DISTRIBUTION:
AID List M, Position 9
AID List B-6, Position 9
AID List B-4, Position 5
AID List C-2

Address questions about this policy determination to: PPC.

PD-37
February 10, 1967

AID'S ROLE WITH RESPECT TO NON-AID RESOURCES IN THE TOTAL FOREIGN ASSISTANCE EFFORT

A. Background

AID is just one part of the total foreign assistance effort. It has always recognized the importance of other free world and multilateral aid donors. It must now pay increased attention to the valuable resources available from U.S. non-Federal aid donors. These include the business community, voluntary agencies, the universities, community groups, foundations, unions, farm organizations, cooperatives, and state and local governments.

AID furthers the total foreign assistance effort to developing countries through three means:

1. It assists developing countries to coordinate diverse aid-donors, encouraging such donors to provide assistance and identifying, where necessary, suitable opportunities for assistance by U.S. non-Federal aid donors.

2. It finances - or provides financial incentives for - the provision of skills or resources to developing countries by U.S. entities other than AID.

3. It uses its own personnel to assist developing countries.

B. General Policy

1. AID as a Catalyst. AID must act as a catalyst to stimulate others to provide assistance to the developing nations. In all fields and all assisted countries, AID must, therefore, be fully aware of the total range of potential aid donors, whether U.S. non-Federal, multilateral, or foreign.

2. AID's Role in Coordination. AID should assist developing countries to coordinate the use of all resources available for development - whether indigenous, AID-provided, or non-AID. AID is directed by statute to coordinate its efforts with those of private and other public entities providing resources from the United States. It must do so vigorously, but with full respect for the independence and ultimate autonomy of private and non-Federal aid donors.

3. AID as a Channel. AID is not staffed to provide, through its own direct-hire personnel, all the required technical assistance which it is capable of financing. Therefore other sources of personnel must be tapped.

Rather than directly carrying out all of its own programs, AID must increasingly become a channel through which American resources and skills - wherever located - can be identified, focused, and transmitted to the less developed countries of the world. Through contracts and interagency agreements, AID must, by law as well as policy, draw upon the technical resources of governmental and private institutions to the fullest extent practicable.

C. Specific Policy Regarding Coordination and Catalytic Activities

1. Pre-Condition. Before agreeing to finance a technical assistance activity, AID will make a diligent effort to ascertain that no other suitable aid donor is willing to finance the activity.

2. Identification of Projects. Missions will seek to identify, to countries and available potential donors, specific new projects - whether or not suitable for AID financing - which are to the cooperating countries' advantage and suitable for private U.S. sponsorship. They will then, as requested, assist cooperating countries to enlist the support of such sponsors and, in addition, will inform AID/Washington of such projects to permit further solicitation efforts in the United States.

3. Coordination. Missions and Bureaus will assist cooperating countries, as requested, in coordinating non-Federal U.S. aid donors. They will seek to encourage sponsorship of projects which have maximum social or economic impact and to discourage duplicative or low priority activities. They will, as requested by sponsors, assist in the resolution of operating problems and advise as to local conditions and difficulties.

4. Private Investment. Missions and Bureaus will continue to be alert to opportunities suitable for U.S. private investment and will take all appropriate measures to encourage such investment when it would further development objectives. The Office of Development Finance and Private Enterprise should be called upon to assist in this effort, where appropriate.

D. Specific Policy Regarding the Implementation of AID-financed Activities

1. Order of Preference. Where other factors are equal, means of obtaining skilled personnel will be used in the following order of preference:

a. by contract with non-governmental organizations.

b. by participating agency agreement (or contract) with other federal, state, or local government agencies.

c. by direct-hire.

2. Use of Direct-Hire. It is AID policy to restrict to a minimum, consistent with other legal and policy requirements, the use of direct-hire personnel. This policy is consistent with the needs to: (a) shift as many projects as possible from grant to loan financing; (b) foster an increased assumption by competent borrowers and grantees of implementing responsibility for AID-financed projects; (c) facilitate, through concentration, the elimination of marginal activities and the relocation of technicians devoted to such activities, and (d) eliminate all but the smallest possible contingent of AID personnel, using such personnel primarily for policy, managerial, technical supervisory, and coordinating functions.

3. Choice Between Government and Private Instrumentalities. In choosing between other government agencies and the private community as sources of needed skills, it is AID policy, other factors being equal, to favor the private community. This policy is designed to make even the AID-financed portion of the total foreign assistance effort less of a purely governmental endeavor. It will broaden the base of contact between the United States and aid recipients.

Where a United States firm or non-governmental institution is placed under contract for an overseas project, a relationship is created which has the potential -- after cessation of AID financing -- of being independently extended or renewed for the mutual benefit of both parties and in furtherance of AID's broad objectives. This potential for "by-product assistance" does not exist when the job is accomplished by government personnel. Nor does it often exist when single individuals are placed under contract.

It is also AID policy, therefore, to seek, wherever possible, to tap the private community for needed skills by placing firms or institutions rather than single individuals under contract. This policy requires AID to contract for such skills on a project by project rather than an expert by expert basis, to the maximum extent practicable.

4. Criteria. The policies stated immediately above should be applied in light of the criteria set forth in the attachment to this Policy Determination.

E. Implementation

1. All Missions and all units in AID/Washington are instructed to apply these policies in every appropriate instance.

2. Staff offices must intensify their efforts to become conversant with the location, capability, and quality of resources throughout the United States which are potentially available for the total assistance effort. Missions must intensify their efforts within

their respective countries to become conversant with the activities of all other aid donors and to assist the countries in coordinating them.

3. The Office of Management Planning must, in consultation with other offices, design agency-wide procedures to assure maximum possible compliance with these policies.

I shall from time to time request special reports of progress towards the full implementation of these policies.

William S. Gaud

William S. Gaud

JCPRichardson:A/MP:1/26/67

Attachment

Guidelines Governing the Choice Between Direct, Contract, and Participating Agency Hire to Implement AID-Financed Activities

The following guidelines are to be taken into account in reflecting -- through specific choices between direct, contract, and participating agency hire -- the policies stated in Section D of the foregoing Policy Determination. The guidelines are intended as an aid to analysis. They do not purport to be exhaustive.

I. Legal Restrictions

Many functions, for legal or compelling policy reasons, can only be performed by direct-hire personnel. They include:

A. Negotiating with host countries in behalf of the United States.

B. Making policy, planning, budgeting, and programming decisions which determine the allocation of resources available to AID.

C. Evaluating and overseeing the execution of functions assigned (through contract or interagency agreement) to other government agencies or the private community.

D. Locating, judging the competence of, selecting, and negotiating with external sources of needed skills.

E. Performance of essentially internal functions such as personnel administration, agency management, and Congressional presentation.

II. Administrative Considerations

Despite the policy preferences which have been established, it may occasionally be desirable, for reasons such as those listed below, to perform given tasks or functions through AID direct-hire personnel even though it is not legally necessary to do so. Such reasons might include:

A. The acute need for speed, in instances where the needed personnel are processed, cleared, and immediately available from the ranks of AID's direct-hire corps.

B. The non-existence of personnel in other government agencies or the private community who possess the requisite expertise. This situation is most likely when the needed skill consists, in addition to purely technical skill, of ability to (1) adapt American skills and techniques to foreign conditions, (2) impart possessed skills to others of a different culture or educational level or (3) create institutions for the retention or dissemination of such skills.

C. The possibility of a prohibitive cost differential between direct-hire and other skills. Before conceding any such differential, it will be necessary to consider the indirect costs of direct-hire (such as overhead expense, retirement benefits, etc.) as well as the significant, though intangible, benefits to AID of creating potential, through a contract with the private American community, for "by-product assistance." Also, there will be situations in which it is necessary to pay more than direct-hire salary scales will permit in order to procure the level and type of talent required.

D. The possible loss of control that might result from having a project (or function) implemented by personnel who are not direct-hire. Such a loss is by no means to be considered inevitable, for it is not necessary to perform a function in order to control the manner in which it is performed. Normally, AID should control project implementation through significant leverage points rather than through an overly intimate involvement in all the details of execution.

III. Other Factors

In addition to the stated policy preference in favor of the private community over participating agencies of government, the following criteria are among those to be considered in choosing between the two sources:

A. Where the participating agency would use AID funds to hire personnel into its own ranks from the non-government community, AID should consider whether it might be preferable to obtain the needed skills directly by contract in order to create otherwise absent potential for "by-product assistance." This consideration should be measured against the benefits that might accrue from the unique backstopping capacities and institutional environment existing in the participating agency. Generally, it will be more advantageous to obtain single experts from participating agencies and to obtain skilled personnel for the implementation of whole projects from the private community.

B. As their primary responsibilities are domestic, it may be difficult, in some instances, for participating agencies to accord the requisite priority to AID's projects.

C. Conversely, once its staff resources have been committed to a project, it may be more difficult for a participating agency to terminate its services should a shift in AID's program emphasis occur.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

November 12, 1976

CIRCULAR NO. A-10
Revised

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Responsibilities for disclosure with respect to the budget

1. Purpose. This Circular supersedes Bureau of the Budget Circular No. A-10 dated January 18, 1964. It provides guidance on responsibilities for disclosure of information with respect to the preparation of the President's budget.

2. Background and applicability of Circular. The Budget and Accounting Act of 1921 (31 U.S.C. 11) requires that the President transmit an annual budget to Congress and prohibits agency submissions in any other manner unless at the request of either House of Congress (31 U.S.C. 15). The Act was passed following unsatisfactory experiences with the previous practice of budget submissions to the Congress that were not approved and controlled by the President. The budget is required by statute to provide certain specific information, is to be prepared by the Office of Management and Budget (OMB), and is to be prepared in such form as the President determines. The budget is also required to reflect the President's judgment in establishing proposed appropriations and expenditures. Agencies are required to submit to OMB such information as may be required to permit OMB to evaluate, revise, reduce, or increase agency requests for appropriations and to prepare the budget. The President is also required to transmit various summaries, additional reports, and any proposed supplemental or deficiency appropriations. Historically, the Executive Branch communications that have led to the preparation of the budget have not been disclosed by the agencies or by those who have prepared the budget.

This Circular is applicable to those budget documents transmitted annually by the President to Congress and to the communications concerning the formulation of the budget and related documents, as well as to budget amendments,

supplemental estimates, and other proposals for the granting of new obligational authority that are transmitted after the transmission of the original budget.

This Circular does not apply to the budget requests of the Legislative and Judicial Branches of Government, or, except for paragraph 4, to those requests that are specifically exempt by statute from prior review and approval by the President. Nothing in this Circular is intended to prohibit the disclosure of records that are specifically required to be disclosed by statute. For example, this Circular does not prohibit the release of records otherwise required to be released under the procedures of the Public Information Provisions of the Administrative Procedures Act (5 U.S.C. 552), known as the Freedom of Information Act (FOIA). At the same time, this Circular does not require the disclosure of information required or permitted by law to be withheld. For example, it is not intended to require the release of information pursuant to the Freedom of Information Act that an agency is authorized to withhold.

3. Requirements for confidentiality prior to official transmittal. The confidential nature of agency submissions, requests, recommendations, supporting materials and similar communications should be maintained, since these documents are an integral part of the decisionmaking process by which the President resolves budget issues and develops recommendations to the Congress. Presidential budget decisions are not final until the budget itself is transmitted to Congress. Amendments to the budget and supplemental appropriation requests may also follow the transmittal of the budget. Budgetary material should not be disclosed in any form prior to transmittal by the President of the material to which it pertains. The head of each agency is responsible for preventing premature disclosures of this budgetary information.

4. Agency testimony before and communications with Congress on budgetary matters. In furnishing information on appropriations and budgetary matters, representatives of agencies should be aware of the limitations on such communications, including the limitation that:

> "No estimate or request for an appropriation and no request for an increase in an item of any such estimate or request ... shall be submitted to Congress or any committee thereof by any officer or employee of any department or establishment, unless

at the request of either House of Congress." (31 U.S.C. 15)

Furthermore, agency representatives should be aware of restrictions upon communications to influence legislation that are not conducted through proper official channels (18 U.S.C. 1913).

Following formal transmittal of the budget, an amendment, or a supplemental appropriation request, agency representatives will be guided by the following policies pertaining to budgetary matters when testifying before any Congressional committee or communicating with Members of Congress.

a. Witnesses will give frank and complete answers to all questions.

b. Witnesses will avoid volunteering personal opinions that reflect positions inconsistent with the program or appropriation requests the President has transmitted to the Congress.

c. If statutory provisions exist for the direct submission of agency budget estimates to the Congress, witnesses will be prepared to explain both the agency submission and the request in the President's budget.

d. In responding to specific questions on program and appropriation requests, witnesses will make clear the extent to which testimony reflects personal opinion, and that such opinion does not constitute a Presidential request for increased or decreased funds. Witnesses, typically, bear responsibility for the conduct of one or a few programs, whereas the President must weigh carefully all of the needs of the Federal Government, compare them against each other and against the revenues available to meet such needs. Where appropriate, witnesses should call attention to this difference in scope of responsibility.

e. Where there is a request for a written submission that will involve a statement of opinion relating to program and appropriation requests, witnesses will arrange for a reply to be provided through the head of the agency.

f. Agency representatives should be careful that their communications are not perceived to be an "estimate or request for an appropriation ... or an increase in an item of any such estimate or request..." (31 U.S.C. 14, 15). Agency representatives are expected to support the

President's budgetary decisions and seek adjustments to those decisions through established procedures for budget amendments or supplemental appropriation requests if the agency head determines such action to be necessary.

5. Clearance of changes in the President's budget. The prohibition against submissions by agencies to Congress of estimates or requests for appropriations without the approval of the President or request of either House of Congress applies to changes in appropriation language and to changes in the limitations recommended in the budget. When an agency desires to propose such changes, written requests will be presented to the Office of Management and Budget (in accordance with the provisions of OMB Circular No. A-11).

When it is possible to reduce the amount of a request for appropriations before action has been taken by the Appropriations Committee of either House, the head of the agency will promptly inform the Office of Management and Budget. If significant changes are planned in the amount requested or the conditions pertaining to a program of the agency without changing proposed appropriation language contained in the budget on which Congress has been requested to act, the agency will inform the Office of Management and Budget. The Office of Management and Budget will inform the agency as to whether or not a formal transmittal of the change will be made. This procedure applies to appropriation requests, as well as to other estimates, e.g., business-type statements required by the Government Corporation Control Act.

6. Reductions made in appropriation bills. The final authority for appropriations rests with the Congress. Its action is based on extended hearings and recommendations by the Appropriations Committees and is taken only after consideration by each body as a whole. Any decision by an agency head to request restoration of a reduction should be carefully considered, taking into account the reasons for the reduction, the circumstances under which it was made, its significance from the standpoint of the President's program, and other relevant factors.

7. Information available to the public. An agency may disclose budgetary records of that agency, if otherwise appropriate, upon a request for such records pursuant to the FOIA following the end of the fiscal year to which such information pertains. Although it is not possible to determine merely by the generic category of records whether an agency would be authorized to withhold records requested

under the FOIA in every instance, most budgetary documents of an agency that are subject to the FOIA should be exempt from mandatory release pursuant to the provisions of 5 U.S.C. 552(b)(5), and an agency should not release such records prior to the expiration of the fiscal year to which such records pertain. Depending upon the nature of the record requested other exemptions to the FOIA may apply, or the release of records within 5 U.S.C. 552(b)(5) may be inappropriate even after the end of the fiscal year to which the records pertain. Agency heads will be held responsible for determining the propriety of releases of records under the FOIA pertaining to budgetary matters.

Certain agencies headed by a collegial body may be required to hold their meetings open to public observation unless the agency properly determines that the matter to be discussed warrants the closing of those meetings for reasons enumerated in the Government in the Sunshine Act (Public Law 94-409). Some meetings covered by that Act may pertain to budgetary information discussed in this Circular. Although, as with the FOIA, it is not possible to determine merely by the generic category of such information whether such an agency would be authorized to close a particular meeting covered by the Government in the Sunshine Act, the premature disclosure of budgetary information may "be likely to significantly frustrate implementation of proposed agency action" (5 U.S.C. 552b(c)(9)(B) added by section 3(a) of Public Law 94-409). Futhermore, other exemptions from the open meeting requirements of the Act may apply. Such agencies will be held responsible for the propriety of determinations that would lead to the disclosure of this budgetary information.

8. Inquiries. All questions or inquiries should be submitted to the Office of Management and Budget, Budget Review Division, Resources Systems Branch, telephone (202) 395-3172.

James T. Lynn
Director

Sup A2a to HB 2 (TM 2:7)

AIRGRAM

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TO - AIDTO CIRC A 286
SEND TO LIST G

FROM - AID/Washington

SUBJECT - Revised DAP Guidance

REFERENCE - (A) AIDTO Circ A-461 (C) Handbook No. 2
(B) AIDTO Circ A-201

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I. Preface

A.I.D.'s objective, to assist the poorer nations of the world achieve more equitable and balanced economic and social development, requires continued analysis to plan for the efficient allocation of resources to productive efforts. For A.I.D. the Development Assistance Program (DAP) has been and will continue to be the Agency's primary analysis and planning document.

The DAP process was established in 1973 for a variety of reasons, most of which remain valid today. However, the environment in which we carry out the A.I.D. program has changed in a number of ways, some subtle and some quite dramatic.

PAGE 1 OF 19 PAGES

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AA/SER, CMann(in draft) AA/NE, RNooter(in draft) AA/ASIA, AGardiner(in draft)
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By "decycling" the DAP and making it "multi-year", the quality of AID's basic analysis has improved. To a greater extent than before, our analysis focuses on long-range development problems and seeks to avoid the pitfalls of short-term program rationalization. In de-emphasizing macro-analysis and stressing sector-level study we have produced work that is clearly more relevant to the Agency's available resources and to our assistance activities in the developing countries. The DAP process has brought a more profound understanding of the context within which development can proceed. Institutional issues have been given greater attention, alongside equally important economic issues.

Despite these genuine gains, the current DAP process is not fully responsive to present Agency needs since it was established prior to the "new direction" contained in the FAA of 1973. With AID's assistance now focused more directly on the poor majority, our analytical process must be modified to support this more concentrated program emphasis. Sector assessments were originally designed to consider the full range of development needs in a sector -- sector loans were seen as a logical next step in view of declining program loan activities. Rural poverty was one problem among many. Today, a more penetrating analysis of rural poverty is indicated, leading to programs consistent with AID's changing priorities.

We have solicited and received extensive comments from Missions on revision of the DAP instructions. There was wide consensus that the "new directions" implied a sharper analytical emphasis on the poor majority. These and numerous other observations from the field provide the basis for revising the DAP guidance.

The primary revisions to the original guidance are:

- to require the identification of priority groups for U.S. assistance based upon an analytical description of the country's poor majority. (Section V, Page 9)

- to require precise statements of AID's 3 to 5 year goals for each field (sector, sub-sector, geographic area or specific socio-economic grouping) where major U.S. assistance is planned. (Section VI, Page 12)

- to emphasize the Agency's changing technical character which involves greater emphasis on new analytical and methodological tools, needs-oriented research* and application of relevant technology in order to identify and measure progress of target groups as well as design and implement programs which more effectively improve income, employment and basic services for the poor. (Section V , Page 9)

- to aggregate from individual DAPs, multi-year projections of Agency financial resource requirements, manpower levels and skills, and research and development objectives and programs. (Section II , Page 5)

- to stress relevance as a key factor for the material contained in the DAP. (Section III, Page 7).

*i.e. the search for applicable technologies to meet needs identified in the process of building programs in specific situations.

- to specify plans for refining assessments and collecting needed information. (Section III, Page 8)

This guidance is designed to update previous Agency-wide instructions on the scope, preparation, review and approval of DAPs. As such, it replaces, Pages 3-1 through Page 3-5 and Supplements A-2, A-5 of the Program Planning and Budgeting Handbook No. 2, Part II.

This Guidance will, over time, necessitate the revision of all DAPs. We are mindful that much of the data needed for analysis may not be readily available. Data on low-income, rural people is particularly scarce and must often be generated through time-consuming and expensive sample surveys and other techniques.

As stated in Section VIII, Updating or Revising DAPs, page 17 herein, the FY 1978 ABS DAP validation statements should contain a first appraisal by each Mission of the appropriate analysis and documentation required to adapt their existing DAPs to this new guidance. In some countries we have already accumulated a great deal of useful data, which can now be distilled in a second generation of DAP summaries. Also, better assessments and target group analysis can be formulated on the basis of our recent experience. We look to the future success of these analytical efforts recognizing the great effort Missions have already made over the past three years.

Rather than impose arbitrary AID/W deadlines for the submission of DAP documentation, Mission proposals for the revision of their DAP will be used by Regional Bureaus and PPC to develop an Agency-wide schedule for the receipt and review of DAPs.

We recognize that these requirements will place additional burdens on you and your staffs and hence Missions will need time and help to accomplish the analyses which are required. We are prepared to make available, on a priority basis, the financial and technical resources necessary to supplement Mission resources to undertake data-gathering analysis. Implementation of the new guidance should be a gradual transition with the pace of this transition governed by field and AID/W needs.

II. Introduction

The Development Assistance Program (DAP) should present the Agency's analysis of the development situation--the needs and constraints--in a particular country or region. Flowing from this analysis will be a determination of the appropriate priority groups within the poor majority of the particular country, and the medium-term (3-5 years) goals for A.I.D. assistance in the fields (sector, sub-sector, geographic area, socio-economic grouping, etc) where major programs are planned.

The DAP is a multi-year program planning document that may be submitted at any time and, when approved, * continues in effect until such time as it needs revision. Particular conclusions or plans in a DAP may of course require changes from time to time, which can be made without necessarily redoing or revising the whole DAP. It should be recognized that no DAP can or should be considered a static document, cut in stone to be read and followed forever after. Rather, it is a picture, or an expression of where A.I.D. and the LDC are at a given point and at the same time a map of where we think A.I.D. and the LDC should be going.

A DAP is required from every country, including those receiving SSA,**to which U.S. economic assistance (loans, grants, PL 480 and HIGs) is planned.

While this guidance contains core DAP requirements it is recognized that because of the great differences among A.I.D. recipients, modification of the guidance, tailored to individual country situations will probably be required. Hence, country specific guidance, with FPC clearance, will be necessary.

A. Role and Uses of the DAP

The relationship of the DAP to major Agency programming actions and procedure is depicted on the flow chart in the Program Planning and Budgeting Handbook No. 2 (TM2:1) 9/15/75, (Attachment A). While the chart in the Handbook covers only project assistance it is valid for most A.I.D. assistance. As depicted in the chart, the DAP serves to establish the framework of the Agency's project identification, documentation, implementation and evaluation systems and broad U.S. Government policies--Congressional, Executive and A.I.D.

The two-way flow in the chart from policy-to-DAP-to-project is the logical path for Agency planning. At any point along the track there might and often needs to be jumping back to examine assumptions and conclusions reached earlier. For example, in the preparation of a PRP or implementation of a project, certain information may become available that will make it possible to reach a target group previously thought not reachable in a cost-effective manner. This part of the process is recognized in the flow chart in the feeding back into the DAP of the results of evaluation.

* See Section IX, DAP Review and Approval Procedure for complete details.

** Having an approved Assistance Program is as important to the effective development and implementation of Security Assistance programs as it is to Development Assistance programs. It is recognized, however, that the policy provisions of the FAA applicable to Security Supporting Assistance differ substantially from those applicable to Development Assistance. DAP's for Security Supporting Assistance countries will be expected to put primary emphasis on the relationship of assistance plans and proposed assistance programs to the policy provisions of the Security Supporting Assistance legislation. Nevertheless, Security Supporting Assistance DAPs should make every effort compatible with this primary emphasis to address the objectives of Part I of the Act.

The DAP, because it fills such a critical position in the planning chain, will either form the base for or be explicitly used in a wide range of Agency activities including:

1. Determination of Agency Policy and Program

   - LDC needs, identified in the analysis process should not be dismissed simply because these needs do not necessarily conform to current Agency priorities. Rather, recognized needs should be used in the formulation of future priorities for the Agency. It is only through a process of continuing re-examination of basic assumptions and priorities that the Agency will be in a position to better meet the needs of the poor majority.

   - To establish a basic framework for the Agency's future program, information contained in the individual DAPs will be aggregated and summarized in order to estimate future resources and manpower requirements as well as provide a basis for the level and direction of the Agency's future R&D program, including the role to be played by host country institutions and activities, and as a basis for immediate technical backstopping requirements.

2. Project Identification, Review and Approval

   - Project goals or objectives should be consistent with and complementary to the objectives formulated in the DAP. Thus, a test for each project will be how its logical framework goal statement meshes with the DAP goal statements for the relevant field.

   - The DAP is not intended to justify funding for specific projects although it may do so. Rather, it should identify the problems and constraints of the poor and identify the most appropriate programs for A.I.D. assistance in order to facilitate the process by which projects are selected for U.S. support.

   - Just as the DAP leads to project identification, so also it plays an important role in the project design process. Properly executed DAPs provide the basic analysis to permit sound project design and hence permit greater attention in the design stage to matters such as technical soundness, implementation requirements and benefit incidence.

   - DAP and project documentation requirements should not require duplicative work efforts for any Mission. The systems are intended to be complementary and to keep Mission documentation requirements to a practical minimum. DAP material relevant to a particular project should either be drawn upon, appended or referenced in project documentation when the project is being submitted for review.

- PL 480 programs, as with dollar funded projects, should be based upon the DAP analysis of problems and constraints of the poor. Hence, all of the above stated uses of the DAP in relation to project identification, review and approval apply equally to PL 480 programming.

3. Resource Allocation
   - Projecting resource requirements beyond the "budget year" has become increasingly important to the Agency for: a) meeting the Congressional Budget and Impoundment Control Act of 1974 requirements that authorizing legislation be submitted at least 16½ months before the beginning of the budget year and b) providing 5-year projections of Agency budget requirements for the President's Budget. Such budgets, particularly, when the Agency is requesting an increased program, must be built up from realistic programs which should be based upon the strategies contained in individual DAPs.

   - Approval of the DAP will mean that AID/W is in agreement with the goals and objectives presented. This approval indicates general concurrence in regard to the type and level of resources necessary to accomplish these goals and objectives. The specific level of resources later allocated to a country will, of course, depend upon a) the quality of projects submitted, b) the relative need of other countries and c) the availability of and demand for Agency's resources.
   - The DAP provides the setting and background for annual budget reviews, recommendations, and decisions. Resources requested and projects identified in the ABS should "flow" from the strategy and goals articulated in the DAP.

4. Manpower Requirements
   - Just as the DAP provides the setting and background for annual budget submissions and reviews, the manpower requirements contained in the MOB, should "flow" from the numbers and types of personnel required to design and implement the DAP strategy.

5. Definition of U.S. Political Interests
   - The DAP should not restate the analysis and articulation of U.S. foreign policy interests contained in the CASP's, PARA's, country policy papers, and similar documents. DAPs can and should be utilized in the formulation of A.I.D. inputs to such documents.

6. Preparation of Congressional Presentation
   - The DAP can play an increasingly important role in the preparation of the Congressional Presentation as the Agency moves toward providing Congress with more specific information. For the FY 1977 Presentation, new projects were described in terms of their goals and purposes. The next logical step would be for the individual country sections of the Presentation to synthesize country programs in terms of projected goals and strategies.

7. Guiding Centrally Funded Activities
   - DAPs help guide the planning of centrally administered programs. The DAP indicates the fields in which a Mission plans to concentrate its resources and the types of assistance instruments which the mission intends to utilize. This information is used by the SER Bureau to plan program and management support activities, by TAB and PHA to estimate technical backstopping capacity which will need to be maintained in AID/W, by TAB, PHA and PPC in developing research programs which promise to contribute most to the success of field programs.

8. Relationship with Host Country Planning
   - The collaborative style is and will continue to be the most desirable method for the A.I.D. program process. Joint studies produced through such collaborative arrangements may serve both internal A.I.D. needs and host country requirements. But experience has shown that studies and assessments done on a joint basis sometimes lack a frank appraisal of host country performance, capacity, potential, and the feasibility of influencing their decisions.

   - Thus, host country analyses and planning, with whatever kind of A.I.D. participation, needs, at times, to be supplemented for A.I.D.'s internal policy making process. To have an adequate basis for policy and program decisions, A.I.D. needs a candid assessment of the host government's commitment and capabilities. Since the collaborative planning efforts may not provide such an appraisal, Missions may have to prepare supplemental documentation for submission to AID/W, which in some cases may need to be classified.

III. Data Requirements for DAPs

1. Relevance

The DAP is part of a process of successive approximation involving identification and diagnosis of the nature of the problems, review of alternative approaches to their solution; selection of an approach and design of policies and programs to carry out the approach; establishing methods to assure evaluation of results. The constant test throughout the process should be relevance--anything extraneous should be omitted. The challenging part of the exercise is not gathering masses of data, but rather the linking of the relevant data so that a substantiated program strategy emerges. Hence, a determination of the final goal statements in the DAP Summary Strategy should largely be a synthesis from previous analysis.

Data, tables and statistics providing the basis for analysis should support but not intrude upon the analysis. Some of the most important judgments will usually be reflected in evaluative narrative form.

2. Meeting DAP Data and Information Requirements

There is considerable variation in the availability and accuracy of country data and studies. Thus, DAPs should indicate information that is not available, and assess the reliability of the information that is used as the basis for analysis. Where reliable data is lacking, the DAP should indicate steps planned to improve the availability and reliability of data, and what action is planned to refine the assessment, including definition of information needed and how it is to be collected.

In the preparation of DAPs the measures and steps taken to assure that information gaps are filled and to provide for the process of on-going assessment are critically important. The research needs necessary to producing a quality planning tool will be given the highest priority in terms of financial and manpower resource allocation.

IV. DAP Components

DAPs will be composed of three basically sequential components.

First: Analytical Description of the Poor Majority

Analytical description of the poor majority, emphasizing problems, their causes and likely trends: The purpose is to identify the highest priority groups for A.I.D. programs and an initial determination of fields of concentration.

Second: Assessments

Assessment of priority fields of activity based on the Analytical Description of the Poor Majority to which U.S. assistance is contemplated.

The purpose is to identify the primary A.I.D. goals and objectives and to move from initial identification of priority groups up to (but not recessarily into) preliminary project identification. This requires addressing two key questions (among others):

- Which problems appear to merit a closer look, either in project development or in special analyses, to see if the problems can feasibly be addressed, subject to political, technological, human resources or other constraints.

- Which of these problems and potentially useful interventions appear appropriate for A.I.D. program/project development.

Third: DAP Summary Strategy Statement

Summary overview presenting the A.I.D. program strategy for meeting priority needs of the poor and stating program goals.

These steps provide a systematic approach to planning and programming. The initial analysis yields a general characterization of priority developmental needs of the poor majority, and thus logically supports Mission selection of fields of concentration. From the analytical description of the poor majority and the assessments, Missions should be able to synthesize program goals.

Individual country situations may dictate that a different ordering be employed. For example, a Mission might find it convenient to undertake the analytical description of the poor majority along with a particular assessment or choose to submit the analytical description when submitting a revised Summary Strategy Statement. Or it may start with a Summary Strategy Statement formulation to be supported by a more detailed assessment to follow.

V. Analytical Description of the Poor Majority

A. Introduction

The Foreign Assistance Act's emphasis on concentrating aid on helping the poor does not, in itself, provide us with a precise program focus. Clearly we cannot help all the poor with all their development problems in any one country. Our resources have to be directed to a limited selection of uses and objectives. The spirit of the mandate implies that the ideal program would be that which would be most helpful to the most deprived. However, this concept does not provide direct criteria for program or target group selection, since our development programs must be productive and/or cost-effective in development terms. There may also be the choice of providing a large amount of help to a few or a smaller amount to a large number. We expect Missions to apply a rule of reason for we recognize that in the poorest least developed countries the disadvantaged represent an exceedingly broad group encompassing all sectors of economic activity. Attempting to target on the poorest of the poor in such countries is a refinement which may not be an effective use of available staff or produce a practical response to the urgent needs of the least developed. Further, what might be the best program from the point of view of an abstract welfare ideal has in practice to be modified by a number of practical considerations, including limitations in our knowledge of how to solve poverty problems, our limited resources, and the numerous constraints of economic, political, and administrative feasibility. Because of the many unknowns and constraints in the development process, an important function of most A.I.D. programs will be to find and/or demonstrate cost-effective and replicable ways of helping the poor by bringing them into viable development systems.

In addressing the questions of target group selection, the Mission should explain (using the Core Questions below to the extent they are relevant and useful) how it has derived its program focus and;

(i) the overall situation of the poor majority and the various groups that comprise it;

(ii) the constraints and opportunities that influence or determine the choices;

(iii) the special needs, problems and priorities of the intended beneficiaries;

(iv) the relationship of the beneficiary groups and selected field of concentration to the overall poor majority and their problems;

(v) additional "needs-oriented" R&D that will be required prior to effective program and project delivery.

The analysis may be incorporated in either the summary strategy statement and/or individual assessment, as appropriate so long as the reasons for selection (both inclusion and exclusion) of target groups are made clear. The problems of, for example, landless laborers, tenant farmers, or particular geographic areas should not be overlooked, even if it is not now feasible to make them a major focus of our program activity. As stated above, the selection of an appropriate strategy should not be based simply on a determination of those in greatest need; the analysis should identify that segment of the country's poor which A.I.D., with its current knowledge and resources, can most effectively help.

In explaining the situation, the Mission should attempt to provide an indication of what is occurring rather than just presenting a static view. When looking at the status of various groups, it is important to identify trends, such as changes in income or education opportunities.

B. Core Questions

To determine major characteristics of deprivation of the socio-cultural and economic groups that make-up the poor majority, various factors must be considered. These factors include: income; employment; infant mortality; fertility; land holdings and tenure; and access to education, health and other government services. In addressing the core questions it is essential to recognize that a minimum 50% of the poor are women. Therefore, it frequently will be necessary to analyze separately the status of men and women in order to surface the particular problems of women. The purpose is not a checklist but a judgment of the neediest groups, what are their main problems; and (using both national data and an aggregation of the problems of major groups) what are the principal problems of the poor majority as a whole.

Examples of the types of questions that may be helpful as a guide in selecting the prime beneficiaries of A.I.D.'s program and the relationship of that choice to the overall country development situation and A.I.D.'s general policy emphasis are:

1. Income and Employment
   What are the income and employment characteristics of the poor? What are their income levels and what is the source of this income? Is the problem a lack of job opportunities, low productivity or under-employment? When analyzing income the broadest possible definition of "income" should be used to ensure inclusion of factors such as self-produced commodities, available food, leisure time, etc.

2. Land Holdings and Tenure
   What is the relationship between the size of land holdings or land tenure arrangements and degree of deprivation? (What is the minimum-size plot necessary to provide an average family subsistance, given the natural resource endowment of the country/region and taking into account off-farm employment opportunities in that country/region?)

3. Basic Services
   What basic services, such as health, education, nutrition, family planning, etc, are available to the major groups among the poor? What is the quality of these services?

4. Non-economic Constraints
   To what extent is the status of the poor conditioned by their cultural, religious, social, linguistic, tribal and other non-economic patterns, e.g., rigidities limiting the involvement of women?

5. Participation
   How do groups among the poor majority rate in terms of their participation in decision-making and implementation of governmental programs? To which groups are host government's priorities, (policies, budgets, programs) directed in various programs, or as a whole?

While these questions refer specifically to (static) descriptions of the status of the poor, it is desirable (often necessary) for program planning to look back at the causes of their major problems (e.g. population pressure on the land) and project forward - what is likely to happen and what are its implications?

As stated above, these questions are examples. As such it is important that relevant questions tailored to country-specific situations be developed for the preparation of individual DAPs.

VI. Assessments[1/]

A. Introduction

As a result of the inquiries undertaken in the course of an assessment Missions should be able to provide:

- a statement of A.I.D. program goals
- an estimate of the level and type of resources required to accomplish the goals
- a precise identification of the intended beneficiaries of A.I.D.'s program

B. Goal Statements

At the conclusion of each assessment, Missions should be in a position to provide a statement of A.I.D. goals and an approximation of the level of resources required to accomplish the goals. The various goal statements should also be summarized in the DAP Summary Strategy Statement.

Specification of Mission goals will flow directly from the assessment. Activities such as providing small farmer credit, rural access roads, upgrading of rural health services, or development of non-formal educational services do not stand on their own as A.I.D. priorities, but rather must be justified by analysis as means toward meeting specific priority human needs.

Host country and A.I.D. goals and objectives may not be consistent with each other. Hence, it is important to distinguish and reconcile A.I.D. and host country goals. This may be accomplished by:

-- Selecting host country goals for support which are consistent with A.I.D. objectives and compatible with higher order host country goals, e.g., fostering production by small farmer target groups in support of host country national production goal.

-- Establishing as an A.I.D. goal the modification of a national goal which would be more consistent with A.I.D. objectives.

-- Seeking an exception or otherwise modifying the A.I.D. goal.

1/ Assessments may have as their focus a particular sector, sub-sector, geographic area, target group, etc., as such the use of the word "sector" might be inappropriate to identify the assessment.

Out of such a process the assessment should arrive at program goals which are derived from the analytical description of the poor and be compatible with host country goals. Having an explicit statement of A.I.D.'s goals is primarily to serve A.I.D. purpose of articulating an overall strategy and deciding what kind of program to support.

The assessment can make an important contribution to the planning, programming and evaluation process by defining these basic goals, setting forth explicitly the development hypotheses used, and describing the conditions deemed necessary for goal achievement. Precision in the definition of goals and the needs they are designed specifically to address, completeness and accuracy of assumptions about the conditions and relationships which will prevail in the future, and the reconcilation of host country and U.S. interests, will strengthen the planning of projects to meet these goals.

C. Core Questions

As indicated in the recently issued Education and Human Resources (EHRD) Guidelines (AIDTO-90, 2/18/76) assessments must begin with and be structured around an intersectoral and hence broad view of the poor. Such a profile provides meaningful parameters around which the assessment of any given field can proceed. Thus, although additional guidance messages will soon be issued parallel to the EHRD guidance, there are issues which should make up the core of each assessment.

1. Review of country goals, plans and programs.

   - Government planning for the sector: the realism of its stated goals, the desirability of objectives in terms of A.I.D. policy, political dynamics and relation to development commitment and effort.

2. Assess the outreach and effectiveness of the current systems.

3. Specification of critical constraints to development, actionable alternatives and priorities.

   - Relation of the field being analyzed to other fields in terms of development priorities. Is the government over-stressing or under-stressing the field in question? Or is the emphasis about right?

   - The specific problems of under-employment and income maldistribution as they affect the field, and the source of those problems within existing economic, non-economic (social, cultural, political), and institutional relationships.

- Non-economic factors which give the field its traditional characteristics; these factors become more important as the country seeks to extend the benefits of development to groups who may respond less vigorously to economic incentive and as relative emphasis shifts away from previously dominant groups.

- The top two or three constraints on development (priority development problems) and their interrelationship.

4. What other plans and programs has the host government considered, or should have and rejected? What is the Missions judgment as to reasons for rejecting these courses of action, and feasibility of influencing government choices directly -- or indirectly through A.I.D. programs?

5. To what extent are policies such as fiscal and monetary, wage rates, and foreign exchange rates conducive to achieving host country and A.I.D. development objectives, specifying those most relevant to priority goals. including for example, increased production, increased employment, improved income distribution, and balance of payments equilibrium?

6. What role can foreign assistance play in assisting the government to promote development of the field by addressing priority development problems? This will depend upon the nature of the principal constraints on development--there are some problems foreigners cannot and should not try to solve--and upon the adequacy of the government's development program--is it worth supporting?

7. What are other donors already doing in the field? Is this sufficient outside help in terms of the gaps and priorities? Can A.I.D. programs have a constructive influence on the direction of other donor programs?

8. Links between the assistance proposed, the government's development plans, and the priority development problems should be described in detail. When considering a PL 480 program, past, present and projected food gaps, constraints and strategies to improve food production, storage and distribution and anticipated impact of food aid on domestic production and balance of payments should be considered.

9. How adequate is the information and what are some of the constraints to improved data and analysis? What steps are required (and their costs) to ease these constraints? What are the ways in which the institutional capacity for analysis requires strengthening and which institutional capabilities can in turn, most effectively contribute to improved decision making?

10. What additional R&D work is necessary prior to final program design? Are there preliminary pilot projects that should be developed? Are special efforts needed to develop new methodologies and/or analytical techniques?

11. Programs, both current and planned, sponsored by the host country (with involvement of A.I.D. or other donors) which the Mission believes will produce results or knowledge applicable or of interest to other countries or AID/W.

12. What program goals does the Mission propose for this field? What approach (methods, mechanisms or means) are needed to achieve them?

13. What is the Mission's estimate of the amount of U.S. assistance required to achieve this goal?

VII. Summary Strategy Statement

A. Introduction

The Summary Strategy Statement is the part of the DAP document which pulls together information available from the analytical description of the poor and assessments into A.I.D.'s 3-5 year strategy for the country.

The length of the Summary Strategy Statement will obviously vary depending on the country and on the number of fields in which major U.S. assistance inputs are contemplated. It should be logically complete and concise.

The summary should contain:

- Development Overview
- Prime Beneficiaries
- The Missions 3-5 year Program Strategy (Goals)
- Proposed Range of Resource Requirements
- Proposed Manpower Requirements

B. Development Overview

This is the part of the DAP where macro-economic issues and overall host country plans, priorities and programs are examined in the broadest terms, including summary appraisal of:

-- Economic and social developments over the past several years, including the economic, political and social factors (including demographic) affecting development.

-- Past and present development policies and priorities of the host government and likely development priorities for the future. Mission judgment on the development implications of these priorities.

-- Ongoing and planned host government programs and overall levels of financing, including the government's budget and external assistance from all sources.

C. Prime Beneficiaries
Based on the analytical description of the poor and the assessments, identify the intended beneficiary for A.I.D. assistance along with a discussion of why the particular group was chosen as opposed to others.

D. Mission's Three-Five Year Program Strategy (Goals)
For those fields in which major U.S. assistance is identified as appropriate:

-- Identify problem areas selected for A.I.D. assistance and discuss why they were chosen as opposed to others.

-- State goals to be achieved and how the proposed program will achieve these goals.

-- Specify necessary needs-oriented research that will be required to formulate the basis for later programs.

E. Proposed Range of Resource Requirements

Mission should be in a position after identifying their 3-5 year goals, to approximate the range of resources, (including the PL 480 and HIG's), required to effectively implement the proposed strategy. The precise level of resources actually allotted will of course depend upon the:

-- Quality of projects submitted.
-- Availability of resources to the Agency.
-- Relative need of the country for concessional assistance and an evaluation of country's performance, e.g., how well did the country employ available resources and design and implement policy and programs.
-- Other demands on Agency resources.

In considering resource requirements Missions should recognize that amounts should be high enough to have an impact and yet reasonable enough to be practical.

Missions should segregate out of the total estimate of resource requirements the amounts of funds and types of programs which might be implemented under Title XII. This information will be used in preparing the sliding five-year projection the Agency is required to submit to the Congress annually. The specific form in which this information should be provided will be the subject of a subsequent message. (See also AIDTO CIRC A-150, dated 3/19/76.)

F. Manpower Requirements

After the Mission has arrived at a strategy and a determination of resource needs, it should be in a position to approximate the type and level of manpower it will require to effectively implement the proposed program.

VIII. Updating or Revising DAPs

In general, it is anticipated that the DAP strategy will provide a valid three to five year look at where the country and A.I.D. are at the present time and where they should be going.

DAP revisions may be required if or when:

-- As a result of the on-going assessment process, it becomes evident that original assumptions, goals, target group selections or programs are no longer the best choices.

-- A basic change occurs in the host country's political, economic, or social situation that fundamentally alters the validity of the assumptions on which the approved DAP strategy is based.

-- A basic change occurs in a sector or geographic area of the recipient country which suggests a significantly reduced or expanded A.I.D. effort.

-- It becomes necessary to basically change A.I.D.'s style of operations in the country.

It is important to keep DAP strategies current. Therefore, Missions should review their strategies annually and provide a validation statement in their Annual Budget Submission (ABS). If in the Mission's review of its DAP, a decision is made that an update or revision is needed, the Mission will provide, in the ABS, an outline of scope of work of the proposed revision, with a time-table for preparation and submission, and indicate whether AID/W or contract assistance will be needed to undertake the analysis and preparation of the documentation.

In its review of the ABS, AID/W will also review the DAP strategies and the Mission's validation statement in the ABS and come to its own conclusion regarding the continued validity of the DAP strategies. If AID/W arrives at a different conclusion from that of the Mission, a telegram will be sent advising the Mission of the nature and extent of the strategy modifications suggested or issues to be addressed.

At the time (August 15) Bureaus submit their budget requests to PPC they will also submit a schedule for the receipt and review of DAP documentation.

An updating or revision of a DAP Summary Strategy may not necessarily require a revision of assessments and vice versa. However, if either is revised or updated, the document submitted should provide comment on the anticipated impact of the revised strategy on either the assessments or the Summary Strategy.

The ABS DAP validation statements to be submitted for FY 1978 should be especially thorough since they will present the first appraisal by the Mission of appropriate analysis and documentation required to adapt their existing DAPs to this new guidance. Some additional analysis of the poor, their social problems and target group selection will probably be necessary for most Missions.

Missions are encouraged to develop the most appropriate techniques for updating their DAPs to minimize the scope of review at the project level and achieve efficiency in their analytical efforts.

IX. AID/W Review and Approval of DAPs and DAP Revision

The principal responsiblity for arranging the review of each country or sub-regional DAP rests with the appropriate geographic bureau. Geographic bureaus will arrange for distribution of the documents within A.I.D. and to other involved agencies and ensure that spare copies of each DAP are available to satisfy normal demand subsequent to the initial distribution. PPC, TAB, PHA and Office of Management and Budget, the State Department, and other bureaus and offices as appropriate, that receive copies of each DAP are invited to submit critical comments on the DAP to the appropriate geographic bureau and participate in the bureau or PPC-chaired review. Three weeks will be allowed for distribution and preparation of comments. When comments have been received from all appropriate reviewing bureaus and offices, a final review meeting is scheduled. In most cases, such meetings will be chaired by the Regional Assistant Administrator, but in selected cases, the meeting may be chaired by AA/PPC or the Administrator. The meeting will include appropriate personnel from all the reviewing offices in AID/W, other involved agencies, and when possible, personnel from the mission. An agenda, prepared in advance, will include those issues raised by the bureau and other AID/W offices.

If all issues are resolved at the final review meeting, a cable to the mission, indicating approval of the DAP and including a summary strategy statement of the agreed strategy and goals is drafted by the geographic bureau and cleared by AA/PPC (or the Administrator, in cases where the meeting is chaired at that level). The cable should explain decisions taken and provide constructive guidance. In some cases additional information or analysis may be required of the mission. In these cases final approval of the DAP must await AID/W receipt of the requested material. AID/W will review and provide comments to the Mission within 60 days after receipt of the DAP.

If there are unresolved questions at the end of the meeting, the regional bureau will either convene a follow-on review session within the same time period, prepare an issues paper for transmittal to AA/PPC for resolution. AA/PPC may resolve the issues on the basis of the paper, may chair a meeting involving the disagreeing parties or may, in cases where there are irreconcible differences with major AID-wide policy implications refer the issues to the Administrator for resolution.

Once final resolution is made, an airgram is drafted, as described above, cleared by the official who resolved the issues and transmitted to the field as DAP approval. The airgram, along with the reviewed documentation, then becomes an integral component of a DAP.

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AIRGRAM

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TO - AIDTO CIRC A 313

6OOP

FROM - AID/WASHINGTON

SUBJECT - PL 480 Title I as a Development Resource--General Guidance and Instructions for Preparing FY 1978 Title I Proposals

REFERENCE - A. AIDTO CIRC A-201, Annual Budget Submission Guidance for FY 1978
B. AIDTO CIRC A-239, Program Guidance for FY 1978
C. State 11867, AAC Decisions on Title I as a Development Resource
D. AIDTO CIRC A-286, Revised DAP Guidance

Note: This airgram repeats a cable from the Administrator to A.I.D. Directors and Representatives on this subject and encloses copies of the paper and the Minutes of the May 5, 1976, meeting of the Development Coordination Committee.

SUMMARY

1. The purpose of this message is to transmit (1) guidance on increasing the developmental impact of PL 480 Title I programs and (2) instructions for preparation of the Title I proposals which are to be submitted as annexes to the FY 1978 Annual Budget Submission (ABS) (see Ref. A). If it proves impossible to gather and analyze required information in time for the budget submission on June 30, posts should provide a brief explanation of their plans and should plan to transmit the required proposal for receipt in AID/W not later than August 15.

2. Part I conveys guidance. This guidance supersedes in part the guidance now in Handbook 4, Chapter 7 (Non-Project Assistance—PL 480 Title I Program) which will be revised to incorporate it. Section A sets forth as background some general thoughts on the means by which

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DRAFTED BY	OFFICE	PHONE	DATE	APPROVED BY
ABHerrick, PL 480 Task Force Chn.	PPC/PB	22088	6/3/76	John E. Murphy A/AID (Acting)

AA/PPC:PBirnbaum; AA/PHA:FPinkham (Info); AA/AFR:SScott; AA/TAB:CFarrar (Info); AA/SER:CAMann (Info); EB:JPlacke; AA/NE:RNooter; C/FFP:RSpitzer; AA/LA:HKleine; AA/ASIA:AGardiner; GC:CGladson; SER/MP:ELachman; AA/IDC:WRhoads

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food aid can be used effectively to contribute to economic development and describes the context of these instructions.

3. Section I B summarizes the analytical and procedural steps that have been approved by the Development Coordination Committee to integrate the planning and programing of A.I.D. dollar resources and PL 480 Title I food commodities. Included is a description of the procedures to be followed to gain access on a priority basis to the "core" program.

4. Section I C poses a series of questions to provide guidance for an analytical approach to and multi-year planning for the uses of Title I food aid. These should be addressed in a DAP revision, or pending such a revision, in an abbreviated DAP substitute to be submitted with the Title I Proposal, or budget request.

5. Part II gives specific instructions for submission of Title I proposals for FY 1978.

IA. BACKGROUND

1. Over the past several years it has become increasingly apparent that food will have a central role in the future development of the international economy. If present trends in population growth and distribution of food production continue, many less developed countries will confront widespread hunger and malnutrition and ever more difficult balance of payments problems. The United States is committed to helping LDC's to achieve and maintain a better balance between food production and population growth and to mitigating, at the least, the disincentive effects of food aid, or, preferably, enhancing the incentive effect on agriculture production and general economic development. In order to increase the possibility of success we must ensure that food aid programs work in tandem with our dollar assistance and with the development efforts of recipients.

2. In countries with a demonstrated need for food aid, beyond normal commercial imports, there are a number of means by which Title I food aid can be used effectively to contribute to economic development; these are not mutually exclusive. Among them:

(a) As foreign exchange support, if the PL 480 commodities are to supplement normal commercial imports (with assurance that usual marketing requirements are fulfilled) and if the foreign exchange saved by the transaction is used for developmental purposes. Such a use is particularly appropriate for recipients with regularly recurring food import needs.

(b) As support for the development objectives of the budget through the use of generated local currency revenues for development purposes.

(c) As part of a larger package of financial and technical assistance, from the U.S. and other donors, to provide bargaining leverage for desired policy changes.

(d) As food, when countries lack sufficient resources to buy commercially to fill the gap when demand for food is rising relatively rapidly, due to population increases and income growth, while domestic food supply is rising more slowly; also, in such a situation to dampen the potential inflation in domestic food prices.

(e) As food distributed directly to lower income people, not only to improve their nutritional status and therefore their ability to do productive work but also through creation of jobs in the public sector or other programs to reduce the proportion of their incomes required for food purchases, to increase their purchasing power for non-food commodities.

(f) As food, to build country stocks to stabilize prices and hedge against future, possibly cyclical, production shortfalls.

3. Amendments to PL 480 enacted in the International Development and Food Assistance Act of 1975, PL 94-161, require that greater emphasis be placed on the development uses of food aid and that, in allocating Title I commodities, the efforts of recipients to increase domestic agricultural production, especially through small farm agriculture, to improve distribution of food commodities and to reduce their rate of population growth must be taken into consideration.

4. The Development Coordination Committee met on May 5, 1976 to consider initial A.I.D. proposals for complying with the new statutory requirements. These included: (1) changes in the PL 480 programing and budgeting procedures, for all countries, to incorporate rigorous analysis of the role of food aid in each country's development objectives and strategy; and (2) establishment of a "core program" procedure whereby U.S. missions could establish a priority claim against a core quantity of PL 480 commodities for those countries that have formulated plans to use food aid as an integral part of the development planning, particularly in the agriculture sector.

These proposals were endorsed and I have approved a paper recording them. Each post will therefore now be expected to include an analysis of the development role of food aid in its DAP, to justify its annual budget proposal for Title I in a Title I proposal to be submitted with the Annual Budget Submission, and, if it wishes the recipient to be considered for inclusion in the core program (described below), to submit supplementary justification as needed in a program paper which indicates:

(a) The additional development effort the post will seek in negotiation with the recipient government in return for greater assurance of receipt

of certain amounts of Title I commodities and early shipment of these commodities, and

(b) the advantages the post perceives in early negotiation and planning of a Title I program.

The Office of Food for Peace, PPC and the Regional Bureaus will have the initial responsibility for applying the project review system to rigorous review of future development justifications for Title I.

5. Following these initial moves to enhance the development impact of PL 480 Title I, further approaches will be considered and further measures will be taken. The Interagency Staff Committee (ISC) will give increased weight to development issues in decisions on allocation of available commodities. Proposals for implementation of the amendments to Section 206(b) of PL 480 (the loan forgiveness provision) will be reviewed by the SOG June 3 in anticipation of interagency consideration. USAID advice on future moves is welcome.

I.B. PLANNING AND PROGRAMING PROCEDURES

All previous requirements for approval of a Title I program will remain in effect; that is, balance of payments and supply-demand analyses and usual marketing requirement considerations. Additional development analysis requirements will be as follows:

1. In the long run the PL 480 program in each country receiving A.I.D. economic assistance should be based on the same rigorous planning that underpins dollar funded A.I.D. activities. Missions planning Title I programs should prepare or revise their Development Assistance Program (DAP) within the next year or so to devote appropriate attention to food aid and its potential development impact in the context of a sector assessment. For FY 1978, and for posts without A.I.D. missions or approved DAP's this step will be combined with step 2.

2. In addition to the broader DAP analysis discussed above which will serve as the fundamental basis for determining those Title I programs that have considerable potential for contributing to development in the recipient country, each mission or post proposing Title I assistance for the coming budget year will submit a specific Title I proposal to support the levels and types of commodities proposed in the Annual Budget Submission (see Part II below). If an assured supply of a certain level and an early shipment schedule will contribute to the achievement of objectives, a request for access to the core supply of commodities should be justified in the Title I proposal.

While the specific request for food aid will be linked to the budget year, it should be based on multi-year analysis and joint planning and should relate Title I inputs to sector goals.

In posts with an A.I.D. mission, responsibility for preparation of Title I proposals should rest primarily with the USAID supported by the agricultural attache and other members of the country team. Posts without A.I.D. missions will rely on appropriate embassy officers and may submit their requests by telegram or airgram.

3. On October 1 A.I.D. will transmit its budget submission for all programs to OMB requesting approval of dollar and PL 480 program levels for the budget year.

4. Between October and January State/AID will prepare to justify those programs that will have access to a relatively assured "core" supply of commodities.

(a) The core program is a system to permit advance preliminary approval of a priority designation in the allocation of PL 480 Title I for countries that can demonstrate a significant link between the PL 480 resource and development. Countries with access to the core allocation of commodities will have greater assurances than in the past of the amount and timing of shipments. No binding commitments will be entered into until after the availability of each commodity has been established by the Secretary of Agriculture.

(b) Countries which do not request or are not approved for inclusion in the core program may request Title I programs as in previous years, but will compete for available resources on a lower priority basis and will therefore not have advance assurance of amounts which may reasonably be expected, or assurance of early shipment. In some cases, only a portion of a country's total Title I request may be included in the core, but the country could compete for additional resources on a lower priority basis.

(c) Countries whose programs are primarily justified on foreign policy grounds will not be included in the core program. However, we believe it would be desirable to start a dialogue with these recipients on the food aid/development relationship and to imbue these programs with as much development content as possible. In cases where a portion of the program can be justified on development grounds, posts may request inclusion of that portion in the core.

5. In February State/AID will propose priority allocation to the Inter-Agency Staff Committee, based on Washington review of post submissions and assessment of the feasible level of early commitments that are fully justified. For most medium to large-size programs priority status will not necessarily be accorded to the total program.

6. The Inter-Agency Staff Committee will reach agreement on the magnitude of the core and the countries which are to be given priority access to the commodity supplies.

7. A.I.D. will transmit its Congressional Presentation in February; it will contain an illustrative allocation of commodities to all countries within the approved budget.

8. From about February onward, posts which have been granted provisional priority will proceed to joint discussion with recipient governments on the PL 480 program and related development commitments.

9. In August or September these posts will update estimates of commodity availabilities and requirements as necessary and report on the results of discussions with recipients in Title I program papers. The program papers will serve as the basis for developing the Title I sales agreement. For those countries not included in the "core" the Program Paper will present usual marketing and other data similar to those required under the present system. For countries participating in the "core" the Program Paper will update data presented in the Title I Proposal.

10. Following U.S. crop reports in late summer and early autumn, individual posts will be instructed to negotiate sales agreements covering at least the priority component of planned programs.

11. Delivery of core commodities will follow promptly during the first quarter of the (new) fiscal year or as required to meet recipient needs.

12. Depending on supply and price factors agreements and shipments for non-core countries or for non-core portions of other country programs may proceed simultaneously or follow at a later stage throughout the remainder of the fiscal year.

IC. GUIDANCE ON INCORPORATION OF PL 480 ANALYSIS IN THE AGRICULTURE ASSESSMENT OF THE DAP.

DAP's must devote appropriate attention to Title I food aid and its potential development impact. Title II food aid, though not the subject of this message, should receive the same attention. Most USAID missions have not covered food aid analytically in DAP's completed to date. Revisions are therefore required (see Ref. D).

(a) Data on the Agriculture Sector.

(1) Past and projected levels of food production, consumption, imports, and year end storage levels.

(2) Pricing and production policies for agricultural goods, particularly grains.

(3) Constraints on the expansion of agricultural production, storage and distribution systems.

(4) Review of food requirements to alter the diets and improve the nutritional status of the people, particularly the poor.

(5) Analysis of relationship of projected food production increases to the estimated growth in demand.

(b) Review of Past Impact of Food Aid.

(1) The general macro-economic impact from the resource transfer; developmental use of foreign exchange saving and/or local currency generations.

(2) The percentage share of domestic production and consumption of each U.S.-provided food aid commodity over the past 8 to 10 years.

(3) Its impact on real prices of domestically produced food aid commodities and their substitutes, and on other producer incentives to domestic production of these commodities.

(4) Its impact on nutrition; its distribution to the poor and other nutritionally vulnerable groups.

(5) Other impact, e.g. on policy.

(c) Proposed Uses of Future Food Aid.

(1) Assessment of the prospects for improvement over the next several years, in policy, production, building and storage of working stocks, distribution, nutrition, or other matters.

(2) The specific role to be played by PL 480 in contributing to these improvements; discussion of alternative strategies if appropriate.

(3) The manner in which major sector goals supported by A.I.D. dollar resources will be significantly assisted through the integrated use of PL 480 resources.

(d) A range of planning levels for the next several years with identification of objectives to be addressed at each level and of commodities proposed.

(e) Assessment of the political will, and ability, of the recipient to carry out needed policy changes and support development programs in food production and population control. Measures of commitment to agricultural and rural development include:

(1) Adoption of a clear set of priorities for agricultural development with a time-phased plan for the development effort, an indication of

financial and other resource allocations to be committed, and production goals;

(2) Substantial investment in rural infrastructure--roads, irrigation, electrification--to promote production and participation in the rural sector and to make rural areas sufficiently attractive to personnel to staff the necessary local development institutions;

(3) A commitment to adequate farm gate prices accompanied by provision of key agricultural inputs at prices that permit sufficient incentive to farmers using appropriate technology;

(4) A commitment to rapid expansion of rural education, organization of rural people for effective decision-making, administration of programs and mobilization of institutions and manpower for servicing agriculture;

(5) The extent to which rural development programs are tuned to the special problems of the small farmer, e.g. research on crops that small farmers grow, credit, extension programs, etc.

(6) Measures to increase incomes through expanded employment.

(f) The extent to which early assurance that Title I commodities will be available on a planned basis during the fiscal year will facilitate political and economic commitments.

II. INSTRUCTIONS FOR FY 1978 BUDGET REQUEST.

A. DAP Substitute.

It is clear that USAID's will not be able to undertake a broad analysis of the impact of food aid before submitting Title I budget proposals this summer. Other posts do not prepare development planning documents (DAP's). However, fully justified, well thought out proposals are essential if A.I.D. and other members of the ISC are to make judgments on the potential development impact of a Title I program and to assign priority to budget requests. Therefore, to the extent possible within the constraints of time, posts should submit as part of the ABS a discussion of the issues raised in Paragraph IC above which relate to their Title I request.

B. The Title I Proposal.

For FY 1978 this proposal is to be submitted as attachment 6 of the ABS and accompanied by the DAP substitute described in Paragraph IIA above (or a reference to the DAP if that document contains such an analysis). It

is due in AID/Washington June 30, 1976. Because of the lateness of this instruction, however, posts may delay submission to August 15. The Title I proposal is required to support the specific budget requests for commodities for FY 1978 and inclusion in the core program. It should include:

(1) A description of the need for the commodity credit, treating the potential recipient's balance of payment position, the projected supply and demand for requested and similar food commodities, usual marketing data.

(2) A description of the development program to which the commodity resource will be applied, e.g.;

(a) A program in which the foreign exchange savings or the local currency generations will contribute to budgetary support of particularly useful development activities.

(b) A program in which the recipient will use Title I food to help develop working stocks to stabilize or increase prices paid to farmers.

(c) A program in which food aid will help the recipient avert some of the risk associated with an important change in policy or programs designed to affect the food production/consumption balance.

(d) A program in which the Title I commodity itself will have the primary development impact, as in a nutrition program.

(3) A description of the likely distribution of benefits from the specific program being proposed; analysis of the prospects that the food aid program will reach those most in need: That is, those who would benefit from acquisition of the food commodity, from policy changes induced by or programs funded by the proceeds from sale of commodity.

(4) An estimate of the recipient's interest in an ability to carry out the proposed program.

(5) The plan for evaluating the impact of the proposed program.

(6) A description of the budget year commodities proposed, when they should be delivered and whether or not early assurances of supply will be important as the mission attempts to negotiate the program.

Approval of individual programs in the ISC will normally lead to sales agreements covering no more than a 12-month period. However, the analysis and joint U.S.-recipient country development strategy upon which the program is based could cover a period of several years. Subsequent annual Title I sales agreements could be derived from the same basic multi-year strategy.

III. CONCLUSION.

I recognize that the burden of enhancing the link between food aid and development--both in terms of physical workload and creative inspiration--must fall on U.S. missions. I encourage you to make your best effort and, after a little experience with this new process, to suggest modifications based on the realities of the country situations in which you work.

I also recognize that many Title I programs serve a variety of objectives in addition to developmental, and that mission leverage to use food aid to obtain host government policy/action commitments in support of development may be reduced accordingly. However there will be few, if any, countries where improved analysis and planning of food aid cannot increase the developmental impact. Missions should be aware that our intention is to grant priority to those programs or portions of programs for which there is strong developmental justification. In the case of disaster or other urgent situations of course, the proposal stage will be bypassed.

Attachments

Please send to: List G
excluding the following:

ANKARA
BEIRUT
GENEVA
LONDON
MEXICO
OECD PARIS
PARIS
ROME
TAIPEI
USUN NEW YORK
PARIS FOR UNESCO

ROBINSON

DCC Policy Paper No. 4:

PL 480 TITLE I AS A DEVELOPMENT RESOURCE

June 1976

Summary

I. Current assessments indicate that unless appropriate measures are adopted, the grain deficit of the early 1960's in the developing countries may more than triple by 1985 to upwards of 85 million metric tons per year. The food deficit countries will not have the increasing foreign exchange to import such quantities commercially on a substantial basis. The top priority for these countries must be to increase food production and to use food aid in support of a development strategy which seeks a better balance between food production and population growth (pp. 1-3).

II. The United States has a unique combination of extensive agriculture productive capacity, expertise, and ongoing development assistance and food aid programs for improving the integration of food aid with development programs. Recent amendments to Public Law 480 and the FAA give added impetus to this policy (pp. 3-4).

III. The United States must consider the role of PL 480 Title I sales in the contexts of (a) the identification of a broad development strategy, (b) the effect of that strategy on food production in the developing countries and (c) the overall longer term effects on the market for U.S. agricultural exports (pp. 5-6).

IV. We must follow a more analytical approach to ensure that food aid and development assistance programs work in tandem. The Development Coordination Committee is asked to endorse the use of the planning and budget procedure used for U.S. development assistance to enhance the contribution of food aid to the development efforts of its recipients (pp. 6-9).

V. The Development Coordination Committee is also asked to approve a mechanism to reconcile the various PL 480 objectives. A.I.D. recommends that the ISC designate a "core" quantity of PL 480 commodities that will constitute a preliminary assured supply. In effect, this designation would establish a priority claim on Title I resources that would permit U.S. missions to negotiate specific commitments by the recipient for agricultural and other development programs (pp. 9-13).

VI. Five hypothetical examples of Title I country programs for which access to a "core" might contribute to the successful negotiation of development activities are set forth (pp. 14-16).

I. THE WORLD FOOD CRISIS

Unless present trends are corrected, the world could face a major food crisis which calls for basic changes in food assistance policies. According to FAO projections prepared for the World Food Conference the average annual grain deficit in developing countries of 16 million metric tons in the base period 1969/71 could reach 85 million tons per annum by 1985. The projections assume, for developing market economies, a population increase of 2.7 percent per annum and growth in grain demand of 3.3 percent per annum.

The FAO also assumes an annual rate of increase in grain production of 2.6 percent per year--the average for 1960/61 to 1974/75. No allowance is made for possible programs to alleviate malnutrition or changes in income distribution which would increase demand by lower income groups.

At the average 1973/74 price of $200 per ton, imports of 85 million tons would require an annual expenditure of some $17 billion, an amount which is considerably higher than the total official development assistance flows from all Development Assistance Committee donors in calendar year 1975.

The U.S. Department of Agriculture (USDA), starting with a base period deficit of 20.5 million tons (1969/71) and estimating an annual population growth rate of 2.4 percent, uses a range of supply and demand conditions to project a grain deficit ranging from 16 to 72 million tons by 1985. The lowest estimate of the gap between LDC production and demand is derived from a very high projected annual rate of growth in grain production (4.1 percent) which assumes sharply increased inputs. The highest assumes high income growth with trade barriers removed.

More recent projections by the International Food Policy Research Institute (IFPRI) indicate that the shortfall in grains will be in 95 to 108 million ton range by 1985/86 depending on the rate of economic growth. Like the FAO projections, these do not consider the additional amounts that would be required to improve diets or the increased demand implied by possible redistribution of income. The projections are based on an annual population growth rate of 2.7 percent and growth in grain production of 2.5 percent a year based on the production trend of 1960/74, but the IFPRI points out that the growth in grain production during the last half of that period has slowed to 1.7 percent.

The FAO and IFPRI projections are not significantly different when they are adjusted for differences in source date; e.g. FAO data on rice are in terms of paddy, whereas IFPRI uses milled rice equivalents, roughly two-thirds of paddy weight; FAO has projected through the calendar year 1985 whereas IFPRI projects through the crop-year 1985/86. For a comparison of projections, see Table I, page 2.

POTENTIAL CEREAL DEFICITS IN MARKET ECONOMY

(Non-Communist) LDCs, 1985 and 1985/86

	Assumed Grain Production Growth Rate	Expected Deficit 1/ Net 2/		Gross 3/	
		-million metric tons-			
USDA (1985) a	percent				
Alt. II b	3.1	71.6			
Alt. I c	2.8	54.7			
Alt. III d	2.7	48.0			
Alt. IV e	4.1	16.8			
			Paddy 4/		Paddy 4/
FAO (1985) f	2.6	72.0	(85)		(100)
IFPRI (1985/86) f			Adjusted 5/		
Alt. 1 g	2.5	86.6	(72.6)	108.3	
Alt. 2 h	2.5	65.5		94.5	
Alt. 3 i	2.5	40.9		72.9	

1/ Includes rice on a milled basis.
2/ Food deficit countries minus surplus countries
3/ Food deficit countries only.
4/ If rice were included on paddy rather than milled basis.
5/ Adjusted for comparability to FAO figure by (1) switching to calendar year, (2) excluding pulses in India, and (3) excluding Taiwan.

a. Assumes annual population growth rate of 2.4%.
b. Assumes high income growth with trade barriers removed.
c. Assumes economic growth but high internal prices.
d. Assumes economic stagnation.
e. Assumes sharply increased inputs.
f. Assumes population growth rate of 2.7% (and income growth rate of 3.5% in USDA case).
g. Assumes high income growth (3.0%).
h. Assumes low income growth (1.7%).
i. Assumes 1969-71 per capita income.

Sources:

USDA. The World Food Situation and Prospects to 1985, USDA, ETS, FAER No. 98, December 1974, pp. 32-39.

FAO. Assessment of the World Food Situation, Present and Future, United Nations World Food Conference, Rome, November 1974, E/CONF 56/3, pp. 87, 89, 91

IFPRI. Meeting Food Needs in the Developing World, International Food Policy Research Institution (Washington, D.C.), Research Report No. 1, February 1976, pp. 2, 10, 12, 18, 42.

The projected food deficit will be highly concentrated in poor countries with large populations--an estimated 40 percent will be accounted for by India, Pakistan, Bangladesh and Egypt--but will be equally serious in smaller countries where the quantities involved are not so vast. About half the total deficit will be in countries with annual per capita GNP of less than $200. Even if exportable supplies can be produced in other parts of the world, the food deficit countries are in no way likely to have the foreign exchange to import such quantities commercially on a sustained basis.

These data argue that the top priority is for the prospective food deficit countries to increase food production. Pending sustained increases in food production many poor developing countries will continue to need food aid. Food aid can, with intelligent planning, play a major role in the development process by assuring supplies while the underlying production strategy is pursued. Such planning must ensure that food aid does not impede efforts to increase food supplies by acting as a disincentive to local agricultural production.

II. THE U.S. LEADERSHIP ROLE

The United States, with its unique combination of extensive agriculture productive capacity and expertise, humanitarian principles and international outlook should take the lead in improving the development aspects of its food aid, not only to enhance its own development assistance programs but also as an example to other food donor nations.

Secretary Kissinger in his address to the World Food Conference in Rome stated that...

> "our minimum objective of the next quarter century must be to more than double world food production and to improve its quality. To meet this objective the United States proposed to this Conference a comprehensive program of urgent, cooperative world-wide action on five fronts increasing the production of food exporters; accelerating the production in developing countries; improving means of food distribution and financing; enhancing food quality; and ensuring security against food emergencies."

Secretary Butz, the leader of the American delegation to the World Food Conference, promised an increased U.S. commitment to international food aid to assist food deficit countries while long-term food production development goes forward.

The Congress has expressed interest in improving the food aid links to development in recent amendments to the Foreign Assistance Act and PL 480.

Specifically regarding PL 480 Title I, amendments enacted in the International Development and Food Assistance Act of 1975 are intended to reorient the priorities of the program to accord greater emphasis to self-help and to the developmental uses of the proceeds of the sales of the Title I food commodities. Added language more explicitly spells out the self help efforts of recipient countries that must be taken into consideration in allocating Title I commodities.

> Section 103(a) of PL 480, the Agricultural Trade Development and Assistance Act of 1954, now reads: The President shall "take into account efforts of friendly countries to help themselves toward a greater degree of self-reliance, including efforts to increase their own agricultural production, especially through small farm agriculture, to improve their facilities for transportation, storage, and distribution of food commodities, and to reduce their rate of population growth."
>
> Section 106(b) contains new language: (1)"...In negotiating such agreements with recipient countries, the United States shall emphasize the use of such proceeds for purposes which directly improve the lives of the poorest of their people and their capacity to participate in the development of their countries. (2) Greatest emphasis shall be placed on the use of such proceeds to carry out programs of agricultural production, rural development, nutrition and population planning..." and (3) In entering into agreements..."priority shall be given to countries which agree to use the proceeds from the sale of the commodities in accordance with" an agricultural development plan that meets certain criteria.

III. THE LONG RUN DEVELOPMENT ROLE OF PL 480 TITLE I

In recognition of a possible chronic world food shortage, the United States must consider the role and the interrelationship of PL 480 Title I in the contexts of (a) the identification of a broad development strategy, (b) the effect of that strategy on food production in the developing countries, and (c) the overall longer term effects on the market for U.S. agricultural exports. Food aid can play a positive or negative role.

It is important to recognize that a successful policy for rapidly expanding local agricultural production for improving the welfare of the low income peoples of the world is necessarily part of a broader strategy that increases employment and the purchasing power of the lower income people. However a shorter term dilemma is presented. In most developing countries food production fluctuates substantially from year to year. Further, the means of increasing agricultural production are substantial and complex and, initially, employment and income-increasing programs plus population growth may possibly cause growth in demand for food to exceed growth in supply.

The potentially constructive role of PL 480 is apparent in this context. Not only may the proceeds of sales be used to finance programs to increase agricultural production but the commodities contribute to providing that certainty of supply, in the face of lags in production and fluctuating weather, which is so essential to confidence in accepting a strategy to raise incomes and create a demand for expanded local food production. For the longer run, a range of devices may be pursued to increase production and improve distribution in order to ensure the necessary food supplies. In the short run the assured supply ("core") mechanism set forth in this paper is intended to provide the incentive and the basis for getting on with the job.

It is also important to recognize the implications to long-term U.S. commercial agricultural exports of a strategy that emphasizes domestic food production in the developing countries in concert with programs to increase the participation of the lower income people in economic processes. In such a strategy demand for food is expected to increase in human welfare. It is to be expected, however, that some countries will find demand growing more rapidly than the supply of specific commodities. At the same time their relatively greater success in the non-food producing parts of the economy will provide purchasing power for financing commercial imports of these foods. It is such countries which offer immense potentials for U.S. commercial exports, potentials which will be much greater if they follow demand-expansionary policies than if they do not.

Specifically, Taiwan is regarded universally as one of the great success stories in agricultural development. Yet because of the rapid concurrent increase in demand for grain and the limited cultivable land on the island, Taiwan imports a very substantial proportion of its total grain requirements. South Korea and Japan can serve as other examples. It need hardly be stated how great the trade implications are for U.S. exports if countries with populations many times that of Taiwan, South Korea and Japan were to follow the development strategies implicit in the above.

In the long run, of course, the goal of U.S. assistance is to help the developing countries to supply themselves with a nutritionally adequate diet. If their tastes and purchasing power permit, some countries may choose to import foodstuffs on a commercial basis. The United States would be in a position to continue to compete in those markets.

The PL 480 Title I program, properly defined, can play a significant role in influencing countries towards strategy to increase local incomes and production, thereby helping to meet the humanitarian objectives of the Congressional mandate as well as the long-run commercial objectives for the United States' agricultural sector. Each country context will differ, of course, and in each our ability to effect a specific linkage of food aid to development will depend upon careful analysis, planning and consultation by the recipient, the U.S. mission and interested agencies in Washington. Food aid plans must be constructed to ensure that U.S. food aid does not act as a disincentive to local agriculture production (e.g. by depressing prices paid to farmers) and that it is linked with other development programs to achieve needed additional policy changes and commitment of resources by the recipient government.

IV. COORDINATION OF PLANNING AND PROGRAMING OF PL 480 TITLE I AND DEVELOPMENT AID

The Problem

The full potential impact of PL 480 Title I as a tool for development has not been realized. Because it has not been our practice to base Title I program decisions on analysis of the economic impact of the food assistance, we have not fully understood whether that assistance has had a positive or negative effect on the capacity of the recipient to achieve a secure equilibrium between food production and population growth.

Proposed Planning and Budget Procedure

The system used for programming A.I.D. dollar resources could readily be adapted to bring closer together the planning and programming for food aid and development assistance. With the advice and guidance of other interested members of the Interagency Staff Committee (ISC), A.I.D. is prepared to take the lead in developing and carrying out proposals for enhancing the development impact of Title I food aid. The general procedure would be as follows:

1. U.S. missions would be instructed to devote appropriate attention to food aid (both Title I and Title II) and its potential development impact in preparing or revising the development assistance plan for the country. An A.I.D. mission customarily analyses the development situation of the country, defines the objectives of U.S. assistance and proposes an assistance strategy in a multi-year program planning document, the Development Assistance Program, or DAP. Although the analytical section referring to agriculture and food production in some cases now addresses food aid considerations, more rigorous analysis of the impact of food aid on development, including possible disincentives to agricultural production will be required. It should include at least the following:

   -- the historic, current and projected data on production, consumption, imports, end-year stocks;

   -- the constraints to improvement in food production, storage and distribution, alternative strategies to address these, and a range of planning levels;

   -- a detailed and specific review of recent experience with the effectiveness of the food aid program, with particular reference to policy constraints and the impact of the program on domestic production, including any disincentive effect, as well as its effect on the balance of payments;

   -- justification of the purpose of food aid programs, with reference to the broader economic role which food aid can have, such as its role in providing foreign exchange support, budget support, or in dampening inflation;

   -- assessment of the political will, and ability of the recipient, to carry out needed policy changes and support development programs, in food production and population;

   -- the extent to which political and economic commitments will be enhanced by early assurance that Title I food commodities will be available during the first part of the fiscal year;

   -- analysis of the prospects that the food aid program will reach those most in need: that is, those who would benefit from acquisition of the food commodity, from policy changes, or from programs funded by the proceeds from sale of the commodity.

   Field instructions will include detailed instructions on the analysis required.

2. For Title II, A.I.D. and the implementing agencies have agreed upon a program and budget review system that is closely related to that used by A.I.D. for dollar-funded programs in order to strengthen the developmental aspects of both government-to-government and voluntary agency programs.

3. For Title I, A.I.D. would require an annual budget request.

   -- A Title I Proposal derived from the DAP strategy, and including a multi-year projection of food aid needs, would be forwarded to Washington as an integral part of A.I.D.'s annual budget request from the field.

   -- The Proposal would make a specific request for budget year commodities; e.g. the June 1976 Proposal would request a budget for fiscal 1978. This Proposal would have full country team concurrence including that of the Agriculture Attache.

   -- State and A.I.D. would review the proposals and A.I.D. would prepare the PL 480 Title I portion of its annual submission to OMB, due October 1. (USDA will at the same time be preparing a budget based on projected commodity levels.)

   -- Those posts seeking to participate in an early approval and negotiation procedure (see paragraph V below) would present necessary justifications.

4. The general procedures leading to a Title I sales agreement would not differ substantially from those presently followed but decisions would be based on more rigorous analysis, submitted initially in the DAP and Title I Proposal and amplified in a program paper.

   -- After establishment of the OMB mark State and A.I.D. would make an allocation of the PL 480 Title I budget among countries for purposes of the annual Congressional Presentation.

   -- To amplify justification of its proposed annual program each mission would prepare and submit a program paper treating with balance of payments needs, the projected supply and demand for requested food commodities, and historic import and export patterns in relation to the underlying multi-year plan.

   -- For countries for which access to the "core" is proposed (see below) the missions' negotiating objectives, i.e., the additional development measures to be undertaken in return for priority consideration in Title I allocation, must be described. The measures will vary from country to country but might include policy changes affecting agricultural development, such as pricing policies; changes in host country budget allocations for particular activities;

agreement on the use of PL 480 generated counterpart for particular activities, or other similar kinds of commitments which the local government might not otherwise be willing to make.

-- Approval of individual programs in the ISC will be based on normal ISC procedures with due consideration for developmental implications of each as set forth in the program paper.

-- As is the case at present, the sales agreement would not normally cover more than a 12-month period. However, the analysis and joint U.S.-recipient country development strategy upon which the program is based would cover a period of several years. Subsequent annual Title I sales agreements could be derived from the same basic multi-year strategy.

The Development Coordination Committee is asked to endorse this planning and budget procedure for PL 480.

V. AN ASSURED SUPPLY FOR TITLE I PROGRAMS--A "CORE" QUANTITY OF COMMODITIES.

The Development Coordination Committee is also asked to approve the designation each year of a "core" quantity of commodities. Such a designation of an assured minimum supply would enhance our ability to negotiate commitments to development measures.

The Problem

While the impact of PL 480 Title I upon development can be improved with more systematic planning, one of the major problems--the unpredictability of the program for the recipient countries--cannot be remedied without some assurance that a minimum supply of commodities will be provided. Under the present system a country remains uncertain as to whether it will receive PL 480 Title I food aid, the amounts of commodities it will receive and the timing of deliveries, often not knowing until very late in the fiscal year. Sucn uncertainties often prevent us from negotiating more than token commitments to development plans associated with PL 480. If U.S. missions are to complete the planning and program design necessary to ensure that Title I food aid has a positive development impact, they must have reasonably firm assurances of commodity availability and delivery. At the same time some way must be found to reconcile this need for an assured supply with the need for flexibility and the protection of other objectives of PL 480 such as U.S. domestic food security, commercial U.S. exports, response to emergency food needs and support of foreign policy objectives.

Proposed Procedure for Establishment of the "Core" Quantity of Commodities

Based upon expanded country data submitted in program papers A.I.D. would

make a presentation to the ISC each year to select the country programs for which it recommends access to a "core" quantity of commodities, an assured supply against which these U.S. Missions could enter into early negotiations with recipient countries in return for specific commitments to agricultural development in accordance with an agricultural development plan and broad sectoral strategy.

With provisional assurance of a quantity of PL 480 food commodites, a government would better be able to plan its allocation of foreign exchange and budget outlays for food imports. It would be able to make policy changes with reasonable assurance the food commodities could be provided on a timely basis to cushion possible short term increases in the food gap. Furthermore, decisions on matters crucial to creation of incentives to farmers, such as floor prices, could be made with sufficient lead time to have the greatest possible impact--such measures must be implemented prior to planting, not after the harvest.

The ISC would determine the total magnitude of the "core" based upon the following considerations:

-- the underlying analysis of the food deficit and the ways that food aid can enhance food production and promote economic development;

-- the specific fiscal, monetary, institutional or other policy measures a country is prepared to undertake if a certain quantity of PL 480 commodities is assuredly to be made available;

-- the proportion of a total country program for which early planning might take place.

This procedure would, in effect, establish priority claims on the PL 480 Title I resources for the following fiscal year, always subject, of course, to final determinations of availabilities. The normal supply and demand analysis to demonstrate food deficit and balance of payments justifications would continue to be required, and provisions for usual marketing requirements would continue to be applicable.

If a Mission fails to achieve adequate and specific commitments during negotiations, the country would not remain eligible for participation in the core program. This would not affect its ability to request PL 480 resources outside the core program; that is, only the priority in allocation would be withdrawn. If a country makes commitments and fails to live up to them it may not lose its PL 480 allocation, but such experience would be taken into account in future year decisions on priority allocation.

Table II, page 11, presents an illustrative program and budget schedule.

Table II

Illustrative Schedule for Planning
and Commitment of PL 480 Title I Programs
For Fiscal Year 1978

-- Title I Proposal and budget year request from U.S. Mission submitted to A.I.D. in the Annual Budget Submission.	June 1976
-- A.I.D. and USDA submit budgets to OMB, for dollars and commodities respectively.	October 1976
-- Expanded proposals (Program Papers) to justify access to the "core" received, reviewed by A.I.D. and presented to ISC.	October 1976 through January 1977
-- ISC agreement reached on provisional magnitude of "core" and country participation.	February 1977
-- Missions instructed to proceed with joint discussions in field on PL 480 program and related development commitments.	March through June 1977
-- Following U.S. crop reports in September individual programs within the "core" approved by ISC; negotiating instructions sent to field; missions update estimate of needs.	September/October 1977
-- Budget for other country programs reviewed.	October 1977
-- Delivery of "core" commodities to follow in first quarter of fiscal year or as required by recipients.	October through December 1977
-- Agreements and shipments for balance of program move forward.	October 1977 onward

Table III

Food Aid Compared to U.S. Exports and U.S. Production
(in millions of metric tons of grain)

	FY 1973	FY 1974	FY 1975
Total PL 480 Shipments	7.2	3.6	4.7
Total Exports	70.4	77.2	65.4
Total Crop	237.0	204.0	253.0
PL 480 as % of Exports	10%	5%	7%
PL 480 as % of Crop	3%	2%	2%

Source of data: USDA/ERS

Relation to Current Procedures

The fundamental decision-making process for allocation of commodities for the Title I program would not be altered, but the timing of decisions would. The crucial advantage to the recipient country under this procedure to permit earlier decisions and negotiations is the assurance that shipments will be made as early as possible in the fiscal year. The Secretary of Agriculture should be able to determine the availability of all commodities (as required by Sec. 401, of PL 480) by October 1, the first day of the fiscal year. Sales agreements could be signed immediately thereafter and shipments would then be made as promptly as possible. Under such a procedure the maximum developmental impact of the program would be achieved.

The budgeting of food commodities for the "core" would be based upon ISC approval of sound proposals from U.S. Missions. The size of the "core" each year would therefore depend upon review and approval of each individual proposal. Any Title I recipient country would be eligible for participation in the earlier program. For large recipients like Egypt or Pakistan, for example, a Mission might request access to the "core" for a fraction of the program, the fraction for which an improved developmental impact can be demonstrated.

Early designation of a "core" of commodities could possibly entail the risk of impact on U.S. domestic commodity prices and commercial export availabilities, but that risk can be minimized. Table III, page 12, indicates that in the past three years total PL 480 shipments have represented a small percentage of U.S. production and exports of agricultural crops.

The ISC will be providing conditional early assurance that a specified quantity of PL 480 Title I resources would be made available to a country program. Such an assurance would not bind the United States to deliver commodities in years when subsequent changes in abailabilities, or U.S. domestic or commercial export demand factors, prevent a determination that adequate quantities of a commodity are available for disposition under Sec. 401 of PL 480. In effect it would establish a priority claim on Title I commodities that would permit U.S. Missions to enter into dialogue with recipients regarding commitments for agricultural development on the assumption that commodities would be furnished.

The remainder of the estimated quantities for the budget year would be excluded from the "core" and would be available for reserves for emergencies, incremental tonnage for countries for which a partial program was included in the core, and programs for which the development

justification is not strong enough to justify eligibility for the "core". The major share of the "core" would be shipped immediately following the determination of availabilities under Section 401, barring anything short of a major crop failure in the United States. Thereafter the remainder of the budget availability would be programed and shipped.

VI. ILLUSTRATIVE COUNTRY EXAMPLES

The process leading to programs that demonstrate a positive development impact stemming from PL 480 Title I assistance will require careful analysis, planning and program design, most of which can only be done in the field. It is therefore impossible to provide definitive, detailed examples of the use of Title I as a development resource without the benefit of actual field negotiation. However, it may prove instructive to consider simple examples of alternative uses of food aid which might qualify a country with food needs for access to the "core" commodities. These examples are based primarily on Washington experience and limited contact with A.I.D. missions. They are not program proposals and should not be interpreted either as limitation of or guidance for future field activities. Nor do these examples cover all the possible uses of food aid as a development resource.

In Pakistan, a major factor affecting wheat production is the government procurement price. If the price structure is to serve as an incentive to small farmer production, it must be set sufficiently high, it must be announced in the fall before planting begins and farm inputs are purchased, and it must be sustained continuously throughout the year. Government expectations regarding the availability of PL 480 wheat can affect pricing decisions. PL 480 wheat is sold in ration shops to augment wheat which the government procures from local farmers at Government-set prices. In the absence of assured PL 480 supplies, decisions on procurement

prices tend to be made on very narrow, short-term budgetary grounds, and resulting prices and small farmer incentives are low. However, an ISC decision to include a specific quantity of wheat for Pakistan in the PL 480 "core" could permit the U.S. mission to negotiate for a specific Pakistani food production strategy, including a pricing policy based on assured PL 480 availabilities, which would ensure enhanced small farmer production incentives.

In Haiti an assured supply of PL 480 commodities would significantly improve the possibility of negotiating policy changes. Specifically we seek to persuade the government to rationalize its fiscal system and pass all revenues through the budget. The development impact of such a reform would be great, since additional resources would thereby be made available for development acitivities. The objective of policy change would be pursued as part of an overall Mission strategy using loans, development grants, PL 480 grants and PL 480 sales as means to the desired end.

An assured supply of local currency generations would also greatly improve the implementation of projects financed with counterpart funds. These projects complement A.I.D. loan assistance in a wide range of rural development efforts. The complementarity would be strengthened if the supply of the local currency generated by PL 480 food commodity sales were more reliable.

Finally, negotiation for the core commodities would be used to gain generally increased budgetary commitment to rural development on the part of the government.

In Zaire, the present transportation system severely restricts the distribution and marketing of local agricultural output. The primary need is for roads to provide access to the rail and river transportation system and for simple storage facilities in market areas. A.I.D. is currently shifting out of transportation activities in response to its Congressional mandate. However, an ISC decision to include a specific quantity of commodities in the PL 480 "core" could permit the U.S. mission to negotiate commodities toward a PL 480 agreement tied to a specific plan for using Title I generated local currency to support the development of farm to market roads in the country. This would provide direct and additional support to A.I.D. integrated rural development activities beyond that which would otherwise occur, to promote expanded agricultural output. More comprehensive planning for such activities would also be possible.

In the Philippines, a national nutrition program currently being implemented will provide food supplements for malnourished infants, pre-school and elementary school children, and pregnant and lactating mothers. Feeding of elementary school students, particularly those in poor and rural areas, is an important element of the strategy. However, due to budgetary constraints and the competing claims of higher priority programs, PL 480 Title II commodities can't meet the demands of a nationwide school feeding program. Domestic production of especially nutritious foods is only now beginning, so the Filippinos will be forced to rely on costly imports or to cancel efforts to achieve their nutrition objectives. An ISC decision to include a specific quantity of Title I soy fortified flour and perhaps blended foods in the "core" would permit the U.S. mission to assure the Filippinos that necessary commodities would be available to begin implementation of their nutrition strategy. This would also permit better planning for the use of dollar and Title II contributions to the program.

In Senegal, fluctuations in climate can eradicate development efforts designed to encourage improved cropping patterns, livestock management, and water use techniques. The Senegalese Government has made progress in its efforts to move the country away from dependence on peanuts as an export crop. Cereals, mainly millet and sorghum, are important food crops. However the effects of the recent drought have exacerbated the almost continuous decline of the country's budgetary resources and possible future droughts are a cause of much concern. The Government of Senegal has recently decided to buy and store large quantities of locally produced food grain as a buffer against future droughts. During the first years of this program local production will be insufficient to provide necessary security against possible droughts. An ISC decision to include a specific quantity of sorghum in the Title I "core" for Senegal could permit the U.S. mission to negotiate toward a Title I agreement tied to the development of working stocks. It would directly complement a proposed A.I.D. grain storage loan to Senegal. In addition, through the Title I agreement the government could be committed to efforts to achieve better balance within its agricultural development programs and to give greater attention to equity incentive considerations in agricultural price structures.

DCC ALTERNATES' MEETING

PL 480 TITLE I AS A DEVELOPMENT RESOURCE

May 5, 1976

Mr. Herter (Executive Director, DCC) chaired the meeting, which was called to discuss an A.I.D. paper on the use of PL 480 Title I as a development resource. Two issues were presented in the paper for DCC decision: the endorsement of A.I.D.'s suggested programming and budgeting procedures for the PL 480 Title I program; and approval of a "core program" procedure, for use in allocation of PL 480 Title I, to give priority treatment to those countries that have formulated plans to use food aid as an integral part of their development planning.

Mr. Birnbaum (A.I.D./PPC) explained the genesis of this effort, the intended procedural changes and the nature of the proposed core program.

Procedures:

A.I.D. Missions' multi-year planning documents, the DAPs, and their Annual Budget Submissions will now incorporate a rigorous analysis of the role of food aid in each country's development objectives and strategy. In addition, a new document, the Program Paper (comparable to a Project Paper for development assistance projects) will be required; it will describe how PL 480 impacts on development objectives and what development measures will be sought from the recipient government.

The Core Program:

The core is a system to permit advance approval of a priority designation in the allocation of PL 480 Title I for countries which have a significant PL 480-development link.

The existing decision making mechanism, the ISC, will use the improved analysis of development issues which results from the new procedures in the selection of countries to be given priority access to the core.

No fixed amount will be set aside for the core; the amount will be determined by the ISC on the basis of sound country proposals which indicate why priority consideration should be given in each case. In order to retain maximum flexibility to meet unforseen demands or short supply situations, a ceiling of 50 - 60 percent of the total program is forseen, within which both politically determined cases and a major share of the programs of the large traditional recipients would fit--a development oriented share.

Country proposals will be reviewed in February; Missions will be notified to begin negotiations thereafter. In September or October, after USDA's Section 401 determination, commodities will begin to be shipped.

Illustrative examples of the utility of the core concept for Pakistan and Senegal were presented.

The discussion covered the following points:

1. Treasury questioned whether there was anything really new in the procedures, and whether it is necessary or desirable to change procedures in order to have the core program.

A.I.D. said that what is new is that:

a) More rigorous analysis will be required of Missions, with a focus on the impact of food aid on development including recognition of possible disincentives to production, rather than the justifications of the past which have emphasized balance of payments requirements and the need to feed people. Missions will have to put themselves on the line on what they plan to get in terms of development efforts in return for priority consideration in allocation.

b) Development considerations will now have a role in the ISC's allocation decisions.

c) Recipient governments will now get the message that the food aid-development effort relationship is a USG concern which will affect our decisions. The nature of the negotiations will be affected.

d) Countries with access to the core will have a greater assurance of PL 480 amounts and of the timing of shipments than in the past, although no "commitments," in the legal sense, will be made before the Section 401 determination.

2. Labor asked how much variance actually exists over time in the size and direction of PL 480 programs of major recipients, and whether they do not already have a degree of assurance of supply, referring to major allocations in 1974.

A.I.D. pointed out that a major shift has taken place since 1974 with the elimination of Indochina programs.

State said that while there may be a consistent pattern in the figures, the process of allocation is long and uncertain and it has often been said we should find a better way to exercise our development leverage than current procedures permit.

3. The realism of underlying assumptions regarding supply:

USDA said that the new law (PL 941-61), which seeks more effective use of PL 480 as a development tool does require a response, and that it is desirable. However, it will be difficult to infuse a large ingredient of development planning into the program. The underlying assumptions regarding supply may not hold true in the future. Congress' perception,

and that of the A.I.D. paper, are weighted by the short crop supply situation of the last few years. They assume the U.S. will be in a strong position to demand development changes. But the past few years may prove to be the aberration from the likely future pattern. USDA is projecting a worldwide grain carryover of 100 million tons, excluding rice, as of July 1, 1976 and 145 million tons as of July 1977. If these figures are correct, development considerations will not be decisive in PL 480 allocations. The PL 480 program remains fundamentally a surplus disposal program and there are limits to the degree to which you can make it a development program. The best you may be able to do is to minimize its disincentives to development.

A.I.D.'s proposal is worth a try but USDA has reservations about how much is possible and about the paper's assertions regarding the long run effect of the program.

4. Whether the core program would excessively reduce flexibility in the decision making process: a concern raised by Treasury and USDA. A.I.D. repeated that it expected no more than 50-60% of the FY 1977 level, illustratively, would be in the core, and that this would assure adequate protection, especially since the major political cases and other traditional recipients could be accomodated within it. In addition, inclusion in the core is at best a very tentative assurance of priority treatment in allocation decisions, not a commitment which would have to hold in the face of unforeseen changes in circumstances such as crop failures. With this understanding, USDA saw no insurmountable difficulties.

5. The size of the core program: Treasury said it should be viewed as experimental and kept small; 10 percent would be a better figure than 50 percent. OMB felt that 50 percent would be out of the question and suggested that A.I.D. start with pilot cases. Rather than setting a lower ceiling now, the decision should be made by the ISC in February on the basis of country requests. OMB will be looking skeptically at the country proposals. State may have problems with a 50 percent level, but the time to assess the risk is in February when the ISC meets. A.I.D. said it needs to go out with a general instruction to all posts in order to get the analysis which will allow the ISC to make a rational judgment. There is no way to prejudge the issue and select certain countries to be pilot cases. The 50 to 60 percent figure is a ceiling to prevent over-commitment, not a target to be filled, and includes countries whose programs are justified on political grounds. Perhaps the actual figure will be much lower, especially in the first year or two, but the figure should be determined by the process, starting with analysis from the bottom up.

6. Whether countries with politically determined programs should be included in the core: Treasury questioned their inclusion because they see no additionality to development being achieved. State agreed they might best be treated separately since their amounts can very greatly, but it may make sense to include for those countries that portion of a PL 480 program which can be justified on development grounds. A.I.D. agreed that

the politically determined programs can be excluded from preliminary designation of the core, but believes that it may nevertheless be useful to start a dialogue with these recipients on the development issue. If all commodities for the strictly political cases are excluded, A.I.D.'s estimate of a core would be closer to 20 percent of total Title I than 50 percent. State and A.I.D. pointed out, however, that portions of political programs could appropriately be eligible for the core depending on the country's commitment to development.

7. Necessary revisions to A.I.D.'s paper: Treasury is bothered by the assertion that one can maximize the US's marketing, foreign policy and development objectives all by the core program, and believes the core should be justified foursquare on development grounds. Political cases (and justifications) should be excluded from the core program. although political problems should be recognized in the paper. The paper is vague on the particular development changes or policy measures which would be sought. The additionality to development which is sought should be spelled out more clearly. It should be made clear what will result if (1) Missions fails to achieve adequate commitments during negotiations or (2) countries fail to live up to their commitments. A.I.D. views the steps toward complete commitment of the Title I program to development as a series of approximations of the ideal goal. A country failing to live up to a commitment to development may not lose its PL 480 program, but a dialogue will have been started, and experience in the core may become the key to future commitments.

8. Analysis required: OMB felt that to justify a program additional analysis is required along the lines of a paper presented by Carol Lancaster of OMB. Policy leverage seems to be the main point of the A.I.D. paper, but this ought to be part of a broader strategy. It should be clear that Missions are requested to analyze the entire economic spectrum on which PL 480 impacts, such as its role as a foreign exchange support mechanism, and not just its influence on pricing policy. CIEP and OMB want Missions to examine closely the disincentive question. A.I.D. welcomed suggestions on the guidance to Missions.

9. The relative value of the core program: State and Treasury expect the major value of the program will be in the small countries which have gone in and out of the PL 480 program, rather than in the major recipients. A.I.D. disagrees. It was decided that this is not the time for in-depth discussion of this question, but it is expected to be a real issue for the ISC in February. A.I.D. believes the core can be important in imbuing large traditional programs, and political cases if included, with a development orientation.

IT WAS DECIDED THAT:

1. A.I.D.'s change in procedures, i.e., the requirements to be levied on the field (DAP revision, ABS inclusion of PL 480 analysis, and Program Paper) are endorsed by the DCC, as is the concept of the core.

2. The ISC will review A.I.D.'s proposed list of core countries in February, and will give increased weight to development issues in allocation decisions.

3. The ISC will then decide which Missions should be advised to begin negotiations for additional development measures in return for priority consideration in the allocation of PL 480 resources.

4. While individual agencies may be predisposed to keep the core small, the decision on core size will be made by the ISC on the basis of the country requests and A.I.D.'s analysis.

5. Political cases per se will be excluded from the core, but if a portion of a particular political allocation can be justified on development grounds, this portion may be proposed for the core.

6. A.I.D. should consider including in the core only a portion of the program for the large traditional recipients, especially if political considerations weigh heavily in determining the size of their programs. The core should be a development program.

7. A.I.D. will revise the paper to take into account the exclusion of the political cases, to sharpen its development orientation, and to reflect the discussion as described above in paragraph 7.

8. Since A.I.D. needs to get out instructions on the changed procedures, the cable to the field will be drafted concurrently with the revision of the paper. OMB's suggestions for further study will be examined, but any further analysis which may be required should not prevent timely advice to the Missions on the agreed change in procedures. OMB's suggestions will be used in spelling out detailed guidance to the Posts.

9, The cable will go to all posts, including SA countries, but the latter may well respond that they must be exempt from the requirements of development analysis and justification for political reasons.

Sup A2b to HB 2
(TM 2:7)

DCC Alternates Meeting on PL 480

Attendees:

Name	Agency
C. Herter, Jr.	AID
Patricia Matheson	AID/IDC
Allison Herrick	AID
P. Birnbaum	AID
Sam Levine	AID
Jiryis Oweis	AID
William Rhoads	AID
K. S. Bitterman	AID
Alex Shakow	AID
John Mellor	AID/PPC
George Waldman	USDA
Carlos J. Ortega	Agriculture/OASM
Don Paarlberg	USDA
Gerald Kamens	CIEP
James M. Murphy, Jr.	CIEP
Robert Lurensky	Commerce
Diana Wanamaker	Labor
Norman Van Cot	Labor
Carol Lancaster	OMB
Henry Nau	State/E
Reno Harnish	State/EB
James Placke	State
Betsy Caldwell	STR
Frank Maresca	Treasury
Ellen Frost	Treasury
Murray Ryss	Treasury
Robert Pelikan	Treasury
Albert H. Hamilton	XMB

AIRGRAM

DEPARTMENT OF STATE

Sup A3 to HB 2 (TM 2:1)

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TO - AIDTO CIRCULAR A- 1583

DATE SENT 11/18/72

FROM - AID/Washington

SUBJECT - Agency Approaches to Sector Analysis

REFERENCE - AIDTO A-1332

I. Background to Agency Interest in Sector Analysis

The growth of interest in sector analysis within AID, other development agencies and the LDC's has many causes, but there are perhaps two principal ones. First, there is an awareness among planners that both nationwide macro-economic planning and discrete project planning leave substantial gaps in the planning process. The "sector" or "subsector" is coming to be seen as the vital link between separate development activities and national economic goals. It is within the sector or subsector that the complex interplay of resources, technology, policy and social structure determines the real outcome of development efforts. Careful analysis has helped planners to identify major constraints on development which both the "macro" and the "project" approaches often miss.

Second, the growing recognition that development must have multiple goals— full employment, equitable income distribution, a decent environment, as well as economic growth—has provided an important impetus to sector analysis. Both donor countries and the LDC's are asking, what is the development strategy which best maximizes these goals—what are the tradeoffs and complementarities? Analyzing a sector or subsector can be a useful means of identifying the "right" strategy in these terms.

To date our experience with sector analysis has been experimental and eclectic. Some of the work AID has done in sector analysis has grown out of macro-economic analysis undertaken by certain of the

PAGE 1 OF 6 PAGES

DRAFTED BY	OFFICE	PHONE NO.	DATE	APPROVED BY:
Larry Smucker	AA/PPC	23692	11/13/72	AA/PPC, Lloyd Jonnes

AID AND OTHER CLEARANCES Sector Emphasis Comm. Members (draft) SER/DS:Swalker (draft)
TA:DMathiasen;JGreen;ACoutu;HHeuser ASIA:JDalton;TSterner;RBirnberg;RBalantyne
AFR:JGovan;JBlumgart SA:RJohnson--AG:JBenz--PHA:GColeman
LA:GPatterson;BRobinson;FKimball PPC:ERice;PIsenman;AHandly;RPodol

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larger AID Missions. Some of it has consisted of short-term sector study teams for purposes of planning or redirecting AID projects within a sector. Messrs. Rice and Glaser have captured some of the Agency's past experience in agricultural sector analysis in their evaluation paper sent to all Missions (AIDTO CIRC A-1235, 8/31/72).

At this point, it would appear useful to provide guidance on AID's approach to sector analysis in the future. This is not to say that work in sector analysis is no longer experimental--much of it still is and will remain so. AID/W does not have all the answers on how to employ sector analysis, nor do we assume that sector analysis leads inevitably to the best answers in structuring country programs. But it is possible--and, we feel, necessary--at this time to provide interim guidance on sector analysis as Missions and Bureaus seek to focus their programs on priority development problems within sectors and subsectors. Defining the ground rules of the relationship of sector analysis to AID programming is especially critical--what type of analysis is appropriate for what purposes? How should sector analysis be carried out and who should do it?

II. What Sector Analysis Tries to Do

A sector can be defined as any section of the economy which has an analytical identity and which is broad enough to contain significant inputs and policy issues (see also referenced airgram).

The Rice/Glaser report defines sector analysis as "a study of the principal factors governing development of the sector for the purpose of identifying manageable, integrated projects and policies with high payoff." This is a good, short working definition since it identifies the common characteristics of all sector analysis--at whatever degree of quantification and methodological sophistication. As a rule, a sector or subsector analysis is carried out according to the following steps:

1. Creating a descriptive model of the sector, employing qualitative and quantitative terms to identify the main functions within the sector--resources, technology, policy, social structure.

2. Demonstrating how these functions interact.

3. Predicting the possible effects of changes in one function on the other functions within the sector.

4. Identifying constraints on development that exist within the sector.

5. Suggesting various interventions within the sector which may affect the overall performance of the sector.

6. Recommending what combination of interventions adds up to the best strategy for sectoral development.

7. Pointing out the gaps and shortcomings of the analysis and suggesting priorities for further analytical work. This underscores the need for continuous work to build the empirical basis for better analysis in the future. When institutionalized, sector analysis can be a continuing process serving broadly as the basis for resource allocations and policies within a sector.

III. The Varieties of Sector Analysis

Of the twelve agricultural sector analyses studied by Rice and Glaser, there appears to be a rough distinction between two varieties of analysis. The first are sector or subsector studies of short duration which may be predominately qualitative or quantitative—but do not employ formal quantitative models and do not use computers. Second are those relatively few studies lasting much longer (normally a year or more) and relying on extensive accumulation of social and economic data, which are then manipulated through a variety of techniques—often using computers—to predict the effects of alternative policies and inputs within the sector being studied. This type of analysis does not avoid qualitative judgments (indeed, no analysis can), and it need not employ the most sophisticated mathematical techniques available. But it does aim at the maximum quantification of key variables consistent with the objectives of the analysis, and to do this it employs extensive, disaggregated data which take considerable time and effort to organize.

Although no definitions are perfect, we are calling the first variety a "sector assessment" and the second variety a "long-term sector analysis." Using these definitions, let us then examine how these two types of analyses can be used to improve the development planning process.

At this point the question of who uses the analysis for what purpose becomes crucial, especially at a time when the Agency is attempting to frame country programs in a more collaborative style.

We anticipate that the short-term sector assessment will be the form most often appropriate to AID involvement. Over-time, as LDC interest in sector and subsector planning increases, we anticipate that a significant proportion of AID's loans and grants would be backed up by a sector assessment. In some cases an AID Mission may wish to require that a sector assessment be conducted (either by the host government or by a U.S. team). But we do not feel that sector assessment should become a hard and fast requirement in the programming of all AID resources. A sense of proportion and good judgment is needed, which would balance in every case our desire

for a more solid analytical base for aid programs with our equally compelling conviction that aid programs need to be conducted in a more collaborative style.

For example, a request for technical assistance involving several advisors and a relatively small dollar outlay should be based on knowledge of the sector within which that assistance will be placed. Indeed, the PROP (with its evaluation system "matrix") attempts to do just that. However, in this situation it would not make sense to require a sector assessment unless the host country wants that type of help. Nor would it make sense to require an assessment of a sector where other aid donors have the major interest and AID has only a minor interest. On the other hand, a request for a large technical assistance input to a sector or subsector where we are a major donor may suggest the reasonableness and utility of a short-term sector assessment.

Most capital ~~assistance~~ projects would benefit by being grounded in a sector assessment. We might convey to a ~~sx~~ host government our belief that a good assessment would yield a better project. But we do not feel that it would be wise to require such an assessment unless a host government itself were seized with its desirability. Sector loans or grants, however, will require a prior assessment—by definition the ~~loan~~ assistance is in support of a sector plan. AID needs an analytical basis for judging the effectiveness of the sector plan which foreign assistance is to help finance. Program loans, as explained in previous guidance, need not be forced into a sector mold and should be based on country and World Bank macro-economic analyses— with due critical evaluation by AID.

One final point about sector assessments: in cases where an assessment is indicated, it is not essential that the assessment be planned and carried out by the U.S. On the contrary, it would be most desirable if the host country itself did the analytical work (calling on AID for help as needed). Studies already conducted by other bilateral donors or international organizations may also satisfy the purpose, based on AID judgment as to adequacy and relevance of a given study.

The long-term sector analysis would be most appropriate: a) when the host government requests technical assistance in sector planning and analysis, and b) in certain limited cases where AID judges that a sector assessment cannot provide an adequate basis for the infusion of really major foreign assistance resources into a sector or subsector. Therefore, most longer-term sector analyses will take on the character of discrete technical assistance in economic and social planning. Except for an occasional case falling within the terms of category "b," long-term sector analysis will not be initially and directly related to the programming of AID resources. Of course, over time long-term sector analysis may reveal opportunities for assistance, but these benefits would be secondary (and could not be guaranteed at the outset of U.S. /host country technical collaboration.) The main benefit would be improvement in the planning capability of the LDC--resulting from application of the perspectives and rigorous methodologies of long-term sector analysis

IV. Sector Assessment/Analysis and Agency Programming

The FY 1974 submissions identified for each country program those areas in which host governments and Missions would like to concentrate U.S. aid inputs. AID/W has reviewed these "DAP outlines," and regional bureaus have provided comments on them. Although these outlines are subject to further refinement and modification (through continuing dialogue among AID/W, Missions, and host governments), it should be possible at this time to anticipate, country-by-country, the agency's sector assessment/analysis needs for FY's 1973 and 1974. In other words, for each country it should be possible to rough out a "schedule of analytical work" for the next 18 months based on guidance provided in this message and on judgments of Missions and Regional Bureaus.

Sector Assessments

Many sector assessments are already scheduled or under way. Regional Bureaus and TA Bureau will endeavor to assist Missions in finding contractors, PASA's or in-house expertise to help in these assessments. By the end of FY 1974 virtually all of the sector assessments indicated in Missions' and Bureaus' informal "schedules of analytical work" should have been completed. At that point we can say that the AID program rests on a reasonably thorough analysis of those sectors and subsectors in which we are concentrating, that these analyses have been undertaken where it appeared to make programmatic sense, and that the analytical effort was conducted consistent with the Agency's more collaborative assistance style.

In terms of Agency programming, a ~~sector~~ sector assessment would serve as supporting material for IRR's, PROP's, loan papers—making possible the elimination of sections in the documentation dealing with "background," "setting," "environment." Where assessments have been completed, we would expect less extensive documentation, focusing principally on the outputs and inputs of the proposed project and (for loans) on standard cost-benefit analysis. AID/W is considering a range of changes in documentation and approval procedures which might be feasible and appropriate as the Agency seeks to integrate loans and grants in a sector approach.

Long-term Sector Analysis

Although we feel that long-term sector analysis is a potentially useful tool ~~in~~ for ~~the~~ ~~xxxxxxxx~~ the LDC planner, we should avoid the appearance of forcing it on any country. Nor would we wish to bring it too abruptly into the direct process of programming U.S. assistance—the techniques are still experimental (however promising we feel they are), and we need to do a better job of educating ourselves and our LDC planning colleagues about these techniques before passing them off universally and uncritically. However, AID has already built up some solid experience using

linear programming techniques and simulation models of sectors in Colombia, Korea, and Nigeria, and the World Bank has done successful work in Mexico and other countries. A number of offices in AID are presently engaged in analyses of this kind—principally the Latin America Bureau's Sector Analysis Office and the Agriculture Sector Analysis Office of the TA Bureau. The real need at this point is to make their work known more widely in AID and the LDC's so that these newer and more quantitative techniques can be employed where appropriate.

V. AID/W has established a Coordinating Committee on Sector Emphasis, which will provide periodic guidance on a range of issues relating to areas of concentration, priority development problems and sector analysis. We recognize that this airgram is only the beginning—much more substantive guidance is required. Therefore, in the next six weeks the new Committee will produce an airgram on sector assessment,[1/] which will suggest ways of improving the effectiveness of short-term study teams, and two airgrams on long-term sector analysis—one an explanation of techniques and another on the Colombia Agriculture Sector Analysis which has been going on for two years, employs a stimulating approach and has strong host-country support.

TA, in cooperation with the new committee, will also produce a guidance series which will assist in organizing assessments and analyses in specific sectors—education, health, agriculture, etc. The PHA Bureau will do likewise for family planning. This guidance will be formulated with a dual audience in mind—the Mission and the LDC planner.

The committee urges Missions to make AID/W aware of reactions to this and subsequent messages, so that future guidance can be conveyed as helpfully as possible.

1/ Among other things, it will make the point (not properly brought out in this message) that there can be continuities between "assessments" and "long-term analyses"—obviously the former can lead into the latter.

POLICY DETERMINATION

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT

File as: AID HANDBOOK

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Sup A4 to HB 2 (TM 2:1)

PD-50
January 12, 1973

A.I.D. AND THE RELATIVELY LESS DEVELOPED COUNTRIES

At the UNCTAD III meeting in Santiago the United States and other developed countries made a commitment to undertake special measures for the least developed countries. The attached Policy Determination reflects A.I.D.'s response under that commitment.

DISTRIBUTION:
A.I.D. List M, Position 9
A.I.D. List B-6, Position 9
A.I.D. List B-4, Position 5
A.I.D. List C-2

Address questions concerning this Policy Determination to AA/PPC.

Address questions about this policy determination to:

PD-50

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Address questions about this policy determination to: AA/PPC

Sup A4a to HB 2
PD-50 (TM 2:4)
January 12, 1973

POLICY DETERMINATION

A.I.D. AND THE RELATIVELY LESS DEVELOPED COUNTRIES

A. The Least Developed Countries

Explicit concern for the situation of the least developed nations arose at the second UNCTAD in New Delhi. This concern grew until at the third UNCTAD, these nations - defined by criteria of per capita income, structure of GNP and literacy - became the subject of a unanimous resolution agreeing on special measures for their assistance.

The least developed countries represent less than ten percent of the total population of the developing countries, and consequently the greater part of total assistance flows will continue to be directed to other countries. But the justification for special measures for this group of countries is compelling: their poverty, the critical nature of the problems they face, the fact that they have not been able to benefit greatly from existing programs and measures designed to assist the developing countries in general and are lagging further behind. For developmental, humanitarian, moral, political and economic considerations, the U.S. strongly supported the resolution to make a special effort to assist this group of countries.

The development of policies and approaches for special measures of assistance to the least developed countries shall be part of A.I.D.'s assistance strategy. Appropriate steps shall be taken through program submissions to the OMB, in Congressional presentations, and in general public education and information to emphasize this goal.

B. Supporting the Multilateral Approach

We desire to assist the least developed countries within a multilateral framework and through an international effort. Particularly because of the extreme shortage of skilled manpower and the extremely limited institutional capacity of these countries, it becomes even more necessary for donors to cooperate fully in the effort, and for the existing mechanisms of coordination to be rapidly expanded. This objective can be achieved by giving positive and specific support to expand and upgrade the capacity and competence of the UN assistance organizations. An example of such an innovative approach is the mounting of regional, multinational, interdisciplinary advisory teams - by ECOSOC - to cooperate with

all aid-giving agencies and directly assist the least developed countries to expand their capacity for development planning and programming, and increase the flow of foreign assistance.

Positive steps will be taken to increase cooperation and coordination of the assistance effort to these countries, with special attention to -

a) the UNDP on technical assistance matters, especially through the promotion of appropriate joint activities;

b) the IBRD group and regional development banks on capital development matters;

c) the DAC on donor policy problems, especially to achieve improvements in terms, tying, and debt burden issues;

d) other donors in individual country and regional aid situations.

A.I.D. will undertake to second technical officers to the UNDP, for assignment to their priority programs in the least developed.

A.I.D. shall consider support of regional development advisory teams - UNDAT's - for placement in Africa. This offer may include, where appropriate, professional A.I.D. and other U.S. technical experts.

C. Agency Assistance Policies and Practices

The major, common bottleneck of the least developed countries, is their very limited capacity to develop plans and allocate resources, to prepare projects and programs for capital and technical assistance, to organize and administer their development. At the same time, the social and economic framework of most of these societies prevents any effective mobilization of savings and other resources. Responding to the progress made in the more advanced of the developing countries, and the changing foreign assistance situation, we have developed new policies and procedures which place greater responsibility upon the recipient countries. However, some of these changes may not be appropriate for the least developed and may impose strains upon their limited ability and capacity to benefit from foreign assistance.

The Agency will give further consideration to guidelines and policy determinations aimed at obtaining greater effectiveness in aid

giving and to accelerating the flow of development assistance for these countries. Such new approaches for consideration include -

a) the substitution of grant for loan funding, especially for joint technical/capital projects;

b) relaxation of requirements for local cost financing;

c) the financing of recurrent expenditures;

d) untying of assistance, both goods and personnel services;

e) greater flexibility on requirements for counterpart personnel, for administrative and contracting procedures, and for meeting local support needs of technical assistance personnel.

D. Research and Evaluation

In spite of our expanding awareness and understanding of the problems and needs of the least developed countries, much of this knowledge derives from the personal experiences of individual technicians. There is a great need for systematic analysis of the development and assistance experience, of adaptive research to relate development policies, practices, strategies and tools to the special circumstances of the least developed countries. While present indications are that the least developed benefit little from measures to expand trade, existing analysis based on empirical data, especially for the African countries, is inadequate for policy purposes. In the field of education, only a beginning has been made towards the development of education systems and strategies relevant to the conditions and requirements of the least developed.

Much of our existing knowledge of agriculture, disease, transportation, housing and the technologies that spring therefrom, is based upon research and investigations of physical, economic, and social conditions different from those common to the developing countries, and little of the research on developing countries has focused on the special problems of the least developed. Major underlying physical, environmental, and resource conditions or constraints (e.g., the encroachment of arid lands in the sub-Sahara regions) need to be tackled systematically and scientifically.

Priority shall be given to the development of a program of research and evaluation by this Agency, and in cooperation with similar research organizations and LDC institutions in the developing

countries, oriented towards the needs of the least developed countries. In addition, special efforts will be made to link the least developed countries with existing or emerging international research networks.

E. The Role of Non-Government Organizations

Many private, non-profit organizations are active in the least developed countries, each with its own objectives, interests, field of endeavor. Many are eager to expand their outreach, to develop new areas and new programs. Some of their activities parallel and strongly supplement the development efforts of recipient countries and donor governments. Innovative efforts should be made by A.I.D. to more effectively tap this wealth of private efforts, and experience, without, however, changing their own goals and approaches.

Within A.I.D. there should be close cooperation between the regional bureaus and PHA to develop a program that will direct these organizations toward giving assistance to the least developed countries in priority development assistance areas.

F. Interim A.I.D. Actions

The Regional Bureaus have the responsibility for program development and project planning for the least developed countries and should take further steps to implement the new measures directed towards these countries. Recognizing, however, the limitations on U.S. assistance resources, and the need to further distinguish between the different least developed countries, a special effort should be made to identify individual country situations most appropriate for further program development along the lines described above.

An additional effort shall also be made to identify other innovative approaches, on a country or regional basis, which will offer opportunity for more effective use of U.S. and other assistance in the least developed. Such effort should be based upon:

1) analysis of priority needs and constraints to development, both for individual countries and groups of countries possibly sharing common problems;

2) identification of host countries' interests, capacities, and self-help efforts;

3) review of multilateral and regional assistance programs and activities, and possible U.S. participation in them (as the preferred U.S. assistance approach);

4) possible development of limited additional input in the form of direct assistance projects which capitalize upon special U.S. expertise and experience, attack critical and basic development problems, and which would stimulate other donor interest and action.

Approved: John A. Hannah
John A. Hannah

1-12-73
Date

PD-61

REQUESTING ACCELERATED REPAYMENT ON AID LOANS

On September 16, 1974, the Deputy Administrator signed the attached statement which sets forth AID policy toward the requesting of accelerated repayment of AID loans from former recipients. This policy directive concludes that a request by the USG for accelerated repayment of AID loans would arise in those cases where a former AID recipient met the following criteria: an extremely strong foreign exchange position, a high per capita income level, and a debt owed AID of significant quantity. In those cases where analysis by the Bureau for Program and Policy Coordination indicates that a country has met these criteria, PPC in conjunction with the Office of the General Counsel and the appropriate regional bureau will propose the type of action, if any, that should be recommended to the Administrator.

Sup A4b to HB 2
PD-61 (TM 2:4)
September 16, 1974

REQUESTING ACCELERATED REPAYMENT ON AID LOANS

I. Problem

To determine the feasibility and desirability of requesting a former[1] AID loan recipient to accelerate repayment or increase the interest rate of AID loans when the recipient's economic situation improves.

II. Background

In accordance with AID M.O. 1262.1.1, Attachment A, one of the standard provisions on all AID capital project loan agreements with governments is a clause which provides for the borrower to agree "to negotiate with AID,[2] at such time or times as AID may request, an acceleration of the repayment of the Loan in the event that there is any significant improvement in the internal and external economic and financial position and prospects or a variation thereof" has been a requirement in practically all loan agreements with governments since 1962. It is not clear at this time what considerations led to the inclusion of this provision, but it is probable that it came about because of our balance

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[1] It is assumed that accelerated repayment normally would be considered for former recipients, the term "former recipients" referring to countries having repayment obligations under AID loans and for which no new loan assistance commitments are planned. If a recipient, having a loan which is not fully disbursed, is in an economic position meriting accelerated repayment, then deobligation of undisbursed pipeline funds should be the first order of business. It is recognized that both deobligation of concessional assistance and accelerated repayment could be considered concurrently.

[2] Loan agreements, as written, require only that recipient countries negotiate with AID upon AID request. While a recipient country has the option to refuse to enter negotiations, such an act may be considered by AID as an event of default pursuant to Loan Agreement terms entitling AID, as of right, to accelerate repayment. Presumably, a recipient must bargain in good faith with AID, once negotiations have begun.

of payments problem at the time and our efforts to negotiate with some of the European countries accelerated repayment of earlier loans. There is no record of any use of the accelerated repayments provision in AID loan agreements. However, there have been a number of advance repayments by six European countries and Japan on earlier loans extended to them for post-war reconstruction. The sum of the advance repayments between 1950 and the present is $2.4 billion.

Advance repayment essentially implies a renegotiation of the loan terms, i.e., the maturity of the loan. As such, it is not conceptually different from ex post increases in the interest rate of the loan, i.e., it decreases ex post the concessional element in a loan already signed. In fact, in economic terms the two are interchangeable. However, the fact that the standard loan provision does not deal with renegotiation of interest rates currently precludes the use of this alternative instrument.

There is a certain analogy between seeking accelerated repayment and debt rescheduling which the U.S. and other DCs have often undertaken at the behest of LDCs facing balance of payments difficulties or whose income growth is greatly constrained by the availability of foreign exchange. If drastic changes in LDC circumstances for the worse is the basic reason for their seeking debt rescheduling,[1/] there is intuitive logic in the argument that drastic improvement in their circumstances over and above that which could have been predicted when the loan was extended also requires renegotiation of the loan terms.

GAO has recommended accelerated repayment of recent loans extended to Brazil. With the possibility of current or former AID recipients receiving substantial windfalls from rapidly accelerated petroleum earnings, there is apt to be increasing Congressional interest in the possibility of requesting accelerated repayments or increased interest. Given the increasing Congressional reluctance to approve funds for foreign assistance, it is appropriate to determine whether accelerated repayments might offer some help in offsetting dwindling resources.

This discussion focuses only on accelerated repayments (although increased interest rates could achieve the same

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[1/] Section 620(r) of the Foreign Assistance Act of 1961, as amended, precludes the forgiveness of any principal or interest due the United States under the terms of AID loan agreements.

objective), for two reasons: (a) renegotiation of interest rates is not currently provided for in standard AID loan provisions; (b) increased interest rates would pose different, additional questions pertaining to the issue of establishing a differentiated interest rate structure for AID loans, and this could be viewed as an inferior instrument in seeking to alter debt terms ex post.

IBRD/IDA, IDB, and France do not have provisions in their agreements for accelerated repayments; the U.K. and Canada do have such provisions, subject to the concurrence of the borrowing country. The Export-Import Bank has no provision for accelerated repayments for country loans, but an acceleration clause is usually included in loans to mining companies. The Export-Import clause would generally require the renegotiation for an acceleration of repayment of up to a specified percent of the total loan under very favorable cash flow circumstances (e.g., where the ore yield is better than projected or the price rises substantially).

III. Discussion

To determine under what circumstances it might be feasible to invoke the accelerated repayment clause and to weigh the advantages and disadvantages of so doing requires responses to the following questions:

(1) What criteria are relevant to determine when a former recipient's economic situation has improved sufficiently to justify the USG invoking the accelerated repayment clause?

(2) Under what circumstances is the former recipient likely to be receptive to a USG request for accelerated repayment?

(3) What are the benefits of requesting accelerated repayment?

(4) What are the costs of requesting accelerated repayment?

It should be noted also that even if it appeared in the U.S. interest that AID seek accelerated repayments, any AID action would have to be approved by the appropriate State Regional Bureau because of the political ramifications and by the EB Bureau of State and by Treasury because of the implications for other international lending agencies. The Export-Import Bank also would want to evaluate the effect of the accelerated repayments in terms of its own portfolio.

A. Criteria for Evaluating the Former Recipient's Economic Situation

While it is probably not possible to establish quantitative criteria that will serve in all cases, it would seem that we should not seriously consider requesting accelerated repayment unless a former recipient met all of the following criteria:

(1) The country had an extremely strong foreign exchange position as demonstrated by a very high and/or rapidly rising level of reserves.

(2) The country's per capita income was above a certain level.

(3) The amount of debt owed to AID was significant.

It is difficult to estimate quantitatively what level of reserves would be considered "adequate" or "normal" since the level depends in part on the expected variations in foreign exchange earnings, the structure of imports and the compressibility of payments, and its capacity to borrow at commercial rates if the foreign exchange projections should turn out to be too optimistic, and in part on the degree of risk aversion of central bankers. In calculating future foreign exchange requirements, it is important to take into account the country's foreign trade situation, particularly present levels of protection, its capacity to earn foreign exchange, as well as its need for meeting the increased payments for imports should liberalization occur.

It is important that the level of per capita income be above a certain level,[1/] because it can be argued that a low per capita income country will need the resources represented by the reserves for additional imports over and above those projected from recent trends.

It is impossible to define *a priori* how much AID debt outstanding an LDC must have before it becomes worthwhile for the U.S. to seek advance repayment. However, some minimum should be set, simply because any overture to seek advance repayment is fraught with some political costs, and it would be desirable to seek at least some non-trivial amount.

[1/] Although a precise cutoff for this criterion is difficult, it is clear that as per capita incomes approach the $300-400 level the importance of this criterion diminishes rapidly.

It is clear from this discussion that it is impossible to have precise criteria. However, it is possible on the basis of existing data to arrive at some tentative conclusions as to what countries could be involved at present.

Existing projections show that oil-exporting LDCs are the prime candidates for advance repayment in light of recent trade and payments projections. It is estimated that net increases in foreign exchange earnings of OPEC members will be on the order of $60 billion in 1974. Of the 13 OPEC members, only five--Ecuador, Indonesia, Iran, Nigeria, and Venezuela--have non-trivial debt outstanding and contracted under the Foreign Assistance and related Acts.[1/] Of these five, it can be argued that Indonesia and Nigeria have a per capita income too low ($84 and $150 respectively in 1972[2/]) to qualify under this criterion. This leaves Venezuela, Iran, and Ecuador. Ecuador at present cannot be considered a major oil exporter. While its balance of payments position is strong, it cannot be compared to the situation likely to prevail in Venezuela and Iran.

B. Receptivity of the Former Recipient to Accelerated Repayment

In general it would appear that a former recipient would be most likely to be receptive to a USG request for accelerated repayment of its loans from the U.S. when the following circumstances prevail:

(1) The country agrees with the USG that it (the country) is in a particularly strong economic position and expects that situation to continue;

(2) Either the U.S. is suffering from a balance of payments crisis or the USG proposes to use the accelerated repayments for a particularly worthy cause in the eyes of the former recipient (e.g., utilizing the funds for economic assistance to other LDCs); and

(3) The U.S. request for accelerated repayment would not lead to similar requests from other countries. This would

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1/ Algeria and Iraq have some PL-480 debt ($6-7 million each).

2/ The DAC has estimated the 1974 per capita income to be $100 for Indonesia, $230 for Nigeria, $400 for Ecuador, $860 for Iran, and $1,800 for Venezuela.

be particularly relevant if the country had a very large amount of external debt held by other countries and international organizations in comparison to that held by the USG. It is conceivable, however, to approach LDCs whose position has improved drastically (particularly OPEC members) on a multilateral basis, seeking advance repayment of a certain portion of all their concessional debt. Extensive precedents for such an approach exist in debt rescheduling.

C. Benefits to the USG from Accelerated Repayments

In considering potential benefits from accelerated repayments, it is useful to distinguish between AID in particular and the USG in general. From the USG viewpoint accelerated repayments would provide an immediate, albeit small, positive increment to the U.S. balance of payments. It is important to note, however, that the total amount owed the U.S. by OPEC members mentioned as potential sources of accelerated repayments is quite substantial. The increased level of receipts resulting from accelerated repayments should also permit a small reduction in Treasury borrowing--assuming a continued budgetary deficit. From the point of view of AID, the question is whether any benefits would accrue unless special arrangements were negotiated with the Congress (and perhaps other USG agencies). At this time only 50% of the reflows (receipts of principal and interest from loans by AID and predecessor agencies) are available to AID for its program and no reflows will be available in FY 1976 and beyond. Furthermore, the 50% which will be available to AID in FY 1975 has already been calculated and Treasury has agreed to make up any shortfalls in actual receipts in return for which it will receive any windfalls. Therefore, no budgetary benefit would accrue to AID unless Congress (and presumably Treasury) should agree to modify current arrangements.

It could be argued, however, that Congress would view favorably the efforts of AID management in taking the initiative in requesting accelerated repayment from selected former recipients. Congress is likely to feel, with justification, that any former AID recipient that had become extremely well off financially should be willing to accelerate repayment of AID loans if so requested. Therefore, it is essential that AID review the possibilities of requesting accelerated repayment.

One alternative to accelerated repayment, in particular cases, could be an agreement by the LDC involved to increase its share of contributions to a multilateral fund to which the U.S. also contributed. For example, a country with a large debt owed to a number of countries may find direct negotiations

with only the U.S. difficult. This alternative may also be appropriate in de minimus cases. Such new contributions of this type could conceivably permit a reduction in future U.S. contributions to that fund or could ensure a larger program without an increase in U.S. contributions.

D. Costs to USG of Requesting Accelerated Repayment

From a foreign policy viewpoint the mere act of requesting accelerated repayments, whether or not the country accedes to the request, has some costs in terms of our bilateral relations with the country. How costly will depend on whether both of the first two circumstances indicated in B above are present; e.g., even if the country is well off economically and realizes it, it can be expected to resist strongly accelerating repayments unless it can see some clear advantage to its relations with the U.S. If the U.S. did not have a serious balance of payments problem, the former recipient is much more likely to be receptive to a request to make more resources available for LDC economic development through increased contributions to multilateral funds or through higher levels of bilateral assistance than to a request for accelerated repayment of U.S. loans. Furthermore, another country or the interested international agency, rather than the USG, might be the leader in the negotiation for the increased contribution.

An added potential cost if the U.S. bilaterally requests accelerated repayment is the engendering of ill will by the international financial institutions and other bilateral lenders--unless the U.S. request to accelerate repayment was coordinated and sanctioned by them.

IV. Recommendations

Whenever it may appear that a former recipient is experiencing, and is likely to continue to experience, growth in its foreign exchange reserves considerably in excess of its import and debt servicing requirements, PPC should undertake the analysis outlined in Section III.A. above to determine whether the country in question met the criteria specified above. If it did, PPC, in conjunction with GC and the appropriate regional bureau, should propose the type of action, if any, that should be recommended to the Administrator and other agencies as appropriate.

Whether accelerated repayment is sought will obviously be determined on a case-by-case basis and in the current context of our overall interests with the countries in question. With

respect to the specific cases of OPEC members, the U.S. has a variety of interests to pursue. We hope, inter alia, that these countries will play a constructive role in: (a) assuring an expanded supply of energy at equitable prices, (b) facilitating orderly capital flows through the international markets consistent with the needs for productive investment, and (c) considering additional concessional financial and assistance measures required to mitigate the effect on LDCs least able to bear increased costs of energy, food, and other essentials. We should stand ready to seek accelerated repayment if this is consistent both with our overall objectives in these countries and our broader domestic and international concerns.

PD-66

CRITERIA FOR DETERMINING AID LOAN TERMS AND FOR REQUESTING ACCELERATION OF LOAN REPAYMENTS

Policy on Loan Terms

There are pronounced differences among developing countries in their level of development, their long-term growth prospects, their access to private capital markets and their ability to service external debt. The existence of these wide differences in economic capacity has called for the development of a number of assistance instruments ranging from grants to soft loans to reimbursable technical assistance which more accurately reflect the differing needs and requirements of individual countries. In recognition of the wide difference in economic circumstances among the developing countries and in order to assist them to move their borrowings from highly concessional to less concessional external capital as their level of development rises, AID has recently established a two tier loan term structure for both Supporting Assistance and Development Assistance Loans. Intermediate loan terms will henceforth be applicable to countries which have made substantial economic progress and enjoy good prospects for continued advancement but are not yet able to rely completely on commercial capital flows for their external capital requirements.

It is now AID's policy to assess annually the situation of each country on the basis of uniform, quantitative data to identify those which can service loans on harder than the minimum authorized by statute. If, after a review of all relevant economic and political circumstances of the individual recipient, it is determined that a country can service its AID loans on harder than standard development loan terms[1/], that country shall be extended AID loans on intermediate loan terms. These are 25 years maturity inclusive of a 5-year grace period and 5 per cent interest for both the grace and repayment period. These intermediate terms satisfy the DAC recommendation for Official Development Assistance (ODA), which requires that such assistance have at least a 25% grant element. This policy on loan terms applies to both Supporting Assistance and Development Loans.

Criteria for identifying countries which might be subject to intermediate loan terms

Four measures have been selected as preliminary indicators of countries which might be able to service AID loans on intermediate terms. These are described in the following paragraphs.

1/ Forty years maturity including 10 years grace, with interest at 2% during the grace period and 3% thereafter.

Per capita GNP is used as a measure of the relative level of development of the country. It is undoubtedly the most reliable single indicator of a country's ability to absorb and utilize capital flows on less concessional terms. This fact has been recognized by the World Bank in its per capita income requirements for eligibility for soft IDA loans. Similarly, other international institutions have weighted heavily the per capita income variable in distinguishing loan term eligibility. Per capita GNP also appears to be highly correlated with other indicators of a country's capacity to service debt on commercial terms, such as its degree of access to private capital markets.

The ratio of reserves to imports of goods and services is used to identify those countries which fall within the intermediate per capita income level but have maintained a relatively strong foreign exchange position, indicating an ability to finance borrowings on somewhat harder terms.

The growth rate in per capita GNP is also used in the case of intermediate-income countries to identify those countries whose growth rate has been sufficiently high over an extended period of time that one would conclude that their economy can service capital flows on harder terms.

The ratio of current account surplus to imports of goods and services is also retained as a criterion because it indicates whether a particular country is a capital exporter. If it is, such a country should be charged higher rates regardless of per capita income. Few countries are likely to meet this criterion.

The following values for the above criteria have been selected solely for the purpose of identifying possible candidate countries for application of intermediate loan terms.

1. per capita income is greater than $500 in 1973 prices, regardless of its balance of payments position;

or

2. per capita income falls between $375 and $500 in 1973 prices;

and

   a. the ratio of reserves to imports of goods and services has been greater than 0.33 over at least a three-year period;

   or

   b. the average growth rate in real GNP per capita for the last five years has been more than 5 percent;

or

3. the average ratio of current account surplus to imports of goods and services has been at least 0.2 for the last three years, regardless of per capita income.

These criteria are to be considered as preliminary indicators of the countries which may be eligible for intermediate terms. Final determination will be based on a comprehensive analysis of all economic and other relevant facts, including overall political and other U.S. interests in the individual country.

Procedures for analyzing the capacity of recipients to service loans on intermediate terms

Every year during the period January 15 to March 15 PPC will review the performance of each country for which loans are planned on the basis of internationally comparable data and then inform the Regional Bureaus which countries meet the criteria described in the preceding paragraphs. The responsible Regional Bureaus, in collaboration with PPC, will then conduct an intensive study of each country on the PPC list which takes into account the totality of U.S. interests in that country, political as well as economic. The Regions have responsibility for incorporating the views of the State Department in this study. These studies will serve as the basis of recommendations to the Administrator as to whether he should approve or disapprove the application of intermediate loans to the individual candidate country for the next fiscal year.

Criteria for identifying possible candidates for requesting accelerated repayment of loans

It is also AID's policy to review annually the economic situation of all countries with significant outstanding AID loan balances to determine whether any of these countries is experiencing such a marked and sustained improvement in its economic circumstances and prospects that it is capable of accelerating repayment of its AID loans. Every year during the period January 15 to March 15 AID will conduct an intensive study of countries which appear to have reached a relatively high stage of development and have the financial resources to cover the accelerated repayments without essentially affecting its own internal capital requirements. The criteria to be applied for the purpose of determining which borrowers should be examined for this purpose are:

1. a per capita GNP equal to or greater than $750 in 1973 prices; and

2. an average ratio of current account surplus to imports of goods and services of at least 0.2 over at least a three-year period; and

3. a ratio of reserves to imports of goods and services greater than 0.5 over at least a three-year period.

These are not intended to be exclusive criteria. AID will consider the advisability of seeking acceleration of loan repayment to other countries if their economic situation seems to warrant such action, even though they fail to meet the specific criteria described above.

The intensive review of the situation of each country so selected will take into account all relevant economic factors, including the candidate's debt situation. All of U.S. interests in that individual nation -- political and commercial as well as economic -- will be considered before a determination is made as to whether a request for accelerated loan repayment should actually be made. (This supplements Policy Determination 61 dated September 16, 1974 REQUESTING ACCELERATED REPAYMENT ON AID LOANS)

Approved DF

Disapproved _____

Date 22 IV 76

AGENCY FOR INTERNATIONAL DEVELOPMENT

HANDBOOK TRANSMITTAL MEMORANDUM	DATE June 4, 1976	TRANS. MEMO NO. 2:5

MATERIAL TRANSMITTED:

Handbook 2 - Program Planning and Budgeting

Page TC-5 of Table of Contents and Supplement F2a, Urbanization and the Urban Poor (PD-67)

This policy determination (PD-67) provides guidance for program development directed primarily to the problems of the urban poor under current foreign aid legislation.

FILING INSTRUCTIONS:

1. Remove superseded page TC-5 of Table of Contents (TM 2:1) of Handbook 2.

2. File the attached in their respective places; Supplement F2a is to be filed behind Supplement F2.

3. Initial the Transmittal Memorandum Checksheet (in the back of the Handbook binder) beside TM 2:5.

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KEEP THIS TRANSMITTAL MEMORANDUM, and file it in the front of the Handbook binder.

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Address questions about this Handbook to PPC/PB.

KEEP YOUR AID HANDBOOK UP-TO-DATE

Sup D - Sector Guidance - Population Planning and Health

D1. Population and Family Planning Programs, Policy Determination 39, dated 11-3-67

D2. Beyond Family Planning: What Influences "Desired Family Size," AIDTO CIRC A-1118, dated 11-15-73

D3. Program and Evaluation of Integrated Health Delivery Programs: A Systems Approach, AIDTO CIRC A-230, dated 3-19-74

D4. AID Policies Relative to Abortion-Related Activities, Policy Determination 56, dated 6-16-74

Sup E - Sector Guidance - Education and Human Resources Development

E1. Education Sector Paper, AIDTO CIRC A-988, dated 9-27-73

E2. Program Guidance on Implementing AID's Strategy for Education and Human Resources Sector, AIDTO CIRC A-275, dated 4-2-74

E3. Draft Framework for Developing Program Submissions in Human Resources Development, AIDTO CIRC A-703, dated 10-17-74

Sup F - Sector Guidance - Other

F1. Guidance Statement on Selected Aspects of Science and Technology, Policy Determination 51, dated 1-12-73

F2. Guidance Statement on Urban Development, Policy Determination 54, dated 6-15-73

F2a. *Urbanization and the Urban Poor, Policy Determination 67, dated 5-27-76*

F3. AID Strategy for Technical Assistance in the Energy Area, AIDTO CIRC A461, dated 8-1-72

URBANIZATION AND THE URBAN POOR

PD-67

INTRODUCTION:

This policy determination provides guidance for program development to address the problems of the urban poor under current foreign aid legislation. The determination recognizes the need to deal with some of the critical problems of the urban poor which constrain development and to understand better the process of urbanization as it relates to development. It emphasizes the opportunities for use of existing legislative authorities and program tools to work in this field. It assumes project development and implementation in close collaboration with developing country institutions.

BACKGROUND

AID's resources have been devoted increasingly to the needs of the poor majority in developing countries. The needs of the poor majority are enormous, and AID's resources are limited. Programs are focussed on the rural poor, the most numerous and generally the least advantaged of the poor majority. Because increased food production is basic to improving the quality of life for the poor in general, the small farmers, as food producers, are a major concern. AID has recognized the need to support food production efforts with related administrative, economic, and social institutions and services and with complementary employment and productive opportunities off the farm. This recognition has broadened AID's concern to include rural development which embraces market towns and small cities as well as farms and villages.

Rapid urbanization affects rural areas, too, and there is increasing awareness of the interrelatedness of "rural" and "urban" places and functions in the development process. At the same time there has been a growing recognition in AID and outside of the problems of the urban poor per se. They are increasing rapidly in number -- in the cities of many developing countries more than 50% of the population is reported to be living in squatter settlements and slums -- and are straining existing urban facilities, services, and other resources, as well as the ability of the national economy to be responsive. Some of the worst poverty can be found in large cities. Effective access of segments of the urban poor to employment and services may be as bad as for the rural poor.

AID's early recognition of these factors were contained in the rationale for the current urban development program. (See "Guidance Statement on Urban Development," PD-54, June 15, 1973.) Relevant U.S. expertise is substantial and is sought increasingly by developing countries and other donors as they work on this wide range of matters.

These considerations led to the recent policy development exercise in the Agency, which included also an inquiry into current Agency programs and projects for the direct and indirect benefit gained by the urban poor. This study concluded that many of AID's sectoral activities in population planning, health, and selected development problems, as well as in HIG and PL 480 programs, affect significantly the urban poor.

The Foreign Assistance Act was changed last year to add language to Section 103 (food, nutrition, and rural development) to focus on important off-farm and town-centered activities and to Section 105 (education and human resources) to include attention to the urban poor. Section 106 (selected development problems) was spelled out more clearly to indicate program emphases, and a new Section 107 (intermediate technology) was added. The relevant sub-section of Section 106 is as follows:

> (6) programs of urban development, with particular emphasis on small, labor intensive enterprises, marketing systems for small producers, and financial and other institutions which enable the urban poor to participate in the economic and social development of their country.

The HIG program and PL 480 authorities were amended to ensure these programs address the development problems of poor people. (See also "Shelter Program Objectives," PD-55, revised October 22, 1974.) Both programs -- especially HIG -- have been urban-oriented. In addition, the PVOs have been involved heavily in the PL 480 program.

POLICY GUIDELINES

1. The primary focus of AID programs and projects will continue to be on rural areas and on the rural poor. Included are those among the poor majority who live and work in villages, market towns, and those small cities which are centers of rural regions. Effective rural development requires the development and integration of these places to provide markets, services, employment and balanced growth. A.I.D. needs to and will step up this aspect of its rural development efforts.

2. AID will continue to be interested in broad developmental issues; among them, the process of rapid urbanization, regional development, and the problems of the urban poor.

3. The problems of the urban poor will be addressed in the light of national development goals and policies through specific analysis of host country circumstances, particularly the relative well being of urban and rural populations and any urban bias in the allocation of national resources.

4. Many of AID's present programs (especially HIG, PL 480, health, population and PVOs) benefit the urban poor. These programs and that of TA/UD will be continued. Missions are encouraged to analyze and to take account in their programming of how and how much urban populations benefit directly and indirectly from existing and planned projects.

5. New activities designed to benefit the urban poor will consist of R&D and pilot demonstration projects in three areas. In order of priority they are:

   a) Problems and prospects for employment generation, especially in the informal sector of big cities,

   b) improved urban planning (analysis, methodologies, and techniques) and

   c) the impact of social welfare programs on big city urbanization and of the relative cost and distribution of current social welfare between rural areas and big cities.

   Emphasis will be on projects which seek to demonstrate successful methods and approaches, thus increasing knowledge of how to help the poor majority. Projects which promote active participation of the urban poor in planning as well as implementation will be encouraged.

6. Country program, regional, and central resources will be available for activities which meet the guidelines above (paras. 1-5). With the exception of the HIG program, AID does not expect to have sufficient resources to make significant capital investments in major cities.

7. The collaborative style with host countries is assumed. Collaboration with other donors in project indentification, development. and implementation for the urban poor will be sought.

8. AID will be responsive also to requests for country-funded technical assistance (Sections 607 and 661 of the FAA) to address the problems of the urban poor and to requests for help to urban areas which have experienced natural disasters.

PROGRAM IMPLICATIONS

The urban poor are to be included in Agency programming to the extent that analysis of specific country situations indicates that this should be done as part of the overall strategy of helping the poor majority, that opportunities and support for effective projects in urban areas exist, and that the primary focus of the program on the rural areas and their associated urban linkages permits.

Recognition that the urban poor are a legitimate target population requires enhancement of our understanding of the similarities, differences, and relationships of urban poverty and rural poverty and of ways of dealing with them.

The inclusion of the urban poor as an Agency concern calls for greater awareness in all project design and implementation of the impact of Agency programs, in order to insure that the designated target population, whether rural, urban, or both, actually does benefit.

Research and development and pilot demonstration projects should increase developing country and Agency understanding of the practical significance for policy and program of such things as the different poverty problems in cities, towns, and villages; the degrees of access to productive employment and to services and resources among poor people in different locations; the dynamics of migration to and from cities and towns; and conflicting interests of different groups among the poor majority. Replicability will be a key criterion in selecting and undertaking these projects.

Revisions in the Foreign Assistance Act and Agency policy determinations reemphasize the need to use HIG and PL 480 authorities to address problems of the poor majority. These special authorities can be combined with AID resources. The leverage from both of these special authorities can help influence policy and program development in developing countries. More attention needs to be given to their use in market

towns and small cities in rural areas. The focus should be on investment and productive activities which increase employment opportunities, basic facilities and services as well as the poor majority's access to them.

By itself, the HIG authority can be used for housing and related community facilities such as power, water, and sewer lines within a community or housing project area; basic slum and squatter upgrading; and sites and services. Current squatter upgrading and sites and services projects in several countries are examples.

Under the PL 480 authority, there are already food-for-work programs which are used to help develop food transport and storage facilities for small farmers and urban infrastructure; nutrition programs in conjunction with health and family planning clinics; and feeding center programs -- programs to "directly improve the lives of the poorest...people and their capacity to participate in the development of their countries. "

Where a decision has been made to do something, the expertise and other capabilities of private and voluntary organizations and of the private business sector should be enlisted to help with the problems of the urban poor. They can be especially helpful in assisting developing countries innovatively with the small producer sector, appropriate technology, delivery of services, technical and skills training, and participatory organizations.

The initiative for programming for urbanization and the urban poor may be taken by an AID field mission or by a regional or central bureau in AID/W.

APPROVED: DV

DISAPPROVED: _____

DATE: MAY 27 1976

AGENCY FOR INTERNATIONAL DEVELOPMENT

HANDBOOK TRANSMITTAL MEMORANDUM	DATE June 7, 1976	TRANS. MEMO NO. 2:6

MATERIAL TRANSMITTED:

Handbook 2 - Program Planning and Budgeting

Pages 23 through 26 to Supplement E3 and the front page of PD-51 to Supplement F1

The attached pages are reissued to correct an error in sequence which was made during the reproduction of the entire Handbook 2.

SUPERSEDES:

Pages 23 through 26 to Supplement E3 and page 25 of 26 to Supplement E3 and the front page of PD-51 to Supplement F1 (TM 2:1) of Handbook 2

FILING INSTRUCTIONS:

1. Remove pages 23 through 26 to Supplement E3, page 25 of 26 to Supplement E3, and the front page of PD-51 to Supplement F1 (TM 2:1) of Handbook 2.

2. File the attached in their respective places.

3. Initial the Transmittal Memorandum Checksheet (in the back of the Handbook binder) beside TM 2:6 .

* * * * * * *

KEEP THIS TRANSMITTAL MEMORANDUM, which has an up-to-date Checklist for this Handbook on the back. File this TM 2:6 in the front of the Handbook binder.

* * * * * * *

Address questions about this Handbook to PPC/PB.

KEEP YOUR AID HANDBOOK UP-TO-DATE

CHECKLIST FOR HANDBOOK 2

PROGRAM PLANNING AND BUDGETING

AUTHOR OFFICE: PPC/RB

DATE	MATERIAL TRANSMITTED	TM NO.
Various	Complete Handbook	2:1
1-22-76	NOTE regarding sex-biased language	2:2
4-6-76	Supplement A7	2:3
Various	Pages TC-3 and TC-4 of Table of Contents and Supplements A4a (PD-50), A4b (PD-61), and A4c (PD-66)	2:4
5-27-76	Page TC-5 of Table of Contents and Supplement F2a (PD-67)	2:5
Various	Pages 23 through 26 to Supplement E3 and the front page of PD-51 to Supplement F1	2:6

(4). What would be the impact of such inputs on

- equity?
- employment?
- development?

c) (1). What are some of the alternative solutions to the problems as suggested in b) above?

(2). Do mechanisms exist which might be cost effectively expanded?

(3). Are there other alternatives which might be devised and tested?

(4). What would impact be on

- equity?
- employment?
- development?

d) Which problems/needs are or will be addressed by other agencies?

e) Provision of criteria for AID inputs

(1). Alignment of Country and AID goals

(2). Cost-Effectiveness

(3). Piloting new or innovative learning approaches

E. Project Design and Appraisal

The fifth and final step is project design. Having completed the previous sections, users have in hand the necessary information to feed the logical framework: i.e.,

1. Sector Goal
2. Project Purpose
3. Required Outputs
4. Objectively Verifiable Indicators
   - Measures of Goal Achievement
   - Measures of Benefit Incidence at Goal Level
5. Means of Verification
6. Important Assumptions
7. Means of Verifying Assumptions

Below is a modified version of the logframe which is appropriate for

I	II	III	IV	V	VI	VII
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]		[illegible]	
	[illegible]	[illegible]	[illegible]		[illegible]	
	[illegible]	[illegible]				

the expanded purposes of this exercise. Following are explanations of the column revisions:

Column I

Presentation of alternative project purposes considered for meeting a given sector goal.

- This should be available when Section D above is completed.

Columns III and IV

Columns 3 and 4 are designed to distinguish between the nature of the benefits created by the project (i.e., increased output of learning or skill services) and the benefit incidence (i.e., the numbers in the target population who will receive the learning or skill training). The groups to whom the benefits are intended to accrue (target groups) should be identified by income, geographic, or other relevant socio-economic descriptors.

Column III

In addition Column 3 is designed to encourage greater specificity of targets.

It should facilitate the comparison of inputs/costs during any period with corresponding indicators of outputs/benefits.

Column IV

Column 4 recognizes that planning assumptions directly influence the viability of a causative linkage rather than the target itself. The split-level arrangement of Columns 5 and 6 accommodates this relationship.

Column VII

This provides an added column for clarifying and elaborating the assumptions (external factors and circumstances) which affect the causative linkages Entries in this column can be used to:

(a) verify the validity of the assumption,

(b) weigh the importance or criticality of the assumption,

(c) assess changes in the status of the assumption,

(d) suggest actions which could increase the probability that the assumption would be realized, and/or

(e) specify the need for further study of the assumption.

These tasks would all be facilitated by the method indicated herein calling for specification of how critical questions were answered as well as the reliability of the response. Assumptions should be made as explicit as possible and should be stated in operational terms. This may permit the planner to take steps calculated to reduce uncertainty, increase control and, where possible, move the assumption within the scope of the project design.

Our intent here, is once again to be illustrative. We are by no means encouraging Missions to begin utilizing the modified logframe without further instruction. We rather seek to emphasize that the assessment proceeding along the lines suggested in A through D above will directly facilitate a comprehensive justification of the project.

III. Conclusion

We believe that the procedures outlined above will serve both Mission and AID/W purposes in designing and implementing programs in the human resources area. It is our intention to produce, after receiving Mission comments, a revised assessment format which will indicate questions to be addressed in human resources program and project submissions. We hope, accordingly, that Missions will provide timely, thoughtful and candid comments. In a complex, developing field like sector assessment, no framework can ever be final and we expect that the current instrument will be refined periodically as we gain experience.

The format has been reviewed with one of the several Mission which are currently undertaking education assessments. The findings in this first review suggest that execution of the instrument is well within the capacity of most Missions with minimal outside assistance (local, AID/W and contract).

KISSINGER

ATTACHMENTS

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Sun A7 to HB 2 (TM 2:3)

AIRGRAM

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TO - AIDTO CIRC A 201

FROM - AID/Washington

SUBJECT - FY 1978 Guidance for Preparation of the Annual Budget Submission

REFERENCE - (A) Handbook Number 2 (B) Handbook Number 3
(C) AIDTO Circular A-253 of 4/26/75 (D) AIDTO Circular A-443 of 7/27/75

This message provides guidance regarding the content and timing of the FY 1978 Annual Budget Submission (ABS) which is due in AID/W on June 30 for Development Assistance countries and July 30 for Supporting Assistance countries. It applies to Development and Security Assistance Programs and to regional and AID/W central bureaus and offices. The instructions and schedule set forth in this airgram are similar--but not identical--to those contained in last year's ABS guidance and Handbook Number 2 on Planning and Budgeting.

Subsequent to this message on the specific content, format and timing of the ABS, there will be seven additional airgrams that will pertain directly or indirectly to the development of the FY 1978 program. (In addition, field missions may receive specific supplementary budget and program guidance from regional bureaus. AID/W bureaus will receive additional specific guidance from PPC.)

- FY 1978 Program Guidance, early April. This airgram will provide policy guidance to assist missions in constructing the content and emphasis of the 1978 program. It will concentrate on sub-sectors emphasized in recent legislation and on areas not extensively covered in recent program guidance.

- Development Assistance Programs (DAPs) revised guidance, mid April. This airgram will up-date existing instructions regarding preparation and content of DAPs. It will have a direct bearing on the content of budget submissions for FY 1978 only to the extent that missions are planning to revise their current DAPs prior to or in conjunction with the budget submission.

DRAFTED BY	OFFICE	PHONE NO.	DATE	APPROVED BY:
C. Stark Biddle	PPC/PB	29176	2/23/76	AA/PPC, Philip Birnbaum

A. I. D. AND OTHER CLEARANCES (all final draft)

AFR/DP, RHuesmann
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- PL 480, Title I, revised programming procedures. As missions are aware, PL 94-161 contained important changes in PL 480 legislation. An AID/W task force has been considering the full implication of these amendments and will recommend adjustments in the Agency's programming process for PL 480. We have included in this budget guidance instructions and tables for missions to propose PL 480 funding levels. The later airgram will deal with PL 480 policy and the programming process.

- PL 480, Title II. The SOG met on March 25 to discuss progress in integrating Title II with development assistance. An airgram summarizing the conclusions of that meeting is being prepared.

- Instructions and format for preparation of the FY 1978 Manpower and Operating Expense Budget, early April. The date for the receipt of the MOB in AID/W has been advanced to May 31.

- Program Evaluation Planning, this month. In order to integrate evaluation planning more closely into mission program planning and budget preparation, mission evaluation plans for FY 1977/78 are to be submitted as part of the ABS. A separate airgram will be sent later this month updating last year's guidance (AIDTO Circular A-443 dated July 27, 1975) for program evaluation planning. The basic format for the evaluation plan is included as an attachment to this airgram.
- Instructions and format for preparation of contraceptive commodity tables.

I. Timetable for submission of budget material for Fiscal Year 1978.

As missions are aware, the budget process is now governed by a new and different cycle, contained in the Budget and Impoundment Act of 1974. The full schedule is contained in Handbook Number 2. However, a few target dates are of particular importance to the preparation and content of the FY 1978 ABS submissions and subsequent documentation.

- May 15, 1976: Executive Branch transmits legislation proposing authorization of funds for FY 1978.

This provision requires that we develop authorizing legislation roughly a year earlier than has traditionally been the case and prior to the preparation and transmittal of the President's Budget for FY 1978. In the case of the AID development assistance program, it involves transmitting legislative funding proposals for FY 1979 as well as FY 1978 since we are on a two-year cycle (e.g., Congress has just authorized funds for both FY 1976 and FY 1977). The FY 1978/79 funding proposals for development assistance have recently been developed and forwarded by the Secretary to OMB. Once we receive final approval from the President, missions will be informed of the overall funding amounts contemplated for FY 1978 and FY 1979 and of the tentative planning levels that were included for each bureau. (FY 1978 funding levels for supporting assistance have not yet been developed.) In regard to program composition and level, it is important to note that the Agency

will still have to prepare and defend a budget request before OMB for both fiscal years. The basic content of the AID/W summer and fall budget review process will not be affected.

- September 13, 1976: Congress completes action on appropriation bills for FY 1977.

  If this target date is met it will mean that the Agency will have an Operational Year Budget for FY 1977 concurrent with the beginning of the new fiscal year. The funding uncertainties and related difficulties of operating under a continuing resolution will no longer apply. On the assumption that the deadline will be met, we are planning to develop both the Operational Year Budget for FY 1977 and the budget proposal for FY 1978 simultaneously. Because the FY 1978 budget proposals will be based on firm assumptions regarding actual allocations in the current year, we believe our program proposals to OMB and later to the Congress will be substantially enhanced. Accordingly, the ABS submissions for FY 1978 will serve a dual function in providing the basis for the allocation of actual funds for the current year as well as proposing budget levels for the budget year.

- March 15, 1977: Standing Committees recommend funding levels for FY 1978 to House and Senate Budget Committees.

  These recommendations have an important bearing on amounts included for foreign assistance in the First and Second Concurrent Resolutions that will establish overall fiscal limitations for FY 1978 and influence the amounts contained in the final appropriations. For this reason, it is important that the Agency complete its Congressional Presentation for FY 1978 well before March 15. For FY 1977, the Presentation was completed on February 15. For FY 1978, the Presentation must be completed by February 1. This in turn requires that we advance the deadlines for receipt of certain documents in AID/W.

In the context of the preceding Congressional deadlines, the schedule for the FY 1978 ABS and subsequent documents is as follows:

1. Project Implementation Documents (PIDs) for FY 1978.
   As and when ready but not later than June 30, together with the ABS for development assistance countries and July 30 for supporting assistance countries.

   We strongly encourage missions to transmit PIDs as early as possible in order to allow sufficient time for development of PRPs. PIDs that are received within a reasonable time prior to receipt of the final ABS, will be acted upon within 15 calendar days, per page 86 of Handbook No. 3. PIDs should be no longer than about 5 pages, as specified in Handbook No. 3. It is important that estimates of resources required for project design, development and evaluation be included in the funding estimates contained in the PIDs.

2. MOB Submission due AID/W: May 31.

3. Annual Budget Submission: June 30; July 30 for Supporting Assistance countries.

4. Completion of bureau and office review of PIDs: August 16.

5. Bureau and office submissions to PPC including revised amounts for FY 1977 and proposed amounts for FY 1978: August 16.

6. Notification to missions to proceed to PRP stage: Anytime after receipt of PID through August 16.

7. PPC budget reviews: September 1-30.

8. Agency submission to OMB for FY 1978: October 1

9. Issuance of FY 1977 Operational Year Budget: October 1

10. Deadline for receipt of all PRPs for FY 1978 in AID/W: As and when ready, but no later than October 30.

11. Completion of PRP reviews for inclusion in FY 1978 CP. November 30. (We would hope that Supporting Assistance countries could meet this deadline but recognize the difficulties faced. We therefore request that they submit a schedule for PRP submissions which is as close to this date as possible.)

12. Transmittal of FY 1978 Congressional Presentation: February 1, 1977.

II. Contents and arrangement of the FY 1978 Annual Budget Submission.

a. Mission certification of the continued validity of its DAP. Submissions should include a statement on the current validity of the DAP strategy and very briefly indicate why the mission continues to regard the existing strategy as valid. If events subsequent to AID/W approval of the DAP have significantly altered the mission's program strategy, the missions should prepare a statement for AID/W including:

1. Identification of the areas where the approved DAP is out of date and an explanation of the factors which have changed the programming strategy.

2. A discussion of the impact of these factors on ongoing and proposed new projects.

3. If the DAP or one of its component parts must be reworked an estimate of when the new material will be ready for AID/W review and approval.

b. Identification of opportunities for Centrally Funded Research. (Optional)

Missions are encouraged to provide an updated discussion of key problems faced by the host country which might be dealt with through centrally funded research and to propose activities that might be undertaken to effectively deal with these problems.

As you are aware, there has been considerable attention in AID/W during the last year to ways of achieving improved integration between centrally funded research efforts and operational programs. Early field identification of research-relevant problems is one of the best means of insuring that this process continues. The suggestions put forward in the FY 1978 ABS will have a significant impact on the focus and composition of our centrally funded research program.

It is suggested that the discussion may include the following:

- An assessment of the impact and related benefits of previous research efforts--whether AID funded or not.

- Identification of particular development problems that may require new or improved adaptive technology. Suggestions could be country specific or of regional or multi-country significance.

Mission responses will be treated as an action item in AID/W. The airgram responding to Mission suggestions will include: (a) an assessment of the significance of the problem identified; (b) a discussion of how the requested assistance can be best provided and (c) an indication as to whether funds have been included in the interregional program.

c. A summary table I showing funding levels for FY 1976 and the Interim Quarter and funding requirements for FY 1977 and FY 1978 by Appropriation Account. (See format at Attachment I)

- For FY 1976 and the Interim Quarter, we hope to have an Operational Year Budget based on final Congressional action early in May. Copies of the OYB for FY 1976 and the Interim Quarter will be immediately forwarded to all field missions. Data in all cables referring to FY 1976 and/or Interim Quarter should conform to the OYB.

- For FY 1977, missions should attempt to adhere to the program content and level put forward to the Congress in the FY 1977 Congressional Presentation. We recognize that some deviations in funding levels for ongoing projects may be necessary and that in some cases, new activities may be developing at a faster or slower pace than originally

planned. Moreover, the results of the final FY 1976 and Interim Quarter allocations in the Operational Year Budget may influence funding plans for FY 1977. Where deviations from the CP for FY 1977 are necessary, they must be clearly identified as an attachment to summary table II (see below).

d. A summary table II listing ongoing and new activities by appropriation account for FY 1976 through FY 1978. (See format and detailed instructions at Attachment 2 and revised forward funding procedures for new FY 1978 projects at Attachment 3.)

- For FY 1977 and 1978 we ask that missions estimate the likely quarter for obligation for both new and ongoing activities. As missions are aware, the Agency has stressed the importance of early obligation of funds where practical and effective. For FY 1976, we prepared an Agency-wide implementation plan and have been monitoring obligation progress against that plan. For FY 1977 and for FY 1978, we will prepare similar plans. Your estimates of the date of obligation will be drawn upon in compiling these plans.

- For new and ongoing FY 1977 projects, clearly identify with an asterisk any activity where there will be a known and certain deviation from the FY 1977 funding level proposed in the data sheet for that project in the FY 1977 CP. In the case of new projects, the reason for the change should be very briefly explained on an attachment to summary table II. In the case of an ongoing project, the explanation will be included as part of the narrative material requested for ongoing activities. (see Attachment 3)

- For new FY 1978 projects, PIDs which have not been submitted prior to June 30 should be attached as separate appendices to the ABS document. Operational Program Grants (OPGs) should be listed on summary table II and PID equivalents, i.e., a narrative summary of Early Consultation, should be sent prior to or included with the ABS. (see Appendix 7 A of Handbook No. 3)

As was the case last year, we ask that missions rank-order all proposed new FY 1978 activities. This ranking should reflect a best judgment on funding priority based on factors such as program strategies and priorities set forth in the DAP, consistency with the Congressional mandate, host country interest and support, timing and readiness for funding.

Summary table II will be used to provide input data for the Country Program Data Bank. The table will be periodically updated to provide comparative budgetary information during the various stages of the budget cycle.

e. A narrative progress statement for each ongoing grant activity schedule to receive funding in the Interim Quarter, FY 1977 or FY 1978 together with supporting fiscal tables (see format and instructions at Attachment 3).

The narrative should include a very brief statement regarding implementation progress. The content of the statement should be organized along the following lines:

- Project on schedule: merely a statement to this effect

- Deviation from schedule, no change in level or composition of financing, outputs or purpose: expand narrative to describe progress to date against each major output and each major end of project condition

- Deviation in level or composition of financing, in total or for a period: expand narrative to include reasons for deviation and provide revised funding requirements
- Major change in type of inputs to be furnished, major change in outputs to be achieved or minor change in purpose: briefly explain nature of change, provide reestimate of funding requirements, include date for submission of Revised Project Paper

- Fundamental change in project scope of purpose: describe plan for project phase out, submit revised funding estimate and, if applicable date for submission of new Project Paper.

(The preceding narrative is not required if a PAR has been submitted to AID/W during FY 1976 and that document provides the information. Nor is it required for ongoing projects that will receive their initial funding in the Interim Quarter or in FY 1977.

Fiscal tables for FY 1977 ongoing projects will be of use in constructing final Operational Year Budget levels for that year. We recognize that these tables will have to be prepared without benefit of actual FY 1976 expenditure data, although mission estimates should be relatively firm at this late stage. If regional bureaus determine that final, actual results are later necessary, missions will be asked to update these fiscal tables.

f. A listing of new FY 1978 projects showing funding requirements according to revised forward funding guidelines together with alternative funding levels. (see instructions at Attachment 3)

g. Long Range Projections (Development Assistance countries only) (see format at Attachment 4). The new Budget Act requires that the President's annual budget project funding levels for four years beyond the budget year; the FY 1977 budget contains projected funding levels for foreign assistance through 1981, at levels identical to those proposed for FY 1977. The FY 1977 budget makes it clear that the FY 1978-81 estimates reflect current policy assumptions and are not intended as a forecast of future decisions. The FY 1978

budget will contain projections through 1982 and it is likely that these will also be straightlined, based on the final mark for FY 1978.

Despite the mechanical nature of the projections contained in the budget, it is important that the Agency be in a position to develop and put forward realistic estimates of future funding requirements both for internal planning purposes and in response to Congressional and/or OMB request. Accordingly, we ask that Missions prepare a long range program plan consisting of (1) brief narrative summary and (2) an estimate, by appropriation account of program levels through 1982.

The narrative summary should briefly and concisely list the basic economic, political and institutional premises on which the projections are based. It should not attempt to repeat the basic strategies and justification contained in the DAP. To the extent that there are fundamental uncertainties which would alter the level and composition of the projections, these should be enumerated. The narrative portion should not exceed two pages.

h. Mission Evaluation Plan: See format at Attachment 5

i. Public Law 480 - Title I: As previously indicated, additional program guidance is in preparation regarding implementation of new PL 480 legislation. The instructions in this airgram pertain only to preparation of funding proposals for incorporation in the ABS. The program guidance will not alter these basic requirements, although additional material may be required. For Title I, narrative material is not required at this time. Missions should complete tables in the format at Attachment 6.

j. Title II: AIDTO Circular A-287, dated May 13, 1975 continues to provide the basic guidance for preparation of Title II material for the FY 1978 ABS. This airgram contains additional program and budget guidance for developing Title II proposals. The Title II section of the ABS will contain a narrative section and supporting tables. The format and instructions for preparing supporting tables is at Attachment 7. The narrative section and proposed funding levels should be developed in the context of the following:

1. Multi-year Program Planning

As missions are aware, the Congress has amended the FAA to ensure continuity of distribution under Title II by establishing a minimum tonnage level of 1.3 million and by specifying that not less than 1.0 million tons must be distributed through the World Food Program and non-profit voluntary agencies. As a result, we are in a far better position to develop firm Multi-year Program Plans and to follow through on those plans in cooperation with

the host country. Accordingly, missions and cooperating sponsors should, where warranted and appropriate, develop multi-year Title II program plans (MYP) by category.

- The narrative section should include a discussion of methods for managing Title II programs over a 2-5 year period, using FY 1977 or FY 1978 as the base year.

- Multi-year programming does not necessarily mean automatic expansion in program level. For example, MYP in school feeding will, for many countries, reflect the completion of a phase over from Title II resources to 100% host country support. In the case of Food for Work, the advantages of MYP are not necessarily related to the number of workers employed but to the kinds and scale of projects cooperating sponsors have the confidence and capability to launch. Furthermore, Food for Work projects may offer opportunities for providing support to related development assistance programs. In the case of maternal and child health programs, MYP may encourage host governments to provide increased resources to the health sector.

- The opportunity to develop a multi-year plan by no means indicates that we should abandon single year programming in a particular category. MYP is a newly authorized tool to be applied on a case-by-case basis as missions and cooperating sponsors deem appropriate.

- Multi-year Programming requires the establishment of realistic development benchmarks which provide cooperating sponsors and the mission early and clear indications that projects are on course. The simpler the benchmark, the less doubt will there be about program achievement and the earlier will missions be alert to project shortfalls and possible failure. For example, MCH-infant weight control through the use of weight charts provides a simple statistical indicator of project movement. The number of infant weights increasing, decreasing and remaining below the recommended range for their age are indicators of project achievement. Infant mortality and morbidity recorded monthly and compared over time provide another, albeit more lengthy indicator that the project is or is not taking hold. Food for Work indicators might include number of employment days,

number of projects started and completed, number of new employment opportunities created in the rural areas.

- Multi-year Programming does not alter the requirement that Title II programs comply with AID Regulation 11; multi-year programming continues to be contingent upon the availability of commodities, and cooperating sponsors agreements entered into should continue to reflect this contingency and compliance with Regulation 11.

2. Sensitivity and responsiveness to individual country development goals.

Missions are encouraged to be sensitive to the opportunities offered by Title II programs to bring about improved health, physical growth and more productive employment opportunities among Title II recipients. Title II has some special characteristics which provide a unique opportunity for individual and community development. For example:

- Food assistance is direct - provides an immediate impact inside the house.

- Food assistance is continuous - provides a daily supplement to the family diet.

- Food distributions provide a unique opportunity to assess the health and economic conditions of a significant section of the population

Established Title II priorities may not always dovetail with individual country goals and alternative approaches may be highly effective. Missions are encouraged to re-examine established policies in the following areas in the light of recipient country's development goals and to propose modifications in the application of Title II assistance.

a. Recipient Category - In general, MCH, FFW and School Feeding continue to have priority in that order. However, some missions may demonstrate that to achieve an agreed upon development goal another ordering of recipient categories would constitute a more effective course of action.

b. Rations - Previous guidelines recommended ration levels. In some countries, particularly in Food for Work activities, volags and missions may have justification for recommending increased rations and modifying the commodity mix in order to provide a better nutrition package to the family and a more equitable wage for the worker. AID/W will be providing further guidance on ration levels and is prepared to provide assistance on questions regarding the nutritional impact of foods.

c. Operating Reserves - To be responsive to small scale emergencies and to cover losses during commodity handling, volags may justify an operating reserve of up to 25% of their approved program. This will provide cooperating sponsors with a sense of security and an improved responsiveness to local needs.

d. Adult Feeding Cases - In prior years, Title II policy authorized volags to have a portion of their total program in the adult health cases and institutional feeding categories. These feeding activities were de-emphasized due to a shortage of resources. We are now willing to consider small programs in the adult feeding category on a case by case basis if it complements other development programs. Worldwide resources for this are limited.

3. Commodity Availability

STATE 30851 of February 7, 1976 provides the commodities and prices to be used in preparation of the FY 1978 voluntary agency program plan.

k. PID documents are requested for all Housing Investment Guarantees proposed for FY 1977. Priority will be given to the provision of low cost housing for the poor. Missions should refer to Handbook No. 1 part III-6 and PD 55 in preparing this justification.

l. Because of Congressional and Agency interest in tracking assistance to PVOs and cooperatives, Missions should prepare the table at Attachment 8.

m. As was the case last year, we ask that Missions prepare tables on contraceptive usage and requirements and on the quantity of contraceptives provided by other donors. Instructions and format will be forwarded in a separate airgram.

Contents of the FY 1978 Annual Budget Submission

1. Mission certification of the continued validity of the DAP.
2. Centrally funded research (optional)
3. Summary table I (see Attachment I)
4. Summary table II (see Attachment II)
5. Narrative attachment to summary table II explaining deviations in funding levels for new FY 1977 projects (as necessary).
6. Narrative progress statement for ongoing grant activities (as explained in body of airgram)
7. Fiscal tables for ongoing activities (see Attachment III).
8. FY 1978 new projects listing, alternative funding levels (see Attachment III)
9. FY 1978 new projects listing, narrative support for proposed funding levels.
10. Long Range Projections, narrative and funding requirements (see Attachment 4)
11. Evaluation Plan (see Attachment 5)
12. Title I, funding levels (see Attachment 6)
13. Title II narrative and funding levels (see Attachment 7)
14. Assistance to PVOs and Cooperatives (see Attachment 8)
15. Contraceptive tables (instructions and format to be sent in subsequent airgram)

Attachment 1

Country/Program _____

Summary Table I

Funding Levels for FY 1976, IQ, FY 1977, FY 1978

	FY 1976 1/	Interim Quarter 1/	FY 1977	FY 1978
Food/Nutrition				
Grants				
Loans				
Population/Health				
Grants				
Loans				
(Population)				
(Grants)				
(Loans)				
(Health)				
(Grants)				
(Loans)				
Education				
Grants				
Loans				
Section 106				
Grants				
Loans				
Sub-total				
Grants				
Loans				
Supporting Assistance				
Grants				
Loans				
Total				
HIGs				
PL 480				
Title I				
Title II				

1/ Data for FY 1976 and the Interim Quarter should be based on the Operational Year Budget which we believe will be available in early May.

Sup A7 to HB 2 (TM 2:3)

AIRGRAM

DEPARTMENT OF STATE

AIRGRAM CONTINUATION

PAGE 14 OF PAGES 29

CLASSIFICATION UNCLASSIFIED

POST AIDTO CIRCULAR A NO.

Attachment 2

ABS/CP Summary	1. Transaction Code ▱ A=Add C=Change D=Delete	2. Document Code 6	3. Country/Entity
4. Document Revision No.	5. Operational Year FY [ ]	6. Budget A. Symbol B. Code	7. Geographic Code
8. Type Data ▱ 1=ABS 2=ABS Revision 3=CP 4=CP Notification		9. Type Assistance ▱ 1=Project Assistance 2=Program Assistance	

10. Project No.	11. Project Title	12. Qtr for Oblig.	13. Est. FY Auth/ Oblig. Final	14. Appro-pria=tion	15. Prim. Pur-pose Code	16. L/G	17. Budgets(in $000) AY	IQ	OY	BY	LOP

18. Date Document Received in AID/W	MM	DD	YY

UNCLASSIFIED CLASSIFICATION

PRINTED 4-71

AID-5-39A (9-62)

Instructions for Completing Summary Table 2 (ABS/CP Summary)

This table will be used for purposes of budget review and analysis and also to enter data in the Country Program Data Bank (CPDB). It is anticipated that the table will be periodically updated during the budget cycle. It is important that it be prepared carefully and accurately.

The CPDB will be an automated system providing current information on planning and budgeting for all Agency projects. The ABS/CP Summary Form, Summary Table II will be used to enter (1) budget data in the ABS as received from the field missions or originating AID/W offices, (2) revisions to proposed budgets as modified in the Agency's review process, (3) budget data to be used in the Congressional Presentation, and (4) changes contained in notifications to Congress. The type of data to be entered into the CPDB will be indicated by entering the appropriate number in the box in Block 8 of the form, e.g., for the FY 1978 ABS, the number "1" should be entered in the box.

Block 1, Transaction Code:	Enter A for "add" in the box.
Block 2, Document Code:	No entry required.
Block 3, Country/Entity:	Enter the name of the country or entity as appropriate, i.e., country receiving AID assistance, regional entity being assisted (e.g., ROCAP), grantee (e.g., organization receiving an AID grant) or type of program (e.g., research).
Block 4, Document Revision No.:	Leave blank.
Block 5, Operational FY:	Enter the last two digits of the year preceding the Budget Year, i.e., in this case, 77.
Block 6, Bureau Symbol and Code:	Enter the appropriate sponsoring bureau symbol and code found in Table 1, Appendix 6 A of Handbook No. 3.
Block 7, Geographic Code:	Enter the appropriate Geographic Code for the Country/Entity found in Handbook No. 18.
Block 8, Type Data:	Enter (1) in the box.
Block 9, Type Assistance:	Enter the appropriate number in the box indicating the type of assistance proposed. If an ABS includes both project and program assistance, a separate ABS/CP form should be used for each.

For Project Assistance:

Block 10, Project Number: Enter the four position project sequence number

Block 11, Project Title: Enter the project title (not to exceed 40 characters)

For Program Assistance:

Block 10, Project Number: Leave blank.

Block 11, Project Title: Enter the type of program assistance proposed, i.e., either CIP (Commodity Import Program) or Cash Transfer.

Projects should be organized and listed by Appropriation Account and subdivided into new and ongoing categories. For proposed new FY 1978 projects indicate funding priority numerically, i.e., for the top priority project enter (1) after the title of the project, etc. For FY 1976 and the Interim Quarter, funding levels should be based on and derived from the OYB. For FY 1977, where deviations in funding levels from amounts contained in the CP for either new or ongoing projects is known and certain, the activity should be asterisked just after the title. For new projects that are asterisked, a very brief narrative explanation should be attached to summary table 2. For ongoing projects that are asterisked, the narrative explanation will be attached to the fiscal tables for ongoing activities.

Block 12, Quarter for Obligation: For FY 1977 and FY 1978 projects only, enter best current estimate of the quarter for obligation, e.g., if in third quarter of year, enter 3. For projects to be funded in FY 1977 and FY 1978, enter two numbers, e.g., 2/3, indicating an obligation during the second quarter of FY 1977 and the third quarter of FY 1978.

Block 13, Est. FY of Authorization/Obligation, Final: Enter the last two digits of the fiscal year which it is estimated that the last authorization or obligation of AID appropriated funds will take place.

Block 14, Appropriation: Enter the applicable appropriation alpha code found in Table 2, Annex 6 A of Handbook No. 3.

Block 15, Primary Purpose Code: Enter the appropriate primary purpose code found in Annex 6 B of Handbook No. 3.

Block 16, Loan/Grant Indicator: Enter "L" for Loan, "GN" for grant new, or "GC" for grant continuing.

Block 17, Budgets: Enter (in thousands of U.S. dollars) the proposed funding level for the Actual Year (1976), the Transition Quarter, the Operating Year (1977), the Budget Year (1978), and the Life-of-Project.

Block 18, Date Document Received in AID/W: Leave blank. This block will be filled in on receipt in AID/W of the ABS.

Preprinted Summary Table 2 (the ABS/CP form) is in preparation and will be forwarded to all missions within two weeks.

Note: Additional instructions regarding the Activity Identification and Classification (AIC) System will be contained in two airgrams:

(1) Activity Identification and Classification System, end March - this airgram will explain and identify the project numbering system, purpose codes, technical codes and special concern codes to be used on all project documentation; and

(2) Instructions on Preparation of Project Document Facesheets, early April - revised PID, PRP, and PP forms will accompany these instructions.

Attachment 3
(Instructions)

Instructions for Preparation of Ongoing Grant Budget Tables

A fiscal table is required for each ongoing grant project which is scheduled to receive funding in the Interim Quarter, FY 1977 or FY 1978. Fiscal tables are not required for ongoing projects that will receive their initial funding in the Interim Quarter or in FY 1977. The information to be provided on these fiscal tables is similar to data included in the U-203 and W-203 reports. Instructions and definitions used to prepare these documents apply to the ongoing grant budget tables. Note that the June 30, 1976 pipeline figure should include a best estimate of unliquidated prior year funds.

Forward Funding Guidelines

The following constitutes a change in the forward funding guidelines for new grant projects proposed for initial funding in FY 1978. The instructions establish a more liberal and flexible set of criteria designed to conform project budgeting to the needs and objectives of individual grant activities. Missions are encouraged to comment on the usefulness of these new guidelines.

1. Background

The Agency has traditionally taken a different approach to funding procedures for grants and loans. Current Agency practice is to fully fund loan activities and, in most cases, to incrementally fund grant activities.[17] In the case of grants, forward funding guidelines were set forth in AIDTO Circular A-368, dated May 16, 1974 and applied to preparation of budgetary material for both FY 1976 and FY 1977. Further instructions regarding funding estimates, approval procedures and length of commitment were contained in AIDTO Circular A-466, dated August 2, 1975.

As missions are aware, the Agency has adopted an integrated documentation system for loans and grants. At the same time, it has become apparent that the dichotomy in funding procedures for grants and loans should be changed. In reviewing alternative procedures, we conclude that forward funding guidelines should be based on the following general principles.

1. Forward funding should be based on and adjusted to the particular and special needs and objectives of the project;

2. Forward funding levels should be calculated on the basis of the minimum level of resources necessary to accomplish stated objectives;

3. The test in any case as to whether or not full funding level is justified is whether the benefits justify the additional Agency resource that would otherwise be available for alternative activities;

4. In the case of grants, application of the preceding may involve life-of-project funding;

5. Decisions on forward funding levels must be made on a case by case basis. At the same time, there are limits on our ability to forecast accurately future funding requirements and a consequent need to establish an overall cut off point that could be exceeded only under special circumstances;

6. The forward funding system should be flexible enough to adapt to budgetary realities. Budget constraints may force us to re-order priorities and to pick and choose among projects or to reduce forward funding levels for individual projects. To do this intelligently, it is necessary to develop alternative funding levels and to understand the marginal benefits associated with each.

2. Forward Funding Procedures for Grants to be followed in preparation of 1978 ABS

1. FY 1976 and Interim Quarter

Funding levels for new and ongoing projects should be based on amounts contained in the final Operational Year Budget for these two periods. In general, guidelines contained in A-368, modified by A-466 will continue to apply. Missions and AID/W bureaus and offices should also refer to FY 1976 and Interim Quarter funding levels set forth in the FY 1977 CP. Missions may receive additional specific guidance from their bureaus subsequent to completion of the OYB.

2. FY 1977

Funding levels for new and ongoing projects should be based on amounts contained in the applicable data sheets in the FY 1977 CP, except in those cases where deviations are known and certain and identified and explained as part of Attachment 2 or 3.

3. FY 1978

In the case of ongoing projects, forward funding should be based on A-368.

In the case of new projects, the following forward funding guidelines will apply: (attachment 3a)

A. For proposed new FY 1978 bilateral and interregional grant activities obligated by Project Agreements: forward funding of all elements (always excepting direct hire technicians, which should not be funded beyond the current fiscal year) should be established in accordance with project objectives and with due regard for management steps set forth in the project plan (e.g., completion of phased objectives, completion of a significant evaluation). These new FY 1978 grant projects may be funded up to three years from date of obligation.

B. For new 1978 regional and interregional activities for which obligating instruments are usually negotiated in AID/W, project managers should establish funding periods for contracts and other instruments in accordance with approved interim or final project objectives. These activities may be funded up to three years from date of obligation.

C. In order to measure the financial impact of revised forward funding procedures for new FY 1978 projects and to permit an analysis of the impact of alternative funding levels, missions and AID/W operating bureaus and offices are asked to develop three alternative funding levels and to briefly explain why additional forward funding is desirable and warranted. The alternatives are: (A) full funding in line with project objectives, up to three years beyond the date of obligation, (B) forward funding based on guidelines contained in A-368 (if identical to alternative A, so indicate) (C) a viable alternative that should be considered if overall grant resource levels were substantially reduced but that would, at the same time, be consistent with important project objectives and preferable to alternative B (see format enclosed as part of Attachment 3).

In regard to participant training standard costs, modification of the standard cost system is in process. The modification is designed to rationalize the allocation of costs between AID/W and USAID. Inclusion of a broader range of standardized costs should permit more accurate calculation of the direct costs of individual participant programs to be charged to USAIDs. Specific guidance will be transmitted in early April.

1/ Capital grants are normally funded on a life-of-project basis.

Attachment 3

Country/Program_____

FORMAT FOR FISCAL DATA
ONGOING GRANT PROJECTS FOR THE ANNUAL BUDGET SUBMISSION

PROJECT NAME_____ INITIAL OBLIGATION_____ DATE PROP/REVISION_____
PROJECT NUMBER_____ FINAL OBLIGATION_____ DATE LAST PAR_____
APPROPRIATION_____ TOTAL COST_____ DATE NEXT PAR_____

U.S. DOLLAR COST (IN THOUSANDS)

	FY Obligations	FY Expenditures	Unliquidated as of:
Actual FY 1976			6/30/76 inc. prior year funds
Estimated Interim Qtr.			9/30/76
Estimated FY 1977			9/30/77
Proposed FY 1978			9/30/78

FY 1977 and FY 1978 Obligations by Cost Component/MOI

Cost Component	Direct Aid 77	Direct Aid 78	Contract 77	Contract 78	PASA 77	PASA 78	Total 77	Total 78
U.S. Tech.								
Local & Tcn.								
Participants								
Commodities								
Other Costs								
Total								

Contract/PASA Funding Periods

Name of Contractor	FY 1976 Obligations from to	Int. Qtr. Obligations from to	FY 1977 Obligations from to	FY 1978 Obligations from to
Period	mo/yr-mo/yr	mo/yr-mo/yr	mo/yr-mo/yr	mo/yr-mo/yr
Amount	$000	$000	$000	$000
Period	"	"	"	"
Amount	"	"	"	"

On Board Personnel

	6/30 1976	9/30 1976	9/30 1977	9/30 1978
Direct Hire	No.	No.	No.	No.
PASA	"	"	"	"
Contract	"	"	"	"
Participants	"	"	"	"

Attachment 3a

Country/Program _____

Proposed New Projects - FY 1978 Alternative Funding Levels[1/]

	(Alternative A) Full Funding Level		(Alternative B) Forward Funding According to A-368	(Alternative C) Mission Alternative if Grant Resources Curtailed	
Project (List and organize by appropriation account)	Dollars	Months from Date of Obligations[2/]	Dollars	Dollars	Months from Date of Obligation[2/]
Total Funding Level	____		____	____	

1/ Do not attempt to break out cost components.

2/ We appreciate the difficulty of determining at this early stage, the exact relationship between the funding period and dollar requirements. Enter best current estimate.

NOTE: Attach to this table a brief narrative that states for each project the cost and benefits associated with each alternative.

Attachment 4

Country/Program _____

Long Range Program Plan
(whole $ millions)

	1978	1979	1980	1981	1982
Food/Nutrition					
Grants					
Loans					
Population/Health					
Grants					
Loans					
(Population)					
(Grants)					
(Loans)					
(Health)					
(Grants)					
(Loans)					
Education					
Grants					
Loans					
Section 106					
Grants					
Loans					
Total					
Grants					
Loans					
PL 480 (non-add)					
Title I					
Title II					
HIGs (non-add)					

Attachment 5

Country/Program _____

Mission Evaluation Plan for FY 1977 and FY 1978 1/ 2/

(1) Project Title & Number/Subject	(2) Date of Last Evaluation	(3) Number of Last PAR (if applicable) 3/	(4) Date of Submission FY 1977 and/or FY 1978 Evaluation	(5) Period Covered Next Evaluation	(6) Remarks4/

Grants (List all active grant activities)

Loans (List all active loan activities)

Other (List all special evaluations)

1/ Supplementary information may be provided either as footnotes or an attachment.
2/ FY 1977 to be firm; FY 1978 estimate.
3/ Footnote where PAR was supplemented by other evaluation report.
4/ To include indication of help needed from AID/W--for information and planning only; action request to be submitted in accordance with normal procedures.

Country/Program _____

PL 480 Title I Agreements and Shipments

Attachment 6

	FY 1976 and Transition Quarter Estimate			FY 1977 Request		
Commodity	Agreements (MT)	Shipments (MT)	Carryover to FY '77 (MT)	Agreements	Shipments	Carryover to FY '78

	FY 1978 Request		
Commodity	Agreements ($) (MT)	Shipments ($) (MT)	Carryover to FY '77

*All estimates should be in thousands of metric tons of the raw commodity, except cotton which should be in thousands of Bales. For dollar amounts, use attached price list and show in millions. Dollar values are only required for FY 1977 and FY 1978.

Instructions for Attachment 6

PL 480 Title I Agreements and Shipments
Estimated PL 480 Title I USDA Prices for
Budget Projections for FY 1977 and FY 1978.

$ Per Metric Ton Unless Otherwise Indicated*

	FY 1977	FY 1978
Wheat	138.00	138.00
Rice	322.00	322.00
Corn	98.00	98.00
Upland Cotton (per bale)	327.00	327.00
Tobacco	3,748.00	3,748.00
Soybean Oil	397.00	397.00
Flour (Wheat)	191.00	191.00
Sorghum	89.00	89.00

*Note: There is no difference between export market value and CCC prices under current projections.

PL 480 TITLE II FY 78
STATISTICAL TABLES
INSTRUCTIONS FOR ATTACHMENT 7

1) For each cooperating sponsor prepare one statistical table for FY 78 and one additional statistical table for each fiscal year projected in the multi-year programming statement.

2) All weights should be reported in the metric system.

3) To estimate dollar values use CCC prices for the FY 77 program (STATE 030851 dated 2/7/76).

4) To compute total commodity requirements refer to the forthcoming ration guideline message "Recommended Per Capita Rates of Commodity Usage by Recipient Category".

5) List Kilograms, dollars and recipients in thousands. Carry recipient data to one decimal point, i.e. 10,138 equals 10.1.

6) For volag program the information to be provided on the statistical tables is basically the same as that carried on lines 1-8 of the Annual Estimate of Requirements (AER).

I. Country _____

Sponsor's Name _____

A. Maternal and Child Health.....Total Recipients _____

No. of Recipients by Commodity	Name of Commodity	KGS (Thousands)	Dollars (Thousands)
Total MCH			

B. School Feeding.....Total Recipients _____

No. of Recipients by Commodity	Name of Commodity	KGS (Thousands)	Dollars (Thousands)
Total School Feeding			

C. Other Child Feeding.....Total Recipients _____

No. of Recipients by Commodity	Name of Commodity	KGS (Thousands)	Dollars (Thousands)
Total Other Child Feeding			

D. Food for Work.....Total Recipients _____

No. of Recipients by Commodity	Commodity	KGS (Thousands)	Dollars (Thousands)
Total FFW			

E. Other (Specify).....Total Recipients _____

No. of Recipients by Commodity	Name of Commodity	KGS (Thousands)	Dollars (Thousands)
Total Other			

II. Sponsor's Name _____

Country/Program _____ Attachment 8

Support to Private Voluntary Organizations to Developing Country Cooperatives
($ 000)

	FY 1977	FY 1978	Functional Account
ONGOING			
A. Ongoing OPGs (List by project title)			
Subtotal of which technical assistance to cooperatives (non-add)	( )	( )	( )
B. Non-OPGs (list by project title)			
Subtotal of which technical assistance to cooperatives (non-add)	( )	( )	( )
NEW			
A. OPGs (list by project title)			
Subtotal of which technical assistance to cooperatives (non-add)	( )	( )	( )
B. Non-OPGs (list by project title)			
Subtotal of which technical assistance to cooperatives (non-add)	( )	( )	( )
LOANS (list by project title)			
Subtotal of which technical assistance to cooperatives (non-add)	( )	( )	( )

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6/22/74

TO – AIDTO CIRCULAR A 448

FROM – AID/W

SUBJECT – FY 1976 Program Budget Submission Guidance

REFERENCE – A. AIDTO Circular A-368, 5/16/74: Instructions for 1976 Field Program and Budget Submission.

B. AIDTO Circular A-275, 4/2/74: Program Guidance on Implementing A.I.D.'s Strategy for the Education and Human Resources Sector.

C. AIDTO Circular A-230, 3/19/74: Planning and Evaluation of Integrated Health Delivery Programs: A Systems Approach.

D. AIDTO Circular A-996, 9/29/73: A.I.D. Nutrition Strategy

E. AIDTO Circular A-346, 5/4/74: Private Voluntary Organizations.

F. AIDTO Circular A-461, 4/21/73: Program Planning for FY 1975 and Beyond (pp. 6 and 7).

FOR MISSION DIRECTORS FROM THE ADMINISTRATOR

I. Introduction

The events of the past year have made increasingly clear the importance of our foreign assistance program as part of the United States' search for global peace and expanding international economic cooperation. The rapidly changing world economic environment emphasizes the growing interdependence of all mankind and demonstrates the close relationship between U.S. foreign policy objectives and our foreign assistance for the achievement of lasting peace. As you develop your FY 1976 program in response to the specific suggestions of this message, I hope you will keep in mind this essential background to all we do and seek to accomplish.

PAGE 1 OF PAGES 23

DRAFTED BY	OFFICE	PHONE NO.	DATE	APPROVED BY:
PIsenman, ECohn, SBiddle SButterfield, CFarrar AShakow	PPC TA PPC	29176	6/6/74	A/AID: Daniel Parker

CLEARANCES AND OTHER CLEARANCES In Draft: AA/PPC:PBirnbaum; AA/TA:JBernstein; DM/DS:NTharp AA/PHA:JKieffer; A/AID:NLong; AA/AFR:SAdams; AA/SA:RNooter; AA/LA:HKleine AA/ASIA:AWhite; GC:CGladson; AA/SER:WMeinecke; FFP:KBitterman A/AID:JMurphy AALEG:LPCS:CRussell; OPA:CWheeler

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AID-6-39 (11-65)

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PRINTED 1-68

This will be my theme as we introduce our FY 1975 program to the Congress over the next several weeks.

As by now you are well aware, the FY 1975 program has three major elements -- Middle East, Indochina Reconstruction and worldwide development assistance. As a development investment aimed at eliminating serious tension-causing imbalances, foreign aid is urgently related to our foreign policy in the Middle East and Indochina. Stability in both areas can lead to a condition of world peace; indeed, world peace cannot exist if there is no peace in these areas. While the challenge to world peace and order is more dramatic, immediate and direct in the Middle East and Indochina, the worldwide development assistance program is concerned with enhancing the overall environment for peace. No structure of world peace can endure unless the challenge of longer-run, deep-set problems of poverty and underdevelopment is met.

The oil crisis brought home to Americans the tangible meaning of an interdependent world economy. It is evident, however, that the inconveniences experienced by the American people over the past year have been of small magnitude in comparison with the shocks felt by the rest of the world's peoples -- particularly those in AID-assisted LDCs. This is all the more striking when we recognize that it is not simply higher oil costs that have brought about a changing world order; of more moment is the impact of the realization that world food production in the past year barely met consumption requirements -- levels which in many countries are woefully low.

Never before have we so challenged the limits of earth's capacity to support mankind. We must seek out better ways for man to enhance the earth's essential strengths, the principal asset of which is mankind itself. A fundamental problem is that a vast proportion of the world's population is able to produce little more than enough to meet its own minimal and basic consumption requirements. As you read the remainder of this message which concentrates on programs directed at just this problem, bear in mind that A.I.D. must more than ever before reach out to the growing number of people living at or beyond this level of absolute poverty. We must demonstrate in a realistic and pragmatic fashion to the peoples of the world that interdependence can be a vital and positive force for development. In the weeks and months ahead I will be communicating to you my ideas on how our policies and operations should be improved to meet this challenge.

II. Program Concentration and Priorities

The U.S. economic assistance program, pursuant to the Foreign Assistance Act of 1973 will continue to focus on "critical problems in those functional sectors which affect the lives of the majority of the people in the developing countries: food production; rural development and nutrition, population planning and health; and education, public administration and human resource development."

A.I.D. has been working for almost three years to concentrate its efforts on basic human problems; the broad impact of this shift is reflected in the following table:

COMPOSITION OF AID'S DEVELOPMENT ASSISTANCE PROGRAM
BY FUNCTIONAL CATEGORY
($ Millions)

	1973		1974		1975	
	Program	% of Program	Program	% of Program	Program	% of Program
Food and Nutrition	234	24%	285	32%	675	60%
Population Planning and Health	171	18%	186	21%	226	20%
Education and Human Resources	91	9%	106	12%	109	10%
Selected Problems	252	26%	143	16%	63	6%
Selected Countries	224	23%	169	19%	57	5%
Total	972	100%	889	100%	1,130	100% a/

a/ Total does not add due to rounding.

The balance of this message is primarily focused on a discussion of the agriculture and rural development program, and more briefly on population and the role of women, as program guidance has recently been issued for aspects of other priority areas-- education, health and nutrition (References B, C and D; summaries of References B and C are reproduced for your convenience in Attachment B).

As the energy crisis reminds us, not all urgent problems of the developing countries, and not all critical measures to improve the life of the poor in these countries, fall precisely within our main areas of program concentration. We are, for example, working with other agencies to develop U.S. Government programs to help LDCs deal with the energy problem. You will be hearing more from us on this and related subjects in the coming months as we better define A.I.D.'s appropriate role.

III. Agriculture and Rural Development

A. General Principles and Congressional Concerns. In instructing A.I.D. to "focus on critical problems...which affect the lives of the majority of the people in developing countries," the 1973 FAA also directed us to "give the highest priority to undertakings submitted by host governments which directly improve the lives of the poorest of their people." In its report, the House Foreign Affairs Committee said: "We are learning that if the poorest majority can participate in development by having productive work and access to basic education,health care and adequate diets, then increased growth and social justice can go hand in hand." The Senate Foreign Relations Committee Report expressed similar views.

In the process of developing a strategy that would embody these principles, we are beginning to develop, with your assistance, some general conclusions which should be considered as we fashion

our program for 1976 and beyond:

-- in the agriculture sector, there are two primary objectives: increased agricultural production (both higher yields and greater nutritive value) to assure adequate food supplies and assistance to the rural poor.

-- growth and equity objectives can and should be pursued concurrently because:

(1) the small farmer (who makes up by far the largest component of the rural poor in most LDCs) plays a strategic role in increasing food output and has demonstrated his ability to achieve high yields under suitable conditions, partly because he tends to apply more labor per unit of land than larger farmers; and,

(2) experience from around the world shows that for a variety of political and economic reasons, the "trickle down" strategy of concentrating on large farmers for production gains and solving income distribution and employment problems by redistributing the benefits to the rural poor through taxes and government services, almost never succeeds in dealing satisfactorily with income distribution and equity problems. However, taxes and government services can be a useful part of broader strategies for pursuing equity and output goals concurrently.

-- large segments of the rural poor are either landless or hold farms too small to produce even a subsistence level existence; rapidly growing populations exacerbate this problem; increased employment opportunities must be found for these people and other measures taken; e.g., the spread of low cost health/family planning delivery systems or opportunities for education, to enhance the quality of life for all the rural poor.

-- neither small farmers nor the remainder of the rural poor make up a single homogeneous group in a given country; successful rural development programs must begin from an understanding of which major groups make up the rural poor, their main problems, and the constraints on and possibilities for helping them.

-- experience has taught us that rural populations should be involved in both the planning and the execution of agriculture and rural development programs if these programs are to be effective and have lasting impact.

B. Program Content. Despite past attempts to assist small farmers, their potential for significant production increases has generally been underestimated and underemphasized, as has the essential rationality of their farming practices. Consequently, in developing programs to increase their productivity, we need to place special emphasis on activities which:

-- develop and disseminate technologies to provide the small farmer with more productive and nutritious crops which he can grow profitably;

-- support and strengthen economic policy packages which assist the small farmer, such as greater reliance on price incentives;

-- reform land ownership and strengthen security of tenure;

-- broaden and assure small farmer access to improved technology, needed inputs, information, financing and markets;

-- strengthen and extend the organizations for the delivery and receipt of these goods and services;

-- create supporting physical infrastructure.

These farm output-oriented approaches need to be complemented by related activities which provide opportunities for rural populations, including the landless and near-landless, to play a more productive role and to improve their living conditions. The relative emphasis between small farmers and other segments of the rural poor will vary among countries (and areas within countries) depending on the results of analysis of the particular situation.

In this broader context we need to stress activities which involve:

-- more employment-creating forms of agriculture, such as multiple cropping or the shift to crop mixes of agronomic systems which efficiently use large amounts of labor;

-- off-farm employment to construct needed infrastructure through labor-intensive public works programs;

-- the development of market towns and small scale relatively labor-intensive industrial and commercial enterprises related to agriculture and rural life;

-- the development of financial institutions to mobilize rural savings for rural investment;

-- the development of strong local institutions that link the poor rural majority with government and private delivery systems and planning processes;

-- human resource development programs in education, health, nutrition, and family planning which improve the quality of life of the rural poor and which equip them to be more productive. In this connection, special attention should be given to possibilities for innovative non-formal education projects designed to provide the rural poor with information and skills relevant to the real environment in which they live (see Reference B) and to integrated and low-cost health, nutrition and family planning delivery systems (see References C and D).

C. Operational Considerations. AID/W will provide top budget and manpower priority to projects which will both raise output and bring tangible benefits to small farmers and other elements of the rural poor. We are not suggesting that Missions should pursue all or most of the elements listed above on an integrated basis. LDCs-- and AID--have limited financial and manpower resources, and the list of important activities is long and even that is not all-inclusive. Each country situation should be analyzed to determine the specific critical bottlenecks and which relatively few activities should command priority in allocation of AID's manpower and financial resources. (In this connection, we encourage sector analysis as a framework for identifying the needs of the rural poor. Such analysis should examine, for example, the effects of alternative cropping patterns and adoption of appropriate price policies. The analysis should also take account both of effects within the agriculture sector and of linkages with non-agriculture sectors.)

Our analysis and experience to date, while quite incomplete, indicates that priorities and complementarities among the various elements of the small farmer production system (technologies, institutions, policies, infrastructure, inputs, etc.) vary widely between countries-- there is no single rural development formula which can be universally applied. We can, however, generalize that the existence of a profitable technology is a precondition for the general success of rural development programs and that with a profitable technology, progress on the institutional and other components of rural development programs can often be made at a surprisingly rapid pace. At the same time we must recognize that the force of technological change can have powerful negative, as well as positive, impact on equity-related development goals (e.g., when increasing land profitability leads to displacement of tenants). Thus, the introduction of new technologies requires careful planning and analysis of social as well as economic and technical factors.

The need for a profitable technology does not mean that new scientific breakthroughs or revolutionary changes are necessarily required. In some cases, existing technologies utilized in other areas can be borrowed or adapted; in others, what may be required is better price incentives or public or private steps to open up new export or domestic markets. In view of the central place given to technological improvements in achieving both equity and output objectives, we are attaching a separate section (Attachment A) which details a new programmatic emphasis on this area in particular.

To carry out expanded programs of assistance to the rural poor skillfully and rapidly, the Agency must effectively marshal its available financial and intellectual resources, including, in new and expanded fashion, those of private voluntary organizations (see Reference E). USAIDs and AID/W must enter into an intensive dialogue on problems and solutions. We need to engage in a mutual exchange of knowledge in order to promote our understanding of the problems being faced.

In this context, a Working Group on the Rural Poor has been established in AID/W to facilitate various activities in support or the rural poor. Further, AID/W is presently identifying a number of individuals skilled in various aspects or rural development project formulation and execution who will be made available to selected Missions for intensive TDY assistance.

USAIDs are requested to support this process of mutual dialogue and support by engaging in the exchange of views both with AID/W and with analysts and policymakers in host countries. The Working Group on the Rural Poor is seeking (see AIDTO CIRCULAR A-371, 5/17/74) a framework for feedback of views, ideas and guidance from individuals interested in rural poverty activities.

It is important to note before closing this section that while this message concentrates on the rural poor, our concern for poverty is not limited to those in rural areas; indeed, many of AID's programs help the urban poor, including agricultural projects which increase food production for urban consumers. In all but the richest aid recipients, however, the bulk of the poverty problem lies in the rural areas where it is generally less visible but often both deeper and more extensive than in urban areas. In addition, the urban poor, who are usually more vocal, accessible and politically active than the rural poor, have tended to get a disproportionate share of whatever amounts LDC governments have spent on equity-related government services (education, housing, health, etc.). For these reasons our primary focus at this time is on the rural poor.

IV. Population

The guidance in the population area in the FY 1975 program guidance message (Reference F) is generally applicable for FY 1976. That guidance discussed our continuing emphasis on the extension of family planning services, our intent to give more attention to activities relating to motivation and family size, and the interrelationships among family planning, health, and nutrition. However, two related factors make budgeting and program planning for the future considerably more difficult than it has been previously. There has been a rapid growth in demand for contraceptives, a welcome sign of effective expansion of family planning services. At the same time it is clear that a sustained increase could soon absorb and then outrun AID funding availability, especially given the need to continue financing priority research, training and other activities. (This has already happened in FY 1974 when Congress imposed a ceiling on population programs for the first time; in FY 1975 we are seeking a $25 million increase to partially meet these increased demands. Even if this increase is approved by the Congress, the problem will still remain.) The budget "crunch" emphasizes the need for AID, and for population donors in general, to play an even more rigorous role in encouraging countries to carry as much of the burden as is feasible themselves. Therefore, where Missions anticipate continued rapid growth in contraceptive use, it is essential that host governments begin planning for alternative sources of funding, including principally increasing their own budgets for contraceptives in all but the very poorest countries. In many countries this should involve local production of contraceptives. Missions' proposals for FY 1976 should address this general problem, particularly in countries with a strong foreign exchange position.

Last year's program guidance stated that "AID will give more attention to research, pilot and operational projects designed to influence and gain greater knowledge of the numerous factors which affect motivation and willingness to limit families." We would like to substantially increase funding in FY 1976 for such activities; Missions are encouraged to discuss this area with host governments and to develop proposals where appropriate.

As indicated in Section III, B above, special attention must be paid to fostering actions by LDC governments to provide simple health-related family services to the vast proportion of their populations not now being reached by existing health programs. In giving funding priority to Mission proposals for projects in this area, AID will co-program Title X and non-Title X funds to finance various project components. These proposals should have as their objective the rapid development of local action and sustaining capacity. (See Reference C for more detailed description of this topic.)

V. Integration of Women into the Economy

Attention to the role of women makes good sense from the standpoint of effective programming and AID's general development objectives. It is also legally required by a 1973 (Percy) Amendment to the Foreign Assistance Act (Section 113) which states that development assistance programs supported by the United States should

be administered with particular attention to the integration of women into the economies of foreign countries.

Two important factors should be considered in developing AID programs: (a) the relationship between women's actual and potential roles as development participants and the activity's objectives, and (b) the impact of the activity on women.

In one non-AID financed project where the objective was increased production of a particular crop, training and extension services were directed to men. The project failed to meet its objective because it was found that the crop was raised primarily by women. It had never occurred to the project's planners that women had such a strategic role in the area's economy.

The point is, development projects can make the position of women worse if planners, advisers, donors and implementers do not consider women's current and potential contribution to development and take advantage of it.

The Percy Amendment puts us on alert that inclusion of women in development must be a conscious concern. It cannot be an inferred principle. Equal opportunity is basic to the developmental process of any country. Women are a vital human resource in the improvement of life conditions in the developing world. Women, and their direct influence upon children in their formative years, must therefore be recognized for their potential positive influence directly and indirectly on the course of national progress. To this end, Missions will need to:

A. Take specific note of how the AID country program and its key sector efforts impact on women;

B. Ensure that programs do not harm women as a group, inadvertently fail to benefit them equally, or carry inappropriate assumptions about women's roles in their design;

C. Make certain that where women or girls play an important part in a sector or activity, that role is clearly understood and provided for, including participation by women in the design, implementation and evaluation process;

D. Identify opportunities in the program for speeding the integration of women in the national economy, including provision of ways and means to hear directly from women in the developing countries, in accordance with AID's statement to this effect in the current Congressional Presentation;

E. Identify and take steps to fill any knowledge gaps about the role of women in areas of country development in which AID has active programs under Sections 103-7 of the Foreign Assistance Act.

What is called for is not general statements, but specific indications of points in the country program where the Percy Amendment has an effect, with suggested courses of action. In the program review process, AID/W will be looking increasingly for a focus on women as agents and beneficiaries of change.

ATTACHMENT A

Transfer of Agricultural Technologies

The Technical Assistance Bureau has been actively working with both U.S. and multilateral research institutions receiving AID support to encourage greater emphasis on problems relevant to small farmer concerns. This increased emphasis on small farmers (and on other aspects of equity objectives including nutrition and employment) covers what crops get research priority; what size farmers are used for the "development" stage of R&D; what recommendations are made for production practices regarding mechanization, etc. This is not to say that the results of our research will be or (given the world's serious food problem) should be limited to small farms, but that we are giving much higher explicit priority to small farmers in our research and development, as in other agricultural programs.

Given the key role of improved agricultural technology in increasing small farmer production and assisting in meeting LDC output and equity objectives, it is important that new knowledge about increasing the production and improving the efficient use of food be adapted and applied in the developing world as quickly as possible.

As breakthroughs are achieved in Research and Development programs in food and nutrition (whether under our own financing or not), we will move them rapidly toward the point when they are ready for broad application. A package of technical assistance will be designed to enable a country to consider the applicability of the breakthrough and, if it chooses, to move quickly in applying the knowledge in a program that will include the necessary policy and institutional support to ensure both success and full participation of small farmers.

Several examples are given below of technological packages thought to be ready now for implementation, or expected to be ready in FY 1975. Other examples illustrate opportunities being developed. When items on either list match country priorities, Missions should include consideration of them in agricultural sector planning exercises, and in their own program planning. In particular, Missions should advise AID/W of their interest and likely timing for the visit of an assessment team in order that TAB can plan schedules for the limited number of individuals involved.

Further specific information will be provided to Missions about individual packages as they are worked out. Notification at this time is intended to assist Missions in taking this form of program implementation into account as they plan programs for FY 1975-76.

The decision to apply a given technology at the country level should, of course, be a function of the country's development objectives and strategy. Ideally,

the need for introduction of a particular technology would be based on an agricultural sector analysis. Where a sector analysis is not available, short-term informal assessment should be carried out prior to the decision to introduce a particular technology. This step is especially important to make sure that emphasis will be given to equity as well as production goals and that the particular technology is consistent with the prevailing economic, social, managerial and ecological constraints.

After a technological opportunity has been selected, a problem-solving, systems orientation is required to assure its successful introduction and diffusion. It is necessary to describe the major elements in the entire commodity production-distribution system, identify the major constraints and bottlenecks and specify the policies, projects and institutional and managerial arrangements necessary to support the rapid introduction of the technology and its diffusion to small farmers. Attention needs to be given to possible unintended negative social consequences such as displacement of tenants by landowners or of agricultural laborers by mechanization. The need is not to seek a comprehensive and perfectly balanced program, but to search for the strategic interventions that will initiate a self-sustaining process. Maximum advantage should be taken of available resources and of private market systems as sources of incentives and information.

1. Improved On-Farm Water Management

Proper management of water on the farm can significantly affect crop production; however, water is often poorly used. AID-funded research in some of the LDC's which practice irrigation has attained remarkable results in packaging practices to manage available water supplies. Simplified land leveling techniques have produced a two-fold increase in production.

Water course improvement, including lining, strengthening and providing better outlet controls has increased water supply to the crop by as much as 50 percent. Water measuring devices developed through AID funding enable small farmers to allocate proper amounts of water without excessive wastage.

A package of practices to assess the need for drainage and reclamation of saline soils and to prescribe remedial measures offers promise of reclaiming agricultural areas now abandoned. The establishment of standard climate stations to gather climatic data offers the promise of more scientific and intelligent forecasting of the needs for water in the soil-water plan continuum. These practices can be made available to other LDC's on short notice. Teams of water specialists and engineers can be assembled to assist in planning and implementing these practices in the countries concerned.

2. Improved Farming Systems Oriented to the Needs of the Small Rice Farmer

A base of technology on "rice-centered" farming systems for the small farm of South-Southeast Asia has been developed by IRRI. The Ford Foundation-supported project in northern Thailand contributes additional pertinent backstopping. The intent is to utilize this technology to initiate production-oriented countries that would focus on cropping systems of the small landholders. Emphasis would be placed on systems that, while recognizing rice as the principal monsoon season crop, would include other important food crops such as the food legumes. Some attention would be given to cultural practices that would minimize needs for important inputs requiring, i.e., chemical fertilizers (especially nitrogen) and chemical plant protection chemicals, although we do not wish to imply that small farmers should be cut off from the very high returns from imported inputs when they are available. As now envisaged, IRRI will be the implementing agent for these country level projects.

3. Improved National Soybean Production Programs

There is growing interest in a number of LDC's in research and action programs to increase production of soybeans. This crop already figures prominently in the human diet of such countries as Indonesia; it has the potential for playing an important role in many LDC's as a source of increased protein in the diet. Production and utilization technology developed through the AID-supported work at Universities of Illinois and Puerto Rico provides a basis for country-level programs in the tropics and sub-tropics. The expected benefits would be improved nutrition and another important crop to include in farming systems. The International Soybean Resource Base headquartered at the University of Illinois (INTSOY) would be the source of expertise for country outreach research and production programs.

4. Introduction of High-Lysine Maize

The adaption of more nutritious and high yielding varieities of maize is now considered a practical alternative to other approaches to increasing maize production. Past problems with yield and susceptibility to insect attack are being addressed. The technical expertise necessary to consider this alternative, work out and implement the necessary program actions is available and should be able to be effective in five or six additional countries over the next two years.

5. Wheat Fortification

It has been amply demonstrated that wheat flour can be satisfactorily fortified with lysine or soy flour to provide most of the daily protein requirements for those people whose primary source of calories are wheat products. Some programs are already underway in North Africa and other parts of the world. This project would be applicable wherever wheat is a major cereal and where wheat eaters tend to suffer from protein deficiency.

6. Vitamin A Project

Many of the poor people of the LDC's suffer from Vitamin A deficiency. It is the biggest cause of preventable blindness in the LDC's. It also inhibits growth and encourages susceptibility to infection and can lead to death when associated with protein/calorie malnutrition. Vitamin A deficiency is prevalent in many of the LDC's. Simple and economic methods are available to address this problem, including distribution of massive dose capsules, education and food fortification.

7. Utilization of Soybean Food Technology

Improved methodology and products resulting from the Illinois soybean program are at a stage where utilization is called for. This has been recognized by RAC and other reviewing agencies.

It is believed that the Illinois soybean food technology could be initiated in four countries annually.

Other Opportunities Being Developed

The Technical Assistance Bureau is working on similar program packages in a number of additional fields.

1. Aquaculture
2. Sorghum
3. Rainfed Wheat
4. Protection against Diseases of Livestock
5. Barley
6. Cassava
7. Dryland Agriculture

Attachment B
Ref. B: pp. 1-5
Ref. C: pp. 1-4

AIDTO CIRCULAR A-275, dated 4/2/74

FROM : AID/W

SUBJECT: Program Guidance on Implementing AID's Strategy for the Education and Human Resources Sector

INTRODUCTION AND SUMMARY

The purpose of this airgram is to expand on the program and policy implications of the recently distributed Education Sector Statement taking account of the revised mandate for the Agency provided by the new authorization legislation. It is directed to Mission management and program/economic/loan staffs (who should read at least through this introduction and summary), as well as education officers; it raises a series of broad questions for consideration at the earliest stages of sectoral and project planning. Although the budget and project review process will draw on this program guidance, it is not intended to add additional requirements or obstacles to project preparation, but to assist the Agency-wide effort to reorient its programs to focus on selected problems in areas relevant to the quality of life of the poor.

The "Sector Statement on Education," (which the Administrator issued and sent to the field under cover of the referenced message) provides a review of AID experience in the sector and sets forth four areas of emphasis for future programs - education economics and analysis, non-formal education, educational technology and, on a more selective basis, higher education. None of the four is entirely unfamiliar to AID, nor are they panaceas for the education problems of LDC's.

The basic objective of Agency policy - and thus of the Agency's education policy - is to improve the quality of life of lower income groups, particularly those in rural areas who have to date often been largely excluded from sharing in the benefits of development. A comprehensive approach to human resource development is required in which sector and project activities are devised to focus on important development problems of relevance to the lower income groups. Accordingly, a major thrust of

the Agency's strategy in education is to encourage programs which utilize the four A.I.D. education program emphases as innovative tools to better the lives of these target groups. In focusing on development problems rather than only on problems internal to education systems, substantial efforts will be required to build in well designed and comprehensive evaluation components addressing external efficiency (i.e., how relevant the outputs of educational programs are to the priority development needs of the nation).

The following is a brief (and thus necessarily oversimplified) summary of the subsequent sections on the four emphasis areas:

> The key theme in the emphasis area of Education Economics and Analysis is to highlight the need for analyzing educational requirements and proposed education activities in terms of the human resource and development problems they are meant to address, rather than focusing only on improving the internal efficiency of education systems.
>
> The scope for sector or subsector analyses and assessments need not be limited to areas where we are encouraging follow-up projects, but should stimulate a broader human resource and development perspective in the examination of alternative education investments.
>
> This emphasis area is a critical pivot around which the success of the overall policy of experimentation and innovation in the other three areas turns. Analysis and evaluation should not be one-time "before" and "after" looks at an activity but should be a continuing part of on-going sectoral activities, contributing to the continuing process of decision-making in the human resources area.
>
> The emphasis on Non-Formal Education highlights the need for well designed experimental projects which explore alternative forms of "learning systems" to deal directly and effectively with priority problems of national and human resource development. Projects in this area should be targeted to reach low-income groups with information and skills relevant to all aspects of fuller human resource utilization, including employment needs and possibilities and health and nutritional status particularly in the context of rural development.

The theme of the emphasis area of Educational Technology is similarly the encouragement of well-designed projects which examine alternative approaches to human resource development. The focus is (1) on improvement in the learning process itself and (2) on ways to provide learning opportunities for more people in LDC's. Once priority development problems and related learning needs are identified, countries should be encouraged to examine various technology combinations to lower per unit costs and improve learning effectiveness.

Technology should be understood in a broad sense as various combinations of technical inputs designed to achieve a given output. This interpretation would allow for the implementation of projects suggested by analyses where, for example, a project might utilize a "technology" entailing a more efficient size, spacing or time use for schools. In addition, use of communications media may be justified as cost-effective but will require careful analysis of cost factors, particularly when the basic communications system (e.g., radio or TV) is not already substantially in place or when large scale hardware inputs are projected. Broad needs exist for research and experimentation with applications of radio-assisted instruction, innovative forms of printed material, behavioral principles of learning and environment, as well as research aimed at improving the efficiency of existing technology through, for example, changes in scheduling, language of instruction, etc. Project planners must take care to make explicit the development problems being addressed and carefully design programs and evaluation components linked to the solution of those problems.

The discussion of Higher Education indicates that assistance should be concentrated on improving the linkage of universities to development problems, particularly those relating to other joint LDC-AID program priorities. It is true that many universities still have major need for internal academic institutional development and substantive competence in basic academic disciplines which will, of course, influence the quality of the university's development efforts. However, AID has chosen to narrow its emphasis in higher education in view of (1) the heavier investment in the past in higher education in relation to other education sub-sectors; (2) the past tendency of LDC universities to relate their academic expertise insufficiently to their country's applied development problems; and (3) questions of high unit costs, cost-effectiveness and income distribution.

All of these emphases overlap. They should serve as guides in constructing innovative AID human resource programs which focus on important development problems. Thus, rather than serving as exclusive or even coordinated entry points for programming, the emphasis areas should serve as tools to address the central questions on which AID is trying to focus: identifying how priority development needs can be addressed by the extension, improvement and development of learning opportunities; and how more useful learning opportunities can be made widely available to LDC populations, reaching the poorest groups at costs LDC's can afford.

As indicated in the Sector Statement, a great deal of research and experimentation remains to be done. The central feature of AID's education strategy is to identify important development problems and work with LDC governments in large-and-small-scale approaches using various technologies in formal and non-formal settings to find improvements and alternatives to the present pattern of human resource development investment which are both financially and technically feasible and socially and economically desirable. Attention to the factors which determine the replicability of these efforts is critical if this process, including LDC experimentation, is to indeed be a process of knowledge-building and problem solving.

Although the examination of alternatives is a fundamental aspect of this policy, it is recognized that there may be serious difficulties in broadening the scope of analysis as far as would be desirable in implementing major policy changes indicated by the analysis. Marginal changes in the right direction may sometimes be the best that can be accomplished. The critical factor is judgment on a case by case basis of whether marginal change will likely lead to more dramatic and comprehensive changes. This will often depend on the extent to which a government is conscious of the need for more change and will be responsive over time to the impact and potential of a broader scope for human resource development activities. A proposal for AID assistance which will lead to only marginal changes in a strategy which does not adequately address, or which exacerbates, major development problems will receive lower funding priority on this account, and, in severe cases, may be rejected.

This strategy of concentrating on innovation is not meant to consign AID activities in the education emphasis area to "small money" or technical assistance projects only. Sector loans, which may permit larger scale activities and innovations in the priority areas, should also be considered.

Sector loans can include elements of relatively high-cost capital expenditures where fully justified in terms of affordable recurrent and per capita

costs. In view of Congress's mandate to the Agency to increase the proportion of funding going into the major AID priority areas, AID certainly does not seek to minimize the size of education sector activities in relation to other elements of Mission programs, particularly those outside of priority areas. As an indication of the magnitude of funds the Agency is likely to have available for well-justified projects, it should be noted that Congress appropriated $89,000,000 for education and human resources in FY 1974.

Within the field of education, the projects that are in line with these guidelines will receive program and budget priority. As DAPs are developed, we urge careful attention to the emphasis areas and to host government interest in possible project proposals in these areas. Activities outside the four priority areas are not prohibited, but will not share in the general funding priority accorded to these four areas. In addition, questions will be raised in the review process where proposed projects conflict with Agency experience on cost-effectiveness or priority (e.g., if proposals were made for large-scale expansion of secondary vocational education, serious questions would be raised on cost-effectiveness in relationship to other types of formal education and to other less formal and/or traditional approaches to skills training).

A.I.D.'s narrowing of focus on a few key problem areas within education necessarily means that we will not be heavily involved in many education problems with which governments are, and should be, concerned. As the legislative history of the new AID authorization bill makes clear, working in a collaborative style need not be inconsistent with focusing AID's comparatively small resource inputs on a few key problem areas. For example, when a private foundation or assistance agency chooses to limit its program priorities to a few specific subsectors or problems, it is not considered uncollaborative for not working in other areas. In most LDC's there should be substantial areas of overlap between host governments' highest priorities in education and those of A.I.D.

A.I.D. will continue work within formal education systems and on internal efficiency problems of education. The emphasis areas of both Education Economics and Analysis and Educational Technology apply to both formal and non-formal systems, and relate to questions of internal efficiency as well as external efficiency. What this guidance seeks to emphasize is the need to look first at the broad development (with emphasis on employment, income distribution, family planning, and other needs of lower income groups) impact of proposed education activities, before focusing on questions of the internal efficiency of the proposed activity in meeting educational objectives. We would then turn to questions of what the House Committee on Appropriations referred to as ways to increase "the relevance of formal educational systems to development problems through curriculum reform, better teaching materials, and improved teacher training." To take an example,

the equity-related goal of spreading basic educational opportunities to the children of the rural poor may in some countries (e.g., Korea) best be addressed by continuing expansion of, and improvement in the quality and relevance of, the formal primary school system. In most countries achievement of this goal, given financial constraints, will require extensive use of non-formal education to supplement the formal educational system.

This guidance is necessarily general, to accommodate the very wide variety of country situations to which it must be applied. Its purpose is to outline Agency policy for education assistance in terms of broad but fairly well-defined program guidelines and policies for activities focusing on a few key problem areas. To supplement this program guidance, TA/EHR will soon be providing further technical guidance and assistance to the field in the form of research results, seminars, etc. In addition, some bureaus may provide additional guidance for regional and country-specific efforts to implement this policy.* A number of compendia of existing experience with educational innovations have already been disseminated by TA/EHR for Mission and LDC use and others will become available. Expertise in the emphasis areas is also available to respond to field requests for assistance, and more will be assembled as experience indicates the need.

*The Africa Bureau has already suggested directions for a new strategy for education programs in Africa in a paper by Princeton Lyman (AFR/DS) sent to Missions under cover of AIDTO CIRCULAR A-246, dated March 23, 1974.

ATTACHMENT B
Continued

AIDTO CIRCULAR A-230, dated 3/19/74

SUBJECT: Planning and Evaluation of Integrated Health Delivery Programs: A Systems Approach

SUMMARY

As in the functional Sectors of food production and nutrition, and education and human resources, the thrust of the Foreign Assistance Act of 1974 in the health and population sector is to direct AID's efforts at the less advantaged elements of LDC societies. This focus on the welfare of the many rather than the few leads in the health and population sector to programs designed to improve health and nutrition, particularly of low income groups which have been traditionally beyond access to minimal health services, and to promote increased family planning practices to help slow population growth.

A number of alternative ways of improving health and nutrition exist - and many have been tried. For example, access to potable water can have a major impact on the health status of rural populations; agricultural programs designed to increase the quality and quantity of food grown can significantly improve the health and nutrition of the rural population; and health education may be delivered through the formal education system. The integrated delivery systems concepts is thus not the only way to achieve health and nutrition objectives, but because of the potential for making the resources available to the health sector go further with broader impact by combining the delivery of three services (health/family planning/nutrition) through one network, AID is most intrigued by the possibilities for developing integrated systems in LDC's. This is not to suggest that all family planning and nutrition programs should be integrated. There will clearly be a continuing need for separate programs in these areas (such as food fortification, commercial distribution of contraceptives, etc.) which will remain outside of integrated delivery systems.

AID's health sector strategy (summarized in AIDTO CIRCULAR A-461 dated April 21, 1973 "Program Planning for FY 1975 and Beyond") is now being revised; when issued in the near future, it will provide a formal statement of overall sector guidance. The strategy includes an emphasis on health planning as well as on systems for low-cost delivery of health services - two interrelated ways to increase the effectiveness with which a country's available resources are mobilized to deal with its health problems. Effective planning is a prerequisite for effective action but may be limited to making the existing system work better. This message discusses the exploration of new ways to extend existing resources further.

In addition to ongoing programs, we are according special priority to exploring the potential advantages of low-cost systems for deliverying to broad segments of LDC populations an integrated package of health, family planning, and nutrition information and services in a number of countries where the host government is pursuing priority goals in these fields. Despite the cost-saving potential and other advantages inherent in the integrated approach local circumstances may still make single-purpose or non-integrated programs in these fields appropriate in some cases. Much of the following guidance will be relevant for some single-purpose programs.

We wish to work together with interested LDC governments (1) to test alternative systems for deliverying information and services which can make an impact on health at costs low enough to permit large scale replication, and (2) to explore ways to carry out such replication with responsible host country institutions. In doing so, AID inputs should fit in with country plans and be coordinated with the activities of other donors (e.g. WHO).

(Note: For the sake of brevity in this message, the term "health" is understood to encompass nutrition and family planning as well as other aspects of health).

Five basic points should be considered when planning low-cost delivery activities:

1. The nature of health problems and thus the services required to deal with them may vary greatly from one geographical area to another. Making curative medical services available for the people in a given area may not have much impact on their overall health status if their real problems have to do with frequent pregancies, faulty nutrition practices, an inadequate or polluted water supply or specific eradicable diseases. Therefore, before trying to develop an effective and affordable delivery system the most prevalent health problems should be assessed so as to determine what sort of services or information are required to affect them.

2. Integrated delivery projects must be planned carefully so as to reach all or most of their low-income target groups and attain their objectives at a per capita cost which will allow possible widespread replication on a national scale within a limited period (perhaps a decade) by a host government without a significant increase in LDC budget requirements and without external donor assistance beyond the start-up period.

3. A major focus of effort should be to motivate key target groups - e.g. mothers - to specific behavior changes in health, nutrition and family planning. This may include the education of mothers to recognize health danger signs in children and to use the services available.

The basic target population for maximum impact will vary according to the specific country situation and objectives, but will focus on low-income groups. For family planning, the key target group will be women of reproductive age; for nutrition, the key target group will be pre-school children and pregnant and lactating women; for health, the key target group will include pre-school children and fertile-age women, but may also include others affected by prevalent vector-borne diseases or by health practices the project seeks to change. In comparing program choices, benefits to people outside key target groups should also be taken into account.

4. Specifying precise objectives and choosing among program alternatives designed to meet one or more objectives is a crucial part of projects designed to deploy limited resources as effectively as possible given manpower, financial, administrative and other constraints.

5. Given these constraints and objectives, the large-scale linear expansion of clinic-based systems even with relatively low per-capita cost will often be simply too expensive a burden for LDC governments to shoulder and may not in any event be the most effective way of encouraging the desired health behavior changes; it is therefore desirable to consider a range of alternative health delivery methods which go well beyond the clinic to include not only auxiliary health manpower trained in local visitation but also existing systems for the distribution of health services and information such as midwives, indigenous practitioners, community volunteers and commercial distribution systems.

This message summarizes the elements of AID's strategy to encourage the planning and design of more effective integrated health delivery programs and suggests certain criteria to be used in developing projects in this area. While AID/W will be using the criteria in project review, our purpose is not to add requirements but to provide general guidance to assist in project formulation and design, and to suggest questions which should be asked at the initial stages of planning and consideration.

/Attached is a paper/ outlining factors to consider in planning and designing more effective ways to deliver health, nutrition and family planning services. You may wish to discuss this paper with interested host government authorities. You will shortly receive a follow-up message describing some of AID's current actions (such as the DEIDS project and similar activities in Africa and Latin America included in the Accelerated Program Development exercise) to develop and test innovative approaches to the low-cost delivery of health, nutrition and family planning service.

END SUMMARY

Sup A8 to HB 2 (TM 2:1)

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REFERENCE - A) AIDTO CIRC A-739, Nov. 6, 1974
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FOR AID MISSION DIRECTORS FROM DEPUTY ADMINISTRATOR

As you will recall, in November I forwarded for your use and reactions the Draft Analysis of the Congressional Mandate. This paper was the product of a comprehensive review and synthesis of the foreign assistance legislation and associated legislative history. A wide variety of extremely helpful comments on the mandate and the analysis were received from Mission Directors along with a number of specific questions. Mission responses have been of great value as we have proceeded with further steps in assuring that the mandate becomes a permanent part of the Agency's method of operations. The attached papers are an important part of this process.

One of the first tasks assigned to the new Mandate Implementation Task Force established in January 1975 was to develop definitions of important terms and concepts, building upon the draft analysis and further discussions on Capitol Hill and within AID. "The Congressional Mandate: Aiding the Poor Majority" is intended to provide background and policy guidance for the Agency as well as to explain to the Congress AID's interpretation of key aspects of the mandate. Answers to many of the substantive questions raised by your responses to Ref A are included in this text and the several shorter definition papers appended to it. (Appendix C)

PAGE 1 OF 2 PAGES

DRAFTED BY	OFFICE	PHONE NO.	DATE	APPROVED BY:
Alexander Shakow	AA/PPC	21594	4/22/75	A/AID, John E. Murphy

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These documents should be widely read and discussed (extra copies are provided for this purpose). Your comments on these papers are welcome at any time, but at this stage we are most anxious that your energies be concentrated on designing and implementing programs that effectively carry out the mandate for it is here that our real response to the Congressional directives must be found.

There are, of course, other steps to be taken to assure full understanding of the complexities of the mandate's challenge and our capacity to convey to the Congress--and ourselves--AID's success in actually carrying out the job. You will be hearing from us soon about new training programs, improved data collection and project documentation systems, as well as additional policy and implementation guidance in specific mandate-related areas. (A recent example is "A Practical Agency Approach to Rural Development" which many of you received through your regional Bureaus.)

We also have a requirement to inform the Congress--and specifically the House International Relations Committee (formerly Foreign Affairs)--on our progress in implementing the mandate. You have received the first brief report (Ref B). The full report due next month will complement the FY 1976 Congressional Presentation and convey in one place a broad Agency position on mandate issues. It will draw upon information contained in your reactions to the Draft Analysis and should provide answers to most of the questions raised by your messages but not covered by the attached papers. Do not hesitate to raise with us any issues you believe have been left uncovered by these several papers and the upcoming report.

Enclosures: (5 copies)
The Congressional Mandate: Aiding the Poor Majority

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Send 300 copies to AA/PPC, rm 3942 NS

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The Congressional Mandate: Aiding the Poor Majority

Agency for International Development
Washington, D. C.

April 1975
AID/PPC

THE CONGRESSIONAL MANDATE: AIDING THE POOR MAJORITY

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AID/PPC
April 1975

SUMMARY OF
THE CONGRESSIONAL MANDATE: AIDING THE POOR MAJORITY

1. The poor majority is massive by any measure; it totals over 800 million people by our definition, or around three-fourths of the total population of AID-assisted countries. More than 90% of some countries' population is in this group, while in other better off countries the proportion is far lower.

2. As an aid to characterizing the poor majority, we use several rough benchmarks of poverty. Falling short of any one benchmark is enough to place an individual in this vast group. In interpreting these benchmarks the need to consider the spirit of the mandate is stressed as precision will be difficult to achieve for some time.

3. The following benchmarks are described in some detail:

   a) Per capita income below $150 per year (1969 prices);

   b) Daily diet of less than 2,160 to 2,670 calories (depending on the country); and

   c) Several health indicators: life expectancy at birth of below 55 years, infant mortality over 33 per thousand children aged 0-1, birthrates over 25 per thousand population, or access to broadly defined health services for under 40% of the population.

These indicators are meant to apply to varying proportions of country populations, not to countries as a whole.

4. Development progress for the poor will require time-consuming systemic change. Programs most likely to succeed, and which receive highest

priority emphasis under the Congressional mandate and AID policy, are those involving the active and effective participation of the poor in all facets of the development process. But participation alone is not sufficient: seeds, fertilizer, market roads and other capital inputs; health and training programs and other goods and services; and policies promoting efficient use of all resources are needed if growth is to occur. Limiting population expansion remains critical. Moreover, the benefits of growth must be shared equitably. While the LDCs carry the major responsibility for their own development, AID can provide vital assistance in ways consistent with the spirit of the Congressional mandate that will help improve the well-being of the poor.

5. But moving the poor majority beyond the poverty benchmarks would be an extremely expensive and lengthy process even in optimal policy settings. (Doubling low per capita incomes may require adherence to demanding development regimens for twenty years or more.) As AID's resources -- like those of other donors and of the LDCs -- are limited, it is normally impractical to think of AID-financed programs affecting directly the entire poor majority in any country, must less moving it beyond the benchmarks in the near term. While AID-financed programs must attempt to reach large numbers of poor people, AID's target group will often be a limited portion of the poor majority in each country depending on its economic and social conditions, its capabilities and desires, and other considerations which determine the programs yielding the most impressive benefits at least cost.

6. AID assistance focuses on:

-- concentrating on countries whose development policies we can support and that can utilize our assistance effectively;

-- concentrating on key sectors (food and nutrition, population and health, and education) affecting the basic well-being of the poor;

-- providing key components of development packages designed to involve and affect broad segments of the poor majority, thus multiplying the impact of our assistance;

-- supporting selected pilot programs testing new approaches with potential for affecting many people, thus encouraging the experimentation needed to advance the art of development.

7. Targets for AID-assisted programs and projects should reflect unique local circumstances, but to the greatest degree possible they should be cast in terms of their contribution to the long term -- 5 to 10-year -- goals of improving the status of the poor. Working in cooperation with the LDCs, targets should be defined in terms of "output" indicators -- changes in income, health, etc. -- where possible to assure that we focus on the relative effectiveness of alternative programs and that we are able to evaluate and assess their impact on development objectives. Setting targets for programs in rural development, nutrition, population, health and education is discussed particularly in relation to the ultimate objective of raising the living standards of the poor through their increased participation in the development process.

8. Several additional useful definitions are included as Appendix C.

AID/PPC
April 1975

THE CONGRESSIONAL MANDATE: AIDING THE POOR MAJORITY

I. The Congressional Mandate

Poverty in developing nations is severe, and we shall not soon see it eradicated. Nevertheless, the combination of developing country adherence to sound development programs, expanded efforts to contain population growth, and constructive assistance from the developed world can pay off in improved living standards for the poor. While the developing countries must carry the major responsibility for their own development, aid donors can provide critical marginal resources in support of LDC efforts. Past development efforts have produced many encouraging results, although it is also clear that the outcome has not always involved major improvements for the mass of people at the base of developing economies.

AID has a mandate from the Congress to help the poor majority in developing countries raise their living standards beyond subsistence levels. AID programs are to be concentrated on the major problem areas of food and nutrition, population and health, and education and should be marked by their involvement of the poor in the development process.

II. Who are the Poor Majority?

The first step in designing programs involving and benefitting the poor is to determine who the poor majority are. Few officials in developed or developing countries have spent much time on that question, perhaps feeling that you know the poor when you see them and that attention could more usefully go to designing and implementing programs for people who are obviously poor by any reasonable standard. We are sympathetic to

this view, but the need to be sure of our focus at a time when AID appropriations are particularly tight requires that we always have in mind what we want most to accomplish and for whom. A closer look at the characteristics of the poor may suggest ways of improving the effectiveness of AID programs.

The poor are, of course, those living below some minimum standard. To make that standard operational, the poor majority is characterized in terms of rough benchmarks of per capita income, health, and nutrition status: any person who plainly falls short of minimum levels for any of these indicators is within the poor majority and may therefore be a potential beneficiary of AID programs. (We have looked for benchmarks that are practical -- that is, measurable with as much accuracy as possible in LDCs where data remain scarce and often unrealiable.)

But should these benchmarks be uniform -- the same absolute levels -- for all countries? Or should AID define the poor majority in relative terms (e.g. those in the lower half of the economic scale in each LDC)? The choice between absolute and relative standards is never easy when the relatively well-off are poor by our own standards. While serious problems of oversimplification inevitably arise, we use broadly uniform benchmarks generally comparable throughout AID assisted LDCs so poverty can be assessed without regard to political boundaries. These benchmarks are not intended to define any sharp breakpoint between poverty and prosperity, between the "have-nots" and the "haves"; rather, they try to identify people who are indisputably poor and clearly among the world's have-nots. The resulting poor majority is indeed a majority of the population of AID-assisted countries taken as a whole but the fraction

of a given country's population included in this category will vary. A relative definition -- e.g., defining the poor to include the bottom half of the income distribution in each country -- was rejected because so many in the upper half of countries like Bangladesh or Zaire would be excluded although they are in fact poorer than many in the lower half of countries like Colombia.

In considering inter-country AID allocations, such a uniform poverty standard should prove useful, although final decisions will naturally reflect foreign policy concerns as well as an LDC's resources and general absorptive capacity; in any case, every effort should be made to assure AID funds benefit that fraction of the recipient country's population that is poor by AID's benchmark standards.

III. Poverty Benchmarks

A. Income

The usual shorthand for minimum living standards is the per capita income needed to obtain essential goods and services. We begin here too.* We have defined the poor majority to include anyone in AID's recipient countries whose income falls below $150 in 1969 prices -- over 800 million people, or around three-fourths of the total population for these countries. (See Appendix A.)

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* The World Bank has defined the poor to include anyone whose per capita income falls below $50 in 1969 prices -- roughly 650 million people, or about a third of the total LDC population excluding China. We consider this definition too restrictive because it excludes vast numbers of poor people who should be eligible for U.S. assistance.

Taken alone, income benchmarks have serious problems. They are inevitably arbitrary. Inflation and artificial exchange rates can invalidate inter-country comparability. Actual income can be difficult to measure. National averages for per capita income are inappropriate, of course, since they would place whole countries in or out of the poor majority. We need more micro-level data, ideally for individuals, that permit isolating persons in a given country with incomes below $150. But such data are scarce in LDCs and expensive to collect, particularly for the poor whose "income" may consist largely of subsistence output produced and consumed outside the market economy. We may have to rely on existing regional income surveys or other surveys on a sub-national scale; in some cases, "educated guesses" will have to do.

Artificially high prices or the scarcity or virtual absence of some basic goods or services may leave an individual unable to translate modest income into a decent living standard. Using income averages for any large group of persons can mask uneven distribution of what goods and services are available, often to the harm of women, children, or some other disadvantaged group in whom AID has a particular interest.

Thus, while helpful, income benchmarks are meant to be used <u>in spirit</u> to identify the poor where greater precision is impractical. To take account of income benchmark problems, <u>we also include in the poor majority anyone who lacks minimum acceptable nutrition or health status</u> defined in rough terms.*

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* When health or nutrition benchmarks can be defined in terms of an individual's physical parameters, they avoid some of the problems of averaging income over groups and of price or exchange rate changes or artificial levels.

B. Nutrition

Extreme hunger's effects are all too apparent, but the dividing line between an adequate and inadequate diet is difficult to fix. A number of definitions of an "adequate" diet is possible, ranging from one that merely avoids famine to one meeting recommended levels of all nutrients. It could be argued that anyone whose diet fails to provide all recommended nutrients should qualify for the poor majority, but that standard would be excessively fine-tuned and impractical.

Ignoring other nutrients for the moment, two reasonable interpretations of "adequacy" could be based on the calories needed to meet:

a) "maintenance requirements" defined by FAO as the energy needed to ensure constant body energy in a non-fasting subject for a minimum level of activity needed for dressing, washing, eating, etc. -- but not for demanding physical labor. Maintenance requirements average about 1,900-2,000 calories in major LDC regions.

b) "average requirements" permitting a standard level of "moderate activity" for adults aged 20-39 and "normal growth" for children. Average requirements range, according to the FAO, from about 2,200 to 2,500 calories in major LDC regions and from 2,160 (Indonesia) to 2,670 (Uruguay) in AID-assisted countries. (See Appendix B for the list.)

These averages mask wide variation in actual requirements. Adequate diet requirements vary with age, sex, size, health status, occupation, and climate. Pregnant and lactating women generally require 300-500 additional calories daily. Sick persons, particularly children, require additional calories especially when their illnesses

inhibit absorption of what nutrients they do receive. Those engaged in active labor need hundreds of calories more as do those living in cold climates. Thus our estimates of average requirements are rough, and may vary by as much as 25%.

Bearing in mind that LDC populations can improve their own living standards only if they can work effectively, the poor majority is defined to include anyone who fails to receive the "average requirements" for each AID-assisted country. The reason for adopting country-specific criteria rather than a single world-wide figure is that in this case the FAO has adjusted requirements for the unique conditions of each country. As with income, existing surveys of varying comprehensiveness and quality along with experienced judgments may have to form the basis for estimates of actual caloric intake where more precise estimates are impractical.

Calorie requirements ignore vitamins, minerals, and especially the protein required for all physical and mental processes. It is often assumed that diets providing adequate calories will also assure adequate quantities of other nutrients. That hopeful assumption too often proves inaccurate. Higher protein counts do tend to be associated with higher calorie counts, but exceptions are frequent; some staples, like yams and cassava, provide little protein. Worse, when calories are short, more protein is consumed for energy, leaving even less for its unique tasks. Moreover, protein quality varies: the several amino acids from which proteins are built must be supplied in certain proportions if all are to be utilized fully. When one or more is short, as is frequently the case, the protein is of lower quality. (In

such circumstances programs to develop food high in the scarce component are effective.)

Other nutrients are not just desirable, but essential, for reasonably good nutrition. Iron deficiency anemia debilitates millions. Vitamin A deficiency blinds hundreds of thousands. A more comprehensive nutrition measure would include requirements for protein, vitamins and minerals. As better data become available, we will expand our nutrition benchmark to include other requirements.

C. Health

"Good health" status is even more difficult to define than good nutrition.* Physicians suggest a person enjoys good health when he can successfully adapt to his physical, social, and psychological environment, but how can that be assessed easily? Many people in today's LDC's suffer frequent hunger, debilitating disease, attacks of acute illness, or other health problems; by Western standards, they plainly suffer poor health. But where on the spectrum of good-to-poor health should one draw the line to fix an acceptable minimum ? Can one define minimum acceptable health in terms of practical benchmarks uniform and comparable among countries?

Various health indicators that might be checked fairly easily on individuals in developed countries, such as weight and vital signs, obviously cannot be obtained for the poor majority

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* In a sense, good nutrition is a means to good health.

scattered throughout LDC's. There is no practical litmus test for good health for the individual, much less for minimum acceptable health. We take a less direct approach, therefore, by including in the poor majority any person living among a group, varying in size, where life expectancy at birth, infant mortality, fertility, and, more indirectly, broadly defined health services fail to meet minimum standards. Again, it bears emphasizing that our health parameters should be defined not in terms of national averages but in terms of averages for sub-national groups.

1. Life Expectancy: 55 Years at Birth

Average national life expectancy at birth varies today from 38 to 75 years, with a midpoint (median) of 54. (It often exceeds 70 in the developed countries and falls short of 45 in the poorest nations.) Anyone in that portion of a population within a country where life expectancy at birth falls below 55 years is included in the poor majority. (Available data may be limited to averages for regions or provinces of a country and may have to be supplemented by experienced judgments.)

2. Infant Mortality: 33 per Thousand Infants Aged 0-1

Average national infant mortality varies between 11 and 216 deaths per thousand infants aged 0-1 years, with a mid-point of about 113. The characteristic rate above which most of the world's poor fall is about 33; that rate is taken as another health benchmark, and we include in the poor majority anyone in that portion of the population where infant mortality exceeds 33.

3. Birth Rate: 25 per Thousand Population

The health of mothers and children is closely related to the number and spacing of pregnancies under primitive conditions. Eight children may not be a health problem to a mother in an affluent society, but to a mother in a developing country facing home delivery and an absence of pre-natal or post-natal care, to say nothing of of food or other shortages, repeated pregnancies represent a clear health threat. They also threaten her children, both by impairing her capacity to care for them and by increasing the difficulty of lactation. There are better demographic measures of average numbers of pregnancies when data are available, but the most convenient measure given data scarcity is the birth rate, which ranges from 10 to over 50 throughout the world. The characteristic rate above which most of the poor fall is roughly 25 per thousand population; we take that rate as another health benchmark, and include in the poor majority anyone living in that portion of the population where the birth rate exceeds 25. (It bears emphasizing that persons living in areas with lower birth rates may also qualify for U.S. population assistance, which generally eases the task of improving per capita living standards of the poor.)

4. Health Services: Access for Under 60% of Population

The absence of better health status data argues for using such indirect measures as we can devise. Health services -- broadly defined to include public and private curative and preventive

medical services, family planning, and nutrition -- all incorporating appropriate scientific approaches -- can clearly improve health, though provision of clean water, environmental sanitation, and other measures may contribute as much to health in some circumstances (see below). The absence of such health services permits the inference that health is probably not acceptable. Among the poor majority, perhaps 85 percent, on the whole, lack convenient and regular access to minimal maternal and child health services, rudimentary preventive or curative services, family planning, or adequate nutrition services. As a conservative approach, the poor majority includes anyone living in an area where under 60 percent of the population have such access, on grounds that those people are highly unlikely to enjoy minimum acceptable health. Again, to determine actual health parameters, we may have to rely on imperfect existing data instead of new surveys when the latter seem too costly to be practical.

IV. Determining AID's Target Population

A. What do We Seek to Achieve?

Given this immense group of poor from which to choose, how should AID's target group be determined? AID resources are to be deployed in support of LDC development plans and programs to help the majority who are poor, not to stimulate GNP indiscriminately without considering who will benefit. The Congressional mandate and AID policy rest on the conviction that it is possible to achieve significant improvement in the living standards of the poor majority through programs with low per capita costs.

But how much can we aim to help accomplish for the individual?

- Should our target be mere maintenance of human life, however precarious, just beyond bare survival? Given the problems of feeding today's population and the prospect of inevitable and substantial population growth, meeting even this limited target demands tremendous effort and expense.
- Should the target be a decent living standard -- perhaps connoting a reasonable amount of protein or rudimentary education, for example -- which may be necessary to avoid severe and prolonged physical or mental impairment? This level may be attainable only with strict adherence to demanding policy regimens and the application of resources which, while modest in per capita terms, still add to large totals over the next few decades.
- Should the target be even more ambitious, perhaps a comfortable living standard more akin to our own, which might recognize a common right to aspire among all people? This would be attainable, if at all, only through massive economic and social transformation and vast expenditure of scarce funds.

Determining the suitable goal must, of course, be the responsibility of the developing countries; nevertheless AID must set targets as well as if we are to assess our own performance.

The benchmarks used to define the poor majority suggest themselves as targets. Could not AID, in cooperation with the LDCs, aim to help move the poor majority beyond these milestones in the next decade or so? Unfortunately, the human and capital resources

currently available in LDCs, including those supplied by aid donors, will not do the job, barring extraordinary technical advances, even given ideal policies and more equitable distribution of goods and services to the poor. How much would be needed to accomplish this? We cannot say with precision, although the price tag for each year would most likely be a multiple of the LDCs' present gross national product and the aid donors' share well beyond the realm of possibility. To suggest how large the job is, with five percent annual growth in real GNP and two percent annual growth in population, per capita income would double only after twenty-five years -- assuming steady application of needed resources -- and perhaps still fall short of $150.

Under these circumstances, how can AID's efforts - or even all foreign aid combined - make a difference to the poor majority? AID provides only a fraction - albeit occasionally a large share - of the foreign resources any LDC uses, and it is the LDC's own resources -- and its own development policies -- that are the primary determinants of development progress for its own people. Whenever possible, therefore, AID support must be part of a development approach conducive to the broad-based systemic change needed to affect the lives of the poor. Barriers to development in the economy, society, and politics of the LDC must be identified and a package of coordinated policies established to remove or weaken those impediments. (AID's sector analysis work is a major step in helping LDCs move in this direction.) Not all governments have fully committed themselves to this task, but AID's assistance should support programs that contribute toward expansion of such a broad-based view.

For LDCs with vast and ever-growing populations, the most promising development programs are those making a virtue of necessity by relying on broadly labor-intensive approaches.* It is not sufficient, however, that the poor simply have opportunity for employment. They should also participate as much as possible in the development process to help insure program effectiveness and equitable distribution of resulting benefits. AID should focus on programs emphasizing a participation strategy that includes the following broad objectives:

a) development programs should benefit the poor primarily -- with the objective of at least narrowing the relative income gap between rich and poor;

b) decisions about development programs should be made in cooperation with the poor to the fullest extent possible;

c) development programs require substantial input from the poor who stand to benefit;

d) implementing development programs becomes a learning experience for participants, yielding lasting improvements in their skills;

e) participants can improve program performance by feeding back information to program administrators directly or indirectly;

f) participation of and benefits for women are addressed explicitly and with a view to improving their condition.

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* While this labor will sometimes be provided in the form of paid employment on farms, in public works, or in commercial or industrial establishments, in most LDCs much of the labor of the poor will be provided in the form of self-employment on small farms or in other enterprises.

The participation emphasis of the mandate reflects the Congressional view that AID expenditures should represent not consumer handouts with temporary though beneficial impact but investment in people that pays off in increased capacity to produce, the sine qua non of the developing countries' own efforts to sustain improvements in living standards.

But AID recognizes that while it is extremely important, popular participation alone will not move the poor majority above the poverty line. Other inputs ranging from seeds and fertilizer to dams, farm-to-market roads, and other essential infrastructure must be available to complement labor while health, nutrition, and training programs are needed to strengthen labor's effectiveness. Moreover, policies insuring access for the poor to these labor-augmenting inputs and promoting their most efficient use are essential if productive capacity is to be increased. Curtailing population growth is also extremely important in this process if scarce resources are to be used well.

No single type of change -- whether in policies or in input supplies -- is likely to be as effective a stimulant to development as integrated changes in both; whole systems will need to be modified if the poor are to prosper in the near future. In close concert with other donors, AID can support LDC development efforts in this direction by providing scarce resources, strengthening institutions, and generally encouraging policies likely to complement the contribution of the poor and insure that they reap the fruits of their own labor. For AID to make the maximum contribution to

development in widely varying LDC cultural settings, however, will require increased attention to and understanding of local conditions and circumstances.

B. Focusing AID Assistance

AID assistance can be made more effective by further focusing it as the mandate suggests. We can concentrate on countries committed to development approaches we can support and able to use our funds effectively.

Congress has also directed us to concentrate assistance on several sectors -- rural production (and nutrition), population and health, and education and human resources development. Funding priorities in FY 1974 and FY 1975 reflect the major concentration of AID in these three categories. Having limited our sectors of emphasis to three, however, does not suggest that we will achieve in the near term much measurable impact on a national or international scale. While we are attempting to strengthen the impact of AID assistance beyond the project level, to hold our programs strictly to that objective would have a chilling effect on the experimentation we believe essential to improving program effectiveness.

We may also limit our role to providing components -- advisors, commodities, financing, etc. -- of extensive sectoral programs designed to affect large numbers of poor people, thus achieving a multiplier effect for our aid strongly consistent with the intent of the Congressional Mandate.

In some cases, it will be particularly unrealistic for us to aim at having significant effect on most or all of the poor majority in a given country; problems may be too intractable, or the minimum resources required to have such extensive impact may be too large even when policies permitting their efficient use are in place. In such cases, we may have a comparative advantage in research and pilot programs of limited scale, developing new approaches with a low per capita cost that LDCs can afford to replicate on a wider basis. The demonstration effect of such projects can be powerful and should be utilized.

Research -- and evaluation of all programs -- is sorely needed to advance the still-primitive art of development; we know too little about how development occurs in different economic and cultural settings, and AID can help fill the gap, often by financing LDC researchers. For example, the Percy Amendment directs the Agency to work to improve the status of women. Considerable investigation is needed into what affects the status of women and what public programs may most effectively and appropriately improve it.

In limiting our assistance we necessarily restrict the number of people we seek to help in any direct sense; it is generally not practical to try to affect everyone in the poor majority who may be eligible for our aid.

Why should the poor majority include more people than we can help? The poor majority is not monolithic; it is constructed of persons whose political, economic and cultural conditions vary. In some countries, programs to benefit primarily only the poorest of the poor, say landless rural laborers, may be most effective.

In others, programs aiming primarily at persons only slightly less poor, say farmers with only four or five acres, may be more promising. Realistically, the poorest in some areas may be beyond our capacity to help significantly because that would require a transformation of their way of life, which is simply infeasible at present, while others in the poor majority may be better able to use the marginal resources we can offer.

Determining the primary beneficiaries of AID-assisted programs is difficult given the usual problems of pinpointing direct and indirect impact. While these problems are real and unavoidable, it is possible to identify primary beneficiaries consistent with the spirit of the mandate. Our programs should not, of course, needlessly limit who benefits, but it is important to emphasize that major beneficiaries of an AID-assisted program or project should not be a country's prosperous elite (major merchants, bankers, industrialists or farmers) even if they should happen to qualify because of some health or diet idiosyncracy under some benchmark as this would contradict Agency policy and the spirit of the Congressional mandate.

In sum, the Agency must focus its attention on the broad poor majority, but preserve the flexibility needed to program effectively within that group in each individual case.

V. Setting AID Targets

A. General Comments

For each AID program or project, specific targets should be set reflecting unique country circumstances, policies,

and resources that affect pay-off prospects; these targets should naturally be set in cooperation with the LDCs concerned. Wherever possible these targets should be expressed in per capita terms to permit measuring progress toward the uniform poverty benchmarks. resulting from joint LDC-AID efforts designed to benefit the poor.

Our ultimate targets include improvements in individual income, health, and nutrition -- these are the final outputs from program inputs. It is hard, of course, to predict the impact on health, for example, of a given program because other things inevitably influence health; moreover, improving health may require synergistic combinations of programs (whose combined effectiveness exceeds the sum of each program's individual effect). And to further complicate the picture, a given program may affect income or nutrition as well as health. In setting targets it is therefore tempting to concentrate on program inputs, such as innoculations given, which provide useful operational and cost information. But expressing targets solely in terms of input terms leaves no way to judge the relative effectiveness of different inputs in achieving the same output. Relative effectiveness may vary enormously, and must be a prime consideration in program planning. However difficult, strong emphasis should be placed on relating program inputs to outputs. On occasion, focusing on inputs may be the best we can do in the short run, but care should be taken to explain as fully as possible the link with outputs -- i.e. changes in the poor majority's quality of life.

In setting income targets, for example, the Agency should bear in mind the Congressional directive to benefit many among the poor, possibly only modestly. A group of primary beneficiaries should be identified, and consideration should also go to how others may benefit indirectly, thus multiplying program effectiveness. Rural production programs are promising means of increasing incomes (which includes output produced and consumed outside the market). But programs in nutrition, health, population and education will also affect income by increasing the capacity for work. Any programs effectively stimulating income are likely to involve the systemic change that lies at the heart of the development process.

What follows is a brief discussion of new emphases and directions in furtherance of the mandate that AID programs may take in the fields of rural production, nutrition, health, population and education, and how their specific targets may be established. (More detailed guidance for each sector is in preparation and these pages should not be viewed as a substitute for them.)

B. Rural Production*

Some projects to promote rural production have been successful, but the pay-off of future projects can be increased substantially. For example, stimulating agricultural production through the "Green Revolution" -- encouraging use of new seeds

* Section 103 of the FAA -- entitled Food and Nutrition -- is broadly interpreted in legislative history to consist of activities in support of rural production rather than simply agriculture, with the emphasis on the linkages between agriculture, industry and marketing.

and requisite inputs like fertilizer -- has resulted in some areas in greater supplies of foods for home consumption and for the market, generally at lower prices especially welcome to the poor whose income goes first to purchase food. But the poorest of the poor sometimes remain unable to afford food. Geographic imbalances in food availabilities sometimes persist. Tenant laborers are sometimes expelled from land whose value in rising, especially if capital equipment is priced artifically low relative to labor. And even when the food reaches the poor, their chronic diseases may inhibit its efficient use.

We must preserve what works in these programs while finding ways to remove the obstacles they faced or ameliorate the problems they caused. The Green Revolution is extremely important, but it cannot change the rural system alone.

What is needed is a package of rural development programs involving agriculture, services and industries, infrastructure and institutions designed to improve home consumption, money income, nutrition and the health of the poor both directly and indirectly, by providing greater access to better technology, improved inputs, credit, transportation and other goods or services, the scarcity of which now constrains rural development. Thus, they may encourage enthusiasm and self-confidence, a sense that people can improve their own living conditions by participating in development activities that make sense to them. For example, agricultural programs may provide access to key goods or services which will stimulate food output for home consumption, thus directly improving nutrition; they may also stimulate output of marketable goods, both food and non-food, resulting in improved incomes and more

indirectly in improved nutrition and health. Which goods or services are most needed will depend on what "outputs" in terms of income or health or whatever are considered to have priority, how these may best be achieved considering alternative programs or policies, and what goods or services are already available.

In rural production, AID may often find itself able to contribute a critical if only marginal component of a development package financed largely by the LDC and other donors, or we may find the pilot projects most appropriate. In selecting primary beneficiaries from the poor majority for our projects, care should be taken to provide whatever secondary benefits are possible for others among the poor majority. And some thought should go to the question of whether any among the poor majority might be hurt by a given program.

With these general guidelines, rural programs can be designed to affect large numbers of the poor. Specific targets, however, must be set for specific projects considering starting conditions, host government resources and policies, and prospects for payoff. In some cases, it may be necessary to restrict targets to certain short term achievements (like acreage under new seeds or innoculations provided) rather than final outputs like improved income. However, the program should be designed with a view toward AID's overarching goals of moving the poor beyond the poverty level and links with those goals should be explained.

C. Nutrition

Realistic nutrition targets -- major components of diets or other rough indicators of nutritional status -- may be set only after determining current nutritional status. It will be recalled that FAO's average requirements of daily calories per person for each LDC are used as benchmarks for helping define the poor majority. But within a given country, diet requirements will vary from group to group. Moreover, actual nutritional content of food available to different groups will vary depending on local production, technology, marketing, and cultural patterns of distribution. Even within a family, food may be distributed more by custom than according to need, with mothers and children suffering shortfalls that also threaten future generations. Thus, targets for AID-assisted nutrition or nutrition-related projects should be tailored to the specific circumstances of each project.

Improved nutrition may result from programs involving direct child-feeding, food-fortification, education on better nutrition practices like longer lactation or improved weaning foods, or other measures in the nutrition field proper; agricultural or rural development programs that increase and diversify the supply of food available or which stimulate agricultural production so rural incomes rise enough to permit additional food purchases; health and sanitation programs that improve the efficiency of food utilization by reducing gastro-enteric parasites and mitigating other diseases; and education programs that touch directly or indirectly on nutrition.

Programs in the nutrition field proper have produced mixed results; feeding programs are sometimes promising, but may not reach all the needy, or they may provide too little additional food to make a difference, or they may stimulate counter-balancing changes in distribution of other food. Experience suggests that involving the poor more actively in nutrition projects may promote greater understanding of nutrition needs and available foods that can pay off. As in other fields, programs with limited budgets can accomplish far more when designed to meet the basic needs of the poor, making use of what they themselves can contribute. The mandate encourage more such programs.

D. Health

Some efforts to improve health in the LDCs have succeeded dramatically, particularly efforts to eradicate endemic diseases or improve personal hygiene and sanitation. But funds have also gone to curative services, which have not generally resulted in as broad health changes as other measures might have. Too often developing countries have aimed to establish sophisticated health services even if they served only a few people. Thus, most of the poor are still beyond access to any but traditional health services and without the clean water or rudimentary sanitation essential to reasonable health. For them, life expectancy remains low; morbidity and mortality, particularly among the young, remains very high.

Increased attention is now going to means of modifying the whole system of policies and conditions that may account for the most common threats to health among the poor. An effective package that an LDC could finance with current resources is possible if reliance is placed on inexpensive ways (such as upgrading traditional practitioners) of encouraging the poor to modify their practices now conducive to ill health. Thus the active participation of potential beneficiaries also emerges as the key-stone of new approaches to improving health.

Improving health requires coordinating private and public programs, including those AID assists, in sanitation and water, nutrition, family planning, personal hygiene, health services proper, and economic and social measures too. Bearing in mind that AID-assisted health programs should be designed to affect many people, if only modestly, at a low per capita cost, our targets for per capita improvement must be limited. In ten years, assuming current levels of donor and LDC resources continue to be available and assuming LDC policies are sufficiently tough-minded and imaginative, it may be possible to move limited portions of the poor majority beyond these benchmarks or to move particularly disadvantaged but large groups a little closer to the benchmarks. In five years, with the same assumption about resource limitations, it will be difficult to do more than establish some of the necessary pre-conditions.

Exceptions will occur, of course, particularly in more advanced countries or in pilot areas where programs can often be organized more quickly to achieve health improvements sooner. But broader results will take time. Our short-run goal may be simply to help establish a service network and other measures needed to improve health; our short-run targets may be couched in terms of program inputs and operation rather than health improvements which are our ultimate target. A medium run goal may be to change some health practices, such as encouraging longer lactation; intermediate targets in terms of such health practice changes may also be appropriate. But health measures will themselves be designed to meet the ultimate target of health improvements as soon as possible and their success in doing so must be carefully monitored.

E. Population

Increasing the size of the pie by providing more food and health services is essential to improving per capita living standards; substantial progress will only be possible if population growth abates. Thus, reasonable access to safe and effective family planning services and information is essential and is a primary purpose of AID population program funding.

But people may be content with fewer children only if changes in economic structure remove the advantages many parents now see in large families and as changes in society open new options for women. In this context, modest improvements in individual nutrition, health, education and so forth may be required if substantial improvements in living standards are to become

realistically feasible. Population assistance should also fund programs needed to explore how currently operating policy measures and socio-economic conditions influence attitudes on family size, and what policies might work in conjunction with family planning services and information to encourage smaller families.

In many cases, AID may be able to plan its programs with a view to a particular birth rate or fertility target set by the recipient LDC; in other cases, the target may simply be the implicit one of reducing birth rates or fertility as much as possible. In either case, focusing on the need for reducing fertility may help stimulate questions as to optimal combinations of services, motivational campaigns, and other policies that stimulate participation in family planning -- questions less likely to arise if the target is the more limited one of providing services alone. While it may be both necessary and desirable to set shorter-run targets in terms of services supplied, bearing in mind the overall target of reducing fertility can stimulate more efficient and imaginative programming. Specific targets, whether in demographic or program terms, can only be set for specific projects depending on operating conditions.

F. Education

In a world of plenty, "education" may connote literacy and wide learning, truth for its own sake as well as a means to progress. In a world of want education must unfortunately of necessity be something far more restrictive and practical -- as means to improving living standards rather than an end in itself. AID

defines "minimum practical education" to be that body of knowledge, attitudes, and skills necessary to effectively contribute to and participate in a developing society and economy. Education should help equip LDC citizens cope with their most pressing problems -- hunger, ill health, and a lack of more productive employment.

Minimum practical education varies with the situations people face. What is essential to effective participation differs dramatically among and within countries. In education, therefore, AID must take the poor majority as defined through some benchmark outside education -- such as income or health. Then, working with some or all of that majority, we can seek to identify education targets expressed as their learning needs, and select and try out the most promising alternative means for meeting those needs, including both formal and informal programs, in a process entailing the active participation of the poor from start to finish.

It bears emphasizing that literacy rates or enrollment ratios may not be an appropriate target. For some countries, literacy may be one, though not the only, learning need. Where resources are very short, where lifestyles severely limit access to formal education, or under other circumstances, programs to increase literacy may or may not be the most effective means of enabling more people to contribute to and participate in development. Even the UN's worldwide target of "universal primary education" may be an inappropriate target, at least in some countries' present circumstances. Meeting the learning needs of

the poor majority with severely limited resources requires considering new as well as traditional approaches, particularly those that engage the poor themselves at all stages of the process.

VI. Conclusion

We close on the note with which we began: the problems of the poor majority are immense, but AID can and must be of help. It is AID policy, with the support of the Congressional mandate, to pursue as an underlying theme the approaches described in simplified form in this paper. The true test of our success will, of course, lie in the quality of the projects and programs carried out in developing countries.

It is on that task that we must continue to expend our greatest energies.

APPENDIX A

"Poor Majority" in A.I.D.-Assisted Countries, According to Proportion of Population Receiving Less than $150 per capita per year (1969 prices) Listed by A.I.D. Region and by Contribution to "Poor Majority" Population of the Region.*

	Total Population (millions)	% of Population Receiving ≤ $150 per capita	"Poor Majority" Population (millions)
Near East and South Asia			
India (64-5)	537.0	91%	488.7
Pakistan (Incl. Bangladesh) (66-7)	111.8	72	80.5
Egypt (64-5)	33.3	50	16.6
Turkey (68)	35.2	45	15.9
Sri Lanka (63)	12.5	68	8.5
Tunisia (70)	4.9	52	2.5
Regional Sub-Total	734.7	83%	612.7
East Asia			
Thailand (62)	34.7	65%	22.6
Korea, S. (70)	32.0	45	14.4
Philippines (71)	37.1	32	11.9
Vietnam, S. (64)	17.9	44	7.9
Regional Sub-Total	121.7	47%	56.8
Africa			
Sudan (63)	15.2	81%	12.3
Tanzania (67)	13.2	91	12.0
Kenya (68-9)	10.8	86	9.3
Madagascar (60)	6.5	88	5.7
Malawi (69)	4.5	96	4.3
Chad (58)	3.2	96	3.1
Senegal (60)	3.8	69	2.6
Dahomey (59)	2.5	4	2.3
Ivory Coast (70)	4.2	45	1.9
Sierra Leone (68-9)	2.5	70	1.8
Zambia (59)	4.2	20	.8
Botswana (71-2)	.6	84	.5
Gabon (68)	.5	22	.1
Regional Sub-Total	71.7	79%	56.7
Latin America			
Brazil (70)	93.6	45%	42.1
Colombia (70)	21.1	42	8.9
Peru (70-1)	13.6	35	4.8
Ecuador (70)	6.1	70	4.3
Dominican Republic (69)	4.3	38	1.6
Chile (68)	9.8	16	1.6
El Salvador (69)	3.5	43	1.5
Honduras (67-8)	2.6	58	1.5
Guatemala (66)	5.2	22	1.1
Uruguay (67)	2.9	23	.7
Jamaica (58)	2.0	27	.5
Costa Rica (71)	1.7	14	.2
Panama (69)	1.5	16	.2
Guyana (55-6)	.8	28	.2
Regional Sub-Total	168.7	41%	69.2
ALL REGIONS (37 countries)	1096.8	72.5%	795.4

* Countries included are the 37 A.I.D.-assisted countries for which income distribution data are reported in Shail Jain, Size Distribution of Income: Compilation of Data, IBRD, Bank Staff Working Paper No. 190, November, 1974. Twenty-seven A.I.D.-assisted countries are not included for lack of income distribution data. These are: Afghanistan, Bolivia, Burundi, Cameroon, Central African Republic, Ethiopia, Gambia, Ghana, Guinea, Haiti, Indonesia, Khmer Republic, Laos, Lesotho, Liberia, Mali, Morocco, Nepal, Nicaragua, Niger, Paraguay, Rwanda, Swaziland, Togo, Upper Volta, Yemen Arab Republic and Zaire. But the total 1970 population of these countries was only 242 million, compared to 1097 million for the countries included in the table.

The method and sources for the tables are as follows. Population and GDP data are for 1970 (converted to 1969 prices in all cases), except for Pakistan, Sierra Leone, Tanzania, Thailand, India, Senegal, Sudan, South Vietnam, Egypt and Zambia, where the data refer to 1969, and Botswana (1968), Chad (196[illegible]) and Dahomey (1967). Dates for the income distribution data are shown in parentheses next to the country in the table.

Income distribution data in the IBRD source cited above were presented in the form of income shares accuring to 20 equal subgroups of the population. To calculate the percent of the population receiving an annual per capita GDP below $150 the income share of a subgroup was multiplied by the total GDP figure for that country. This product was then divided by the number of individuals in that subgroup or the total population divided by 20. GDP and population refer to the most recent year for which data are available. Using ≤ $150 as a guide, the closest 5% interval was located and assuming equal distribution within this interval, the approximate percentage determined. The order in which countries are presented within regions was determined by the magnitude of the poor majority of the population, column 3.

The source for the population and GDP figures were the UN Statistical Yearbook 69, and the UN Yearbook of National Accounts Statistics 1971, V. III respectively. GNP deflator indexes found in Gross National Product, AID, FM/SRD, May 1974, were used to convert all GDP figures to 1969 prices (Exceptions: Botswana, Jamaica, Sri Lanka, Chad, Dahomey, and Guyana. GNP deflators were taken from an appropriate regional table of Africa or Latin America in the UN Statistical Yearbook, 1973.)

AID/PPC: April 1975

APPENDIX B

AVERAGE PER CAPITA DAILY ENERGY REQUIREMENTS

Country	Calories	Country	Calories
Uruguay	2,670	Dahomey	2,310
Turkey	2,520	Liberia	2,310
Egypt	2,500	Panama	2,310
Cyprus	2,480	Paraguay	2,310
Syrian Arab Rep.	2,480	Sierra Leone	2,310
Chile	2,450	Tanzania	2,310
Afghanistan	2,440	Togo	2,310
Trinidad & Tobago	2,430	Bangladesh	2,300
Yemen Arab Rep.	2,430	El Salvador	2,300
Morocco	2,420	Ghana	2,300
Bolivia	2,410	Guinea	2,300
Tunisia	2,400	Ecuador	2,290
Brazil	2,390	Guyana	2,280
Upper Volta	2,380	Honduras	2,280
Chad	2,370	Madagascar	2,280
Mauritius	2,370	Dominican Rep.	2,260
Nigeria	2,370	Philippines	2,260
Senegal	2,370	Central African Rep.	2,250
Angola	2,360	Costa Rica	2,250
Korea, Rep.	2,360	Haiti	2,250
Botswana	2,350	Jamaica	2,250
Peru	2,350	Nicaragua	2,250
Sudan	2,350	Khmer Rep.	2,230
Gabon	2,340	Thailand	2,230
Mali	2,340	Laos	2,220
Niger	2,340	Sri Lanka	2,220
Rwanda	2,340	Zaire	2,220
Ethiopia	2,330	India	2,210
Malawi	2,330	Guatemala	2,200
Mozambique	2,330	Nepal	2,190
Pakistan	2,330	Vietnam, Rep.	2,170
Burundi	2,320	Indonesia	2,160
Cameroon	2,320		
Colombia	2,320		
Ivory Coast	2,320		
Jordan	2,320		
Kenya	2,320		
Mauritania	2,320		
Somalia	2,320		
Zambia	2,320		

Source: Calculated from Annex Table: Population, food supply and demand for food in individual countries; Assessment of the World Food Situation, Present and Future, Item 8 of the Provisional Agenda, United Nations, World Food Conference, November 1974.

AID/PPC: April 1975

Capital Transfers, Capital Intensity and Capital Projects

The three terms "capital transfer," "capital intensity," and "capital project" are sometimes used in Congressional or other documents in ways that suggest confusion as to their meaning. This brief paper attempts to clarify what AID means by these words.

1) A capital transfer is an international financial transaction involving the movement of funds from the capital-exporting to the capital-importing country; the funds can be given as grants, exchanged for debt instruments, or used to purchase equity positions. Capital transfers thus include private and official long-and short-term purchases of debt, direct foreign investment, and private and official grants. Accordingly, virtually all forms of assistance extended by AID to LDCs involve capital transfers. Such transfers can, in turn, be used by the recipient for purchasing goods and services from the United States or from other countries. These could include raw materials, intermediate or capital goods or services such as those of technicians, engineers, etc. Even though the expenditure under any specific project may be entirely in local currency and not require direct procurement from abroad, the capital transfer (in the form of foreign exchange) is required to buy goods and services in the local market and is therefore essential to the undertaking of any AID programs in LDCs.

2) A capital development project is the creation, improvement, or expansion of physical assets or institutions which produce goods or services--factories, land improvement, roads, agricultural research capacity, school systems, etc.

3) Capital intensity refers to the proportions in which capital is combined with labor to generate goods and services either in specific projects or at a more aggregated (national, sectoral, or sub-sector) level.

The adjective "large" is also used in a rather loose way without specifying large in relation to what. Is a "large" transfer large in relation to the GNP of the recipient country, its total imports, its total investment program, the number of intended beneficiaries, the size of total external assistance to that country, the AID budget, or what?

In any case, the size of the project is not the relevant criterion; what is relevant is a) that the project makes efficient use of scare resources and b) that the benefits flowing from the project accrue largely to the poor. Some large scale projects meet these two criteria and some small scale ones do not.

The size of a transfer does not signify anything about its impact on the poor. What groups benefit depends on how the resources financed by the transfer are used. Assuming that the resources financed by a large and small transfer were applied equally well to meeting the needs of the poor the larger transfer would have the greater beneficial impact. Under these circumstances a $20 million transfer, for instance, should have twice the impact of a $10 million transfer to the same country.

Implications for AID Programming

1) Capital Transfers. A development assistance program by its very nature involves capital transfers. As far as AID is concerned, the appropriate size for a capital transfer (apart from AID budget considerations and U.S. objectives not related to development) depends on the determination and capacity of the government of the recipient country to implement policies, programs, and projects which reach the poor and the magnitude of additional resources which are needed and can be effectively used for this purpose.

2) Capital Projects. Capital projects can be not only compatible with but essential to the achievement of poverty alleviation objectives. Capital projects should therefore, as noted above, be judged individually in terms of who benefits from them and whether in their creation and subsequent operation they employ appropriate combinations of capital and labor.

3) Capital Intensity. The mixes of capital and labor should be viewed as a spectrum running from highly capital intensive to highly labor intensive. Some sectors or sub-sectors (e.g. petroleum refining) are necessarily very capital intensive because of the technology involved. In other sectors (e.g. agriculture or construction) a range of technologies exist or can be devised. LDCs, with their shortage of capital and abundance of labor, should concentrate on sectors which are relatively labor-intensive and within sectors should employ technologies which are as labor intensive as is compatible with social rate of return criteria (i.e. after correcting for distorted factor and commodity prices) and with seasonal variation in the availability of labor. In considering factor intensity it is important that attention be given not only to the project staff itself but to the effects of its backward and forward linkages on the demand for capital and labor. For instance, a project which by itself is rather capital intensive may create a need for inputs which are very labor intensive or produce a project which is used in very labor intensive ways. It is necessary, therefore, to look beyond the project itself and take into account its indirect as well as its direct employment effects.

The Role of AID and "Direct Assistance" to the Poor Majority

AID supports and assists LDC agencies in planning, financing, implementing, monitoring and evaluating programs and projects which promote development activities which primarily and directly deal with the problems of and benefit the poor majority.

AID may therefore support activities which directly benefit the poor majority or support through assistance in planning and institution building LDC agencies that deal directly with the problems of the poor majority. Almost invariably AID assistance would reach the poor majority not "directly" through, for example, U.S. advisors working directly with villagers, but through:

a) public or private intermediary institutions, and

b) advice leading to change in LDC policies which, in several ways, might improve benefits to the poor (e.g., policies which influence the availability of opportunities--including employment--and the supply and cost of basic goods and services).

Participation

An approach to development that may be characterized as follows:

1. Decisions concerning the activities to be carried out are made, preferably, by those benefited (i.e., the poor), or if not, at least with effective consultation and substantial acceptance by those benefited.

There are examples of participation in decision-making with regard both to project selection and implementation. At the implementation level, participation occurs in the analysis and approval of applications for credit by local cooperatives. This usually involves a "credit and finance" committee which does most of the work and the members of the Management Board who give the formal approval and are legally responsible (in well-run co-ops) for the co-op funds. Examples can be found in Bangladesh (Comilla Thana), Gambia, Guatemala and Taiwan.

Participation in project selection is illustrated by recent developments in the program of the National Community Development Service, an autonomous agency of the Bolivian Government. Local people are hired and trained as technicians by the NCDS to assist villages establish project committees to identify projects which are then submitted to the NCDS for financing. Another example is the rural public works program of the early sixties in East Pakistan where village representatives participated in project selection at the county (Thana) level.

2. The activity in which they participate is, ideally, a learning experience for benefited persons, which increases their technical skills and/or their capacity to organize for common purposes and for greater access to the benefits of development.

An example would be women, who receive training as midwives in local infant and child care programs. Through their participation they increase their knowledge of nutrition, the environmental situation and control of communicable diseases and also how to involve the local community for those programs which are community wide. Country examples of such health and nutrition programs include North East Brazil, Sri Lanka and Taiwan.

3. Economic benefits are widely and significantly shared by the poor with the objective of narrowing the relative income gap between rich and poor, e.g. the co-op which benefits all small farmers or the type of health improvement program cited in No. 2.

Country examples include Egypt, South Korea, Sri Lanka and Taiwan.

4. The poor make a significant contribution in effort and resources to the activities from which they benefit, e.g. through personal savings, or serving as members (usually without compensation, though expenses are covered) of local planning or project implementation committees, as in the examples given in Nos. 1 and 2 above.

Country examples include Taiwan in particular as well as Egypt and South Korea. In the above mentioned Bolivia National Community Development Service program, villages are now expected to cover one-half of the total cost of projects.

5. The participation and contribution of women should be explicitly taken into account under the above-mentioned considerations, e.g., any of the above or other examples when the participants are women.

Rural Development

We propose the following approach to a definition of rural development. Rural development covers all sectors of development and all people who live in farm villages or hamlets and those who live in urban centers whose economic life depends primarily upon agriculture. In small and medium-sized countries, rural development by this definition may well cover the entire country apart from the capital city and seaports and mining towns, if there are such. In some countries, major regional cities would also probably be excluded. Because of variations in population densities and levels of modernization in the developing world it is impractical to use community size as a criterion to divide urban centers between those which are primarily farm-related and those whose economic life is primarily non-agricultural. Section 103 on food and nutrition assistance may, by the above definition, cover 98 to 99% of the urban places in the developing world.

Rural development according to Section 103 and its legislative history consists of those resources to which the rural population, and especially the poor, need access, both to increase their output and incomes and to improve the quality of their lives. The output component of rural development is most usefully thought of as total rural production rather than agriculture, and the emphasis in production planning is on the linkages among agriculture, industry, and marketing (these categories include associated services and physical infrastructure, such as credit, information, inputs, processing, roads, irrigation, etc.). Rural development is viewed as a process with an important self-sustaining element and therefore one that requires local people, local resources and local savings to be involved to their fullest in project design.

Collaborative Style

An approach to policy, program and project development characterized by an inter-active process of consultation, planning and decision-making between AID and the government of a developing country. This process assumes a certain measure of congruence of policies and objectives between AID and the government. The framework of AID policies and requirements is defined by the FAA of 1973 and other legislative and administrative determinations.

Sup A9 to HB 2 (TM 2:1)

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AIDTO CIRCULAR A 450

DATE SENT 7/29/75 7-29-

FROM - AID/W
E.O. 11652: N/A
SUBJECT - FY 1976 Implementation and FY 1977 Program Planning

REFERENCE -
FROM ALEXANDER SHAKOW TO ALL A.I.D. MISSION DIRECTORS AND A.I.D. REPRESENTATIVES

At the request of the Deputy Administrator we are attaching a copy of his memorandum of July 22, on implementation of our FY 1976 program and the planning of our FY 1977 program. Accomplishment of the objectives enunciated by the Deputy Administrator will require the full cooperation of all Agency Offices and Missions.

This memo is transmitted to you for your information and more specific guidance will be transmitted to you by the appropriate regional bureau.

Attachments: Memo fm the Deputy Administrator
to the AA's, w/atts. A & B

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PAGE 1 OF 1 PAGES

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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

ASSISTANT ADMINISTRATOR

JUL 22 1975

MEMORANDUM FOR: AA/AFR, Dr. Samuel Adams
AA/LA, Mr. Herman Kleine
AA/PHA, Ms. Harriett Crowley
AA/TA, Mr. Curtis Farrar
AA/PPC, Mr. Philip Birnbaum
AA/NESA, Mr. Robert Nooter
AA/SER, Mr. Charles Mann
AA/EA, Mr. Arthur Gardiner
OLAB, Mr. Dale Good

SUBJECT : FY 1976 Implementation and FY 1977 Program Planning

We are now beginning implementation of our FY 1976 development program and intensive planning for FY 1977, with the help of our new documentation system using PIDs, PRPs and PPs. A major effort was made in February to review thoroughly those projects and programs included in the 1976 Congressional Presentation. In order to take full advantage of this work, I am establishing an implementation plan for FY 1976. The details of this plan are contained in Attachment A.

Several points should be kept in mind in reviewing this plan:

1. Compliance with 1976 Congressional Presentation

In FY 1975, the Agency forwarded 327 Notifications to the Congress involving a total of $790 million. We have testified before Congress that there will be a substantial reduction in the number of such Notifications in FY 1976. This reduction cannot be achieved unless we communicate our intent to all Missions and Offices in the Agency, and both they and we make a determined effort in this regard.

I recognize that there may be exceptional cases during the year where deviations from the CP are necessary. Those deviations which necessitate Section 113 Notifications must be kept to an absolute minimum. As a general policy, Notifications will not be processed during the period of the Continuing Resolution - particularly during the first quarter. However, in exceptionally urgent situations, I will be willing to review the merits of the case. Until further notice, no Section 113 Notifications should be sent forward without my personal approval.

2. Early Identification of Issues

In reviewing proposed new financing commitments, the various Bureaus and PPC identified and addressed many important and difficult issues last year. However, in many cases I believe these issues should have been

brought to the attention of the Administrator's Office earlier in the process. I am asking PPC/DPRE to strengthen efforts in this regard through expanded and earlier participation in the assessment and review of all Bureau decision memoranda and cables relating to approving/disapproving PIDs, PRPs, and PPs (and equivalents) for FY 1976 and 1977. PPC/DPRE must act expeditiouly in reviewing such material so as not to delay the implementation process. I fully expect differences of opinion between PPC and the Bureaus from time to time which will have to be brought to my attention. I consider that such disagreements reflect a healthy environment within the Agency. I particularly want issues surfaced for the attention of the Administrator's Office at the PID and PRP stages so that problems at the PP stage will be minimized.

3. Targets

Attachment B indicates the percentage of obligations and authorizations in FY 1975 by quarter as compared to our total request in the FY 1975 CP and compared to actual resources availability. The record could have been better. This year we want to substantially improve our performance in regard to the 1976 CP. Targets for this year, which have been set in conjunction with your Bureaus, are included in Attachment A.

4. Quality

At the same time, of course, we want to continue to improve the quality of our projects and programs. In this regard, I would like to reiterate the statement I made in AIDTO Circular 603, dated August 28, 1974: "There can be no disagreement about the importance of good project design and the interdependence of design and evaluation. The accelerated submission of new projects for FY 1975 and FY 1976 should not be permitted to detract from efforts to improve project design of both grant and loan projects which remains a key Agency objective requiring the personal attention of Assistant Administrators and Mission Directors."

5. Review of Grant Projects

To improve the quality of our current portfolio I have indicated earlier the need for a review of our on-going grant projects. Particular attention will be paid to projects over five years old. At my request, PPC and PBAR are now drafting guidelines for this review, and I will submit these to you very shortly.

John E. Murphy
Deputy Administrator

Attachments: a/s

cc: SER/FM, Mr. Thomas Blacka
AA/LEG, Ms. Jean Lewis
AA/IDC, Mr. Sidney Weintraub
All Field Missions (PPC Action)
GC, Mr. Charles Gladson
FFP, Mr. Robert Spitzer
SER/PBAR, Mr. James Roush

Implementation of the FY 1976 Program

1. The FY 1976 CP is the basic funding plan and blueprint for the Agency. Deviations from amounts contained in this document are discouraged and proposed changes will be subject to critical scrutiny.

2. Agency wide obligation targets are as follows:*

	Cumulative % of Amounts Contained in Congressional Presentation				
	TAB	LA	AFRICA	NESA1/	ALL OTHER
First Quarter					
Grants	(Dollar amounts specified in PPC Funding Plan issued July 15)				
Loans					
Second Quarter					
Grants	50	40	50	50	50
Loans	-	40	33	65	50
Third Quarter					
Grants	65	65	75	75	75
Loans	-	65	60	75	75
May 31					
Grants	80	90	90	90	90
Loans	-	90	90	90	90

1/ Excludes India

3. It should be emphasized that these targets are based on amounts contained in the FY 1976 Congressional Presentation. Regardless of final funding levels, Bureaus are expected to continue design development and review of activities against funding levels contained in the CP.

4. Final obligation targets will be established by Bureau and quarter based on review and approval of a Bureau prepared plan and schedule. In developing this plan, Bureaus are asked to meet or exceed the initial targets set forth above. Deviations from the approved plan may result in reprogramming of funds.

5. Bureaus are to prepare and submit to PPC on August 15 an implementation plan for FY 1976 containing the following information:

   - Planned obligation levels for grants and loans by quarter;

* Activities to be funded from Supporting Assistance are not covered by these targets. However, at the earliest feasible time, NESA will work closely with PPC to establish FY 1976 targets and an implementation plan.

- A schedule for processing, review and approval of all loans, new grant activities and Operational Program Grants; (includes shelf projects)

- A revised estimate of funding requirements for the individual activities contained in the 1976 CP--increases, decreases, fallouts;

- A list of anticipated Section 113 Notifications;

- PPC to provide detailed instructions and format on July 25.

6. PPC is to assemble an Agency-wide implementation plan for FY 1976, based on Bureau submissions by September 15. This plan will contain:

   - Obligation targets for the Agency by Bureau and quarter;

   - An Agency-wide schedule for processing, review and approval of all loans, new grants and Operational Program Grants;

   - A reallocation of FY 1976 CP levels based on revised Bureau estimates of funding requirements for individual activities;

   - A reallocation of FY 1976 CR levels (assuming we are still on a Continuing Resolution) in order to establish allotment levels and priorities during the CR period

7. Bureaus will submit revised implementation plans to PPC on a monthly basis beginning October 31. Regardless of final funding levels, Bureaus are to continue to report on progress regarding development and processing of documentation for the program set forth in the CP.

8. PPC will synopsize these monthly reports for review by the Deputy Administrator and will adjust funding levels to reflect changes in the schedule and in funding requirements for individual activities.

9. In regard to Documentation for the FY 1977 program, the schedule is as follows:

a. PIDs received	June 30, 1975
b. PIDs reviewed and approved	August 15, 1975
c. Submission to OMB	October 1, 1975
d. PRPs received	November 15, 1975
e. PRPs for FY 1977 CP reviewed and approved	December 31, 1975*
f. PPs received, reviewed and approved	per FY 1977 obligation schedule

*It is recognized that the December 31 deadline for review and approval of all PRPs is extremely tight. This deadline is based on a much earlier submission of the 1977 CP to the Congress than has traditionally been necessary and reflects the implications of the schedule contained in the Budget and Impoundment Act. While some flexibility may later be possible, it is essential that we plan and work against this deadline at this time.

FY 1975

Functional Development Assistance
Rate of Obligations in Cumulative Percentages
(In Millions of Dollars)

	First Quarter			Second Quarter			Third Quarter			May 31		
Bureau	Dollar Oblig.	% Annual Avail.	% of C.P.	Dollar Oblig.	% Annual Avail.	% of C.P.	Dollar Oblig.	% Annual Avail.	% of C.P.	Dollar Oblig.	% Annual Avail.	% of C.P.
AFRICA												
Grants	4.1	09	06	19.0	40	26	25.6	54	35	40.1	84	55
Loans	-	-	-	1.4	03	01	1.4	02	01	13.4	24	14
NESA												
Grants	4.2	16	06	6.8	25	11	11.5	43	18	21.9	81	34
Loans				32.0	20	08	70.0	45	18	70.0	45	18
LATIN AMERICA												
Grants	5.2	08	08	26.9	43	40	39.8	64	59	52.9	85	78
Loans	14.0	10	07	70.9	53	35	70.9	53	35	85.6	64	43
EAST ASIA												
Grants	.1	-	01	14.2	59	171	18.2	76	219	21.2	88	55
Loans	-	-	-	41.5	47	-	61.5	70	-	66.5	75	-
TECHNICAL ASSIST.												
Grants	3.1	07	07	22.0	47	51	28.5	61	66	33.3	71	77
POPULATION & HUMANITARIAN												
Grants	7.8	09	11	59.6	72	84	60.4	73	85	65.1	79	92
OTHER INTER-REGIONAL												
Grants	1.0	04	04	3.5	13	14	5.5	20	22	26.2	95	107

TOTAL	Available	Requested in C.P.
Grants	317.2	350.9
Loans	440.2	677.1

Sup A10 to HB 2 (TM 2:7)

Sup 3

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FROM - AID/Washington

SUBJECT - Program and Project Issues in AID's "New Directions" (Including Selective Program Guidance for Fy 1978)

REFERENCE -

OUTLINE

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I. Background: Many specific issues have arisen in implementation of AID's "new directions" on which

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there has been very little general feedback to Missions. This message attempts to correct this situation in part. It deals with these issues as they affect the FY 1978 budget submission as well as project design for FY 1977 and project planning and design after submission of the FY 1978 ABS. Proposals submitted to AID/W will be expected to take account of the project selection and design priorities and issues raised in the subsequent sections and in the Appendix on rural development.

It is important to note that this paper focuses on problems identified in the review process. For this reason there are several major areas of new Agency emphasis which while touched upon are not covered in detail here; these important areas will be the subject of special guidance messages and policy directions in the near future -- e.g., agribusiness and private sector involvement, the urban poor, appropriate technology,analysis guidelines on rural development, and so forth.

It is appropriate that within AID disagreement should exist on how to carry out our "Congressional Mandate", for the problems are complex and fraught with pitfalls. This message looks at the underlying factors which determine what would seem to make most sense for project selection and design under differing circumstances. We do not pretend to know all the questions which should be asked in addressing the difficult task of improving the productivity and welfare of the poor majority, let alone all the answers. Thus, this discussion is part of a continuing effort to evolve successive approximations, rather than clear-cut answers to development problems.

We assume that Missions are already quite familiar with the basic documents relevant to the Agency's "new directions". Moreover, omission of a key area of policy interest (e.g., small farmer production) is not to be taken as an indication of a change in its priority, nor is there any particular relationship between the number of paragraphs devoted to a given subject and its relative priority in funding or allocation of manpower. Similarly, while we are concentrating mainly on project selection and design issues, it should be clear that all of the subjects discussed in this guidance relate to areas of Agency priority, in which we encourage and support selective project development activity.

II. General Issues

A. Alternatives in Program and Project Selection and Design

The Agency has made considerable progress in refocusing programs on the poor majority and in designing projects to reach the

poor more effectively. There are, however, several areas which require increased emphasis.

-- Many proposals have not explored whether a project might have some countervailing negative effects on the poor, and thus do not include design (or project) alternatives to meet this concern. Similarly, for many projects in which benefits for the poor are expected, the proposals do not consider whether a worse distribution of incomes and power may not still occur. In general, activities which have some benefits for the poor, but primarily improve the economic or political situation of upper income groups, are better left to the recipient's own resources or to other sources of external financing.

-- Similarly, in many projects it is necessary to consider whether the factors which prevent benefits from "trickling down" will cause benefits to trickle back up. For example, as mentioned in Section 5 of the Appendix, it is important that policies be set so that rural savings institutions do not end up channeling rural savings needed for agriculture into the cities.

-- We have given insufficient attention to whether a project has the best feasible design, or even is the most appropriate project, to carry out our objectives. For example, it is this question, and not whether the poor benefit, that lies at the heart of disagreement within the Agency about loans based primarily on increasing the supply of imported fertilizer. What we seek in project proposals is informed judgments based on reasonable analysis; we do not need an exhaustive and sophisticated quantitative comparison of alternatives. Clearly where the cost of the best feasible program appears quite high in relation to accomplishment of program objectives, funds should be shifted to other sectors or countries.

-- Since more developed countries tend to be better able to develop the kind of sophisticated projects required to reach the poor majority, particularly strong joint efforts in project development will be required between AID/W and Missions in the poorest LDCs.

B. Building on Agency Experience with the "New Directions"

As we explore relatively new and difficult program areas, with highly limited resources, we should give priority to projects

which have the potential of yielding useful insights on how to assist the poor majority. This implies serious attention to steps to obtain and evaluate information on what is and is not working and why. Building evaluation and flexibility into project design is important, so that feedback can be absorbed as the project evolves. Useful evaluation results are likely to be rejected if they are perceived as threats, rather than as constructive contributions, by project authorities. (One need not look outside of AID itself for examples of the difficulties in having evaluation results affect programs.) This approach also implies careful attention to financial, human resource, institutional and other aspects of replicability (or adaptability). It also implies attention to external linkages so that elements which are in theory replicable in fact get known and replicated (or adapted).

AID/W has heard the message from Missions loud and clear that there are a number of inconsistencies between our exhortation to be innovative and experimental and our procedures, which directly or indirectly discourage risk by asking for dates, amounts of money and substantive questions to be tied down far in advance of beginning the project. We recognize that this is a legitimate problem, and know that Missions recognize the substantive and other reasons for the procedural requirements. Fortunately, many Missions have been fairly successful in carrying out experimental projects in spite of these constraints. Building in the flexibility and reprogramming referred to above as a "formal" part of projects, rather than having them appear apparently unexpectedly, may often be helpful and justifiable. The new arrangements for program development funds (described in the FY 1977 Congressional Presentation) should also be helpful in exploring experimental possibilities.

C. Collaborative Style and Internal Political Constraints

A number of questions have arisen as to how AID reconciles our collaborative style with the mandate's emphasis on sensitive domestic policies, especially given the lack of firm commitment to an equity-based growth strategy in most recipient countries.

In the relatively few years since the emergence of the new poverty-focused view of development, most countries have:

-- a strong rhetorical commitment to placing more emphasis on the poor majority;

-- varying, but usually increasing, pressures from intellectuals, technocrats, competing groups among elites and others -- often including political pressure from the poor themselves -- to turn what initially may have been mere rhetoric into something more; and

-- politically feasible opportunities for significant improvements in the lot of the poor, in at least some sectors or geographical areas.

On the other hand, extremely few countries have the political commitment and land reform that underlie the best-known examples of the new view of development, and some of these examples themselves raise serious questions of human rights.*

Also, there is likely to be substantive resistance from those who suffer the consequences of e.g., relative shifts in strategy (and funding) from higher education to basic rural education or from large-scale to small farmers, when these shifts go beyond relatively painless pilot-projects.

These points and others raised in Agency reviews, have a number of practical implications for AID project development and review:

-- One of the key questions in the program planning process is what are the most significant and feasible steps we can take to encourage more emphasis on -- and efficiency in -- addressing the productivity and other problems of the poor majority. In many situations the most scope may be at the local level; in others, this may be where there is the most entrenched opposition

---

* We do not yet know enough about how much change can occur on such basic issues as land reform or elimination of distortions in factor prices without a strong preexisting political will (or external intervention in the case of some successful land reforms), or without a fairly authoritarian central government structure. We know that there are no "quick fixes", no set of institutions and programs borrowed from the "success" cases which can be mechanically applied in different political and socio-economic environments to produce the same results. On the other hand, evidence of gradual and partial improvements in the lot of the poor in countries with a wide range of political and economic "systems" clearly contradicts the view of some that political and social obstacles are so pervasive that nothing can be done without very radical political change.

to changes in the status quo. Such questions cannot be answered on the basis of global Agency policies, but must be analyzed and judged by those familiar with the particular country situations.

-- With very few exceptions there is a reasonable degree of overlap between AID's Congressional mandate and the priorities of recipient countries; thus, it is consistent with the collaborative style for AID not to fund activities to which the country gives priority but which fall outside our priorities.

-- Similarly, it is unnecessary, as well as undesirable, to attempt to force recipients to take steps they are strongly opposed to in order to carry out our new directions; such efforts produce more friction than long-term positive results. Given the inherent political and other difficulties in addressing the problems of the poor majority, it is even more necessary for assistance to be carried out in a collaborative manner if it is to have a lasting impact.

-- While donors cannot provide political will, they can do much to help countries move further and faster, through relaxation of constraints on development and implementation of improved programs and policies. By helping to develop and demonstrate viable and replicable models and by sponsoring relevant studies and research -- preferably carried out by competent and influential local analysts -- there can also be a positive impact on building the political will required to take more difficult steps to help the poor majority.

-- Insufficient understanding of political constraints can lead to inadequate project design, or project failure. For example, shifts in priorities of health or education programs to favor the poor majority are much likelier to succeed if they attempt to involve or generate support from politically significant elements in the government and private sector.

-- Premature assumption that political constraints are binding can lead to a number of problems, including: not asking important questions in analysis (like whether there are feasible steps that can assist the landless); projects which address relatively marginal problems, often at quite high cost for what is being accomplished; projects which serve as mere tokens or palliatives and which can have a long-run negative effect; and even projects which may serve primarily to solidify the political or economic position of local elites or repressive governments. As an example of this last point, a political

scientist consultant who recently urged support for a major decentralization effort had forcefully argued against decentralization in that same country before a recent change in government.

-- Virtually all other donors are developing policies which are consistent with AID's new directions. Closer coordination with multilateral donors in the field and, through AID/W, with their head offices can not only help improve programs in individual countries but can assist the other donors in the difficult tasks they are facing in implementing their own new directions.

D. Participation

The Agency's July 1975 Report to the HIRC points out that the term "participation" covers a broad range -- from participation as a beneficiary of development programs through participation in decision making about programs. There is a healthy debate within the Agency about the applicability of some definitions of the term to particular situations, how it can be used operationally in given projects, whether it is an objective per se or a means to an end, etc. TAB is in the process of contracting for a working paper from the Cornell Center for Rural Development to help clarify some of the issues and prospects.

There are a number of points, though, on which there is fairly clear, operationally useful evidence which shows that the importance, and cost effectiveness, of participation goes far beyond simply the beneficiary concept:

-- We now have evidence, e.g., from nutritionalists and from IRRI scientists, that intended program beneficiaires have sometimes been right to reject the advice outside experts have offered. At a minimum it is important to find out from the intended beneficiaries their thoughts on the problems to be addressed and their reactions to the changes they are being asked to make. For example, there are serious questions about the conditions under which it pays to apply fertilizer to coarse grains in East Africa; AID has urged -- in projects funded jointly with the World Bank -- that project design include feedback from farmers, and not just from demonstration plots, about why they do or do not use fertilizer, the yields they get, etc.

-- Recent comparative analyses have strongly supported the view that effective participation in local-level project decisions is one of the most important determinants of success of rural development activities.

-- Individuals or groups are more likely to change their behavior if they feel some "ownership" (or, in AID terms, participation) in the decisions and implementation plans. This would apply, for example, to use of new seeds or credit by farmers, and to desired changes in community and family health and family planning practices.

-- Participation, in the sense of individual membership in relatively democratic local organizations with some decision-making responsibilities, has characterized many of the best known development examples, cutting across a broad range of political ideologies.

It is, of course, easy to carry our new emphasis on participation too far, forgetting that like any other aspect of the development process, it is far from a panacea. It will not substitute for the need for profitable technologies, appropriate policies, etc.; and participation in institutions in local areas must be combined with effective links that relate rural areas to the political centers which allocate resources and control services. Otherwise, there is the danger of lapsing into what has been referred to as "the old community development fallacy".

E. Human Rights and the Role of Women in Development

As Missions are aware, the Administrator and the Congress have directed that AID give more explicit attention in its programs to human rights and the role of women in development. Insofar as AID-supported programs actually promote and support opportunities for the poor, and of poor women, to improve their economic and social condition, they serve these objectives. But the rhetoric and stated aims of an activity do not always tell what is actually happening in its implementation; it is important that we give close attention to social analysis and to implementation so that design and execution actually assure the objectives are met. As mentioned in the previous section, in some cases governments can use otherwise desirable steps, such as encouragement of seemingly participative institutions, in ways quite inconsistent with our human rights objectives.

Clearly, AID does not have a solution to human rights problems of the world, and we must watch out for sensitivities if we hope to maintain a constructive relationship with the countries to which USAIDs are accredited. But we share in a worldwide concern that economic development not become a device or an excuse to undermine human rights. There are, in fact, many opportunities for AID to be helpful on human rights related matters. For example, negotiations on one proposed irrigation loan last year emphasized the need for adequate local law and policy to assure the access of all citizens to project benefits. Similarly, the decision-making and consultation aspects of "participation" are quite relevant to our concerns about human rights. According to responses to AIDTO CIRC A687, some governments and private groups also need and want help for activities intended to assist the poor people to exercise and protect their rights. These reports also indicate that if regional and international activities, including conferences and studies, are not seen as attacks on particular governments, they may be one of the best means for encouraging better human rights environments within the countries.

There are thus two aspects of AID's human rights initiative: better analysis, design, and follow-up on AID supported projects and programs, in order to assure that their human rights impact is beneficial; and support for activities that have a specific human rights objective. Regarding the latter, the Administrator has suggested that we give special attention to programs designed to help the poor to have effective access to the rights and protections which are provided for them under law and under development programs; sponsorship of studies and conferences regarding human rights problems and their relationship to development; and support for programs of international and regional organizations that are concerned about human rights and development.

The status and role of women is an important human rights matter, and USAIDs have shown growing initiative and sensitivity to this important development concern. But we have, for understandable reasons, found it easier to develop projects that specifically focus on women than to take the more difficult

step of integrating our concerns about the role of women into the planning and implementation of programs in rural development, health and education. In particular, some projects have not taken adequate account (in such areas as agricultural extension or the structure of local institutions) of the existing or potential role of women as decision-makers, communicators and implementers. To do so, requires sophisticated and sensitive attention to the opportunities and constraints posed by ethnic, regional, class and legal factors.

III. Sectoral Issues

A. Rural Development

Increased small farmer production is a necessary condition for broad-based rural development because of its importance in increasing incomes and supplies of food and other crops, and of its strong effect on other aspects of rural development (such as growth in off-farm jobs). Also, changes in technology or cropping pattern are generally a necessary (but not sufficient) condition for increases in small-farmer production. Recent comparative evaluations have shown that insufficient attention to the actual profitability of proposed technologies (cropping patterns) is among the most common

causes of failure of rural development projects. However, rural development is clearly much more than just small-farmer technologies and production per se. Some specific high-priority rural development activities -- such as land reform, rural industry and agribusiness (processing, marketing, etc.), and small farmer organizations -- are discussed in the Appendix; the subsequent sections on health, education and intermediate technology are also relevant to rural development.

The obvious issue this raises is how countries and Missions working with them can approach the problem of sorting out priorities, phasing, and combinations of possible rural development interventions. Resources of all kinds are too scarce to permit doing much more than a small fraction of what is needed in any given geographic area, or in the country as a whole. Since there are such wide variations among, and within, countries, our discussion must be limited to questions rather than answers and to fairly broad generalizations. Analytic guidelines for design of rural development activities are being prepared for distribution in draft to the field by June.

The term "integrated rural development" has become quite popular recently, although it is used to mean a variety of different things. The main analytic point underlying the concept of "integration" is whether the system of factors affecting the rural poor are integrated, in the sense that needed services/goods/incentives jobs/etc. are available on a timely and efficient basis. It is not necessary -- and generally proves to be impossible -- for all these services/etc. to be provided under the same "integrated rural development project" (or "IRDP"). Rather, there should be an integrated analysis of requirements, with scarce financial, manpower and other project resources being allocated to the highest priorities (in terms of direct effects and positive forward and backward linkages) among those needs which are not being handled by the private sector or other, non-integrated, institutions. Further, one important aspect of integration could be the encouragement of private business, cooperative, voluntary agency, or other activity to handle needs that otherwise would have to be met directly by project activities. (For example, the Bicol project in the Philippines has fairly extensive plans to encourage private agribusiness for some functions, and co-ops for others, as well as to carry out a number of activities directly.) As the recent literature on rural development and the experience of many AID officers clearly indicates, IRDPs which try to take on too many functions at once tend to do rather poorly.

IRDPs are generally thought of as area-specific projects under a single project authority. However, integration can occur at various levels. For example, the "minimum package program" is a central government program which provides an integrated package (including seeds, other inputs, and sometimes even roads) in various parts of Ethiopia. The "Provincial Development Assistance

Project" in the Philippines includes among its objectives integrated planning - including rural roads, agriculture, etc. - at the province level. And one of the most important functions of national-level authorities is integration of price and other policies, research, supplies of imported inputs, and encouragement and supervision of regional and local institutions.

Similarly, it should not be assumed that area-specific projects are "bottom-up" and participative in their approach and that national programs are "top down", although this is often the case. Many area-specific IRDP's are in fact highly directive. And while we do not usually think of it in this way, government programs which rely on price incentives and the market offer a good deal of scope for participation -- in both the beneficiary and decision-making senses -- by the individual small producer. Also, if a participative "bottom-up" approach is to become a general pattern of rural development in a given country, there will obviously be a need for technical and financial support from central ministries.

Prospects and project design issues for area-specific IRDP's are discussed in Section 8 of the Appendix.

The best feasible "answers" to such questions for a given country or potential AID project should come from an in-depth analysis of the particular situation. In principle, AID supports both technical and capital assistance to the various types of integrated projects or programs discussed above, as indicated by such analysis. We also support technical assistance to governments in helping to analyze policies, priorities, phasing and other such questions and in helping to move from analysis to implementation. It should be evident that we do not necessarily mean technical assistance for complex mathematical models -- although they may be helpful in a number of situations -- since only some among the relevant questions to be considered would lend themselves to sophisticated mathematical treatment.

B. Integrated Approach to Health, Population and Nutrition

Rapid population growth, malnutrition especially among children, major environmental hazards such as contaminated water, and the absence of effective, acceptable, accessible and affordable health/nutrition/family planning (H/N/FP) services combine to contribute considerably to the misery of the poor. Recent messages have stressed our view that LDCs and donors are making headway in developing a promising new approach to these related problems -- one that offers greater efficiency and impact by treating the problems jointly. This "low cost integrated health, nutrition, and family planning services" approach can pay off in at least modest benefits for the poor even in hard to reach rural areas. (See particularly A-230 of April, 1974). Secretary Kissinger focused additional attention on this approach in his speech

at the 7th Special Session of the UN General Assembly last September. In addition, AID's authorizing legislation instructs the Agency to give high priority to helping establish such integrated services.

The basic problem we face is to plan programs that will affect the health and fertility of the poor majority while keeping program costs affordable to the LDC, which must in the longer run bear the bulk of those costs. The idea is to provide simple services with a low per capita cost that the poor majority can use effectively to improve their own health and limit fertility. The key to success seems to be in motivating and involving the poor (individually and in "participative" community action) in improving their own health and reducing the birth rate; this approach is consistent with, but broader than, the growing emphasis on prevention rather than cure. There may be differing degrees of priority assigned to reaching various groups within the poor majority (such as pre-school children and pregnant and lactating mothers in nutrition and fertile-age couples in family planning), but for developmental, humanitarian and practical political reasons, strategies in this area must in the longer run take account of the needs of the poor majority as a whole.

Integrated delivery of health, nutrition, and population services through one organization is one means of affecting the health and fertility of many. Integrated delivery of services -- whether at the village, hospital or national level -- permits doubling up the uses of one organizational system, hopefully saving time (of staff and "consumers") and money. It may make family planning generally more attractive by providing it along with other services. It emphasizes to parents that their existing childrens' health will be protected and so helps reduce the need they may feel for "extra" children to insure against the death of some. Also, integration at the household level -- having a trusted neighbor, particularly a woman, provide advice and services in both health and family planning to others who know and respect her -- may ease the way for parents to accept both kinds of services. We believe that all countries should consider, as soon as feasible, providing some minimum level of primary health care to the bulk of the poor majority. Such care should be integrated -- in the sense of including nutrition, family planning assistance. (As discussed below, this does not mean that there should not be other nutrition and family planning activities as well.)

But integration of services means more than integrated delivery of services through one organizational "infrastructure" or ministry, valuable though it is. It also means a broader concept of integration, i.e., integrated planning and programming of all significantly relevant development efforts to achieve the maximum impact on health and fertility at lowest cost. This sort of integrated planning should consider not only the organizationally integrated

services we have discussed but also other measures (under other ministries or in the private sector) that may substantially affect health and fertility.

For example, the private sector may concurrently deliver services or supply commodities; other programs may improve sanitation, provide clean water or eradicate disease vectors; and family planning and nutrition strategies may include a number of elements which operate outside the single "infrastructure". Programs to educate or improve the status of women may work indirectly but effectively to improve health and fertility. Rural development programs, by increasing food supplies and incomes, can have a major impact and can, as appropriate, include H/N/FP components.

Ideally, these programs should all be coordinated to maximize their impact on the H/N/FP as well as other objectives. In practice it will be necessary to focus primarily on just a few types of programs to keep within management and other constraints and to prevent the integrated planning from becoming more than just a paper exercise. Still, there should be room in any integrated strategy to allow, at a minimum, lobbying and supportive analysis in other related sectors, so that H/N/FP needs are taken into account.

While it is admittedly difficult to quantify the comparative costs and benefits of such programs, modern analytic techniques can help identify the major programs most likely to have maximum impact. Experienced judgments will of course continue to be the basis for many decisions on the most promising mix. This mix will vary to fit local budgets, politics, and other circumstances, including larger or smaller components of lower-level integrated or single-purpose programs, etc.

What we (and WHO and an increasing number of LDCs) are advocating could significantly reduce costs per person reached. But moving from covering a small percentage of the poor majority to covering most of it will clearly cost more money.

This reemphasizes the need to keep per capita costs within limits the LDC can afford in the longer run (when aid funding for that program is no longer available); to shift priorities within health budgets toward the poor majority (which does not require the usually politically impracticable step of actually cutting back on existing hospitals or other intensive health care facilities); and to mobilize local resources to the extent possible. Local resources could be mobilized through such means as use of local volunteers or part-time paid workers, and steps to get the private sector

(including "traditional practitioners") to play a more active role in reaching program objectives. Local taxation or payment for some services also deserve consideration where sufficient government financing for an adequate level of services is not feasible, although taxation is likely to be difficult to implement and payment for services raises difficult equity problems.

Wherever relevant, Missions should give priority attention to collaborating with LDCs in developing or expanding integrated H/N/FP services -- in either the "single infrastructure" or broader planning senses. Although at least a dozen projects underway have the purpose of establishing integrated delivery of services through one infrastructure, the effort remains highly experimental and the results uncertain; we need considerable additional effort to determine what approaches work best under different circumstances. Some of the more interesting examples of projects, on which AID/W can provide more information, are those in Indonesia, Tanzania, El Salvador, and the DEIDS project in Thailand. Regarding integrated planning, the Agency has had very little experience, but we are anxious to encourage innovative efforts to move in this direction.

Project possibilities relating to either definition of integration (or both) can cover a broad range -- from technical assistance and support simply for studies, through loan or grant projects also covering such things as training of paramedics and pilot projects, to large-scale financing to accelerate expansion and improvement of major recipient programs. In the latter case (which could be considered analagous to large-scale financing for expansion of agricultural credit or irrigation programs), we would expect project analysis to show how the recipient could in the longer run finance ongoing operating costs. However, we would not insist, a priori, on exclusion of operating costs (salaries, etc.) from AID financing, since we wish to avoid introducing biases in favor of unnecessary buildings at the expense of useful staff expansion.

To move toward integrated planning, we would welcome projects designed to strengthen institutional capacity for planning, evaluation, and operational research. We would also welcome research projects that explore some of the effects of health, family planning, and nutrition programs (and other development programs) on health status, fertility, desired family size, and the willingness to adopt new family planning services, eating habits, modern medicine, etc. We do not mean to suggest that further high-cost pilot projects covering small areas be set up for this purpose, but we do wish to encourage innovative low-cost pilot or operational programs, particularly those aimed at increasing the demand for family planning services.

AID/W general policy on funding of integrated projects of either kind discussed here is proportionate sharing between population and health. Application of this policy to either kind of integration will in most cases require case by case review of how the grey area between the two should be allocated.

C. Education and Human Resources

AID's legislation calls on us to develop programs in the education and human resources development (EHRD) area, in both non-formal and formal education, which are responsive to the priority learning needs of the poor majority. As discussed in AIDTO-90 of February 18, 1976, analysis of the key learning needs of the poor majority and choice of priority groups for EHRD activities derives from analysis of the problems of the poor majority. Missions should find the issues discussed in AIDTO-90 helpful in analysis of project selection and design; that airgram becomes a part of Handbook 3 and of the AID/W program and project review process.

There has been active debate within the Agency about the relative merits of formal vs. non-formal education. Differences remain, but a consensus is emerging which recognizes that:

-- the distinction between "formal" and "non-formal" has at times generated more heat than light, and is in any event a bit fuzzy; but there is relatively little disagreement about the need to develop alternatives to formal education, as currently structured, whether these alternatives are "non-formal", "formal" or "mixed";

-- formal primary (basic) education is important and has major benefits for the poor majority (e.g., in terms of literacy, analytic skills, and broader societal goals);

-- AID has a useful role to play in formal primary education, particularly in supporting innovational approaches to increased access, greater relevance to development needs, and expansion into broader community education efforts (i.e., involvement of the formal system in non-formal education);

-- formal primary education, even with innovations and changes in structure, cannot by itself meet the learning needs of the poor majority, particularly in the poor LDCs;

-- progress in project development in non-formal education, particularly of large-scale projects, has lagged behind that in formal education; we should make particular efforts to overcome the problems which have impeded the pace of project development in this area.

In assistance to formal primary education we wish to give particular emphasis to "R&D" kinds of activities which develop, for broad scale use, alternatives to "linear" expansion of the formal system, as it is currently structured. For example, suggestions from various Bureaus for promising areas for further investigation, include varying the length of the basic part of the primary school cycle; increasing or decreasing the length of the school year; and provision of formal primary education for adolescents or others who missed out when they were younger. There are also useful opportunities for assistance to develop innovations in better analysis and management, improved teaching methods, and more practical curricula. Rapid expansion of access to education raises obvious problems of maintaining and improving quality, which may be addressed through changes in teacher training or the use of radio or other communications media.

Although we certainly do not rule out assistance at other levels of formal education, where analysis shows them to be particularly relevant to the needs of the poor majority (e.g., reorienting the research and teaching program of an agriculture or health faculty toward the needs of the poor majority), we do not assume that improvement at higher education levels will automatically "trickle down" for the benefit of the poor majority. In most AID recipient countries, not only is basic primary education the only type of formal education which can be provided for the majority of the poor in the foreseeable future, but (with some exceptions) it has been underemphasized in relation to higher education levels.

Project development in the relatively new area of non-formal education has understandably tended to lag behind that in formal education. But there are several reasons -- in addition to legislative direction -- why AID should be giving particular emphasis to the development of non-formal and other education activities which provide alternatives to formal education as currently structured.

Within the poor majority there are a number of priority groups which the formal system, as presently structured, cannot reach. The likely rate of expansion of formal primary education is going to leave many school age children untouched for a long time to come, and there are large numbers of adolescents and adults who have the motivation to acquire knowledge and skills related to improving their incomes and to other development objectives.

Not all non-formal education is per se cost-effective or even aimed at the poor majority. But experience indicates that non-formal (and other "alternative") education programs can be developed -- often at a relatively modest cost (in terms of demand for scarce

highly-skilled manpower or need for physical facilities) -- specifically to address particular groups and particular sets of learning needs of the poor majority. For instance, non-formal education programs can usefully be targeted specifically on the role of women in the rural economy (in a given area).

Non-formal education can also assist directly and indirectly in encouraging greater participation in agriculture, health and family planning, and other programs.

We believe there is an important role for AID and other donors to play in financing operational programs (as well as analyses and pilot projects) in non-formal education, so that its use and knowledge of its prospects, problems and limitations can become more widespread.

In the selection, design and evaluation of non-formal education activities, it is important to consider the context of the broader development purposes they serve. Non-formal education clearly will not solve the problems, such as lack of a profitable technology, that tend to hamper rural development projects (as the extensive efforts at "social education" in community development programs in India and elsewhere indicate). Similarly, although it can make a significant contribution to improving job-related skills, it can do very little to increase the demand for particular skills by employers. It can encourage and capitalize on the motivation to acquire literacy or other development skills, but if people do not perceive the skills being taught as fairly important to them, the programs are likely to fail.

Non-formal education activities can be incorporated in other development activities, (e.g. in agriculture, health and family planning,) or they can be conducted separately. Instructional support and training staff can, for example, be incorporated in a rural development project, to design and implement short term training courses in irrigation techniques or managing cooperatives. The line between agricultural extension activities and non-formal education in agriculture is obviously hard to draw. We are more concerned whether the communications and related non-formal education skills are employed in rural development, as appropriate, than whether a given activity is classified as non-formal education or as rural development.

Separate non-formal education activities might involve support for institutions which provide "back-stopping" and encouragement for a range of non-formal education activities, nationally or in a given area. The Basic Village Education project in Guatemala, for example, started as a highly controlled experiment on the relative effectiveness of different treatments using radio, printed materials and monitors to change the knowledge, attitudes and practices of illiterate ladinos and Indians. It has become

a source of expertise in communication with the rural poor for several ministries and will serve as a base for the new country-wide non-formal rural adult education program. Other examples of fairly successful broad-scale non-formal education are found in Tanzania, Kenya, and Colombia. AID/W can provide information on these. Institutions of this type could also provide funding (perhaps on a matching basis) and technical assistance to encourage non-formal education activities to be undertaken by local communities, voluntary agencies, participatory organizations, or industrial firms.

Another promising innovation is the Community Education Center, which provides facilities for both formal and non-formal education programs, recreation and social activities, and community development projects. The use of the facilities is maximized through close coordination and, to the degree possible, integration of the various programs. The core of the community education center is a learning resources type of library which offers a wide range of teaching/learning materials and services for different learning objectives, methods, learning styles, age and experience levels, etc. This innovation has been developed to a very high degree in England and Wales. It is currently being adapted for use in Tanzania and in Bolivia, where it shows promise for increasing relevance, broad access, and low costs per user.

AID/W can also provide direct-hire or contract assistance to help Missions develop preliminary ideas in developing non-formal and other "alternative" education programs. Experience indicates that Missions may have to take a fairly active lead in working with non-formal education consultants, in order to help link the tools and techniques they can provide to priority learning needs of major Mission and host government programs.

As Missions are aware, Development Administration is included in our authorization legislation under Section 105, "Education and Human Resources". Last year the Administrator's Advisory Council endorsed recommendations of the AID Work Group on Management Improvement and Development Administration that increased attention be given to program design to improving local management capabilities as an explicit dimension of sector development activities. More generalized management training or other programs may also, in some situations, be of high priority in helping countries which wish to shift toward greater emphasis in government programs toward the problems of the poor majority. Assistance in this area might consist of a Mandate-related general participant training project (as several Missions already have) for those who can play a particularly useful role in the country's response to its poor majority, but whose training does not fall within other Mission projects. Another possibility might be Mandate-related advisory services to one or more government institutions, such as a planning ministry.

D. Appropriate Technology

Section 107 of the Foreign Assistance Bill states that AID may use up to $20 million between FY 1976 and 78 to finance an "expanded and coordinated private effort to promote the development and dissemination of intermediate technologies." Section 107 is aimed at stimulating U.S. private groups to interact with LDC governments and private groups. However, Congress has also made clear that it feels AID should give more attention to intermediate technology in its regular programs.

As required by the legislation, an Agency group is preparing a "detailed proposal" for implementing Section 107 for submission to the Congress by June 30. We are hence at an early stage of planning for intermediate technology. At this juncture, we can affirm the Agency's commitment to intermediate technology as a direct complement to our efforts in rural development and employment creation and strongly urge steps to incorporate intermediate technology considerations into existing or proposed projects, as appropriate, in rural development and other sectors. As soon as the analysis has been completed and decisions taken, we will provide operational guidelines for priorities within this field. These guidelines will clarify, inter alia, which types of projects are expected to be carried out (and funded) primarily through private U.S. intermediaries and which by Missions. In the interim, we urge Missions to investigate needs and project possibilities in this area.

Some of the sophisticated technologies developed in the U.S. also have application in developing countries and are, in effect, "appropriate technologies" for particular tasks. For example, under AID projects, satellites and computers have been used to help plan agricultural programs which are carried out by traditional or intermediate technologies. The Agency has a number of relevant projects in the science and technology area, and others, on which separate messages will be sent, are under development.

IV. Concluding Note:

We hope Missions have found this message to be operationally applicable and to strike an appropriate balance between our desire to take an open approach and the need to identify and address program and project issues in a relatively rigorous manner. We would welcome reactions (suggestions, criticisms, examples) from Missions - or from government officials, non-government analysts, or other-donor staff with whom you are working - on the issues raised here; these reactions should be channeled through your Regional Bureaus.

APPENDIX

Rural Development

1. Land Tenure

Our emphasis on the poor majority reinforces the conclusions reached in the 1970 Spring Review of Land Reform concerning the importance of tenurial reform, its consistency with long-run rapid growth in agricultural output, and, unfortunately, the political and other barriers which impede its implementation. In a large number of recipient countries, with relatively unequal land distribution and a low-productivity agricultural labor force growing too rapidly to be absorbed in productive jobs outside agriculture, land reform may be one of the key steps required if there are to be enough jobs for the rural poor. In some countries or areas where there is a high degree of insecure tenancy, even "scale-neutral" improved technologies can lead to large-scale displacement of tenants. In other countries, particularly Africa, traditional communal tenure relationships in their present form may be incompatible with more productive crop and livestock systems. Thus, although land reform is far from a panacea, we wish to place renewed priority on assistance in land reform and other improvements in land tenure.

Assistance could include technical assistance, training, research, and funding of new or expanded programs in such areas as land-reform (and related) institutions and cadastral surveys. It could also include funding required for land improvements on "reformed" land, or for credit to the "new" cultivators. In addition, under some circumstances, consideration could be given to financing guarantee programs which would accelerate the process of land acquisition and distribution. Because of AID resource constraints, this would be relevant only where there was a substantial "multiplier" between the aid input and the value of the increase in land acquisition and distribution that the aid input would allow. AID/W can provide interested Missions with information on projects which indicate prospects and problems of this type of assistance. Finally AID should be prepared to support reforms of traditional communal tenure systems which provide more adequate production incentives but retain some of the equity advantages of communal ownership or control. (This is not to imply that all traditional joint land-holding systems are equitable.)

Donor support clearly cannot substitute for the political will required to carry out land reform, and cannot turn a "paper" or token program into something real. AID involvement in such a "paper" reform effort may be less desirable than no involvement at all. But in the right circumstances we may be able to help governments accomplish something closer to the maximum of what is politically feasible and can help strengthen the hand of those urging stronger action and a stronger political commitment.

2. Agricultural Research

Although national and international investment in agriculture has increased markedly in the past decade, only a small fraction of the small farmers in most LDCs have gained access to technology sufficiently profitable to enable large increases in incomes. Accelerating this process will require continued rapid expansion of investment in agricultural research. The development of international agricultural research efforts has highlighted the need to enhance research capabilities at the national level, particularly since it is becoming clear that countries without a significant capacity to do research indigenously also lack the capacity to do the necessary adaptive and "trouble shooting" work required to benefit from research done elsewhere. Recent economic analyses in a wide range of countries indicate unusually high rates of return to agricultural research. We intend to increase the level of our financial and technical assistance for agricultural research activities.

There are, of course, not separate research systems for big and small farmers. But in many instances national research programs have not given sufficient emphasis to the particular needs of the farmer. Concern in agricultural research for small farmers, and for the rural poor in general, would relate to factors such as crops small farmers tend to concentrate on for staple foods and cash crops; the effect of risk, poor water control, etc., on choices among varieties and cropping practices; and labor intensity in production and processing.

Assuring that small farmers benefit from improved technologies appears to require a number of steps related to the research process, including the following:

-- Concerns for the needs of small farmers should be built into planning of research priorities and programs, staffing, etc.

-- Research should cover alternate crops and cropping patterns, as well as alternate technologies for production of given crops, as these can be very important in increasing small farmer incomes.

-- There should be emphasis on farm level, as well as crop level research. At the AID regional conferences on rural development at CIAT and IRRI the point was strongly made that field level research can help reduce the instances when seemingly profitable technologies are rejected by farmers. Sometimes riskiness or socio-cultural problems are uncovered; at other times what is uncovered may be "bugs" (figuratively or literally) in the recommended technology or farm practices.

-- To supplement crop and farm-level research per se, there should be feedback from the small farmer to the research institution. This should be done both through small-farmer organizations, who can also serve as a useful "constituency" for research, and through sample surveys covering technical, economic and other relevant factors.

-- There also need to be close "linkages" between research institutions and the extension services and other major channels of communication for new technologies. AID has had a good deal of experience over the years with research or extension projects with poor linkages which have resulted in less than full-fledged promotion of promising research results or even in substantial differences in recommendations between research and extension organizations. (Naturally, the flow of information should be two-way here as well.)

This list of factors related to the utility of research is, of course, meant to complement rather than substitute for the basic emphasis in research on agricultural and related sciences.

3. Cooperatives and Other Small Farmer Organizations

Cooperatives (and cooperative-like small farmer organizations) are critical to the effort to reach small farmers and bring them more fully into the national economy. They help to increase economic incentives for small farmers by buying inputs and selling production at more favorable prices than individual small farmers could obtain; they can also provide a stimulus for mobilization of local resources, and contribute significantly to increased political, social and economic participation in development. Other, simpler, small farmer organizations, such as

water users' associations or spontaneous farmer groupings can also play a useful, although more limited role and may serve as the starting point for cooperatives or other more complex institutions.

Past experience indicates that there are a number of problems which must be faced in project design and selection if small farmer organizations are to contribute fully to achieving the dual goals of equity and efficiency. Perhaps the most pervasive problem affecting the equity goal has been the tendency for larger farmers and local elites to dominate and control small farmer organizations and their decisions. There have also been operational problems of management, particularly at the local level, and of finding the optimum balance between local control and initiative and the efficiencies of regional and national operations.

The latter two problem areas have always received a good deal of attention in AID cooperative projects, and should continue to do so. Problem areas such as the first (which relate to the fit between small farmer organizations and their social and economic environment rather than questions of internal organization) have received less attention. It is important to develop a better understanding of the impact of various interest groups on small farmer programs, to consider whether special measures will be necessary to assure that the benefits of small farmer programs actually reach small farmers, and to determine which measures are likely to be effective and politically feasible in any given circumstance. A few of the more obvious possibilities are: reducing or eliminating subsidies (on e.g., credit) provided by the program (to reduce the large farmers' incentive to try to control the program to get these subsidies for themselves); putting upper limits on levels of services available to each farmer; restricting membership to a landholding size which excludes the large farmer; improvements in organization, training, auditing, etc., to place more emphasis on small farmers; and, in area-specific projects, using outside supervision -- from a voluntary agency, a government ministry, the national or regional headquarters of a coop, etc., as appropriate -- to see to it that participation in decision making and allocation of resources remains equitable. Each of these measures has been successfully utilized under some circumstances. On the other hand each has costs as well as benefits, which must be evaluated in the context of the particular situation. For

example, excluding larger farmers from a coop may deprive the coop of management capability and of useful external linkages, as well as reducing its buying/selling power.

We wish to encourage Missions to give increased or continuing attention to support for development of cooperative and other small farmer organizations, taking the above issues into account. Section 111 of the Foreign Assistance Act states that "high priority shall be given to increasing the use of funds made available under this Act for assistance in the development of cooperatives in the less developed countries ...", and earmarks $20 million for technical assistance to cooperatives in FY 1976 and FY 1977. These funds will be available to finance the development of cooperatives in the LDCs, including the services of U.S. cooperative contractors, whose analytical, design and evaluation capabilities are being strengthened under a series of AID Development Program Grants (DPGs). AID has also provided the U.S. cooperatives with a secretariat, the Cooperative Resource Committee, which should facilitate communications between U.S. cooperatives and LDC cooperatives and government agencies, and between cooperative contractors and Missions. Additionally, AID, U.S. and LDC cooperatives, and representatives of the academic community are meeting under the aegis of the Agricultural Development Council to get a better picture of the role U.S. cooperatives can play in helping small farmers. We expect this series of meetings to result in intermittent papers concerning specific aspects of the role and development of cooperatives, which will hopefully be useful in ongoing Mission project selection and design. In addition, a general paper will be produced, distilling the results of this activity when it is completed, about a year from now.

4. Landless Labor and the Rural Poorest

Donors and recipients have a good deal of difficulty in finding cost-effective ways to reach small farmers; but we clearly have much more to work from in the small farmer area, in terms of technologies and experience, than we do in dealing with landless labor, or more broadly, with what one might call the "rural poorest". (The "rural poorest" would also include farmers with very little land, poor artisans, etc.). In some countries the absolute incomes as well as the relative income share of the poorest quarter or so of the population have declined over the past decade; this has occurred in spite of

sometimes significant growth in average per capita income. The problem is, essentially, that new jobs are not being created as fast as the population (labor force) is rising. In poorer LDCs, and among the poorest within LDCs, this results not so much in open unemployment (nor, usually, in having only part-time work), but in low-productivity work, in apparently "inefficient" work - and thus income - sharing practices, and in wages which do not keep up with inflation.

A number of sections of this message are relevant to the need for faster growth in jobs, including the sections on rural industry and agribusiness, land reform, and intermediate technology. The purpose of raising it here is to encourage Missions to develop projects which both analyze the problems of the landless and which in some significant manner address these problems. In addition to project ideas mentioned in other sections, consideration might be given to:

-- Finding out who the rural poorest are, what their major problems are, what causes these problems, what current trends in the prospects and problems of the rural poorest are, etc. This can then serve as a basis for evaluation of and mobilization of support for specific programs;

-- Rural public works programs. These programs, while promising in many circumstances, tend to raise serious design problems. For example, evaluations have shown that roads or irrigation projects tend to be located so as to benefit primarily larger farmers, thus exacerbating income inequalities. There have also been problems with corruption and technical and other problems. Nevertheless, rural public works programs tend to have substantial employment benefits and can potentially be implemented to improve rather than worsen the relative economic and political position of the poor. A paper covering program design issues is being completed by a contractor (Harvard Institute for International Development) and will be pouched to Missions in the next few weeks;

-- Making existing government programs more labor intensive. In particular, where consideration is being given to rural public works programs in areas where there are also other fairly large-scale infrastructure programs being carried out, it might make sense to consider the economic, administrative and management

feasibility of making the existing programs more labor intensive, as this could get around some of the major problems of rural public works programs;

-- Using PL 480, Titles I and II, as direct or indirect support for labor intensive development programs, (as well as for improving the nutrition of the lowest income groups). Separate program and budget guidance on PL 480 Title I will follow shortly.

-- There are also a number of implications for research, policies and programs within the agriculture area. For example, crop mix and farm technology patterns could be adjusted (through research, extension and price incentives) to increase demand for hired labor. To take an extreme example, experiments are going on in the Philippines and elsewhere with a method of irrigated rice cultivation in which fields are divided into small plots, each at slightly different phases of the crop cycle. Using very short-duration varieties, the net result is a high and nearly continuous demand for labor and very high cropping intensity and annual yield per acre, all with no mechanization other than for irrigation. Intercropping and changes in cropping patterns can yield much less spectacular, but perhaps more widely applicable, increases in labor intensity. Similarly, price and other policies relating to farm mechanization could be reevaluated to take account of the cost to society of the plight of the rural poorest; in some circumstances, not only should direct and indirect subsidies on farm mechanization be removed, but consideration should be given to taxes to reflect the social cost of labor displacement. (This is not to say that mechanization does not often add to the demand for labor when it results in increased cropping intensity.) See "The Impact of Agricultural Mechanization on Employment and Food Production", TAB/AGR/ESP "Occasional Paper No. 1" for an excellent and balanced treatment of this subject.

It is, unfortunately, much easier to launch labor intensive programs than it is to have a sufficient impact so as to improve the absolute (or preferably relative) position of the bottom few deciles of the rural income distribution. As discussed in the land reform section, redistribution of land may be a necessary (although by no means sufficient) aspect of improving their lot. Attention should also be given to the health/family planning/nutrition and human resource development needs of the landless; there are many steps in these areas which do not depend on prior improvements in incomes (although prior

improvements in incomes certainly increase the economic returns to health and human resource programs.) "Integrated" health programs can improve the welfare of the landless (as well as others using rural primary health facilities), can contribute to their ability to work and, in the case of nutrition programs, can perhaps contribute to the mental development of their children. Human resource programs can help adults and children learn skills to be able to compete better, in job markets or as farmers.

5. Mobilizing Rural Savings

Considerable evidence suggests that savings capacity in rural areas may be surprisingly high, and that under certain circumstances savings mobilized in rural areas can finance a large percentage of the investment needed in rural areas. Once a profitable technology is available, it may be possible to mobilize local resources rather rapidly, through pricing policies which permit adequate returns to small producers and incentives for savings, through tax and other policies which assure an appropriate degree of program cost coverage, and through mechanisms (institutional and non-institutional) which mobilize and channel voluntary savings. The mobilization of rural savings can be important not only in making additional resources available for rural development, but in fostering patterns of development which are participatory rather than paternalistic.

The mobilization of voluntary rural savings has been investigated most thoroughly in conjunction with agricultural credit; some of the evidence was summarized in the 1973 Spring Review of Small Farmer Credit. The Working Group on the Rural Poor has commissioned a paper on rural savings, which will be distributed to Missions when completed. Research to date suggests that the existence of profitable investment opportunities, accessible savings institutions, security of savings, and positive real rates of interest (i.e., rates of interest which are still positive when the effect of inflation have been netted out) are particularly critical.

One possibility for AID assistance (aside from assistance related to improved access to profitable and appropriate agricultural and non-agricultural technologies) is technical assistance and training aimed at enhancing relevant institutional capabilities. AID has had some successful experience working in this area with rural credit unions and coops.

Analysis may also lead to identification of steps toward improvements in financial policies and the functioning of financial markets. These steps often include removing restrictions on "informal" financial markets which were designed for the praiseworthy purpose of protecting the small producer from exploitation by usurers. Unfortunately, they tend instead to reduce the total supply of credit available in rural areas by decreasing competition among money lenders and other "informal" lenders, and thus result in the small producers' getting less credit and paying more for it.

6. Rural Industry and Agribusiness

Subsection (c) of the Food and Nutrition Section of the Foreign Assistance Act (Section 103) specifies that AID assistance support activities designed to increase the productivity and incomes of the rural poor through (among other things) "stimulation of small labor-intensive enterprises in rural towns". AID also has an interest in encouraging development of the role of agribusiness enterprises in developing countries and in bringing the resources and expertise of U.S. agribusiness to bear on LDC problems. (We are using the word "agribusiness" here to refer to all business activities connected with pre- and post-harvest aspects of agriculture, and not just activities of large-scale or multi-national firms.) Rural industries and agribusiness are important in providing agricultural inputs and a market for agricultural products, in providing employment opportunities (particularly for the landless and for farmers whose holdings are too small to furnish an adequate income), and in supplying goods and services to meet the demand generated by rising farm incomes. U.S. agribusiness could also play a useful role in facilitating access to export markets for specialty crops, which could be an important source of income and increases in demand for labor for some small farmers.

There are a number of points to be analyzed in design of activities to assist rural industries and U.S. and host-country agribusiness enterprises. These include, for example, labor intensity (of the industry and of its inputs); location (with decentralization to rural area towns to be preferred); distribution of benefits (with the goal of at least not hurting the relative position of the poor majority); effects on the price and availability of inputs; and political factors (such as whether a processing plant is likely to lead to more incomes and political power to small farmers, or whether on the other

hand, the processing firm is likely to abuse a position as the sole purchaser of the farmer's crop).

AID's experience with assistance to rural industry and agri-business has been extremely limited in most countries in recent years. There may be cases in which it would be appropriate to support technical assistance or "seed" capital for intermediate credit institutions, and technical assistance to strengthen rural industry extension efforts to promote the development of rural financial markets. In addition, technical assistance to individual rural industries may be a particularly appropriate area for involvement by private and voluntary organizations, particularly as a pilot for larger-scale government activities.

A related area which has been receiving increasing attention in the development literature recently is the so-called "informal sector", which can loosely be defined as family or other very small establishments involved in producing a wide range of goods and services, (such as cottage industry, repair of simple equipment, production of simple consumer goods, or tailoring). The "informal sector" employs a surprisingly large percentage of non-farm labor, in smaller and market towns as well as in big cities. Since we know relatively little yet about cost-effective programs to encourage the informal sector, or about constraints on its growth imposed by demand and supply factors, there is a need for analysis and experimentation. We do know that many governments discriminate, often inadvertently, against the informal sector, through such things as access to credit or foreign exchange, and licensing and other regulations designed to supervise or assist "formal" small scale or larger firms. Studies of the potential of the informal sector and of constraints it faces could be quite helpful in identifying areas in which these constraints can be relaxed. These subjects are discussed, in an operational context, in reports of the ILO employment missions to Kenya and the Philippines; AID/W can provide copies of these reports to interested Missions which have not seen them. AID/W can also provide consultants to help Missions and host governments evaluate possibilities for stimulating employment in this area.

7. Spatial Planning

The two papers forwarded with AIDCIRC A-183 of March 28, 1975, ("Working Group on the Rural Poor - Papers on Regional Planning"), suggest that the development of an "integrated spatial system" may make a major contribution to efficient and equitable regional growth, when combined with development of agricultural

and non-agricultural production and the mobilization of the population to take advantage of development opportunities. The "spatial system" refers to the location of physical "infrastructure" (such as roads, storage facilities, and market towns) and the interaction of that infrastructure with the overall (rural) development process. The two papers note that the absence of adequately developed linkages between villages and local market towns, and between local market towns and larger towns, cities, etc., slows the integration of rural areas into the national economy; it also can act as a constraint affecting the achievement of a number of goals, including increased agricultural productivity; generation of off-farm rural employment; effective coordination of sectoral programs at the local level; and the reduction of regional and rural-urban inequalities. Experience suggests that conscious planning and guidance of location decisions can result in useful and feasible improvements on the pattern of regional development that emerges "spontaneously" from the interplay of geographical, economic, and political forces.

There are a number of difficult analytic issues to be considered in designing projects in spatial planning. One key issue relates to phasing of activities and choice of where to concentrate scarce manpower and financial resources. Returns to such spatially-related investments as warehouses, financial institutions, or rural roads quite obviously depend in part on the increase in output likely to take place. For example, where rapid increases in agricultural output are beginning to take place, but are being slowed by the absence of such facilities as warehouses, central markets, rural financial institutions, or farm to market roads, then investment in such facilities (to complement rather than compete with investments by the private sector) can have an extremely high payoff.

On the other hand, market towns cannot be expected to compensate for, e.g., the lack of profitable agricultural technologies or highly unequal land-holdings. Investment in market towns -- particularly in amenities such as water supply and paved roads -- in unfavorable technology or land-holding situations could in some circumstances merely exacerbate inequalities in living standards without much income improvement for the rural poor.

Given such unfavorable circumstances, however, there are usually some steps which can be taken which can assist in the service role which market towns play for surrounding rural areas. These might, at a minimum, involve changes in government

regulations and services and, depending on the situation, might also involve investment in particular areas which have been bottlenecks to the adoption of available new technologies, such as farm-to-market roads. A closely related issue to be considered is the balance between inter- and intra-regional equity and output considerations in determining budget and manpower allocations among fast-growing areas, slow-growing areas with high potential, and very poor, slow-growing areas with low potential.

Such issues can be analyzed most fruitfully by taking spatial organization considerations more fully into account in planning regional activities and area-specific integrated rural development projects. AID might also assist regional and national institutions involved in regional planning (working with them not just on such questions as market towns but on such things as participative institutions and the need for "feedback" as well). In addition, we can provide financing for infrastructure investments relating to market towns and farm-to-market roads (preferably using labor-intensive technologies) that analysis indicates can help improve incomes of the rural poor. AID/W can provide consultants to Missions interested in giving detailed consideration to possibilities and issues in these areas.

AID efforts to make greater use of remote sensing and high resolution aerial photography technologies for development problems are also relevant to our interests in spatial planning. These technologies offer new opportunities for more comprehensive and rapid data gathering and analysis, not only of the key resource factors: soil, ground and surface water, but of the appropriate positioning of population centers, new towns and key infrastructure facilities.

8. Area-Specific Integrated Rural Development Projects (IRDPs)

As discussed in Section IIIA, it should not be assumed that area-specific IRDPs are the preferred approach to rural development. In addition, experience with area-specific IRDPs raises a number of issues which should be taken account of in project identification and design, including cost per person assisted, administrative "overload" from taking on too much at once; drain on limited supply of skilled project leadership; feasibility and replicability of obtaining and keeping effective control over programs and people normally under control of "line"

ministries; exacerbation of geographic disparities; and sustainability after donor financing and technical assistance is ended.

However, there are a number of circumstances where their use may be indicated:

-- IRDPs may provide a vehicle for developing and testing models, for adaptation and broader use elsewhere. This implies attention to choice of a relatively "typical" area, to cost, evaluation, etc., not found in many purported "pilot" projects. Demonstrating the feasibility of a replicable model which effectively assists the poor majority can possibly also help to build bureaucratic and political support for more emphasis on the poor majority in national rural development strategies.

-- IRDPs might be part of a national pattern of such projects, with strong central government support, in which costs are kept to nationally affordable levels.

-- IRDPs could have fairly low opportunity costs. This could arise where a PVO is willing to provide support for an area - specific IRDP which would not be available for other purposes; or where insufficient concern at the national level rules out meaningful alternative ways to assist the poor majority (and where there are not higher priority uses of the AID funds).

-- An IRDP area could account for a relatively large percentage of the poor in that country, so that broader significance beyond the project itself need not be a major concern.

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TO - AIDTO CIRC A 313

FROM - AID/WASHINGTON

SUBJECT - PL 480 Title I as a Development Resource--General Guidance and Instructions for Preparing FY 1978 Title I Proposals

REFERENCE - A. AIDTO CIRC A-201, Annual Budget Submission Guidance for FY 1978
B. AIDTO CIRC A-239, Program Guidance for FY 1978
C. State 11867, AAC Decisions on Title I as a Development Resource
D. AIDTO CIRC A-286, Revised DAP Guidance

Note: This airgram repeats a cable from the Administrator to A.I.D. Directors and Representatives on this subject and encloses copies of the paper and the Minutes of the May 5, 1976, meeting of the Development Coordination Committee.

SUMMARY

1. The purpose of this message is to transmit (1) guidance on increasing the developmental impact of PL 480 Title I programs and (2) instructions for preparation of the Title I proposals which are to be submitted as annexes to the FY 1978 Annual Budget Submission (ABS) (see Ref. A). If it proves impossible to gather and analyze required information in time for the budget submission on June 30, posts should provide a brief explanation of their plans and should plan to transmit the required proposal for receipt in AID/W not later than August 15.

2. Part I conveys guidance. This guidance supersedes in part the guidance now in Handbook 4, Chapter 7 (Non-Project Assistance—PL 480 Title I Program) which will be revised to incorporate it. Section A sets forth as background some general thoughts on the means by which

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ABHerrick, PL 480 Task Force Chn.	PPC/PB	22088	6/3/76	John E. Murphy A/AID (Acting)

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food aid can be used effectively to contribute to economic development and describes the context of these instructions.

3. Section I B summarizes the analytical and procedural steps that have been approved by the Development Coordination Committee to integrate the planning and programing of A.I.D. dollar resources and PL 480 Title I food commodities. Included is a description of the procedures to be followed to gain access on a priority basis to the "core" program.

4. Section I C poses a series of questions to provide guidance for an analytical approach to and multi-year planning for the uses of Title I food aid. These should be addressed in a DAP revision, or pending such a revision, in an abbreviated DAP substitute to be submitted with the Title I Proposal, or budget request.

5. Part II gives specific instructions for submission of Title I proposals for FY 1978.

IA. BACKGROUND

1. Over the past several years it has become increasingly apparent that food will have a central role in the future development of the international economy. If present trends in population growth and distribution of food production continue, many less developed countries will confront widespread hunger and malnutrition and ever more difficult balance of payments problems. The United States is committed to helping LDC's to achieve and maintain a better balance between food production and population growth and to mitigating, at the least, the disincentive effects of food aid, or, preferably, enhancing the incentive effect on agriculture production and general economic development. In order to increase the possibility of success we must ensure that food aid programs work in tandem with our dollar assistance and with the development efforts of recipients.

2. In countries with a demonstrated need for food aid, beyond normal commercial imports, there are a number of means by which Title I food aid can be used effectively to contribute to economic development; these are not mutually exclusive. Among them:

(a) As foreign exchange support, if the PL 480 commodities are to supplement normal commercial imports (with assurance that usual marketing requirements are fulfilled) and if the foreign exchange saved by the transaction is used for developmental purposes. Such a use is particularly appropriate for recipients with regularly recurring food import needs.

(b) As support for the development objectives of the budget through the use of generated local currency revenues for development purposes.

(c) As part of a larger package of financial and technical assistance, from the U.S. and other donors, to provide bargaining leverage for desired policy changes.

(d) As food, when countries lack sufficient resources to buy commercially to fill the gap when demand for food is rising relatively rapidly, due to population increases and income growth, while domestic food supply is rising more slowly; also, in such a situation to dampen the potential inflation in domestic food prices.

(e) As food distributed directly to lower income people, not only to improve their nutritional status and therefore their ability to do productive work but also through creation of jobs in the public sector or other programs to reduce the proportion of their incomes required for food purchases, to increase their purchasing power for non-food commodities.

(f) As food, to build country stocks to stabilize prices and hedge against future, possibly cyclical, production shortfalls.

3. Amendments to PL 480 enacted in the International Development and Food Assistance Act of 1975, PL 94-161, require that greater emphasis be placed on the development uses of food aid and that, in allocating Title I commodities, the efforts of recipients to increase domestic agricultural production, especially through small farm agriculture, to improve distribution of food commodities and to reduce their rate of population growth must be taken into consideration.

4. The Development Coordination Committee met on May 5, 1976 to consider initial A.I.D. proposals for complying with the new statutory requirements. These included: (1) changes in the PL 480 programing and budgeting procedures, for all countries, to incorporate rigorous analysis of the role of food aid in each country's development objectives and strategy; and (2) establishment of a "core program" procedure whereby U.S. missions could establish a priority claim against a core quantity of PL 480 commodities for those countries that have formulated plans to use food aid as an integral part of the development planning, particularly in the agriculture sector.

These proposals were endorsed and I have approved a paper recording them. Each post will therefore now be expected to include an analysis of the development role of food aid in its DAP, to justify its annual budget proposal for Title I in a Title I proposal to be submitted with the Annual Budget Submission, and, if it wishes the recipient to be considered for inclusion in the core program (described below), to submit supplementary justification as needed in a program paper which indicates:

(a) The additional development effort the post will seek in negotiation with the recipient government in return for greater assurance of receipt

of certain amounts of Title I commodities and early shipment of these commodities, and

(b) the advantages the post perceives in early negotiation and planning of a Title I program.

The Office of Food for Peace, PPC and the Regional Bureaus will have the initial responsibility for applying the project review system to rigorous review of future development justifications for Title I.

5. Following these initial moves to enhance the development impact of PL 480 Title I, further approaches will be considered and further measures will be taken. The Interagency Staff Committee (ISC) will give increased weight to development issues in decisions on allocation of available commodities. Proposals for implementation of the amendments to Section 206(b) of PL 480 (the loan forgiveness provision) will be reviewed by the SOG June 3 in anticipation of interagency consideration. USAID advice on future moves is welcome.

I.B. PLANNING AND PROGRAMING PROCEDURES

All previous requirements for approval of a Title I program will remain in effect; that is, balance of payments and supply-demand analyses and usual marketing requirement considerations. Additional development analysis requirements will be as follows:

1. In the long run the PL 480 program in each country receiving A.I.D. economic assistance should be based on the same rigorous planning that underpins dollar funded A.I.D. activities. Missions planning Title I programs should prepare or revise their Development Assistance Program (DAP) within the next year or so to devote appropriate attention to food aid and its potential development impact in the context of a sector assessment. For FY 1978, and for posts without A.I.D. missions or approved DAP's this step will be combined with step 2.

2. In addition to the broader DAP analysis discussed above which will serve as the fundamental basis for determining those Title I programs that have considerable potential for contributing to development in the recipient country, each mission or post proposing Title I assistance for the coming budget year will submit a specific Title I proposal to support the levels and types of commodities proposed in the Annual Budget Submission (see Part II below). If an assured supply of a certain level and an early shipment schedule will contribute to the achievement of objectives, a request for access to the core supply of commodities should be justified in the Title I proposal.

While the specific request for food aid will be linked to the budget year, it should be based on multi-year analysis and joint planning and should relate Title I inputs to sector goals.

In posts with an A.I.D. mission, responsibility for preparation of Title I proposals should rest primarily with the USAID supported by the agricultural attache and other members of the country team. Posts without A.I.D. missions will rely on appropriate embassy officers and may submit their requests by telegram or airgram.

3. On October 1 A.I.D. will transmit its budget submission for all programs to OMB requesting approval of dollar and PL 480 program levels for the budget year.

4. Between October and January State/AID will prepare to justify those programs that will have access to a relatively assured "core" supply of commodities.

(a) The core program is a system to permit advance preliminary approval of a priority designation in the allocation of PL 480 Title I for countries that can demonstrate a significant link between the PL 480 resource and development. Countries with access to the core allocation of commodities will have greater assurances than in the past of the amount and timing of shipments. No binding commitments will be entered into until after the availability of each commodity has been established by the Secretary of Agriculture.

(b) Countries which do not request or are not approved for inclusion in the core program may request Title I programs as in previous years, but will compete for available resources on a lower priority basis and will therefore not have advance assurance of amounts which may reasonably be expected, or assurance of early shipment. In some cases, only a portio of a country's total Title I request may be included in the core, but the country could compete for additional resources on a lower priority basis.

(c) Countries whose programs are primarily justified on foreign policy grounds will not be included in the core program. However, we believe it would be desirable to start a dialogue with these recipients on the food aid/development relationship and to imbue these programs with as much development content as possible. In cases where a portion of the program can be justified on development grounds, posts may request inclusion of that portion in the core.

5. In February State/AID will propose priority allocation to the Inter-Agency Staff Committee, based on Washington review of post submissions and assessment of the feasible level of early commitments that are fully justified. For most medium to large-size programs priority status will not necessarily be accorded to the total program.

6. The Inter-Agency Staff Committee will reach agreement on the magnitude of the core and the countries which are to be given priority access to the commodity supplies.

7. A.I.D. will transmit its Congressional Presentation in February; it will contain an illustrative allocation of commodities to all countries within the approved budget.

8. From about February onward, posts which have been granted provisional priority will proceed to joint discussion with recipient governments on the PL 480 program and related development commitments.

9. In August or September these posts will update estimates of commodity availabilities and requirements as necessary and report on the results of discussions with recipients in Title I program papers. The program papers will serve as the basis for developing the Title I sales agreement. For those countries not included in the "core" the Program Paper will present usual marketing and other data similar to those required under the present system. For countries participating in the "core" the Program Paper will update data presented in the Title I Proposal.

10. Following U.S. crop reports in late summer and early autumn, individual posts will be instructed to negotiate sales agreements covering at least the priority component of planned programs.

11. Delivery of core commodities will follow promptly during the first quarter of the (new) fiscal year or as required to meet recipient needs.

12. Depending on supply and price factors agreements and shipments for non-core countries or for non-core portions of other country programs may proceed simultaneously or follow at a later stage throughout the remainder of the fiscal year.

IC. GUIDANCE ON INCORPORATION OF PL 480 ANALYSIS IN THE AGRICULTURE ASSESSMENT OF THE DAP.

DAP's must devote appropriate attention to Title I food aid and its potential development impact. Title II food aid, though not the subject of this message, should receive the same attention. Most USAID missions have not covered food aid analytically in DAP's completed to date. Revisions are therefore required (see Ref. D).

(a) Data on the Agriculture Sector.

(1) Past and projected levels of food production, consumption, imports, and year end storage levels.

(2) Pricing and production policies for agricultural goods, particularly grains.

(3) Constraints on the expansion of agricultural production, storage and distribution systems.

(4) Review of food requirements to alter the diets and improve the nutritional status of the people, particularly the poor.

(5) Analysis of relationship of projected food production increases to the estimated growth in demand.

(b) Review of Past Impact of Food Aid.

(1) The general macro-economic impact from the resource transfer; developmental use of foreign exchange saving and/or local currency generations.

(2) The percentage share of domestic production and consumption of each U.S.-provided food aid commodity over the past 8 to 10 years.

(3) Its impact on real prices of domestically produced food aid commodities and their substitutes, and on other producer incentives to domestic production of these commodities.

(4) Its impact on nutrition; its distribution to the poor and other nutritionally vulnerable groups.

(5) Other impact, e.g. on policy.

(c) Proposed Uses of Future Food Aid.

(1) Assessment of the prospects for improvement over the next several years, in policy, production, building and storage of working stocks, distribution, nutrition, or other matters.

(2) The specific role to be played by PL 480 in contributing to these improvements; discussion of alternative strategies if appropriate.

(3) The manner in which major sector goals supported by A.I.D. dollar resources will be significantly assisted through the integrated use of PL 480 resources.

(d) A range of planning levels for the next several years with identification of objectives to be addressed at each level and of commodities proposed.

(e) Assessment of the political will, and ability, of the recipient to carry out needed policy changes and support development programs in food production and population control. Measures of commitment to agricultural and rural development include:

(1) Adoption of a clear set of priorities for agricultural development with a time-phased plan for the development effort, an indication of

financial and other resource allocations to be committed, and production goals;

(2) Substantial investment in rural infrastructure--roads, irrigation, electrification--to promote production and participation in the rural sector and to make rural areas sufficiently attractive to personnel to staff the necessary local development institutions;

(3) A commitment to adequate farm gate prices accompanied by provision of key agricultural inputs at prices that permit sufficient incentive to farmers using appropriate technology;

(4) A commitment to rapid expansion of rural education, organization of rural people for effective decision-making, administration of programs and mobilization of institutions and manpower for servicing agriculture;

(5) The extent to which rural development programs are tuned to the special problems of the small farmer, e.g. research on crops that small farmers grow, credit, extension programs, etc.

(6) Measures to increase incomes through expanded employment.

(f) The extent to which early assurance that Title I commodities will be available on a planned basis during the fiscal year will facilitate political and economic commitments.

II. INSTRUCTIONS FOR FY 1978 BUDGET REQUEST.

A. DAP Substitute.

It is clear that USAID's will not be able to undertake a broad analysis of the impact of food aid before submitting Title I budget proposals this summer. Other posts do not prepare development planning documents (DAP's). However, fully justified, well thought out proposals are essential if A.I.D. and other members of the ISC are to make judgments on the potential development impact of a Title I program and to assign priority to budget requests. Therefore, to the extent possible within the constraints of time, posts should submit as part of the ABS a discussion of the issues raised in Paragraph IC above which relate to their Title I request.

B. The Title I Proposal.

For FY 1978 this proposal is to be submitted as attachment 6 of the ABS and accompanied by the DAP substitute described in Paragraph IIA above (or a reference to the DAP if that document contains such an analysis). It

is due in AID/Washington June 30, 1976. Because of the lateness of this instruction, however, posts may delay submission to August 15. The Title I proposal is required to support the specific budget requests for commodities for FY 1978 and inclusion in the core program. It should include:

(1) A description of the need for the commodity credit, treating the potential recipient's balance of payment position, the projected supply and demand for requested and similar food commodities, usual marketing data.

(2) A description of the development program to which the commodity resource will be applied, e.g.;

(a) A program in which the foreign exchange savings or the local currency generations will contribute to budgetary support of particularly useful development activities.

(b) A program in which the recipient will use Title I food to help develop working stocks to stabilize or increase prices paid to farmers.

(c) A program in which food aid will help the recipient avert some of the risk associated with an important change in policy or programs designed to affect the food production/consumption balance.

(d) A program in which the Title I commodity itself will have the primary development impact, as in a nutrition program.

(3) A description of the likely distribution of benefits from the specific program being proposed; analysis of the prospects that the food aid program will reach those most in need: That is, those who would benefit from acquisition of the food commodity, from policy changes induced by or programs funded by the proceeds from sale of commodity.

(4) An estimate of the recipient's interest in an ability to carry out the proposed program.

(5) The plan for evaluating the impact of the proposed program.

(6) A description of the budget year commodities proposed, when they should be delivered and whether or not early assurances of supply will be important as the mission attempts to negotiate the program.

Approval of individual programs in the ISC will normally lead to sales agreements covering no more than a 12-month period. However, the analysis and joint U.S.-recipient country development strategy upon which the program is based could cover a period of several years. Subsequent annual Title I sales agreements could be derived from the same basic multi-year strategy.

AIRGRAM DEPARTMENT OF STATE **AIRGRAM**

CONTINUATION

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III. CONCLUSION.

I recognize that the burden of enhancing the link between food aid and development--both in terms of physical workload and creative inspiration--must fall on U.S. missions. I encourage you to make your best effort and, after a little experience with this new process, to suggest modifications based on the realities of the country situations in which you work.

I also recognize that many Title I programs serve a variety of objectives in addition to developmental, and that mission leverage to use food aid to obtain host government policy/action commitments in support of development may be reduced accordingly. However there will be few, if any, countries where improved analysis and planning of food aid cannot increase the developmental impact. Missions should be aware that our intention is to grant priority to those programs or portions of programs for which there is strong developmental justification. In the case of disaster or other urgent situations of course, the proposal stage will be bypassed.

Attachments

Please send to: List G
excluding the following:

ANKARA
BEIRUT
GENEVA
LONDON
MEXICO
OECD PARIS
PARIS
ROME
TAIPEI
USUN NEW YORK
PARIS FOR UNESCO

ROBINSON

DCC Policy Paper No. 4:

PL 480 TITLE I AS A DEVELOPMENT RESOURCE

June 1976

Summary

I. Current assessments indicate that unless appropriate measures are adopted, the grain deficit of the early 1960's in the developing countries may more than triple by 1985 to upwards of 85 million metric tons per year. The food deficit countries will not have the increasing foreign exchange to import such quantities commercially on a substantial basis. The top priority for these countries must be to increase food production and to use food aid in support of a development strategy which seeks a better balance between food production and population growth (pp. 1-3).

II. The United States has a unique combination of extensive agriculture productive capacity, expertise, and ongoing development assistance and food aid programs for improving the integration of food aid with development programs. Recent amendments to Public Law 480 and the FAA give added impetus to this policy (pp. 3-4).

III. The United States must consider the role of PL 480 Title I sales in the contexts of (a) the identification of a broad development strategy, (b) the effect of that strategy on food production in the developing countries and (c) the overall longer term effects on the market for U.S. agricultural exports (pp. 5-6).

IV. We must follow a more analytical approach to ensure that food aid and development assistance programs work in tandem. The Development Coordination Committee is asked to endorse the use of the planning and budget procedure used for U.S. development assistance to enhance the contribution of food aid to the development efforts of its recipients (pp. 6-9).

V. The Development Coordination Committee is also asked to approve a mechanism to reconcile the various PL 480 objectives. A.I.D. recommends that the ISC designate a "core" quantity of PL 480 commodities that will constitute a preliminary assured supply. In effect, this designation would establish a priority claim on Title I resources that would permit U.S. missions to negotiate specific commitments by the recipient for agricultural and other development programs (pp. 9-13).

VI. Five hypothetical examples of Title I country programs for which access to a "core" might contribute to the successful negotiation of development activities are set forth (pp. 14-16).

I. THE WORLD FOOD CRISIS

Unless present trends are corrected, the world could face a major food crisis which calls for basic changes in food assistance policies. According to FAO projections prepared for the World Food Conference the average annual grain deficit in developing countries of 16 million metric tons in the base period 1969/71 could reach 85 million tons per annum by 1985. The projections assume, for developing market economies, a population increase of 2.7 percent per annum and growth in grain demand of 3.3 percent per annum.

The FAO also assumes an annual rate of increase in grain production of 2.6 percent per year--the average for 1960/61 to 1974/75. No allowance is made for possible programs to alleviate malnutrition or changes in income distribution which would increase demand by lower income groups.

At the average 1973/74 price of $200 per ton, imports of 85 million tons would require an annual expenditure of some $17 billion, an amount which is considerably higher than the total official development assistance flows from all Development Assistance Committee donors in calendar year 1975.

The U.S. Department of Agriculture (USDA), starting with a base period deficit of 20.5 million tons (1969/71) and estimating an annual population growth rate of 2.4 percent, uses a range of supply and demand conditions to project a grain deficit ranging from 16 to 72 million tons by 1985. The lowest estimate of the gap between LDC production and demand is derived from a very high projected annual rate of growth in grain production (4.1 percent) which assumes sharply increased inputs. The highest assumes high income growth with trade barriers removed.

More recent projections by the International Food Policy Research Institute (IFPRI) indicate that the shortfall in grains will be in 95 to 108 million ton range by 1985/86 depending on the rate of economic growth. Like the FAO projections, these do not consider the additional amounts that would be required to improve diets or the increased demand implied by possible redistribution of income. The projections are based on an annual population growth rate of 2.7 percent and growth in grain production of 2.5 percent a year based on the production trend of 1960/74, but the IFPRI points out that the growth in grain production during the last half of that period has slowed to 1.7 percent.

The FAO and IFPRI projections are not significantly different when they are adjusted for differences in source date; e.g. FAO data on rice are in terms of paddy, whereas IFPRI uses milled rice equivalents, roughly two-thirds of paddy weight; FAO has projected through the calendar year 1985 whereas IFPRI projects through the crop-year 1985/86. For a comparison of projections, see Table I, page 2.

Table I

POTENTIAL CEREAL DEFICITS IN MARKET ECONOMY

(Non-Communist) LDCs, 1985 and 1985/86

	Assumed Grain Production Growth Rate	Expected Deficit 1/ Net 2/		Gross 3/	
		-million metric tons-			
USDA (1985) a	percent				
Alt. II b	3.1	71.6			
Alt. I c	2.8	54.7			
Alt. III d	2.7	48.0			
Alt. IV e	4.1	16.8			
FAO (1985) f	2.6	72.0	Paddy 4/ (85)		Paddy 4/ (100)
IFPRI (1985/86) f			Adjusted 5/ (72.6)		
Alt. 1 g	2.5	86.6		108.3	
Alt. 2 h	2.5	65.5		94.5	
Alt. 3 i	2.5	40.9		72.9	

1/ Includes rice on a milled basis.
2/ Food deficit countries minus surplus countries
3/ Food deficit countries only.
4/ If rice were included on paddy rather than milled basis.
5/ Adjusted for comparability to FAO figure by (1) switching to calendar year, (2) excluding pulses in India, and (3) excluding Taiwan.

a. Assumes annual population growth rate of 2.4%.
b. Assumes high income growth with trade barriers removed.
c. Assumes economic growth but high internal prices.
d. Assumes economic stagnation.
e. Assumes sharply increased inputs.
f. Assumes population growth rate of 2.7% (and income growth rate of 3.5% in USDA case).
g. Assumes high income growth (3.0%).
h. Assumes low income growth (1.7%).
i. Assumes 1969-71 per capita income.

Sources:

USDA. The World Food Situation and Prospects to 1985, USDA, ETS, FAER No. 98, December 1974, pp. 32-39.

FAO. Assessment of the World Food Situation, Present and Future, United Nations World Food Conference, Rome, November 1974, E/CONF 56/3, pp. 87, 89, 91

IFPRI. Meeting Food Needs in the Developing World, International Food Policy Research Institution (Washington, D.C.), Research Report No. 1, February 1976, pp. 2, 10, 12, 18, 42.

The projected food deficit will be highly concentrated in poor countries with large populations--an estimated 40 percent will be accounted for by India, Pakistan, Bangladesh and Egypt--but will be equally serious in smaller countries where the quantities involved are not so vast. About half the total deficit will be in countries with annual per capita GNP of less than $200. Even if exportable supplies can be produced in other parts of the world, the food deficit countries are in no way likely to have the foreign exchange to import such quantities commercially on a sustained basis.

These data argue that the top priority is for the prospective food deficit countries to increase food production. Pending sustained increases in food production many poor developing countries will continue to need food aid. Food aid can, with intelligent planning, play a major role in the development process by assuring supplies while the underlying production strategy is pursued. Such planning must ensure that food aid does not impede efforts to increase food supplies by acting as a disincentive to local agricultural production.

II. THE U.S. LEADERSHIP ROLE

The United States, with its unique combination of extensive agriculture productive capacity and expertise, humanitarian principles and international outlook should take the lead in improving the development aspects of its food aid, not only to enhance its own development assistance programs but also as an example to other food donor nations.

Secretary Kissinger in his address to the World Food Conference in Rome stated that...

> "our minimum objective of the next quarter century must be to more than double world food production and to improve its quality. To meet this objective the United States proposed to this Conference a comprehensive program of urgent, cooperative world-wide action on five fronts increasing the production of food exporters; accelerating the production in developing countries; improving means of food distribution and financing; enhancing food quality; and ensuring security against food emergencies."

Secretary Butz, the leader of the American delegation to the World Food Conference, promised an increased U.S. commitment to international food aid to assist food deficit countries while long-term food production development goes forward.

The Congress has expressed interest in improving the food aid links to development in recent amendments to the Foreign Assistance Act and PL 480.

Specifically regarding PL 480 Title I, amendments enacted in the International Development and Food Assistance Act of 1975 are intended to reorient the priorities of the program to accord greater emphasis to self-help and to the developmental uses of the proceeds of the sales of the Title I food commodities. Added language more explicitly spells out the self help efforts of recipient countries that must be taken into consideration in allocating Title I commodities.

> Section 103(a) of PL 480, the Agricultural Trade Development and Assistance Act of 1954, now reads: The President shall "take into account efforts of friendly countries to help themselves toward a greater degree of self-reliance, including efforts to increase their own agricultural production, especially through small farm agriculture, to improve their facilities for transportation, storage, and distribution of food commodities, and to reduce their rate of population growth."
>
> Section 106(b) contains new language: (1)"...In negotiating such agreements with recipient countries, the United States shall emphasize the use of such proceeds for purposes which directly improve the lives of the poorest of their people and their capacity to participate in the development of their countries. (2) Greatest emphasis shall be placed on the use of such proceeds to carry out programs of agricultural production, rural development, nutrition and population planning..." and (3) In entering into agreements..."priority shall be given to countries which agree to use the proceeds from the sale of the commodities in accordance with" an agricultural development plan that meets certain criteria.

III. THE LONG RUN DEVELOPMENT ROLE OF PL 480 TITLE I

In recognition of a possible chronic world food shortage, the United States must consider the role and the interrelationship of PL 480 Title I in the contexts of (a) the identification of a broad development strategy, (b) the effect of that strategy on food production in the developing countries, and (c) the overall longer term effects on the market for U.S. agricultural exports. Food aid can play a positive or negative role.

It is important to recognize that a successful policy for rapidly expanding local agricultural production for improving the welfare of the low income peoples of the world is necessarily part of a broader strategy that increases employment and the purchasing power of the lower income people. However a shorter term dilemma is presented. In most developing countries food production fluctuates substantially from year to year. Further, the means of increasing agricultural production are substantial and complex and, initially, employment and income-increasing programs plus population growth may possibly cause growth in demand for food to exceed growth in supply.

The potentially constructive role of PL 480 is apparent in this context. Not only may the proceeds of sales be used to finance programs to increase agricultural production but the commodities contribute to providing that certainty of supply, in the face of lags in production and fluctuating weather, which is so essential to confidence in accepting a strategy to raise incomes and create a demand for expanded local food production. For the longer run, a range of devices may be pursued to increase production and improve distribution in order to ensure the necessary food supplies. In the short run the assured supply ("core") mechanism set forth in this paper is intended to provide the incentive and the basis for getting on with the job.

It is also important to recognize the implications to long-term U.S. commercial agricultural exports of a strategy that emphasizes domestic food production in the developing countries in concert with programs to increase the participation of the lower income people in economic processes. In such a strategy demand for food is expected to increase in human welfare. It is to be expected, however, that some countries will find demand growing more rapidly than the supply of specific commodities. At the same time their relatively greater success in the non-food producing parts of the economy will provide purchasing power for financing commercial imports of these foods. It is such countries which offer immense potentials for U.S. commercial exports, potentials which will be much greater if they follow demand-expansionary policies than if they do not.

Specifically, Taiwan is regarded universally as one of the great success stories in agricultural development. Yet because of the rapid concurrent increase in demand for grain and the limited cultivable land on the island, Taiwan imports a very substantial proportion of its total grain requirements. South Korea and Japan can serve as other examples. It need hardly be stated how great the trade implications are for U.S. exports if countries with populations many times that of Taiwan, South Korea and Japan were to follow the development strategies implicit in the above.

In the long run, of course, the goal of U.S. assistance is to help the developing countries to supply themselves with a nutritionally adequate diet. If their tastes and purchasing power permit, some countries may choose to import foodstuffs on a commercial basis. The United States would be in a position to continue to compete in those markets.

The PL 480 Title I program, properly defined, can play a significant role in influencing countries towards strategy to increase local incomes and production, thereby helping to meet the humanitarian objectives of the Congressional mandate as well as the long-run commercial objectives for the United States' agricultural sector. Each country context will differ, of course, and in each our ability to effect a specific linkage of food aid to development will depend upon careful analysis, planning and consultation by the recipient, the U.S. mission and interested agencies in Washington. Food aid plans must be constructed to ensure that U.S. food aid does not act as a disincentive to local agriculture production (e.g. by depressing prices paid to farmers) and that it is linked with other development programs to achieve needed additional policy changes and commitment of resources by the recipient government.

IV. COORDINATION OF PLANNING AND PROGRAMING OF PL 480 TITLE I AND DEVELOPMENT AID

The Problem

The full potential impact of PL 480 Title I as a tool for development has not been realized. Because it has not been our practice to base Title I program decisions on analysis of the economic impact of the food assistance, we have not fully understood whether that assistance has had a positive or negative effect on the capacity of the recipient to achieve a secure equilibrium between food production and population growth.

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Proposed Planning and Budget Procedure

The system used for programming A.I.D. dollar resources could readily be adapted to bring closer together the planning and programming for food aid and development assistance. With the advice and guidance of other interested members of the Interagency Staff Committee (ISC), A.I.D. is prepared to take the lead in developing and carrying out proposals for enhancing the development impact of Title I food aid. The general procedure would be as follows:

1. U.S. missions would be instructed to devote appropriate attention to food aid (both Title I and Title II) and its potential development impact in preparing or revising the development assistance plan for the country. An A.I.D. mission customarily analyses the development situation of the country, defines the objectives of U.S. assistance and proposes an assistance strategy in a multi-year program planning document, the Development Assistance Program, or DAP. Although the analytical section referring to agriculture and food production in some cases now addresses food aid considerations, more rigorous analysis of the impact of food aid on development, including possible disincentives to agricultural production will be required. It should include at least the following:

   -- the historic, current and projected data on production, consumption, imports, end-year stocks;

   -- the constraints to improvement in food production, storage and distribution, alternative strategies to address these, and a range of planning levels;

   -- a detailed and specific review of recent experience with the effectiveness of the food aid program, with particular reference to policy constraints and the impact of the program on domestic production, including any disincentive effect, as well as its effect on the balance of payments;

   -- justification of the purpose of food aid programs, with reference to the broader economic role which food aid can have, such as its role in providing foreign exchange support, budget support, or in dampening inflation;

   -- assessment of the political will, and ability of the recipient, to carry out needed policy changes and support development programs, in food production and population;

   -- the extent to which political and economic commitments will be enhanced by early assurance that Title I food commodities will be available during the first part of the fiscal year;

   -- analysis of the prospects that the food aid program will reach those most in need: that is, those who would benefit from acquisition of the food commodity, from policy changes, or from programs funded by the proceeds from sale of the commodity.

   Field instructions will include detailed instructions on the analysis required.

2. For Title II, A.I.D. and the implementing agencies have agreed upon a program and budget review system that is closely related to that used by A.I.D. for dollar-funded programs in order to strengthen the developmental aspects of both government-to-government and voluntary agency programs.

3. For Title I, A.I.D. would require an annual budget request.

   -- A Title I Proposal derived from the DAP strategy, and including a multi-year projection of food aid needs, would be forwarded to Washington as an integral part of A.I.D.'s annual budget request from the field.

   -- The Proposal would make a specific request for budget year commodities; e.g. the June 1976 Proposal would request a budget for fiscal 1978. This Proposal would have full country team concurrence including that of the Agriculture Attache.

   -- State and A.I.D. would review the proposals and A.I.D. would prepare the PL 480 Title I portion of its annual submission to OMB, due October 1. (USDA will at the same time be preparing a budget based on projected commodity levels.)

   -- Those posts seeking to participate in an early approval and negotiation procedure (see paragraph V below) would present necessary justifications.

4. The general procedures leading to a Title I sales agreement would not differ substantially from those presently followed but decisions would be based on more rigorous analysis, submitted initially in the DAP and Title I Proposal and amplified in a program paper.

   -- After establishment of the OMB mark State and A.I.D. would make an allocation of the PL 480 Title I budget among countries for purposes of the annual Congressional Presentation.

   -- To amplify justification of its proposed annual program each mission would prepare and submit a program paper treating with balance of payments needs, the projected supply and demand for requested food commodities, and historic import and export patterns in relation to the underlying multi-year plan.

   -- For countries for which access to the "core" is proposed (see below) the missions' negotiating objectives, i.e., the additional development measures to be undertaken in return for priority consideration in Title I allocation, must be described. The measures will vary from country to country but might include policy changes affecting agricultural development, such as pricing policies; changes in host country budget allocations for particular activities;

agreement on the use of PL 480 generated counterpart for particular activities, or other similar kinds of commitments which the local government might not otherwise be willing to make.

-- Approval of individual programs in the ISC will be based on normal ISC procedures with due consideration for developmental implications of each as set forth in the program paper.

-- As is the case at present, the sales agreement would not normally cover more than a 12-month period. However, the analysis and joint U.S.-recipient country development strategy upon which the program is based would cover a period of several years. Subsequent annual Title I sales agreements could be derived from the same basic multi-year strategy.

The Development Coordination Committee is asked to endorse this planning and budget procedure for PL 480.

V. AN ASSURED SUPPLY FOR TITLE I PROGRAMS--A "CORE" QUANTITY OF COMMODITIES.

The Development Coordination Committee is also asked to approve the designation each year of a "core" quantity of commodities. Such a designation of an assured minimum supply would enhance our ability to negotiate commitments to development measures.

The Problem

While the impact of PL 480 Title I upon development can be improved with more systematic planning, one of the major problems--the unpredictability of the program for the recipient countries--cannot be remedied without some assurance that a minimum supply of commodities will be provided. Under the present system a country remains uncertain as to whether it will receive PL 480 Title I food aid, the amounts of commodities it will receive and the timing of deliveries, often not knowing until very late in the fiscal year. Sucn uncertainties often prevent us from negotiating more than token commitments to development plans associated with PL 480. If U.S. missions are to complete the planning and program design necessary to ensure that Title I food aid has a positive development impact, they must have reasonably firm assurances of commodity availability and delivery. At the same time some way must be found to reconcile this need for an assured supply with the need for flexibility and the protection of other objectives of PL 480 such as U.S. domestic food security, commercial U.S. exports, response to emergency food needs and support of foreign policy objectives.

Proposed Procedure for Establishment of the "Core" Quantity of Commodities

Based upon expanded country data submitted in program papers A.I.D. would

make a presentation to the ISC each year to select the country programs for which it recommends access to a "core" quantity of commodities, an assured supply against which these U.S. Missions could enter into early negotiations with recipient countries in return for specific commitments to agricultural development in accordance with an agricultural development plan and broad sectoral strategy.

With provisional assurance of a quantity of PL 480 food commodites, a government would better be able to plan its allocation of foreign exchange and budget outlays for food imports. It would be able to make policy changes with reasonable assurance the food commodities could be provided on a timely basis to cushion possible short term increases in the food gap. Furthermore, decisions on matters crucial to creation of incentives to farmers, such as floor prices, could be made with sufficient lead time to have the greatest possible impact--such measures must be implemented prior to planting, not after the harvest.

The ISC would determine the total magnitude of the "core" based upon the following considerations:

- -- the underlying analysis of the food deficit and the ways that food aid can enhance food production and promote economic development;
- -- the specific fiscal, monetary, institutional or other policy measures a country is prepared to undertake if a certain quantity of PL 480 commodities is assuredly to be made available;
- -- the proportion of a total country program for which early planning might take place.

This procedure would, in effect, establish priority claims on the PL 480 Title I resources for the following fiscal year, always subject, of course, to final determinations of availabilities. The normal supply and demand analysis to demonstrate food deficit and balance of payments justifications would continue to be required, and provisions for usual marketing requirements would continue to be applicable.

If a Mission fails to achieve adequate and specific commitments during negotiations, the country would not remain eligible for participation in the core program. This would not affect its ability to request PL 480 resources outside the core program; that is, only the priority in allocation would be withdrawn. If a country makes commitments and fails to live up to them it may not lose its PL 480 allocation, but such experience would be taken into account in future year decisions on priority allocation.

Table II, page 11, presents an illustrative program and budget schedule.

Table II

Illustrative Schedule for Planning
and Commitment of PL 480 Title I Programs
For Fiscal Year 1978

-- Title I Proposal and budget year request from U.S. Mission submitted to A.I.D. in the Annual Budget Submission.	June 1976
-- A.I.D. and USDA submit budgets to OMB, for dollars and commodities respectively.	October 1976
-- Expanded proposals (Program Papers) to justify access to the "core" received, reviewed by A.I.D. and presented to ISC.	October 1976 through January 1977
-- ISC agreement reached on provisional magnitude of "core" and country participation.	February 1977
-- Missions instructed to proceed with joint discussions in field on PL 480 program and related development commitments.	March through June 1977
-- Following U.S. crop reports in September individual programs within the "core" approved by ISC; negotiating instructions sent to field; missions update estimate of needs.	September/October 1977
-- Budget for other country programs reviewed.	October 1977
-- Delivery of "core" commodities to follow in first quarter of fiscal year or as required by recipients.	October through December 1977
-- Agreements and shipments for balance of program move forward.	October 1977 onward

Table III

Food Aid Compared to U.S. Exports and U.S. Production
(in millions of metric tons of grain)

	FY 1973	FY 1974	FY 1975
Total PL 480 Shipments	7.2	3.6	4.7
Total Exports	70.4	77.2	65.4
Total Crop	237.0	204.0	253.0
PL 480 as % of Exports	10%	5%	7%
PL 480 as % of Crop	3%	2%	2%

Source of data: USDA/ERS

Relation to Current Procedures

The fundamental decision-making process for allocation of commodities for the Title I program would not be altered, but the timing of decisions would. The crucial advantage to the recipient country under this procedure to permit earlier decisions and negotiations is the assurance that shipments will be made as early as possible in the fiscal year. The Secretary of Agriculture should be able to determine the availability of all commodities (as required by Sec. 401, of PL 480) by October 1, the first day of the fiscal year. Sales agreements could be signed immediately thereafter and shipments would then be made as promptly as possible. Under such a procedure the maximum developmental impact of the program would be achieved.

The budgeting of food commodities for the "core" would be based upon ISC approval of sound proposals from U.S. Missions. The size of the "core" each year would therefore depend upon review and approval of each individual proposal. Any Title I recipient country would be eligible for participation in the earlier program. For large recipients like Egypt or Pakistan, for example, a Mission might request access to the "core" for a fraction of the program, the fraction for which an improved developmental impact can be demonstrated.

Early designation of a "core" of commodities could possibly entail the risk of impact on U.S. domestic commodity prices and commercial export availabilities, but that risk can be minimized. Table III, page 12, indicates that in the past three years total PL 480 shipments have represented a small percentage of U.S. production and exports of agricultural crops.

The ISC will be providing conditional early assurance that a specified quantity of PL 480 Title I resources would be made available to a country program. Such an assurance would not bind the United States to deliver commodities in years when subsequent changes in abailabilities, or U.S. domestic or commercial export demand factors, prevent a determination that adequate quantities of a commodity are available for disposition under Sec. 401 of PL 480. In effect it would establish a priority claim on Title I commodities that would permit U.S. Missions to enter into dialogue with recipients regarding commitments for agricultural development on the assumption that commodities would be furnished.

The remainder of the estimated quantities for the budget year would be excluded from the "core" and would be available for reserves for emergencies, incremental tonnage for countries for which a partial program was included in the core, and programs for which the development

justification is not strong enough to justify eligibility for the "core". The major share of the "core" would be shipped immediately following the determination of availabilities under Section 401, barring anything short of a major crop failure in the United States. Thereafter the remainder of the budget availability would be programed and shipped.

VI. ILLUSTRATIVE COUNTRY EXAMPLES

The process leading to programs that demonstrate a positive development impact stemming from PL 480 Title I assistance will require careful analysis, planning and program design, most of which can only be done in the field. It is therefore impossible to provide definitive, detailed examples of the use of Title I as a development resource without the benefit of actual field negotiation. However, it may prove instructive to consider simple examples of alternative uses of food aid which might qualify a country with food needs for access to the "core" commodities. These examples are based primarily on Washington experience and limited contact with A.I.D. missions. They are not program proposals and should not be interpreted either as limitation of or guidance for future field activities. Nor do these examples cover all the possible uses of food aid as a development resource.

In Pakistan, a major factor affecting wheat production is the government procurement price. If the price structure is to serve as an incentive to small farmer production, it must be set sufficiently high, it must be announced in the fall before planting begins and farm inputs are purchased, and it must be sustained continuously throughout the year. Government expectations regarding the availability of PL 480 wheat can affect pricing decisions. PL 480 wheat is sold in ration shops to augment wheat which the government procures from local farmers at Government-set prices. In the absence of assured PL 480 supplies, decisions on procurement

prices tend to be made on very narrow, short-term budgetary grounds, and resulting prices and small farmer incentives are low. However, an ISC decision to include a specific quantity of wheat for Pakistan in the PL 480 "core" could permit the U.S. mission to negotiate for a specific Pakistani food production strategy, including a pricing policy based on assured PL 480 availabilities, which would ensure enhanced small farmer production incentives.

In Haiti an assured supply of PL 480 commodities would significantly improve the possibility of negotiating policy changes. Specifically we seek to persuade the government to rationalize its fiscal system and pass all revenues through the budget. The development impact of such a reform would be great, since additional resources would thereby be made available for development acitivities. The objective of policy change would be pursued as part of an overall Mission strategy using loans, development grants, PL 480 grants and PL 480 sales as means to the desired end.

An assured supply of local currency generations would also greatly improve the implementation of projects financed with counterpart funds. These projects complement A.I.D. loan assistance in a wide range of rural development efforts. The complementarity would be strengthened if the supply of the local currency generated by PL 480 food commodity sales were more reliable.

Finally, negotiation for the core commodities would be used to gain generally increased budgetary commitment to rural development on the part of the government.

In Zaire, the present transportation system severely restricts the distribution and marketing of local agricultural output. The primary need is for roads to provide access to the rail and river transportation system and for simple storage facilities in market areas. A.I.D. is currently shifting out of transportation activities in response to its Congressional mandate. However, an ISC decision to include a specific quantity of commodities in the PL 480 "core" could permit the U.S. mission to negotiate commodities toward a PL 480 agreement tied to a specific plan for using Title I generated local currency to support the development of farm to market roads in the country. This would provide direct and additional support to A.I.D. integrated rural development activities beyond that which would otherwise occur, to promote expanded agricultural output. More comprehensive planning for such activities would also be possible.

In the Philippines, a national nutrition program currently being implemented will provide food supplements for malnourished infants, pre-school and elementary school children, and pregnant and lactating mothers. Feeding of elementary school students, particularly those in poor and rural areas, is an important element of the strategy. However, due to budgetary constraints and the competing claims of higher priority programs, PL 480 Title II commodities can't meet the demands of a nationwide school feeding program. Domestic production of especially nutritious foods is only now beginning, so the Filippinos will be forced to rely on costly imports or to cancel efforts to achieve their nutrition objectives. An ISC decision to include a specific quantity of Title I soy fortified flour and perhaps blended foods in the "core" would permit the U.S. mission to assure the Filippinos that necessary commodities would be available to begin implementation of their nutrition strategy. This would also permit better planning for the use of dollar and Title II contributions to the program.

In Senegal, fluctuations in climate can eradicate development efforts designed to encourage improved cropping patterns, livestock management, and water use techniques. The Senegalese Government has made progress in its efforts to move the country away from dependence on peanuts as an export crop. Cereals, mainly millet and sorghum, are important food crops. However the effects of the recent drought have exacerbated the almost continuous decline of the country's budgetary resources and possible future droughts are a cause of much concern. The Government of Senegal has recently decided to buy and store large quantities of locally produced food grain as a buffer against future droughts. During the first years of this program local production will be insufficient to provide necessary security against possible droughts. An ISC decision to include a specific quantity of sorghum in the Title I "core" for Senegal could permit the U.S. mission to negotiate toward a Title I agreement tied to the development of working stocks. It would directly complement a proposed A.I.D. grain storage loan to Senegal. In addition, through the Title I agreement the government could be committed to efforts to achieve better balance within its agricultural development programs and to give greater attention to equity incentive considerations in agricultural price structures.

DCC ALTERNATES' MEETING

PL 480 TITLE I AS A DEVELOPMENT RESOURCE

May 5, 1976

Mr. Herter (Executive Director, DCC) chaired the meeting, which was called to discuss an A.I.D. paper on the use of PL 480 Title I as a development resource. Two issues were presented in the paper for DCC decision: the endorsement of A.I.D.'s suggested programming and budgeting procedures for the PL 480 Title I program; and approval of a "core program" procedure, for use in allocation of PL 480 Title I, to give priority treatment to those countries that have formulated plans to use food aid as an integral part of their development planning.

Mr. Birnbaum (A.I.D./PPC) explained the genesis of this effort, the intended procedural changes and the nature of the proposed core program.

Procedures:

A.I.D. Missions' multi-year planning documents, the DAPs, and their Annual Budget Submissions will now incorporate a rigorous analysis of the role of food aid in each country's development objectives and strategy. In addition, a new document, the Program Paper (comparable to a Project Paper for development assistance projects) will be required; it will describe how PL 480 impacts on development objectives and what development measures will be sought from the recipient government.

The Core Program:

The core is a system to permit advance approval of a priority designation in the allocation of PL 480 Title I for countries which have a significant PL 480-development link.

The existing decision making mechanism, the ISC, will use the improved analysis of development issues which results from the new procedures in the selection of countries to be given priority access to the core.

No fixed amount will be set aside for the core; the amount will be determined by the ISC on the basis of sound country proposals which indicate why priority consideration should be given in each case. In order to retain maximum flexibility to meet unforseen demands or short supply situations, a ceiling of 50 - 60 percent of the total program is forseen, within which both politically determined cases and a major share of the programs of the large traditional recipients would fit--a development oriented share.

Country proposals will be reviewed in February; Missions will be notified to begin negotiations thereafter. In September or October, after USDA's Section 401 determination, commodities will begin to be shipped.

Illustrative examples of the utility of the core concept for Pakistan and Senegal were presented.

The discussion covered the following points:

1. Treasury questioned whether there was anything really new in the procedures, and whether it is necessary or desirable to change procedures in order to have the core program.

A.I.D. said that what is new is that:

a) More rigorous analysis will be required of Missions, with a focus on the impact of food aid on development including recognition of possible disincentives to production, rather than the justifications of the past which have emphasized balance of payments requirements and the need to feed people. Missions will have to put themselves on the line on what they plan to get in terms of development efforts in return for priority consideration in allocation.

b) Development considerations will now have a role in the ISC's allocation decisions.

c) Recipient governments will now get the message that the food aid-development effort relationship is a USG concern which will affect our decisions. The nature of the negotiations will be affected.

d) Countries with access to the core will have a greater assurance of PL 480 amounts and of the timing of shipments than in the past, although no "commitments," in the legal sense, will be made before the Section 401 determination.

2. Labor asked how much variance actually exists over time in the size and direction of PL 480 programs of major recipients, and whether they do not already have a degree of assurance of supply, referring to major allocations in 1974.

A.I.D. pointed out that a major shift has taken place since 1974 with the elimination of Indochina programs.

State said that while there may be a consistent pattern in the figures, the process of allocation is long and uncertain and it has often been said we should find a better way to exercise our development leverage than current procedures permit.

3. The realism of underlying assumptions regarding supply:

USDA said that the new law (PL 941-61), which seeks more effective use of PL 480 as a development tool does require a response, and that it is desirable. However, it will be difficult to infuse a large ingredient of development planning into the program. The underlying assumptions regarding supply may not hold true in the future. Congress' perception,

and that of the A.I.D. paper, are weighted by the short crop supply situation of the last few years. They assume the U.S. will be in a strong position to demand development changes. But the past few years may prove to be the aberration from the likely future pattern. USDA is projecting a worldwide grain carryover of 100 million tons, excluding rice, as of July 1, 1976 and 145 million tons as of July 1977. If these figures are correct, development considerations will not be decisive in PL 480 allocations. The PL 480 program remains fundamentally a surplus disposal program and there are limits to the degree to which you can make it a development program. The best you may be able to do is to minimize its disincentives to development.

A.I.D.'s proposal is worth a try but USDA has reservations about how much is possible and about the paper's assertions regarding the long run effect of the program.

4. Whether the core program would excessively reduce flexibility in the decision making process: a concern raised by Treasury and USDA. A.I.D. repeated that it expected no more than 50-60% of the FY 1977 level, illustratively, would be in the core, and that this would assure adequate protection, especially since the major political cases and other traditional recipients could be accomodated within it. In addition, inclusion in the core is at best a very tentative assurance of priority treatment in allocation decisions, not a commitment which would have to hold in the face of unforeseen changes in circumstances such as crop failures. With this understanding, USDA saw no insurmountable difficulties.

5. The size of the core program: Treasury said it should be viewed as experimental and kept small; 10 percent would be a better figure than 50 percent. OMB felt that 50 percent would be out of the question and suggested that A.I.D. start with pilot cases. Rather than setting a lower ceiling now, the decision should be made by the ISC in February on the basis of country requests. OMB will be looking skeptically at the country proposals. State may have problems with a 50 percent level, but the time to assess the risk is in February when the ISC meets. A.I.D. said it needs to go out with a general instruction to all posts in order to get the analysis which will allow the ISC to make a rational judgment. There is no way to prejudge the issue and select certain countries to be pilot cases. The 50 to 60 percent figure is a ceiling to prevent over-commitment, not a target to be filled, and includes countries whose programs are justified on political grounds. Perhaps the actual figure will be much lower, especially in the first year or two, but the figure should be determined by the process, starting with analysis from the bottom up.

6. Whether countries with politically determined programs should be included in the core: Treasury questioned their inclusion because they see no additionality to development being achieved. State agreed they might best be treated separately since their amounts can very greatly, but it may make sense to include for those countries that portion of a PL 480 program which can be justified on development grounds. A.I.D. agreed that

the politically determined programs can be excluded from preliminary designation of the core, but believes that it may nevertheless be useful to start a dialogue with these recipients on the development issue. If all commodities for the strictly political cases are excluded, A.I.D.'s estimate of a core would be closer to 20 percent of total Title I than 50 percent. State and A.I.D. pointed out, however, that portions of political programs could appropriately be eligible for the core depending on the country's commitment to development.

7. Necessary revisions to A.I.D.'s paper: Treasury is bothered by the assertion that one can maximize the US's marketing, foreign policy and development objectives all by the core program, and believes the core should be justified foursquare on development grounds. Political cases (and justifications) should be excluded from the core program. although political problems should be recognized in the paper. The paper is vague on the particular development changes or policy measures which would be sought. The additionality to development which is sought should be spelled out more clearly. It should be made clear what will result if (1) Missions fails to achieve adequate commitments during negotiations or (2) countries fail to live up to their commitments. A.I.D. views the steps toward complete commitment of the Title I program to development as a series of approximations of the ideal goal. A country failing to live up to a commitment to development may not lose its PL 480 program, but a dialogue will have been started, and experience in the core may become the key to future commitments.

8. Analysis required: OMB felt that to justify a program additional analysis is required along the lines of a paper presented by Carol Lancaster of OMB. Policy leverage seems to be the main point of the A.I.D. paper, but this ought to be part of a broader strategy. It should be clear that Missions are requested to analyze the entire economic spectrum on which PL 480 impacts, such as its role as a foreign exchange support mechanism, and not just its influence on pricing policy. CIEP and OMB want Missions to examine closely the disincentive question. A.I.D. welcomed suggestions on the guidance to Missions.

9. The relative value of the core program: State and Treasury expect the major value of the program will be in the small countries which have gone in and out of the PL 480 program, rather than in the major recipients. A.I.D. disagrees. It was decided that this is not the time for in-depth discussion of this question, but it is expected to be a real issue for the ISC in February. A.I.D. believes the core can be important in imbuing large traditional programs, and political cases if included, with a development orientation.

IT WAS DECIDED THAT:

1. A.I.D.'s change in procedures, i.e., the requirements to be levied on the field (DAP revision, ABS inclusion of PL 480 analysis, and Program Paper) are endorsed by the DCC, as is the concept of the core.

2. The ISC will review A.I.D.'s proposed list of core countries in February, and will give increased weight to development issues in allocation decisions.

3. The ISC will then decide which Missions should be advised to begin negotiations for additional development measures in return for priority consideration in the allocation of PL 480 resources.

4. While individual agencies may be predisposed to keep the core small, the decision on core size will be made by the ISC on the basis of the country requests and A.I.D.'s analysis.

5. Political cases per se will be excluded from the core, but if a portion of a particular political allocation can be justified on development grounds, this portion may be proposed for the core.

6. A.I.D. should consider including in the core only a portion of the program for the large traditional recipients, especially if political considerations weigh heavily in determining the size of their programs. The core should be a development program.

7. A.I.D. will revise the paper to take into account the exclusion of the political cases, to sharpen its development orientation, and to reflect the discussion as described above in paragraph 7.

8. Since A.I.D. needs to get out instructions on the changed procedures, the cable to the field will be drafted concurrently with the revision of the paper. OMB's suggestions for further study will be examined, but any further analysis which may be required should not prevent timely advice to the Missions on the agreed change in procedures. OMB's suggestions will be used in spelling out detailed guidance to the Posts.

9, The cable will go to all posts, including SA countries, but the latter may well respond that they must be exempt from the requirements of development analysis and justification for political reasons.

DCC Alternates Meeting on PL 480

Attendees:

Name	Agency
C. Herter, Jr.	AID
Patricia Matheson	AID/IDC
Allison Herrick	AID
P. Birnbaum	AID
Sam Levine	AID
Jiryis Oweis	AID
William Rhoads	AID
K. S. Bitterman	AID
Alex Shakow	AID
John Mellor	AID/PPC
George Waldman	USDA
Carlos J. Ortega	Agriculture/OASM
Don Paarlberg	USDA
Gerald Kamens	CIEP
James M. Murphy, Jr.	CIEP
Robert Lurensky	Commerce
Diana Wanamaker	Labor
Norman Van Cot	Labor
Carol Lancaster	OMB
Henry Nau	State/E
Reno Harnish	State/EB
James Placke	State
Betsy Caldwell	STR
Frank Maresca	Treasury
Ellen Frost	Treasury
Murray Ryss	Treasury
Robert Pelikan	Treasury
Albert H. Hamilton	XMB

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ATT.

TO - AIDTO CIRCULAR A- 467

FROM - AID/Washington

SUBJECT - PL 480 Title I as a Development Resource--Implementation of the ("Loan Forgiveness") Currency Use Offset Provision of Section 106 of PL 480 as amended

REFERENCE - AIDTO CIRC A-313 of June 3, 1976

Introduction: A.I.D. strongly supports moves to strengthen the link between food aid and specific development objectives of recipient countries. A.I.D., the other Executive Branch agency members of the Interagency Staff Committee and the Congress have recognized that the impact of food aid goes beyond feeding people and relieving foreign exchange constraints. We believe that recipient countries should analyze and understand this impact and should be prepared to use U.S. food aid resources to support progress in their development efforts. The recent amendments to PL 480 by the International and Food Assistance Act of 1975 are an expression of Congressional interest in the provision of further incentives to the use of PL 480 food aid as a development resource. The Executive Branch has agreed on guidance for integration of planning and programming procedures for dollar funded development aid and PL 480 food aid. Refair conveys guidance for implementing these procedures and describes the "core program" system that will permit early designation of country priorities in the allocation of PL 480 Title I for those countries that can demonstrate a significant link between the PL 480 resource and the country's development strategy. This message conveys guidance for implementation of the ("loan forgiveness") Currency Use Offset provision of Section 106(b) of PL 480 (Attached).

A U.S. mission now has three basic tools to use for negotiation of country commitment to development. The first is the self-help provision of Section 109 of PL 480. The second is the improved analysis and planning that must underlie a request for priority consideration, or access to the core program. The third is the Currency Use Offset described in this message. These tools can be used singly or in combination. The aim should be to make the most effective use of the provisions, within the country context, to achieve significant reforms or progress in agricultural development, nutrition and population planning programs.

PAGE 1 OF 2 PAGES

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A.I.D. AND OTHER CLEARANCES

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Missions are encouraged to concentrate their efforts on developing solid Currency Use Offset proposals for application to FY 1977 and FY 1978 Title I Agreements. In order to permit the timely negotiation of FY 1977 programs and the integration of FY 1978 proposals in the program cycle, missions should submit their Currency Use Offset proposals for both FY 1977 and FY 1978 to be in AID/W by December 31, 1976.

Missions are encouraged to comment on the usefulness of this new assistance instrument and to suggest improvements to the procedures for implementing the Currency Use Offset. The procedures will be incorporated in Handbook 2.

Attachments

Please send to: List G
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Agency for International Development

Implementation of the ("Loan Forgiveness") Currency Use Offset Provision

I. Background

A. Section 106(b) of the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480) was amended by Section 205 of the International Development and Food Assistance Act of 1975 (P.L. 94-161) to permit the local currency proceeds from the sale of Title I agricultural commodities that are used for specified activities to be considered an advance payment of the equivalent amount owed to the United States under the Title I agreement. The purpose of the so-called "loan forgiveness" or currency use offset provision is to provide incentives for countries undertaking self-help measures in accordance with Section 109 of the Act to make greater efforts to carry out programs of agricultural development and other specified activities.

1. The currency use offset provision requires the United States, in negotiating P.L. 480 Title I agreements, to emphasize the use of the local currency proceeds which accrue to the recipients for purposes which directly improve the lives of the poorest of their people and their capacity to participate in the development of their countries.

2. The provision authorizes agreements between the United States and foreign governments under which the use of the local currency proceeds for agreed development purposes may, to that extent, be deemed payment of the dollar obligation to the U.S. Government. The provision directs that the "greatest emphasis" be placed on carrying out programs of agricultural development, rural development, nutrition, population planning and farmer-to-farmer programs in those countries that are undertaking self-help measures to increase agricultural production, improve storage, transportation, and distribution of commodities, and reduce population growth in accordance with Section 109 of the Act. The agreed programs are to be those which are "directed at and likely to achieve" the policy objectives of Sections 103 (Food and Nutrition) and 104 (Population Planning and Health) of the Foreign Assistance Act of 1961, as amended.

3. In entering into Title I Public Law 480 agreements, the provision requires that priority be given to countries which agree to use the local currency proceeds in accordance with the country's agricultural plans designed to achieve the development objectivities enumerated in the provision.

4. For any fiscal year, the total value of currency use offset payments under this provision may not exceed 15 percent of the total value of all agreements entered into under Title I for such fiscal year.

B. The amendment to Section 106 of P.L. 480 does not specify the implementing policies and procedures to be employed in effecting the "loan forgiveness" provision. The following conclusions regarding certain legal issues have been reached:

1. Is the recipient country required to make payment of the amounts needed for the agreed uses upon delivery of the commodities, and is a "grant-back" then to be made to that country of the foreign currencies to be used?

The legislative purpose of the "loan forgiveness" amendment is to permit the use of the foreign currency proceeds to be deemed payment of the dollar obligation to the U.S. Government. Such uses should be deemed payment for all purposes of Section 103(b) of P.L. 480 including its requirement that payment be made upon delivery of the commodities. No specific authority for grants for purposes of Section 106(b) has been included in the amendment. Accordingly, no deposits of the amounts to be applied to the agreed purposes need be made upon delivery.

2. When is the required "use" deemed to occur for payment purposes?

In order to effectuate the legislative intent of assuring that the specified activities are carried out, a transaction in close proximity to the time when the activity is to be carried out, and which can be accounted for, should be selected. Accordingly, the disbursement of the foreign currencies for purposes of carrying out the specified activities should be considered to be the "uses" of such currencies for purposes of determining that payment of the dollar obligation has occured.

3. If no actual payment is required to be made upon delivery is a "special account" required?

The "uses" of the currencies are to be deemed payment and therefore no deposit in a special account to the credit of the United States is required. However, effective implementation of the amendment requires that the foreign currencies be deposited or otherwise earmarked in a country-owned special account in the amounts agreed upon for the specified uses in order that proof of disbursement for such uses can clearly be made.

4. What is the applicable rate of exchange?

The applicable rate of exchange should be determined in accordance with Sec. 103(h), P.L. 480, which requires that rates of exchange applicable to the sale of the commodities be obtained which are not less favorable than the highest of exchange rates legally obtainable in the respective countries and which are not less favorable than the highest of exchange rates obtainable by any other nation. The effective date for determination of the rate of exchange in accordance with the requirement of Sec. 103(h), should be the date of disbursement from the country special account of the amounts required for specified economic development.

5. Is the "loan forgiveness" applicable to a particular percentage of each P.L. 480 sales agreement?

The "loan forgiveness" provision may be applied to all or a part of any P.L. 480 sales agreement subject to the limitation that for any fiscal year the total value of such payments may not exceed 15 percent of the total value of all agreements entered into under Title I for such fiscal year. It is the total amounts provided for in such agreements in any fiscal year against which the 15 percent limitation is to be applied, without reference to disbursements made for such purposes by the recipient country. The policy decisions as to how much of any given Title 1 agreement should be forgiven are left to the Interagency Staff Committee.

6. May the "loan forgiveness" provisions be applied to existing P.L. 480 sales agreements?

The amendment to Sec. 106(b) is silent as to whether the "loan forgiveness" provisions may be used to modify existing agreements. The Committee reports, however, clearly state that the amendment was intended to apply only to new agreements. This is construed to mean the agreements entered into after the effective date of the amendment.

7. Can an unused portion of the 15 percent limitation from one fiscal year be carried over to another, later, year?

(a) The authority does not carry over into a succeeding fiscal year to increase the authority of that year above 15 percent; but

(b) beginning with Fiscal Year 1976, for agreements and amendments signed after December 20, 1975, if the "loan forgiveness" agreements concluded during a given fiscal year do not account for the full 15 percent permissible for that year it would be possible to conclude "loan forgiveness" amendments of agreements of that fiscal year for "loan forgiveness" until the full 15 percent is reached.

II. Policy Guidelines

A. Determination of eligibility for "loan forgiveness" provision.

1. The objective of this provision is to give a recipient country a sufficient concession to provide a real incentive for politically difficult policy or fiscal decisions. These may include non-budgetary policy reforms (e.g. more market-oriented farm prices and interest rates) or changes in budget outlays to a critical sector.

2. The concession should not therefore be spread evenly, or thinly, among a large number of claimants. It should rather be applied on a highly selective basis to as much as 100 percent (after provision has been made for U.S. use requirements) of the amount financed by the CCC in recipient countries offering to make the most critical commitments in return. For large recipients 100 percent may not be feasible.

a. Priority should be given to those countries that seek to strengthen their commitment (through policies or resource allocations) including measures specified under Section 109 of P.L. 480, to activities in agriculture, rural development, nutrition, and population planning that we regard as particularly critical to achieve the objectives of Sections 103 and 104 of the Foreign Assistance Act.

b. Among such recipients, further priority will be given to proposals which are aimed at improving the lot of the poorest income classes within a Title I recipient country.

3. Authority to negotiate the "forgiveness provision" will not be extended to a post that does not have the staff capability (either at post or at a nearby post or regional office) to negotiate and monitor the program to which the "forgiveness" would be applied.

B. Allocation of the annual 15 percent of the value of Title I sales agreements entered into:

Allocation should be based on program recommendations from U.S. Country Teams in all countries which are eligible for "loan forgiveness" and will have the opportunity to submit such program requests. However, "loan forgiveness" will require rigorous standards which will be applied in establishing priority for participation and will be applied on a highly selective basis. When a record of country performance on past "loan forgiveness" projects is available, posts will be expected to provide their assessment of such performance along with any new proposals for "loan forgiveness." This should limit requests for participation to those countries most likely to be able to meet development criteria and to those best able to develop a thorough justification for their proposals.

C. "Loan forgiveness" reduces, for a consideration, a dollar debt to the U.S. Government. Demonstration of recipient country commitment to specified development objectives that is additional to current commitment will constitute the essential consideration. The United States must be assured that an action, a budgetary allocation (or reallocation) or a package of actions will be undertaken that will result in a significant improvement in current policies or programs. In this regard "loan forgiveness" will not take place until the actions and/or local currency disbursements agreed to have been undertaken. In the case of change in budget outlays "forgiveness" will be contingent upon actual disbursement of local currency for agreed purposes. In the case of nonbudgetary reform, the policy change itself will have to be initiated as well as local currency disbursements made.

1. A critical change in policy, possibly politically difficult, may be viewed by the United States and the recipient country negotiators as the single most important measure currently required to improve progress toward the objectives of Sections 103 and 104 of the Foreign Assistance Act and measures specified in Section 109 of P.L. 480. If the recipient country makes a commitment to such a change in policy, the "forgiveness provision" in the Title I agreement must nevertheless refer to specific uses toward which the local currency proceeds will be applied. In instances where the policy change will require budgetary expenditures, such expenditures would no doubt be the most appropriate uses.

2. If the commitment is budgetary it should be amenable to measurement not only in terms of the budgetary resources to be applied to certain identified programs or projects but also in terms of definable progress toward specified objectives. Either a new allocation or a reallocation of resources to something not previously in the budget or an increment to specified existing programs must be shown. One recommended guideline is that the country be required to demonstrate that it had not only maintained the real value of expenditures from the most recent fiscal year for the relevant development programs, but also that it had increased its expenditures in that sector or program by the local currency equivalent of the reduction of the dollar debt.

3. In countries where the P.L. 480 agreement normally follows adoption of a budget that already assumes a P.L. 480 resource transfer, negotiation on future year commitments, beyond the year already budgeted (in which case "forgiveness") would not take place until the budget commitment had been implemented.

4. Particular care will be needed to assure that the recipient's commitments avoid the generalities of most current self-help statements and are spelled out sufficiently for later measurement. Guidelines regarding reporting requirements and means of verification of progress toward the purposes for which the currencies are used will be provided after approval by ISC.

D. Suitable and timely reporting and satisfactory performance in achieving the self-help provisions of Title I agreements in the past will be taken into consideration when recommending use of the "forgiveness provision." Although poor past performance should not of itself be taken as sufficient evidence of potential future performance, good performance can be given heavy weight in assaying future expectations.

E. Although the global 15 percent authority of a given fiscal year should be used for a mix of country programs with all objectives cited in Section 106(b), within an individual country concentrating on a single or several closely related objectives would probably yield most effective results.

III. Recommended Procedures

A. Planning and Budgeting:

1. Legally "loan forgiveness" may be operative for new agreements signed December 20, 1975, or after. An accounting control system will be essential to assure that currency use offset would not exceed 15 percent of the total value of all agreements entered into under Title I in each fiscal year.

2. Title I agreements signed since December 20, 1975, for FY 1976 may in exceptional circumstances be amended to provide for "loan forgiveness." However, as a general policy such amendments will be strictly limited, if any.

3. For FY 1977, each U.S. Country Team desiring to participate should conduct a careful review of the development steps and programs it would expect the recipient country to achieve in return for "loan forgiveness" and an estimate of the appropriate dollar level to be forgiven. Requests will be reviewed against the criteria set forth in paragraph IIA. Recognizing that there will be difficult judgemental decision as to the relative merits of the recipients' proposed increased efforts to achieve objectives in agricultural and rural development, nutrition and population, posts should carefully avoid any impression of a commitment in preliminary discussion with recipient governments.

5. Country team proposals will be reviewed by State/AID and USDA and prepared for presentation to the Interagency Staff Committee. The ISC will be responsible for approval of all "loan forgiveness" proposals.

6. From FY 1978 onward, the programing and budgeting system for participation in the "loan forgiveness" provision should be integrated with the systems for budgeting dollar and commodity resources each year; they should be set forth in AID Handbook 2, and supplement as necessary in annual program guidance.

7. An administrative time limit of one year following the date of signing of the agreement will be established for amendment of prior year agreements; agreements signed earlier in the current fiscal year could be amended at any time during that fiscal year. Thus, there will be adequate time for negotiation of commitments but negotiations will take place within a relatively short period after the effective date of the delivery of the commodities. The limitation would also help prevent the accounting operation from becoming overly cumbersome.

B. Implementation of the Provision

1. The provision should be part of the Title I Sales Agreement either as part of the original agreement or by subsequent amendment (See Tab B).

2. Subject to the annual 15 percent ceiling, "loan forgiveness" could be provided for any future Title I agreement.

3. The agreement should stipulate a deposit or earmarking in a country-owned special account, and set forth the specific agreed-upon uses and amounts to be applied to these in order to establish the basis for reporting of disbursement by project which will be deemed the use of the currency.

4. The agreement should provide for reports of the amounts and dates of deposits and disbursements therefrom and possibly, depending upon U.S. Country Team policy, provision for joint programming of the currencies deposited.

a. The date of disbursement will establish the rate of exchange at which the dollar equivalent of that amount of country-owned sales proceeds will be offset against the dollar debt.

b. The disbursement will satisfy the requirement that the local currencies be "used" in order that their dollar equivalent be credited againt the total obligation of the recipient country. The amount credited will be applied against the earliest installments of interest and principal due.

c. The means of verification and evaluation of measurement of achievement of objectives should be specified.

d. The disbursement for agreed uses will be subject to audit by the United States.

5. The standard Title I agreement will call for deposits of currencies close to the time the commodities are sold for local currency. The local currencies generated should be deposited upon demand by the United States but in no event later than six months following the date of the last delivery of commodities in any calendar year in amounts required to carry out the activities or purposes mutually agreed upon. Deposits should be made in interest bearing account(s) in commercial banks except where the use of commercial banks is contrary to

law or where the Interagency Staff Committee specifically exempts this requirement. Disbursement of each sum deposited will be required within two years. The value represented by the first or second tranche of commodities delivered may not represent the full value to be credited; the full amount may therefore be deposited in several tranches. The two year limitation is to be applied to each separate deposit. This provision is designed to (a) ensure that specific agreed purposes are funded within a relatively short time after the generation of the currencies to be used for these purposes, (b) prevent the generality of commitment that has been common in the self-help agreements of the past, and (c) mitigate the economic effects of isolating the currencies in a separate account.

6. Use of the "loan forgiveness" provision does not necessarily mean that participation in the P.L. 480 Title I "core" program is also essential or even desirable. Whether or not the two activities should be linked together in a proposal depends upon the circumstances of each case. ISC approvals for either "core" programing or "loan forgiveness" will depend upon proposals meeting criteria for each activity.

USE BY FOREIGN COUNTRIES OF PROCEEDS OF SALES OF AGRICULTURAL COMMODITIES

7 USC 1706.

SEC. 205. Section 106(b) of the Agricultural Trade Development and Assistance Act of 1954 is amended—

(1) by inserting "(1)" immediately after "(b)";

(2) by adding at the end thereof: "In negotiating such agreements with recipient countries, the United States shall emphasize the use of such proceeds for purposes which directly improve the lives of the poorest of their people and their capacity to participate in the development of their countries."; and

(3) by adding at the end thereof the following new paragraphs:

"(2) Greatest emphasis shall be placed on the use of such proceeds to carry out programs of agricultural development, rural development, nutrition, and population planning, and to carry out the program described in section 406(a)(1) of this Act, in those countries which are undertaking self-help measures to increase agricultural production, improve storage, transportation, and distribution of commodities, and reduce population growth in accordance with section 109 of this Act, and which programs are directed at and likely to achieve the policy objectives of sections 103 and 104 of the Foreign Assistance Act of 1961 and are consistent with the policy objectives of this Act, pursuant to agreements between the United States and foreign governments under which uses of such proceeds shall be made for such purposes. Such uses shall be deemed payments for the purpose of section 103(b) of this Act, except that for any fiscal year the total value of such payments may not exceed 15 per centum of the total value of all agreements entered into under title I of this Act for such fiscal year. Such payments shall be described in the reports required by section 408 of this Act and section 657 of the Foreign Assistance Act of 1961.

7 USC 1736.
7 USC 1709.
22 USC 2151a, 2151b.
7 USC 1703.
7 USC 1736b.
22 USC 2417.

"(3) In entering into agreements for the sale of agricultural commodities for dollars on credit terms under this title, priority shall be given to countries which agree to use the proceeds from the sale of the commodities in accordance with the country's agricultural development plan which—

"(A) is designed to increase the access of the poor in the recipient country to an adequate, nutritious, and stable food supply;

"(B) provides for such objectives as—

"(i) making farm production equipment and facilities available to farmers,

"(ii) credit on reasonable terms and conditions for small farmers, and

"(iii) farm extension and technical information services designed to improve the marketing, storage, transportation, and distribution system for agricultural commodities and to develop the physical and institutional infrastructure supporting the small farmer;

"(C) provides for participation by the poor, insofar as possible, in the foregoing at the regional and local levels; and

"(D) is designed to reach the largest practicable number of farmers in the recipient country.".

Credit for Agreed Uses of Sales Proceeds

C. Credit for Agreed Uses of Sales Proceeds - Local currency proceeds generated by sales of commodities in the importing country when used for purposes agreed by the exporting and importing Governments in conformance with Section 106(b) of the Act shall be credited as payment of principal and interest due the Government of the exporting country for the financing of commodities under this Agreement. Such payments shall not exceed that portion of the amount financed by the exporting country equal to the percentage specified in Part II of this Agreement.

1. The Government of the importing country shall deposit to its special account in special interest bearing accounts in commercial bank(s) designated by it and agreed to by the Government of the exporting country for such purpose in the importing country, upon demand by the Government of the exporting country, but in no event later than six months following the date of last delivery of commodities in each calendar year, in amounts as may be mutually determined by the Governments of the exporting and importing countries, that portion of the local currency proceeds accruing to the importing country from the sale of the commodities financed under this agreement equal to the percentage specified for purposes of Subsection 106(b)(2) of the Act as set forth in Part II of this Agreement.

2, Such local currency shall be disbursed for the specific uses provided for in Subsection 106(b)(2) of the Act as set forth in Part II of this Agreement.

3. The dollar equivalent amounts of local currency disbursed for the purposes referred to in subparagraph 2, above, shall be calculated at the exchange rate specified in Part I, Article III G of this agreement, applicable on the date of disbursement and the disbursement of such amounts shall be considered payment for purposes of Part I, Article II H of this Agreement as of the date of disbursement, provided that such amounts of local currency are disbursed within a period of two calendar years from the date they were deposited into the special account and are not in excess of the stated percentage of the financial value eligible for offset.

4. Such disbursements of local currency shall be deemed payments under Section 103(b) of the Act and the equivalent dollar value shall be considered as an offset against amounts due and payable under the repayment terms of the Agreement. Offset shall not be made for amounts due under the Agreement when such amounts are determined to have become due and payable prior to the disbursement (use) date of the sales proceeds for eligible projects.

5. The Government of the importing country shall furnish the U.S. Embassy at least quarterly for the period during which disbursements are required to be made in accordance with subparagraph 3, above, a report of the deposits and disbursements of the proceeds, certified by the appropriate audit authority of the Government of the importing country, and in case of disbursements, a statement of the specific activity for which the amounts disbursed were used, and the date of disbursement.

6. The Government of the exporting country will provide a scnedule of offsets to amounts due from the importing country. Where appropriate, the schedule will show both currency use payments and currency use offsets. In the event the Government of the exporting country disallows for credit any amount of local currency certified by the Government of the importing country pursuant to subparagraph 5, above, notice of such disallowance shall be provided by the Government of the exporting country to the Government of the importing country in a timely manner and the two Governments shall, upon request of either of them, consult regarding such disallowance pursuant to Part I, Article III H of this Agreement. In any event, however, if the notice of disallowance is not rescinded by the Government of the exporting country within 90 days after notification of disallowance for credit, as herein provided, no offset of equivalent amounts owing the Government of the exporting country shall be made. To the extent that any disallowed amounts may have been recorded as offsets by the Government of the exporting country against amounts due and payable under the Agreement, such offsets will be reversed.

7. The Government of the importing country shall cooperate with and give reasonable assistance to representatives of the Government of the exporting country to enable them to inspect projects, and inspect and audit records, procedures, and methods pertaining to the disbursements of the local currencies which are credited against earlier payments of principal and interest.

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SUBJECT: AID IMPLEMENTATION OF THE PRESIDENT'S ARMS TRANSFER POLICY

FOR MISSION DIRECTORS FROM THE AID ADMINISTRATOR

1. ON MAY 19, THE PRESIDENT ANNOUNCED A NEW ARMS TRANSFER POLICY IN WHICH HE EMPHASIZED MAJOR NEW CHANGES. AMONG OTHERS THAT FROM NOW ON, QUOTE WE WILL ASSESS THE ECONOMIC IMPACT OF ARMS TRANSFERS TO THOSE LESS DEVELOPED COUNTRIES RECEIVING U.S. ECONOMIC ASSISTANCE. UNQUOTE

2. IN THIS CONNECTION, SECRETARY VANCE WILL SOON SUBMIT TO CONGRESS A REPORT ON ARMS TRANSFER POLICY (PURSUANT TO SECTIONS 202 AND 216 OF THE INTERNATIONAL SECURITY ASSISTANCE AND ARMS EXPORT CONTROL ACT) WHICH INCLUDES A SECTION ON ARMS TRANSFERS TO LOW INCOME LDCS.

4. IN ADDITION, THE FOREIGN ASSISTANCE ACT (SECTION 602(S) REQUIRES US TO TAKE INTO ACCOUNT, BEFORE FURNISHING DEVELOPMENT LOANS, SUPPORTING ASSISTANCE, OR PL 480, QUOTE (A) THE PERCENTAGE OF THE RECIPIENT OR PURCHASING COUNTRIES BUDGET WHICH IS DEVOTED TO MILITARY PURPOSES; (B) THE DEGREE TO WHICH THE RECIPIENT OR PURCHASING COUNTRY IS USING ITS FOREIGN EXCHANGE RESOURCES TO ACQUIRE MILITARY EQUIPMENT; AND (C) THE AMOUNT SPENT BY THE RECIPIENT OR PURCHASING COUNTRY FOR THE PURCHASE OF SOPHISTICATED WEAPONS SYSTEMS. UNQUOTE OUR ACTIONS IN CARRYING OUT THIS PROVISION MUST BE REPORTED ANNUALLY TO THE CONGRESS.

5. ACTION

A. IN CONSIDERATION OF THE PRESIDENT'S POLICY STATEMENT AND THE SECRETARY'S REPORT, AS WELL AS THE REQUIREMENTS OF

STATE 122750

SECTION 620(S) OF THE FOREIGN ASSISTANCE ACT, I AM TAKING THE FOLLOWING ACTION:

1. EACH GEOGRAPHIC BUREAU AND FIELD MISSION IS HEREBY REQUESTED TO PROVIDE AN ASSESSMENT OF THE IMPACT OF DEFENSE EXPENDITURES ON EACH AID RECIPIENT'S ECONOMY AND DEVELOPMENTAL PLANS. THIS ASSESSMENT SHOULD BE SUBMITTED BY JULY 1, TO THE COORDINATOR OF SECURITY ASSISTANCE IN AID/PPC.

2. THE COORDINATOR OF SECURITY ASSISTANCE IN AID/PPC IS HEREBY REQUESTED TO PROVIDE ME WITH A CONSOLIDATED REPORT OF THE ABOVE MENTIONED ASSESSMENTS, INCLUDING AN ANALYSIS OF SAME.

3. THESE ASSESSMENTS MUST BE TAKEN INTO CONSIDERATION IN THE DEVELOPMENT OF THE FISCAL YEAR 1979 BUDGET AND PROGRAM PLANNING.

4. FROM NOW ON, REGIONAL AND COUNTRY ASSESSMENTS OF THIS KIND WILL BE EXPECTED ON A REGULAR BASIS, AND WILL BE CONSIDERED IN THE DEVELOPMENT OF COUNTRY PROGRAMS.

5. IN PREPARATION OF THESE ASSESSMENTS, MISSIONS ARE ENCOURAGED TO COORDINATE WITH U.S. MILITARY REPRESENTATIVES IN THOSE COUNTRIES WHERE MAP, FMS OR IMET PROGRAMS ARE PRESENT. VANCE

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AIDTO CIRCULAR A 139

AID/Washington

SUBJECT: Section 102(d) and FY 79 Program Guidance

REFERENCE - AIDTO CIR A-86, 3/5/77

1. Section 102(d) of the Foreign Assistance Act requires establishment of criteria to assess host countries' commitment and progress towards certain development goals. The Agency's full report to Congress on implementation of this new Section, Socio-Economic Performance Criteria for Development, is transmitted herewith.

2. The report and this message are sent for information purposes to Missions whose programs are funded under Security Supporting Assistance legislation. Legally, the requirements of Section 102(d) apply only to Development Assistance. However, it is the Agency's desire to take the concerns of the new Section into account increasingly for all programs, wherever there is no conflict with the requirements of Supporting Assistance and other special categories.

3. Section 102(d) has critical implications for selection and design of projects and for justification of budget decisions for FY 79 and beyond. Therefore it is important for Missions to understand the attached report and to respond to concerns of Section 102(d) explicitly when preparing FY 79 budgets. The Agency has assured Congress (see esp. pp. 50-52) that we will clearly bring the five broad categories and other concerns of 102(d) into our FY 79 budget planning.

Sent to List G

Attachment: Socio-Economic Performance Criteria for Development (1 copy)

PAGE 1 OF 4

DRAFTED BY	OFFICE	PHONE	DATE	APPROVED BY
James Brown	PPC/PDA/SPA	23692	3/29/77	AA/PPC, Alexander Shakow

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4. When reliable statistics are available for assessing host country socio-economic performance, Missions should use these data to help analyze project selection and program design. But since statistical reliability is very low in many of our emphasis sectors and recipient countries, progress and commitment should always be considered explicitly also in light of the best non-quantitative evidence available. At the same time, increasing use of quantitative socio-economic performance criteria and analyses will be appropriate for AID programming in the long run.

5. AID recognizes that improvements of recipients' socio-economic data and associated analyses are important for the countries themselves as well as for donors' programming decisions. Meaningful long-run implementation of Section 102(d) requires LDC progress in data development, for which an expanded AID technical assistance role is appropriate. (See the attached report, pp. 52-54, and Annex C.) Mission comments on this matter are welcomed.

6. Both AID/W and the Congress appreciate the difficulties for meaningful implementation of the legislation. On the other hand, Section 102(d) is basically a continuation of Agency policies and program thrusts already inherent in the "New Directions" strategy. Therefore the new Section does not imply any radical departure from actions already well underway by most USAID's. Nor does it call for significant new amounts or types of analysis not implicit in the New Directions. We think the basic analyses and data implied by 102(d) are necessary in any event for sound DAPs, sector assessments and project documents.

7. The process of responding to 102(d) should not involve a special "add-on" to the FY 79 presentation, nor should it supply "boiler plate" statistics or data with low reliability. Rather the five broad categories of 102(d) and similar concerns of the legislation regarding host countries' commitment to and progress in achieving broad-based development should be worked into the Narrative Summary Statement. Wherever feasible, Missions should indicate clearly how their project selections and budget decisions have explicitly taken into account reliable data and good judgemental evidence that allow the Agency to assess host country commitment and progress toward goals consonant with 102(d).

8. In order to demonstrate in the ABS that they have explicitly and systematically taken Section 102(d) into account for FY 79 programming, Missions should consider each of the following questions carefully. This list is representative rather than exhaustive. It is meant as an aid to Mission thinking rather than as an outline for the ABS presentation. On the other hand, larger Missions with adequate analytical staffs may wish to present specific answers to each question.

A. Most fundamentally, based both upon statistics and judgemental evidence, how is the host country doing in each 102(d) category?

(1) small-farm agricultural productivity

(2) infant mortality

(3) population growth

(4) income distribution

(5) employment

B. How do these patterns of performance compare to (1) the host country's own historical records, (2) neighboring countries, and (3) the host country's declared national objectives?

C. What are the conflicts and trade-offs, real or perceived, (1) among the goals of 102(d) and (2) between the host country's objectives and 102(d) goals?

D. How adequate, with respect to availability and reliability, are the host country's statistics for the five categories of 102(d)?

E. In the absence of reliable statistics on these categories, what is the genera reliability of other information to judge the recipient's commitment and progress?

F. What studies and other information are available to judge the determinants (see pp. 36-41 of the report), including non-controllable factors, of host country progress in each of the five categories?

G. What donor activities are now underway and what is the scope for AID and othe donors to help the recipient country improve its information, statistics, and socio-economic analysis relevant to development progress and its determinants (See pp. 52-54 and Annex C of the report.)

H. In what specific ways has the Mission been able to use available statistics other information on host country socio-economic performance or progress to sharpen project selection and program design? How can better information (including both statistical and non-statistical) on performance and its determinants be used in the future to improve our projects and programs?

9. It is clear to AID/W that answers to such questions will be extremely difficult fo some missions and even impossible in other cases. There is no intention here to encou "manufactured" answers where reliable data and good judgmental information do not exis It is equally important, however, to begin a systematic cataloguing of information relevant to 102(d) and to identify the gaps in our knowledge about individual countrie

Congress has given the Agency considerable flexibility in Section 102(d), with due recognition of the conceptual and statistical problems involved, but we must make it clear that the Agency is responding to legislative concerns in good faith and with reasonable promptness.

10. In keeping with the initial nature of this guidance, the extent to which the concerns of 102(d) are reflected in the FY 79 budget and project selections will be evaluated later in CY 77, along with the proposed technical assistance for LDC statistical development that is discussed in Annex C of the full report on 102(d). Mission opinions are solicited, optionally, for use in revising this guidance for FY 80.

CHRISTOPHER

SUPPLEMENT B - Sector
Guidance - General

POLICY DETERMINATION

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT

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Sup B1 to HB 2		(TM 2:1)

PD-48
October 2, 1972

EMPLOYMENT AND INCOME DISTRIBUTION OBJECTIVES FOR A.I.D. PROGRAMS AND POLICIES

The attached Policy Determination, "Employment and Income Distribution Objectives for A.I.D. Programs and Policies," has been approved by the Administrator as Agency policy. The measures outlined in the Policy Determination are elements in a continuing process of examining ways in which employment and income distribution can be taken into systematic and sustained account to coordinate broader development objectives with growth.

Implementation of the Agency approach to employment and income distribution calls for both specific new actions and for more systematic and continuing emphasis on these considerations in the way the Agency conducts its on-going activities. Specific new actions include the development of economic policy guidance (item 1) by PPC/PDA; the development of sectoral and project guidance (item 2) by task forces composed of staff from PPC, TAB, PHA, and the regional bureau and staff offices; reoriented training of LDC administrators and technicians (#4) primarily by OIT; evaluation (#8) by PPC/PE; research (#9) by PPC/PDA, TAB, the bureaus and the Missions; and the orientation and training of A.I.D. staff (#10) by SER/PM. Responsibility for more systematic and continuing emphasis on employment and income distribution as called for in connection with human resource development (#3), public works (#5), agriculture (#6), and industry (#7) falls primarily on the regional bureaus and Missions as does implementation, within the guidelines to be developed, of approaches to economic planning (#1) and sector/program/project formulation and appraisal (#2).

Thomas M. Arndt
Executive Secretary

DISTRIBUTION:
A.I.D. List M, Position 9
A.I.D. List B-6, Position 9
A.I.D. List B-4, Position 5
A.I.D. List C-2

Address questions concerning this Policy Determination to PPC/PDA.

Address questions about this policy determination to:

PD-48
October 2, 1972

POLICY DETERMINATION

EMPLOYMENT AND INCOME DISTRIBUTION OBJECTIVES FOR A.I.D. PROGRAMS AND POLICIES

Background of the Problem

Despite creditable aggregate growth performance over the past two decades, substantial segments of the population in LDCs are not sharing proportionately in the benefits of growth. This unequal participation in the benefits of development is manifested in two particularly conspicuous -- and related -- respects: (1) persistently high underemployment (or low productivity employment) and (in some countries) unemployment, and (2) highly unequal income distribution.

In addition to the human misery they entail, inadequate employment opportunities and highly unequal income distribution have at least two important implications: first, the waste inherent in the under-utilization of human resources, the most abundant resource of most developing countries, retards the development process; and, second, the frustrations generated by perceived unequal participation in the benefits of development, and especially by open unemployment, constitute a potential source of disaffection and unrest which could undermine the development process. Meaningful development involves broad popular participation in the development process and in its benefits, including progress toward meeting the basic needs of people, both their material needs for food, health, shelter and security and their less readily measured but also important concerns for social justice and human dignity.

Three important causes of the present situation are (1) the population explosion of the 1950's and 1960's which is now being reflected in labor force growth rates of 2 to 3% in most developing countries; (2) the transfer of technology developed by and for industrialized countries and therefore often inappropriate for countries characterized by relative scarcity of capital and abundance of labor, a process which is encouraged by policies which distort factor prices by undervaluing capital and overvaluing labor; and (3) an institutional structure (e.g., in credit, land tenure, education, agricultural extension, etc.) which tends to favor well-established

enterprises and interest groups and to provide inferior access for small operators in agriculture and industry.

Issues

Donor agencies, including A.I.D., inevitably affect employment and income distribution in many ways, notably (1) the types of technological and capital transfer which they finance; (2) the orientations of the LDC institutions the development of which they support; (3) the effect of these transfers on what the developing countries do with their own resources (i.e., the demonstration effect); (4) the training in developed countries which they provide for LDC administrators and technicians; and (5) the general planning advice they give to LDC governments.

In addition, the employment problem in particular reemphasizes the critical need to reduce population growth rates. The efforts of A.I.D. and other donors to help LDCs reduce fertility should, in the long run, have a major impact on the number of entrants to the labor force and thus on employment.

A.I.D., along with other donors and LDC governments, has recently become increasingly concerned about employment and income distribution and has adopted a number of measures to take these issues into account. It is necessary, however, for A.I.D. to give more systematic attention to the employment and income distribution implications of all of the programs, projects, and policies it supports so that, at a minimum, these may contribute to an alleviation of these pressing problems. At the same time it should be recognized that central responsibility for dealing with employment and income distribution falls to the LDC governments and that the role of A.I.D. is marginal and should conform to the collaborative style.

This emphasis on employment and income distribution does not mean exclusion of other essential elements of the development process or indiscriminate support for any approach which promises to increase employment or reduce income inequality regardless of other consequences and of costs; continuing growth remains essential. The important point is that development must be considered within a conceptual framework which includes these two aspects. An approach to the development of a set of policies and programs which will promote growth, employment, and equity as coordinate objectives is outlined below.

Implementation

The following measures will affect a number of Agency activities. They are intended as elements in a continuous process of examining ways in which employment impact and benefit distribution can be taken into account in a systematic and sustained way. It should be recognized, however, that there are no easy answers or panaceas for employment and income distribution problems; the purpose of this Policy Determination is not to prescribe answers but rather to call attention to the need to give adequate consideration to these problems.

1. Economic Planning Guidance

Employment and income distribution should be taken into account in economic planning discussions. To facilitate this process, guidance will be developed for the use of A.I.D. officials and consultants who participate in consultative group meetings or in other ways are involved in the discussion of general economic policy. The primary emphasis will be on the ways in which employment can be adversely affected by distortions in exchange and interest rates, tariff, tax and wage policies as well as foreign exchange and investment allocation systems and other economic policies. The purpose is to indicate to LDC governments the benefits of adopting policies and practices which contribute to the establishment of factor prices more closely reflecting factor availabilities. Such measures are desirable in any case and should be adopted even if there were no employment and equity problems. They would improve resource allocation and therefore support rapid growth. The crucial longer-term importance for labor force growth of measures to reduce fertility should also be indicated.

2. Sector Program and Project Guidance

Capital and technical assistance project proposals will be required to include a section explaining what attention was given to employment and income distribution considerations. Missions will be expected to address these questions in the formulation and appraisal of capital and technical assistance programs and projects. (If no consideration was given, an explanation should be provided of why such consideration was omitted.) Proposals will be reviewed with an eye to how these issues are treated.

In order to facilitate the integration of employment and income distribution considerations at the sector, program, and project levels, a set of interrelated critical questions will be developed for each important sector (with special questions for important subsectors). The questions will be designed to explore how different socio-economic groups are affected -- both favorably and adversely -- in terms of their access to employment and to resources and opportunities -- and the consequences thereof for income distribution. Attention will also be directed to analysis of the conditions which must be established and the types of policy and institutional change required for programs and projects intended to reach segments of the population which have not previously participated significantly in the development process. In collaboration with host country governments, explicit consideration should be given to technical and institutional alternatives of a proposal with different employment and income distribution implications.

When factor prices are distorted, shadow rates, especially for foreign exchange, capital, and labor, should be considered in the design and appraisal of proposals. Agency guidance in the use of shadow prices will be developed.

3. The Development of Human Resources

The potential of human resource development programs in health, nutrition, education, training, and family planning to create a more employable and productive labor force, raise social mobility,and expand the opportunities open to the poor should be fully exploited. In its continuing support for such programs A.I.D. must exercise care and selectivity, however, to assure that they in fact benefit the poor and thus exercise an equalizing effect rather than benefit predominantly the already privileged and thus further skew the distribution of income. This calls for careful analysis of the benefit incidence of human resource development programs. To support this effort research will be undertaken to explore what socio-economic groups benefit from different types of human resources development programs. Education and training must be made relevant to productive employment.

4. The Training of LDC Administrators and Technicians

The foreign training provided for LDC administrators, engineers, economists, educators, and other experts should be oriented to the conditions of developing countries, with special attention to the employment and income implications of public policies (such as those outlined under item 1 above) and of technology. Administrators and technicians brought to the U.S. for training are exposed to

techniques and approaches which are functional for capital-rich labor-scarce economies but often dysfunctional for the capital-scarce labor-surplus developing world. As a major supporter of such training, A.I.D. should arrange for the development of materials emphasizing the creative adaptation to LDC conditions of techniques learned in the U.S. and for their introduction into training programs. The potential of third country training programs which include attention to the adaptation of technology to LDC conditions should be explored.

5. Labor-Intensive Public Works

Consideration should be given to expanded A.I.D. support for public works which lend themselves to labor-intensive methods (such as the construction of farm to market roads, drainage, irrigation, terracing and conservation, housing, etc.) by food assistance and other means. Such programs can contribute to the creation of useful infrastructure as well as provide employment. It is important to identify and distinguish between the immediate employment benefits and the longer-run use benefits, which may accrue to the wealthy. For this and other reasons more serious and systematic analysis of their socio-economic impact and administrative arrangements is required to improve their productivity and make their impact more equitable.

6. Agriculture

In A.I.D.'s extensive involvement in programs in the agriculture sector, increased emphasis should be placed on problems of employment and income distribution, in particular on problems of the small farmer and landless laborer. Relevant programs and policies A.I.D. should consider supporting in appropriate circumstances include such things as small farmer credit and cooperatives; land reform and land tenure (including cadastral surveys); the development of efficient technology applicable to small farms; and removal of subsidies or imposition of taxes on labor-displacing equipment. For many members of this target group development necessarily means the increasing importance over time of urbanization and non-agricultural pursuits. The close interdependence of the rural and urban sectors cannot be overlooked in seeking to deal with the difficult problems of small farmers and landless laborers.

7. Industry

Although A.I.D. is not heavily involved in industry sector programs, where it is so involved emphasis should be given to support of programs and policies which make for increased employment and improved income distribution. Elements in this approach include generally favoring labor intensive technologies in industry where feasible and encouraging small scale firms (which tend to be labor intensive) through elimination of economic policies which discriminate against them, development and dissemination of appropriate technology, facilitation of subcontracting arrangements, and strengthening credit and other types of institutional support (e.g., technical advice, marketing, etc.) geared to the special needs of small producers. Where appropriate, export promotion activities should be linked to employment considerations since frequently the comparative advantage of LDCs in exporting manufactured products is in labor-intensive industries.

8. Evaluation

A.I.D. will initiate a process for evaluating on a regular basis its projects in terms of their benefit incidence, including selected completed projects as well as current ones. A select number of past projects should be evaluated for their benefit incidence, especially employment and access to resources and opportunities. Whenever possible, provision should be made for local social scientists to participate fully in the design and implementation of the evaluations.

9. Research

In order to develop improved understanding of the nature and dimensions of the employment and income distribution problems in LDCs and of the ways in which they are affected by different types of policies, A.I.D. will, in collaboration with international and national institutions, support improvement of the concepts and the measurement of employment and income distribution in LDCs. In its own research strategy A.I.D. will give special priority to research undertakings designed to increase understanding of employment and income distribution

in relation to other economic and social parameters and lead to conclusions about measures which could be utilized by LDC governments and donor agencies. Full participation of LDC institutions and scholars in such research will be encouraged. A.I.D. missions are encouraged to stimulate and support LDC research in this area.

10. Organization of A.I.D. and Orientation of A.I.D. Staff

The primary responsibility for incorporating employment and income distribution considerations into A.I.D. activities must rest with the Missions because of their greater familiarity with the specifics of country situations, their continuing dialogues with LDC governments, and their role in conceiving and developing programs and projects in collaboration with local institutions. The AID/W regional bureaus also have a major role to play as they review the proposals submitted by Missions. Missions and bureaus will make their own arrangements to assure that these functions are adequately performed. The Bureau for Program and Policy Coordination will be responsible for overall guidance and for developing the Economic Guidance and relevant evaluation; it will, in collaboration with other bureaus and staff offices, play a major role in developing sector/program/project guidance; and it will assist other bureaus, where appropriate, to implement their respective responsibilities under this determination. PPC and the Technical Assistance Bureau will continue to be jointly interested in centrally funded research on these problems. TAB can also provide significant technical support in a number of technical areas, notably agriculture, industry, and human resource development.

Successful implementation of an employment-expanding and income-equalizing thrust clearly requires widespread understanding by A.I.D. staff of the nature of these problems and of the various instruments available for dealing with them. Training to enhance staff sensitivities and capabilities in this area will be undertaken by SER/PM in collaboration with PPC.

11. Expression of Views on Employment and Income Distribution

A.I.D. should put forward these views on employment and income distribution when dealing with other U.S. Government agencies, private organizations, multilateral and bilateral donors,

and, in appropriate collaborative style, with the governments of LDCs. A.I.D. officials participating in meetings with other donors should call attention to employment and income distribution considerations when these are relevant to discussions either at the policy level or at the level of particular project activities.

Approved: John A. Hannah
JOHN A. HANNAH
Administrator

Date: October 2, 1972

PD-52
May 2, 1973

Policy Determination on Labor-Manpower
(Administrator's Transmittal Message)

1. I have approved the attached Policy Determination on Labor-Manpower. The central responsibility for alleviating problems of skill shortages, low worker productivity and inadequate employment opportunities, and for enhancing the quality of life for working men and women falls to the LDC's themselves, but in a manner consistent with its collaborative style, AID should try to be helpful in seeking solutions to these developmental problems.

2. Although AID has a significant interest in the labor-manpower institutions and policy development, this does not necessarily mean that Missions are expected to mount such bilateral projects. This and several other points were brought out during the clearance process. Some Bureaus asked that particular attention should be called to the following: (It is intended to spell these points out in greater detail in the two labor-manpower handbooks now being written.)

A. The office of Labor Affairs with limited central funds will continue high priority selective programs in the labor-manpower area.

B. AID field Missions in mounting their development assistance programs--e.g., in agriculture, nutrition, education, health, family planning--should address the goals and objectives outlined in the Policy Determination. Paragraph II.E.7. provides, however, that the primary responsibility for incorporating labor-manpower considerations into AID activities rests with the Missions and Regional Bureaus.

C. Paragraphs II.E.2. and II.E.3. state that AID labor-manpower development assistance should give priority attention to the AID sectors of major concern and to support of the Policy Determination on Employment and Income Distribution. In terms of such sectors as agriculture, health, and education, II.E.1. calls for due consideration

Address questions concerning this Policy Determination to OLAB.

of labor-manpower inputs and outputs in the development of the pertinent sector analyses and strategies. For example, where skill shortages are holding back the attainment of output goals, a skills training input should be considered. As another example, in some cases a family planning goal can be advanced by means of a labor union-sponsored education program or with the involvement of a women's bureau.

D. The policy itself and II.E.5. and 6. point out that AID should be supportive of the international--e.g., International Labor Organization (ILO)--and regional--e.g., Organization of American States (OAS)--efforts in the labor-manpower area. Many of the activities can be carried out beneficially by the relevant multilateral institutions.

E. However, in the case of Section 601 of the FAA stating that "it is declared to be the policy of the United States...to strengthen free labor unions," the Regional Bureaus and Missions, through ongoing substantial contracts with the American Institute for Free Labor Development (AIFLD), the African-American Labor Center (AALC), and the Asian-American Free Labor Institute (AAFLI), will continue to be supportive of the goals and policies contained in the Policy Determination.

F. With respect to free labor unions and increased participation by workers in the economic and social development process, the following provisions of the Policy Determination are especially relevant:

- I., Policy, states, "It is AID policy to assist, bilaterally and multilaterally, less developed countries in their self-help efforts to strengthen the capabilities of labor unions...for enhancing the... freedom and welfare of working men and women."

- II.C., Welfare and Freedom of Workers, states, "In providing development assistance, AID should encourage...the development of strong, independent, responsible and democratic organizations of workers...(and) the involvement of working men and women in the development process...such as...consultation (by relevant governmental institutions) with the representatives of the men and women affected by the measures to be taken, and in particular representatives of free employers' and workers' organizations."

- II.D., Labor-Manpower Institutions, provides that AID's development assistance should assist the people of the LDC's in their efforts to build the institutions, such as free and responsible labor unions, which will meet the aspirations of workers and their families for a better life, with freedom.

- II.E.4., covering U.S. Labor-Manpower Development Assistance, stresses that AID personnel should recognize that the preferred mode of labor-manpower development assistance is joint problem-solving with the recipient country and that "in this connection, shall also seek the views of employers' and workers' organizations in the country or area of the assignment."

G. It should be noted that the Policy Determination is concerned with the problems and aspirations of the rural labor force as well as those in urban areas. For example, in some developing countries, there are viable labor unions of plantation workers, campesinos, and employees of ministries of agriculture or rural development. Other LDC's have established a farm placement service within the overall national employment service. As two final examples, LDC labor and price statistics institutions often collect and disseminate employment, wage, and unemployment data for rural workers and, often standard minimum wage legislation has to be adjusted to take into consideration special factors associated with farm labor.

Attachment:
Policy Determination on Labor-Manpower

(Initially disseminated as AIDTO CIRCULAR A-499, May 2, 1973.)

DISTRIBUTION:
AID List M, Position 24
AID List B-6, Position 24
AID List B-4, Position 5
AID List C-2

Policy Determination on Labor-Manpower

I. Policy

It is AID policy to assist, bilaterally and multilaterally, less developed countries in their self-help efforts to strengthen the capabilities of labor unions, labor ministries, and other labor-manpower institutions for enhancing the skills and utilization, employment opportunities, productivity, freedom, and welfare of working men and women.

II. Principles

The following basic principles apply to this Policy. For pertinent operating principles and procedures, reference should be made to handbooks on (a) strengthening free labor unions, and (b) labor-manpower programs and institutions. These fundamental principles are interrelated and, when properly applied, can be mutually reinforcing and often synergetic.

A. General

1. The ultimate objective of development assistance under this policy is sustained improvement in the well-being of the individual worker and his family.

2. The basic principles should take due account of the stage and level of economic and social development of the country concerned, and should be pursued by methods that are appropriate to national conditions and practices.

a. This proviso is particularly important in view of the critical problem of unemployment and underemployment in developing countries. Policies and programs designed primarily to promote the welfare of wage and salary workers may, if pursued too vigorously, be inimical to the promotion of job creation for the entire labor force. In many developing countries wage earners constitute a relatively small proportion of the entire working-age population.

b. Important complementary approaches to expand productive employment for the entire working-age population include policies, programs, and institutions on the labor-demand side to create new employment opportunities and on the labor-supply side to enhance the employability of the labor force through manpower and human resource development programs.

B. Manpower Development and Utilization

Enhancement of the occupational skills of members of the labor force and their productive employment in industry, agriculture, and commerce are essential to economic growth and a reduction of the incidence of poverty. In providing development assistance, AID should encourage:

1. On-the-job and employing establishment-related training, retraining, and skills upgrading in public and private services and undertakings, including understanding and observance of labor legislation, the background and reasons for free labor unions and their role in economic and social development, and the methods of consultation and cooperation between management and workers, particularly in regard to the introduction of technological change, productivity measures, and redundancy.

2. Workers, management, and their associations to make a positive contribution at the work place, public and private, to industrial relations, with stress on means for resolving worker grievances, the idea and practice of negotiations, consultation and collaboration in labor relations, the opening of communications between workers, management and government, and improving working conditions.

3. The recipient nation to declare and pursue, as a major goal, an active policy designed to promote full, productive, and freely chosen employment, with a view to stimulating economic growth and development, raising levels of living, meeting manpower requirements, and overcoming unemployment and underemployment.

4. The best possible organization of the labor (employment) market, including recruitment and placement, employment counseling, labor market information, and job development, as an integral part of the national program for the achievement and maintenance of full employment.

5. The appraisal and modification of policies and programs relating to human resources development, fiscal and trade policies, and those policies affecting the cost and supply of capital in the light of their effect on the productive employment and welfare of working men and women.

C. Welfare and Freedom of Workers

Economic growth is not the end purpose of development, but rather is one of the means for attaining development objectives. A major such objective is to meet the aspirations of workers and their families for a better life, with dignity and freedom, and to help spread the benefits of economic progress among the wage and salary components of the labor force. In providing development assistance, AID should encourage:

1. The development of strong, independent, responsible, and democratic organizations of workers, which can engage in collective bargaining and perform other useful functions in the improvement of the economic and social life of their members.

2. Conformity with the basic aims of the ILO Conventions on the use of forced or compulsory labor and freedom of association and collective bargaining.

3. Freedom of choice of manpower training and employment and the fullest possible opportunity for each worker to qualify for and to use his skills and endowments in a job for which he is well suited.

4. The point of view that wage policies fulfill several purposes: (a) they often provide opportunities to use the incentive effect of increased income to support increased productivity; (b) they can facilitate the transfer of skilled labor from the less efficient to the more efficient industries; (c) they influence the advancement of skill improvement; (d) they may improve the quality of life for workers and their families; (e) they affect the internal market for goods and services; (f) they should seek to be consistent with the promotion of better income distribution and employment opportunities for the total population; and (g) they are part of overall development policies and hence subject to such constraints as guidelines on productivity, growth, and cost of living.

5. The understanding that the regulation of minimum wages is an essential element of social and economic policy, since it insures a fairer wage for underpaid workers and for those who are unable to negotiate equitable remuneration, realizing that standard minimum wage legislation cannot be universally effective in the traditional sector and that modern sector minimum wages should bear some reasonable relationship to rural family incomes, to the effect on rural-urban migration and urban unemployment, and to the need for job creation in the industrial sector.

6. Social security as an instrument of genuine social policy and a more just distribution of the national income, since the wage earner and his family are almost wholly dependent on the income from his employment and income maintenance programs are main instruments for dealing with problems of work-related injury, involuntary unemployment, sickness, invalidity, old age, and death of the breadwinner, realizing that social security and other instruments for enhancing worker welfare should also take due account of the health of the economy, methods of financing social security, and such other national goals as employment and income-earning opportunities among other groups in the labor force.

7. The development and enforcement of the country's legal provisions relating to conditions of work, such as provisions relating to hours, wages, safety, health and welfare, the employment of children and young persons, and other connected matters consistent with local circumstances.

8. Inclusion in overall development programs of the basic aims and standards of the ILO Convention on child labor and on social policy.

9. The involvement of working men and women in the development process through their participation in relevant private and governmental activities and institutions, such as the formulation and implementation of manpower, employment, social security, labor standards, industrial relations, and skills training policies and programs in consultation, at all stages, with the representatives of the men and women affected by the measures to be taken, and in particular representatives of free employers' and workers' organizations and the accessibility of the machinery for implementing these policies and programs to those whom they are intended to serve.

D. Labor-Manpower Institutions

In providing development assistance, AID should assist the people of the less developed countries in their efforts to build the economic, political, and social institutions which will meet the aspirations of workers and their families for a better life, with freedom. These institutions include:

1. Free Labor Unions

Free and responsible labor unions, enjoying the right to engage in collective bargaining, can have an important role in the process of modernization and the social and economic development of the less developed countries. For example, by acting as forums for the exchange of information and instruments for attitudinal change on vital development issues, such as bringing to the fore difficult questions of social welfare and equitable distribution of income, seeking to improve the conditions under which the commitment of labor to industry takes place, and helping advance population and family planning goals, labor unions may strengthen the forces in a society which are impelling it to modernize.

2. Ministries of Labor

Ministries of labor are a part of the social conscience of the government; they are the public agencies that can mobilize, prepare, and promote the well-being of working men and women. It is essential that the ministers of labor play an active role at the national and international level in order to achieve more rapidly and effectively social and economic development objectives. There can be no effective development unless the legitimate rights of working men and women are recognized and

their aspirations are expressed in terms of concrete achievements involving such factors as wages, employment, working conditions, and social security. In all these tasks, the ministries of labor have a vital role to play. They bear particular responsibility for seeking those solutions to problems of social and economic development which will not place the greater burden on the weakest and most disadvantaged members of society.

3. Labor Statistics and Research Institutions

The planning, implementation, and evaluation of sound labor-manpower policies and programs have been hampered in most developing countries by the absence of an institutional capability to produce reliable, current labor-manpower statistics and to engage in efforts to improve their labor force, wage, price, hours, and productivity research and statistics in order to, among other objectives, formulate realistic quantitative targets for employment, to measure the trend in real earnings and productivity, and to provide needed insights directed at the amelioration of work-related problems of the labor force.

4. Industrial Relations

Institutions able to contribute to constructive industrial relations need to be strengthened. The creation of permanent machinery to establish regular relations between employers' and workers' organizations and to give them the character of fruitful cooperation consistent with their respective contributions to national development should be encouraged. In particular, an effective system of cooperation and consultation should be established between the State and employers' and workers' organizations with regard to questions of social policy and labor legislation.

5. Labor Standards

Institutions able to contribute to constructive labor standards also need to be strengthened. Labor legislation should be accompanied by an effective system of inspection that would guarantee compliance and enable the workers to share in the benefits of economic development.

6. Employment Services

Effective employment services are required to assist workers in finding suitable employment, and employers in finding the best qualified workers, and to disseminate information on labor needs and employment opportunities.

7. Skills Training

The skills training, particularly on-the-job, capabilities of government, employers, labor unions, and professional societies should be strengthened, so that increased training and job opportunities are available to all workers, organized and unorganized, in both rural and urban areas, and especially to the unemployed, underemployed, and inadequately trained employed workers.

8. Social Security

The success of social security programs requires efficient administration. Steps should be taken to insure that the workers and their families covered by social security legislation are really covered in practice.

9. U.S. Employers

The labor-manpower policies and practices of U.S. firms with overseas operations can have an important effect on U.S. and recipient-country development interests. Steps should be encouraged for these firms to establish good industrial relations, manpower training, and fair labor standards policies and practices in conformity with international standards and local legislation.

10. Universities

Institutions of higher education should be encouraged to add to their curricula courses on labor-manpower economics, labor and price statistics, labor-management relations and collective bargaining, social security, manpower and employment development, utilization and welfare, and other subjects within the framework of social and economic development.

11. Advisory Committees

Worker participation in development efforts should be advanced by the establishment of committees, on which labor along with other interested groups are represented, as advisory bodies to national and local public agencies concerned with policy and programs in such areas as manpower and employment development, labor legislation, social security, and overall development policies affecting the welfare of working men and women.

12. Women's Bureaus

Developing countries should be encouraged to advance the status of working women by establishing viable women's bureaus and to strengthen them where they exist.

E. U.S. Labor-Manpower Development Assistance

Within the frame of reference of AID Policy Determinations on overall development assistance, AID direct-hire, PASA, and contract personnel, in carrying out the above policy and basic principles, as appropriate, should:

1. In sector analyses and strategies, give due consideration to the role of labor-manpower policies, programs, institutions, and attitudes related to the formation, allocation, utilization, incentives, statistics, and welfare of working men and women required to achieve sector objectives.

2. Encourage, as appropriate, the identified country labor-manpower institutions to give priority attention to members of the labor force affecting the following sectors: health and family planning, agriculture and food production, and education.

3. Give special attention to relating labor-manpower development assistance programs to the Policy Determination on Employment and Income Distribution (PD-48).

4. Recognize that the preferred mode of labor-manpower development assistance is joint problem-solving with the recipient country; in this connection, shall also seek the views of employers' and workers' organizations in the country or area of their assignment and communicate to these organizations copies of available reports.

5. Seek to implement the relevant provisions of the International Development Strategy for the Second United Nations' Development Decade, the resolutions establishing the ILO's World Employment Program and its regional manpower-employment components, the OAS's resolutions, particularly those passed by the Inter-American Conferences of Ministers of Labor on the Alliance for Progress, and officially U.S.-supported resolutions adopted by other multilateral organizations such as the World Bank Group and the Organization for Economic Cooperation and Development.

6. Collaborate with the above international and regional organizations toward the end of participating actively in joint programming, consultative groups and consortia, and of making available to them American experience and expertise in the solution of developing country problems in the fields of labor, manpower, employment, and worker welfare.

7. The primary responsibility for incorporating labor-manpower considerations into AID activities must rest with the Missions because of their greater familiarity with the specifics of country situations, their continuing dialogues with host governments, and their role in conceiving and developing programs and projects in collaboration with local institutions. The Regional Bureaus also have a major role to play

as they review the proposals submitted by Missions. Missions and Bureaus will make their own arrangements to assure that the functions are adequately performed. The Office of Labor Affairs will be responsible for overall technical guidance, and, in collaboration with the Bureau for Program and Policy Coordination and the Bureau for Technical Assistance, will be responsible for developing the Economic and Social Guidance and relevant evaluation and centrally funded research in the labor-manpower area; will, in collaboration with other Bureaus and independent Offices, play a major role in developing sector/program/project guidance; and will assist other Bureaus and Offices, where appropriate, to implement their respective responsibilities under this Determination.

8. AID, in its recruitment, inservice training, details, and assignments, should include labor-manpower professionals, such as labor economists and labor-manpower officers.

III. Legal or Administrative Antecedents

FAA Sections 102, 201, 207, 211, 251, 281, 291, and 601; M.O. 204.7 and M.O.'s 1612.40; State Department Policies.

Approved: John A. Hannah
JOHN A. HANNAH
Administrator

Date: 4-30-73

AIRGRAM

DEPARTMENT OF STATE

Sup B3 to HB 2 (TM 2:1)

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STATE

TO - AIDTO CIRCULAR A 346

DATE SENT 5-4-74

FROM - AID/Washington

SUBJECT - Private and Voluntary Organizations

REFERENCE -

FROM THE ADMINISTRATOR

FOR MISSION DIRECTORS, AID REPRESENTATIVES AND AID AFFAIRS OFFICERS

This message is to advise you of the Policy Determination that AID will encourage greater participation by private and voluntary organizations* in development assistance. This new program emphasis stems from our conviction that greater PVO participation in the development process is merited and our recognition that both public opinion and the initiatives directed by the Congress support increased participation. An Overseas Development Council survey has reported the confidence which the American public has in voluntary agencies as channels for assistance. The Congressional view is contained in broad context in the Foreign Assistance Act of 1973.

As a first step toward increasing PVO participation, I directed that AID, jointly with the Advisory Committee on Voluntary Foreign Aid, convene a Development Assistance Policy Conference with U.S. private and voluntary organizations in Washington, D. C. This took place April 29th and 30th, 1974.

*NOTE: Private and Voluntary Organizations (PVO's) are U.S. and other organizations which are philanthropic or public service oriented, non-profit, non-political and non-governmental. Cooperative organizations are included. Not included are universities and other primarily educational institutions, and research organizations which are being meaningfully engaged in development assistance through existing AID program arrangements.

PAGE 1 OF 2 PAGES

DRAFTED BY	OFFICE	PHONE NO.	DATE	APPROVED BY:
Working Group on PVO's	PHA/PVC	22308	5/2/74	A/AID, Daniel Parker

AID AND OTHER CLEARANCES

AA/AFRICA, SAdams (subs)
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The presentation and discussions of the conference focused on AID's emerging policy to increase its collaboration with the private and voluntary organiza- in meeting development needs. The conference went a long way to working out the guidelines for PVO participation in development programs. A report on the Conference will be transmitted to you in the very near future.

The FY 1975 budget request proposes that funds be set aside to enable AID to finance increased PVO activity pursuant to the authorizing language.

In the FY 1975 budget request we propose to administratively earmark $6 million to fund new projects to be implemented by PVO's. In this case "new" means either projects that are new or on-going projects which bring in PVO's as implementors for the first time. Projects related to employment creation and equitable income distribution, and projects in the priority areas of food and nutrition, family planning and health, education and human resource development which engage the resources and capabilities of a private and voluntary agency will be eligible for consideration. These are expected to be within national or regional priorities agreed to by A.I.D. and the host LDC, as well as applicable agency and regional bureau program guidelines, although you may wish to consider re-examining these with a view to raising the priority of a particular project which, where executed by a PVO, will have the benefit of significant private resources, human and material, mobilized by that organization. The principles of sound development assistance project design would apply.

In addition, funds are also being reserved in the FY 1975 budget request for Development Program Grants. These grants will be made available to eligible PVO's to assist them in improving their capacity to plan, design, manage and evaluate programs and projects consistent with the objectives of the new foreign assistance legislation. These grants will also enhance the capability of PVO's to work with LDC's in identifying development needs and planning projects to meet those needs.

I recognize that both the increased involvement of PVO's and the process of considering possibilities for their involvement may initially impose additional burdens on our overseas Missions. It is an indication of the importance I attach to this effort that I am asking you to turn your attention to it. As the PVO's become more experienced and their development capabilities are increased by grants for that purpose, the requirements for U.S.A.I.D. monitoring will diminish.

RUSH

Cable Room send to: LIST P (Please include Port Louis and Tananarive)

PD-60
September 16, 1974

Sup B4 to HB 2 (TM 2:1)

INTEGRATION OF WOMEN INTO NATIONAL ECONOMIES

Legislative Mandate

Section 113 of the Foreign Assistance Act of 1973, known as the "Percy Amendment", requires that the U.S. bilateral development assistance programs authorized in "Sections 103 to 107 of the Act, be administered so as to give particular attention to those programs, projects, and activities which tend to integrate women into the national economies of foreign countries, thus improving their status and assisting the total development effort."

The Amendment gives Congressional endorsement to the increasing concern of the development assistance community and developing countries that women participate fully in the tasks and benefits of economic growth. Sections 103 to 107 of the Act, to which the Amendment refers, calls for concentrating AID resources on critical development problems, including food and nutrition; population planning and health; education and human resource development; selected economic and social development problems; and support of the general economy of selected recipient countries and international organizations.

Principles

1. It is AID policy to implement fully the Percy Amendment through the inclusion of a role for women in all of the Agency's programs and projects.

2. Development of programs and activities pursuant to the Percy Amendment, and in accord with the basic policy concepts stated above, will be a responsibility resting with field missions and with all offices and bureaus in AID/W. The primary emphasis will be on the integration of women as both agents and beneficiaries in the mainstream of the Agency's programming.

3. This policy rests on the following tenets:

a. Inclusion of women in development must be a conscious concern. Equity and equal opportunity are basic to the developmental process of any country.

Address questions concerning this Policy Determination to PPC/ACS.

Address questions about this policy determination to:

PD-60
September 16, 1974

b. Under the Percy Amendment, AID has the mandate to design programs which integrate women in the development process. This mandate affects, in varying degree, all sectors and activities within those sectors.

c. Women are a vital human resource in the improvement of the quality of life in the developing world. In the home and community and as producers of goods and services, they contribute directly to national social and economic progress. As potential child-bearers, they determine the pace of national population growth. As mothers and child-raisers, they have a direct influence upon children in their formative years and, thereby, influence the building of essential human resources for national and international development. AID's implementation of the Percy Amendment, therefore, will provide a new dimension to the resolution of critical problems in development. AID's approach to this implementation will:

> Reveal the actual role and status of women and their contributions to development; provide the information and services that will enable women to control their fertility; assist women and girls in self-improvement programs, stressing increased attention to their practical education in order to permit choices in their contribution to and benefit from development programs; and provide for review of AID and other donor programs which affect women and seek means of helping increase the understanding of and assistance for women in all development areas.

d. The central responsibility for integrating women into national economies rests with LDC governments. While AID can play an important catalytic role in both the international arena and in countries where it has assistance programs, real progress requires host country commitment. Developing countries often have very different social, cultural, and family relationships from those of the U.S. Any intrusion into these relationships is a most delicate matter -- only to be attempted with adequate knowledge and understanding of the existing manners and mores of the people. Accordingly, the role of AID should, as in other areas, conform to the collaborative style.

PD-60
September 16, 1974

Implementation

1. The Administrator hereby directs PPC and other central and regional bureaus and field missions to institutionalize the conscious concern for women in development throughout the Agency's programming processes from concept and design through review, implementation, and final evaluation. All development assistance plans, sector analyses and assessments, preliminary and final project papers and field submissions shall contain a clear statement of how women in the developing countries will be involved in the development processes being analyzed and how the plan or proposal will use the capacities of women in the host country or benefit them. In the approval of plans and projects, strong preference (other things being equal) will be given to those which provide for effective utilization of women.

2. Bureaus and field missions will encourage international development institutions and other donors and private voluntary organizations and foundations to give specific attention to the role of women in development. Grantors, contractors, and other intermediary groups will be required to consider the role of women.

3. Bureaus and field missions will take steps to collect information which may be used to illuminate the role, status, and contributions of women in developing countries. This involves three distinct responsibilities. First, substantial improvement is required in the collection of basic national data on the role and status of women in developing countries. Although encouraging and assisting developing countries in this major undertaking is primarily the responsibility of international organizations, AID should stress the need for improvement of such data through the international channels. Second, better data on women are required for designing and evaluating AID projects. Where this is not available from national or international efforts, AID central or region-supported studies and data gathering may be required. For example, specific information on the activities of women in rural areas may be needed to assist in the design and implementation of a rural development strategy. Third, reasonable reporting requirements must be designed to keep AID/W informed about effective projects and general progress of integrating women in the development process by improving the utilization of and equality of opportunity for women in LDCs. This information will be shared within AID and with Congress and other organizations outside AID concerned with the implementation of the Percy Amendment.

PD-60 (TL 9:198)
September 16, 1974

4. On request of the LDCs, the bureaus and field missions will assist in the establishment or development of women's commissions, bureaus, and non-governmental organizations in the host countries and encourage their work as it relates to legal, economic, and social development activities which promote the integration of women in development. In furtherance of this objective, bureaus and field missions may co-sponsor conferences and working seminars and provide consultative services and leadership training.

Approved: Daniel Parker
Daniel Parker
Administrator

Date: 16 Sept 74

DISTRIBUTION:
AID Lists M and B-6, Position 9
AID List C, Position 2

PD-69

POLICY DETERMINATION

DEVELOPMENT ADMINISTRATION

Introduction

A crucial ingredient in all recipes for successful development is management capability. Experience in A.I.D.'s programs and projects and evidence from a wide range of development experience have repeatedly confirmed this judgment.

In A.I.D. we have recently given much emphasis to improved systems for design and management of Agency projects and sectoral programs. We have increasingly recognized the need for careful appraisal of host country management capability as an integral element of project design. Some Mission programs and many individual projects have creatively addressed needs to help host countries build management capability or remedy deficiencies so that sectoral projects and programs are better assured of success. But too many of our programs and projects still omit or skimp on the vital management ingredient.

We must now broaden our advance, consistently and imaginatively addressing the managerial needs and constraints of developing country institutions that serve the poor majority. Management improvement is a vital dimension of our assistance in agriculture and rural development, family planning, health, nutrition and human resources development. It deserves attention co-equal with that afforded the economic, technical, political and social dimensions of development.

Policy

1. It is A.I.D. policy to assure the existence or development of competent management in the specific host country institutions responsible for carrying out A.I.D.-financed programs and projects to assure with reasonable certainty their successful completion. Careful analysis and attention will be directed to managerial and institutional factors, particularly remediable deficiencies, early in program (sector and DAP) analysis and early in project design efforts. Such attention

will be continued, and managerial concerns consistently addressed, at all stages of the program and project design (PID, PRP, PP), review, and implementation processes. Appropriate implementation milestones and controls will be used to help assure results and to assure flexibility in adapting to changing conditions.

2. Managerial assistance will emphasize achievement of results under the priorities of the Foreign Assistance Act (FAA) notably in agricultural and rural development, family planning, health, nutrition, education and human resources development, together with widely shared benefits for poor people. Managerial assistance will be planned and implemented in integral relation to technical, economic, political and social/behavioral factors in the host country which affect, or are likely to affect, the performance of the country organizations involved in A.I.D.-financed activities.

3. Host country development needs identified in such Agency documents as DAPs or sector assessments will sometimes require managerial and institution building assistance, including, for example, manpower training, that goes beyond the needs of the specific project or sector, particularly in the least developed countries. Such activities are authorized by Section 105 of the FAA. They merit consideration especially when management deficiencies impose major constraints on the success of development in the priority areas specified by the FAA.

4. Managerial assistance will be provided, consistent with the development priorities identified in the FAA, and with specific country problems and needs, to build host country capacity in both private and public sectors to manage development projects and sectoral programs. Capacity to perform management analysis and planning and to implement and evaluate development activities are of central importance. Contractors or other external resources will be employed in managerial assistance roles in lieu of direct-hire staff whenever appropriate.

5. A.I.D. will expand its efforts to mobilize and apply relevant knowledge and methodology to help developing countries solve their management problems. Such efforts will include the innovative testing, adaptation, and application of relevant business management, development and public administration, economic and other social science knowledge and techniques.

6. A.I.D.'s concerns in management assistance will include means to utilize applicable research results through appropriate delivery systems, wide distribution of benefits, and participation of the poor majority in the fruits of technology.

7. A.I.D. will cooperate with and increase professional communication with international development assistance agencies in the provision of managerial assistance so as to increase the effectiveness, efficiency, and mutual support of the various international development agencies.

8. A.I.D. will foster increased acquisition, development, application, and transfer of management skills by its staff, contractors and grantees. Program and project management skills, including multi-disciplinary analysis, planning, implementation, evaluation and collaboration, are especially needed. Measures to obtain and cultivate such skills will include personnel management, (e.g., recruitment, placement), staff development and training, contracting and procurement, and increased professional and information exchange among A.I.D., LDC, and developed country practitioners and experts.

Reference

Prior guidance on the subject of this Policy Determination was contained in the Report of the A.I.D. Work Group on Management Improvement and Development Administration as revised following consideration of its recommendations by the AAC (August 11, 1975). The policy guidance contained in the Report's Recommendations at pp. 2-6 remains consistent with, and supplements, the policy stated herein.

Approved: John E. Murphy
John E. Murphy
Acting Administrator

Date: 2-10-77

Attachment:
Excerpt from A.I.D. Work Group on Management Improvement and Development Administration

II. RECOMMENDATIONS:

The major recommendations are listed below. Since managerial problems vary widely in individual countries, the application of the various recommendations will depend on local circumstances. As reflected in the discussion paragraphs, numerous recommendations with narrower applicability might have been offered. However, as suggested by several responses, recommendations have been limited in number.

1. Focus AID management assistance primarily on sectoral results and widely-shared benefits for the people.

The idea of merging managerial concerns with sectoral concerns found solid support in the study and comments. Doing this will require increased management content in food production; rural development and nutrition; population planning and health; and education and human resources development activities. It will require attention to regional approaches to development. Management factors should be addressed in balance with social, economic, and technical factors.

The relatively least developed countries have special needs for building managerial and organizational capacities. The Foreign Assistance Act explicitly lists public administration among the activities to be pursued in the category of human resources development. Public administration and technical support programs--defined as activities to build national managerial capacity--are appropriate for the relatively least developed countries. However, such programs should be linked to specific development objectives in most cases.

2. Move toward sector development goals through a "results" and "service" - oriented program planning and management framework used collaboratively by the developing country and AID.

This approach requires that the host country play the leading managerial role. The framework should involve both private and public management capabilities, and merged efforts at local, regional, and central levels. Both quantitative/rational and "people-oriented" approaches should be used. Services delivery should be seen from the client's

point of view. Programs and projects should build on locally based organization,management and participation. The framework must be applied flexibly, with experimentation to learn while doing, take advantage of opportunities, and move from "pilot" projects to large-scale efforts.

3. Further develop AID programming procedures to assure full consideration of management factors at early stages of the analytic and programming process.

Progress has been made in introducing appraisals of management capacity into AID programming procedures. Managerial analysis is sometimes included in sectoral assessments. Serious consideration of management capacity is now required at the advanced stage of the project design process. But sector assessments should require managerial analysis. Management capacity determination should be made (in balance with other factors) at the project identification and review paper stages of the project cycle. The project paper stage is too late in the process, should management capacity be lacking, to take the long lead time measures required to develop minimal capacity if the project is judged sufficiently important to incur the fairly high risks involved.

Projects which have high priority, but require a major input of managerial training or expatriate management assistance, should be undertaken only after a careful appraisal of the potential benefits and risks. They should include specific plans for indigenous management development. They should also require a strong commitment by the host government to provide indigenous managers by transfer from elsewhere in the economy or by immediate provision of able people for training.

4. Expand the Agency's efforts in operational management research and development for sectoral and area-specific applications.

Respondents agreed on the need for more analysis, research, and testing of methodology regarding sectoral management problems. This is a joint responsibility of the central staffs and the regional bureaus but primary expansion should be undertaken by the latter. Each bureau should emphasize adaptive research and evaluation of

management problems of the countries of its region. The central staff should undertake an agreed upon common core of more widely applicable managerial research and development. The central program should be adequately funded to develop new syntheses of experience and new techniques for inter-regional application.

5. Urge both U.S. and international research institutions, particularly those receiving grants from AID or holding contracts for technical research, to concern themselves with delivery systems, utilization, and benefit distribution problems as well as technical and scientific problems.

Some of these institutions have already recognized the need to take into account the management problems involved in the broad utilization of the new research. Others can be induced to do so if it is made a grant or contract requirement. Such work may be done by the research institutes themselves, or by closely collaborating institutions with a more direct capability for application of results.

6. Continue or initiate general management training in those countries that need it; locate the training in the country with maximum adaptation of training approaches and materials to operational requirements of development organizations.

There is agreement in the Agency on the desirability of relating training to specific sectoral development objectives and on its location, if possible, within the host country. Specific needs will vary in individual countries, and training programs should be tailored to fit those needs. In some situations improvements in management capacity may require training not only in technical managerial subjects but in supporting skills (accounting, secretarial, office management, etc.). One approach of general value is to train personnel in key organizations from top to bottom to help achieve specific goals. Wherever possible, host government personnel should be included in training programs on AID programming methods. This should have dual advantages in making such procedures and training more relevant and in permitting a meshing of local and U.S. budgetary and programming cycles and procedures.

7. AID should seek to build host country capacity for managerial analysis, implementation and evaluation.

Proposals for general management training should continue to take into account the Agency's rich past experience in such programs and should thus avoid possible repetition of past mistakes.

Because of cultural and political factors in-country analysis, implementation, and evaluation will have greater validity and support than external efforts no matter how well done. In selection of contractors and grantees AID should seek either directly or through required sub-contracting to utilize and strengthen local institutions. In addition to greater acceptability, use of such institutions may be less expensive than the hiring of expatriate concerns.

8. Strengthen Agency staffing in development administration, providing leadership through the Office of Development Administration; provide adequate funds for analytic and experimental work on sectoral management problems, and increase consultative services to bureaus, missions, and host countries.

Attention to the management dimensions of development must be increased at multiple points within AID staff and by use of consultants, contractors and intermediaries. To adequately address managerial problems the missions will require inventive use of means ranging from direct staff to consultants, indigenous and U.S. contractors, and joint work with staff, consultants and contractors of the regional and central bureaus.

Particular attention should be paid to acquainting sectoral experts with the practices and techniques of modern management. Existing Agency training efforts such as the new Development Studies Program should be continously evaluated for their current contribution to this need.

Agency staff leadership in development administration should rest with the Office of Development Administration. A modest strengthening of this office and its research and development and field support programs would be a good investment. However, line management from the regional bureaus to the field missions should continue to have the primary responsibility for improving country and project managerial capacity.

9. AID should increase its support of and cooperation with the international development assistance agencies in the provision of management assistance.

An increasingly significant portion of U.S. government assistance for improvement of management in developing countries is supplied through the international agencies. Often the success or failure of sectoral efforts supported by U.S. bilateral aid depends upon the international agencies, since they have a major responsibility for management assistance inputs. Improved coordination of managerial advice and training provided by the multilateral and U.S. programs is needed.

10. AID should seek to establish internal and external facilities for the exchange of pertinent information about sector-oriented management.

Despite progress in establishing an "AID memory" and various Agency efforts to promote the analysis, transfer, and use of knowledge, mechanisms for rapid, targeted exchanges of experience and information remain inadequate. These need to be strengthened and continuously monitored. The problem in the field of management is particularly acute. U.S. academic and research institutions, and private firms and institutions should be encouraged to participate in this process.

SUPPLEMENT C - Sector Guidance - Food and Nutrition

Sup C1 to HB 2

DEPARTMENT OF STATE (TM 2:1)

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ATT:

TO - AIDTO CIRCULAR A 996

DATE SENT 9/29/73

FROM - AID/WASHINGTON

SUBJECT - A.I.D. Nutrition Strategy
E.O. 11652: N/A

REFERENCE - (A) AIDTO Circ. A-461, dtd. April 21, 1973, "Program Planning for FY 1975 and Beyond"
(B) AIDTO Circ. A-543, dtd. April 15, 1972, "Development Assistance Planning Guidance - 1974;, Paras. II, 2, d, and III, 4 on Sector Analysis.
(C) AIDTO Circ. A-1690, dtd. Dec. 1, 1972, "Title II Guidelines".
(D) AIDTO Circ. A-774, dtd. July 14, 1973, "Third Agency-Wide In-Service Workshop on Nutrition".

FOR MISSION DIRECTORS FROM THE ADMINISTRATOR

I. Purpose

In the FY 1975 program planning message (ref. A), I indicated that we have decided to intensify our program concentration on basic human problems of the developing countries. Among the most important of the priority areas determined by this emphasis is food production and nutrition. The draft foreign assistance legislation currently being considered by the Congress further underlines the central importance of activities to increase the production of food and to avoid malnutrition. This message provides the strategy and planning guidance that the Agency will follow in the nutrition area of this effort. In order to help move things along, nutrition was included among the priority areas for which a portion of the FY 75 budget is being reserved in a process of accelerated program development.

DRAFTED BY	OFFICE	PHONE NO.	DATE	APPROVED BY:
Klevlck:MForman:jh	TA/N	23958	9/24/73	John A. Hannah, Administrator

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II. Strategy Statement

Transmitted herewith as attachment A. is the A.I.D. nutrition sector strategy statement that I recently approved after discussion by the Administrator's Advisory Council. I urge that it be read by all Mission Directors, Deputies and Program Officers, and all officers involved in agriculture, health, food for peace, and family planning. Briefly, the strategy directs:

-- concentration upon improved nutrition for pre-school age children and pregnant and nursing women as target groups;

-- pursuit of nutrition goals through incorporation of nutrition considerations in analyses of the agriculture, health, and education sectors and in programming and implementation for family planning, food improvement, and child feeding; and

-- priority attention to activities designed to achieve the integration of nutrition factors and goals into host country national planning.

The goal of A.I.D.'s nutrition program is to increase the capacity of LDCs to:

-- carry out accurate analysis of the nature and magnitude of their malnutrition problem and of the food production-distribution-processing-consumption pattern;

-- determine the most effective methods for addressing these problems through the planning in the relevant sectors; and

-- implement nutrition-relevant programs and projects effectively and monitor and evaluate their effect.

III. Implementation

A. Program Planning

Inasmuch as almost all of the LDCs have serious nutrition problems, AID missions generally are encouraged to discuss nutrition with their LDC counterparts and to provide them with information about the opportunities for effective action in this field. Where there is interest and priority for a national nutrition program, A.I.D. should be prepared to respond. Among the approaches available to stir interest or respond to initial interest:

a) travel to places where key component elements of nutrition programs are in effective operation;

b) travel to observe laboratory work in the United States and to discuss possibilities with various supporting American institutions;

c) participation for key officials in either short or long term training in nutrition (four-week, AID-organized workshops on nutrition methodology and on planning, scheduled for 1974; occasional special conferences and workshops; professional society meetings; the annual Gordon Conference on food and nutrition; specialized academic programs of 4-6 months at M.I.T., Cornell, or Stanford);

d) visits to Missions by AID personnel or consultants knowledgeable in this field;

e) distribution of key publications, which will be sent to missions from time to time by TA/N; and

f) small, special-purpose workshops, tailored for key target audiences.

Where a government decides that it does wish to develop a national nutrition strategy, and requests AID assistance in doing so, the appropriate AID response will generally be to field a sector survey team assembled by a contractor, followed up where appropriate, by providing a long-term advisor backed up by shorter term experts in different fields. For example, a sector analysis-planning person could be made available to work in-residence within the LDC planning body and could call on specialists in fortification, nutrition education, food service, etc. as needed. Three U.S. universities (M.I.T., Stanford and Cornell) are geared to do this, and two private consulting firms are also lined up with their own people, who have already worked for us, plus a number of qualified university staff members they have identified.

Where there are existing A.I.D. programs either in nutrition or related fields, they offer an opportunity for a different approach to the overall issue. A mission with a substantial agricultural program, for example, may propose adding a nutrition dimention to either a completed or planned agricultural sector study. The result should be a good part of a national nutrition plan. This is already initiated in Colombia and should become standard practice in agricultural sector studies.

Similarly in health sector studies, the nutrition dimension should be explicitly included. The large scale experimental program with low cost delivery of combined health, nutrition and family planning services will require careful planning of the nutrition elements and will identify the issues that need to be faced in elaborating a national nutrition program in the particular LDC involved.

This is a particularly important vehicle for nutrition efforts because it concentrates on the principal target groups for nutritional improvement, and because the new high priority given by AID to these multi-purpose delivery systems should expand opportunities to work on nutrition through this channel.

Steps have already been taken to require a framework of national nutrition analysis for the major Title II programs. Many voluntary agencies have a strong interest in nutrition work and have some programs of their own in this field. The Agency is concerned to enable the extensive personnel and other resources of these agencies to participate fully in future nutrition activities, in both A.I.D. projects and their own projects which may be proposed in the future". It is planned to provide training for voluntary agency personnel in nutrition under a proposed centrally funded project beginning this fiscal year. The process of refocussing Title II programs on priority nutrition objectives represents yet another way of approaching the general question of nutrition planning.

A boost to the early implementation of field-based nutrition programs will be given by the current process of accelerated program development for "new initiative" areas.

Of course, nutrition activity should be included in the DAP and other aspects of the overall program planning process. Bureaus and Missions can work out on a case-by-case basis the manner and timing for including a discussion of nutrition strategy in program planning documents.

The TA/N centrally funded program includes a number of activities to develop and test methodologies in the field. These activities may provide an opportune basis for program development in your countries. In addition, the TA/N program will provide opportunities for training and for sharing of new techniques and technologies which will provide additional momentum to LDC efforts.

The following types of activities are considered appropriate for A.I.D. support as part of a nutrition project:

(a) Short-term or long-term in-residence technical assistance to national planning bodies (or agriculture or health sector planning entities)

(b) Technical assistance in establishing systems to monitor nutritional status of the population.

(c) Technical assistance to planners in conducting nutrition, food consumption, and other related surveys.

(d) Technical assistance in evaluation of nutrition related projects.

(e) Assistance in training manpower in the U.S. or locally.

(f) Assistance in expediting the greater utilization of new higher protein cereal varieties, traditional protein crops such as food legumes, or less conventional protein foods such as oilseed crops.

(g) Assistance in establishing food fortification projects which aim to improve the food supply or meet specific nutrition deficits.

(h) Assistance in developing new low cost protein foods, particularly weaning foods and foods which may be used to replace high protein foods supplied under the Food For Peace program.

(i) Nutrition motivation and education programs, using mass media or innovative techniques (e.g. use of indigenous health practitioners as nutrition ~~educators~~ educators) to reach the low income masses.

(j) Assistance in developing, extending, or strengthening the nutrition component of Maternal-Child Health (MCH) programs, including supplementary feeding activities.

Attention should be given in the project submission to describing the role of other donors, which, hopefully, will be complementary and related to a single country strategy. In this regard, missions should keep in mind the potential for program financing by the international financial institutions. A.I.D. assistance in analysis and planning may better enable LDCs to identify and define program needs which may be suitable for IFI's loans. In addition, consideration should be given to provision of A.I.D. sector loans to finance key areas of recipients' nutrition strategies.

B. Staffing

Missions in some circumstances may need a full-time direct hire nutrition programmer and/or project manager. The responsibility in other cases can be assigned to a multi-sector officer or combined with other appropriate functions. It needs qualified professional attention and cannot simply be made an add-on duty for the junior member of the staff, as often has been the case in the past. Training can be provided to equip qualified existing personnel with the specific analytical and

planning skills required. See Section III, C. below. An effort is underway to identify Agency employees who have the qualifications needed for nutrition programming-monitoring-evaluation assignments. It is believed that specialized expertise is available through contract and PASA arrangements to provide both short term and resident personnel to supplement Mission staff for program and project planning and to implement approved projects. We would welcome your indication of your staffing plans and possible requirements. Any new direct-hire positions for nutrition personnel would be made available primarily through the elimination of lower priority positions within each Mission's present allocation.

C. Training

The Third Agency-Wide In-Service Workshop will be held in October (ref. D.). This will offer an opportunity for orientation of selected USAID personnel and will permit field inputs into strategy and implementation. A four-week training program for A.I.D. personnel (tentatively planned for next February), will help train officers who will have the major nutrition programming responsibility in the USAIDs. This will be followed in March by a similar program for volagency staffers. Training for LDC personnel is scheduled for 1974, with a workshop on current state-of-the-art methodology for senior planners in May and a four-week session on analysis, planning, and implementation for mid-level people in July.

D. Timing

Actions have already been initiated to strengthen the Agency's capability, through both direct hire and contractor staff, to assist missions with sector analysis, training, and other technical backstopping. A roster of backstopping services will be distributed to missions in October. On the basis of country and Mission interest, assistance will be provided with the nutrition component of sector assessments and with nutrition program development. Detailed planning of program response should be underway in the field in the Spring of 1974. It is expected that by the beginning of FY 1975, 8-10 countries will have integrated nutrition programs planned and their proposals will have been submitted for approval. Another 8-10 countries will have added nutrition components elsewhere in their programs. Most of the completed agriculture sector analyses will include nutrition issues and most Title II-supported child feeding programs will be related to country nutrition strategies. During FY 75, implementation should be well underway on these new projects and program components.

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The AID Nutrition Program Strategy

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THE A.I.D. NUTRITION PROGRAM STRATEGY

U.S. Agency for International Development

JUNE 1973

Att to Sup C1 to HB 2
(TM 2:1)

PREFACE

The Agency for International Development is using its talent and resources to help nations improve the well-being of their people. The experience of recent years has left no doubt about the importance of nutrition for quality of life, and has seen an increasing confidence that effective action can be taken without waiting for large scale improvement in the general standard of living.

This Nutrition Sector Strategy statement sets forth a realistic approach for marshalling an increased AID effort to make a significant impact on the nutrition problem. We strongly believe not only that this strategy sets forth the most appropriate manner in which Agency resources can be applied to the nutrition sector, but also that the prospects are good for achievement in collaboration with host countries.

John A. Hannah

John A. Hannah
Administrator

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Part I - Introduction and Principal Program Conclusions

An A.I.D. Nutrition Program is potentially a major tool to help the poor and usually neglected masses in the LDCs share in the benefits of development.

During the past few years, nutrition has assumed a priority role in A.I.D., the U.N., IBRD, and in other international bilateral aid programs, reflecting a growing body of research findings which indicate that protein-calorie malnutrition in the latter stages of pregnancy and in the first few years of life retards the development of the body and the brain. This affects the development of a nation's human capital potential and therefore has serious developmental implications. For these reasons it is this group which merits highest priority attention within a nutrition program.

During the past five to ten years, promising new technologies and planning techniques have been evolving which offer promise for achieving a significant impact on this problem.

AID's programs have spearheaded a number of these technological developments and approaches. The U.S. has a strong capability in many of the key areas required to combat the problem so that a strong U.S. input into the total bilateral/multilateral donor scene makes sense. New Agency approaches and the need to focus and concentrate resources have been considered in a recent reassessment carried out at all levels, up to that of the inter-Bureau Advisory Council, with participation by the AID Administrator. This resulted in a reaffirmation that combatting malnutrition is a high priority objective in the Agency, and the recommendation that the problem be attacked by multi-faceted, but coordinated, efforts in agriculture, health, education, family planning, Food For Peace and

food technology programs -- with pre-school children and pregnant and nursing women as its prime target group.

The problem of protein-calorie malnutrition is to receive primary attention (although this will usually require meeting vitamin and mineral deficiencies to some degree).

Methodologies for analysis and planning must be available to LDC planners to help them determine the cost-effectiveness of alternative solutions to the malnutrition problem across major sectors. This will require technical assistance in how to use existing analysis and planning methodologies to develop national nutrition strategies. The keystone of AID's nutrition effort should be assisting countries to develop their capability for planning and implementation of programs which will reduce malnutrition.

In addition to the central inter-sectoral approach the AID strategy will concentrate on the following activities in various sectors:

- In agriculture, to support work to expand low-cost protein sources in crops and to encourage consideration of the malnutrition problem as a major factor in agricultural planning. Efforts to expand total food production, of course, continue to be a core element in the attack on malnutrition.
- In health, to study and combat the problem of nutrient malabsorption and the synergistic effects of infection, disease and poor nutrition, and to integrate nutrition, health and family planning delivery systems where feasible and desirable.

- In education, to find most effective means of overcoming nutritional ignorance and low motivation in order to improve food behavior.
- In new food technology, to develop low-cost protein staple foods as a major goal.
- In child feeding, to make programs an integral part of a borader nutrition strategy.
- In family planning, to develop integrated health, nutrition and family planning delivery systems where feasible and desirable, and to determine more specifically the relationship between population growth and nutrition as a basis for future program guidance.

This paper states the rationale and strategy for A.I.D.'s nutrition program and describes the recommended approaches. In substantial measure, they are already reflected in on-going programs. But further strengthening is needed, particularly at the individual country program level.

Part II - Rationale

More than one and a half million people have been added to the world population since 1900. It has been estimated that by the year 2000 the globe will carry in excess of six billion inhabitants regardless of the success of family planning programs. Without success the population figure might easily reach seven to eight billion.

Concern with the world's food supplies tends to be confined to calculations of man's caloric requirements and the capability of agriculture to meet these needs. This is a dangerous over-simplification.

When looking at global food needs, concern with caloric requirements is inadequate. For normal sustained growth, man must have protein, minerals, vitamins, essential fatty acids and, it would appear, specific carbohydrates. The proteins are the key components for man, and they are even more important to the growing infant or child. An international meeting convened by the Secretary-General of the United Nations on the protein problem in May 1971, noted that "Protein malnutrition, which is a problem of crisis proportions for developing countries, must be recognized by the entire world community as a threat to world peace and stability which it can ignore only at its own peril". Mounting evidence of the implications of malnutrition and recommended ways of combatting it have been put forth by dozens of U.S. and international professional groups. In 1963, the Third World Food Survey estimated that at least 20 percent of the population of developing countries was undernourished and that 60 percent received diets indadequate in nutritional quality.

The effects of malnutrition on the health of the pre-school child are most alarming. Two-thirds to four-fifths of all deaths that occur in the LDCs are

within the under-five age group which constitutes 20 percent of the population. Some 30 percent of children in the LDCs fail to reach the age of five. Chronic protein deprivation is largely responsible for high child morbidity and mortality rates, though the deaths may be attributed officially to diseases such as dysentery, measles, tuberculosis or pneumonia. In fact, infection frequently exacerbates the effects of malnutrition, while existing chronic malnutrition may end in death caused by an infection.

This point is well illustrated by a study carried out by the Institute of Nutrition of Central America and Panama (INCAP) in four Guatemalan villages. The cause of 222 deaths was determined and compared with that recorded in the Civil Register. Nearly 40 percent of the 1-4 age children who died had edema, skin lesions, hair change, apathy, and the other signs of acute kwashiorkor. The other 60 percent, for the most part died in the course of relatively brief episodes of either diarrhea of infectious origin or complications of common childhood infections, which are rarely fatal to well-nourished children. Improved nutrition would not only eliminate the deaths caused by kwashiorkor but would also markedly decrease the number of deaths apparently due primarily to infection. Recent Pan American Health Organization studies in Latin America show malnutrition to be either the primary cause or a major factor in 50 to 75 percent of the deaths of one-to-four year olds.

Clearly, the first result of widespread malnutrition is high child mortality. But not all malnourished children die. Hundreds of millions of those who live have been malnourished and suffer serious deprivation of the opportunity to realize their full human potential. The FAO and WHO estimate the toll to be as many as two-thirds of all surviving children in the LDCs.

The deprivation often begins prior to birth. In the last trimester of pregnancy and the first two years after birth, a child's brain reaches nearly 90 percent of its structural development. During this critical period, a deficit of protein can impair the brain's growth. Autopsies have revealed that young children who die of protein-calorie malnutrition may have less than half the number of brain cells of adequately nourished children in the same group. While it is difficult to distinguish the effects of protein deficiency on child development from other aspects of poverty in the child's environment, there can be no serious doubt that there is a relationship between severe malnutrition in infancy and mental retardation -- mental retardation which many scientists are coming to believe may be irreversible.

Malnutrition attacks the body as well as the mind, seriously limiting physical growth. The Director of the National Institute of Nutrition in India reports that 80 percent of the nation's children suffer from "malnutrition dwarfism". The FAO estimates that more than 300 million children from these groups suffer "grossly retarded physical growth".

Nutritional anemias in pregnant mothers also contribute to the precarious health of the newborn, and to maternal deaths in childbirth. Studies in India, Mexico, Poland and Venezuela indicate that the prevalence of nutritional anemia in pregnant women can range from 21 to 80 percent.

Although it is difficult to assess the magnitude of the effects of Vitamin A deficiency, estimates have been made that in India alone, out of the four million cases of blindness that exist, 25 percent are of nutritional origin, and this figure is probably low since children blinded by Vitamin A deficiency disease often do not survive.

Thus, the consequences of malnutrition affect very immediately both quality of life and quality of people.

Whether "quality of life" is defined by outside experts or by people of the LDCs themselves, the definition includes as highest priorities such objectives as (a) preventing unnecessary premature death of infants; (b) preventing the pain and suffering brought on by serious and debilitating childhood illnesses; and (c) ensuring the health and well-being of people of all ages. The results of programs which reduce the incidence of malnutrition are fewer illnesses, less apathy, unnecessary deaths and blindness and children with some chance of achieving their physical and mental potential rather than laboring through their lives with avoidable handicaps. Such programs visibly improve the quality of peoples' lives.

Quality of people is of course directly related to the social and economic development of the LDCs. Since a serious degree of protein malnutrition may retard physical and mental development by as much as 20-25%, its widespread existence has drastic implications on the productivity potential of a nation's human resources. A lower degree of mental development means fewer people able to absorb basic education; it means fewer people able to undertake higher levels of technical training; and fewer people from which leadership can be drawn. How much closer might the LDCs be to their social and economic goals if the wastes of malnutrition could be altered -- the wasted budgetary expenditures for preventable illnesses, blindness, waste of education investments due to malnutrition-caused dropouts, and the economic loss of productivity resulting from a physically and mentally debilitated work force.

The benefits of investing in a mentally and physically healthy population were recognized by the military. Between 1956 and 1957, 32 studies of the nutritional status of the armed forces and civilians of friendly nations were undertaken to determine what steps could be taken to prevent malnutrition in order to reduce absenteeism and to increase work output. The value of the lost manpower productivity far exceeded the costs of prevention, thus indicating that corrective nutrition programs were justified on a cost/effectiveness basis. It is even more important to recognize the benefits of improving the quality and quantity of the civilian work force. The adaptation of new technologies requires new skills, and people capable of being trained to perform these skills -- whether a Green Revolution farmer, an engineer, or a machine operator.

The new nutrition technologies offer one powerful means for affecting the well-being, and the income potential, of the poorest strata in the LDCs. A.I.D.'s nutrition efforts thus represent one of the Agency's more direct responses to the problem of the unequal distribution of the benefits of economic growth as highlighted in the Policy Determination on Employment and Income Distribution (Oct. 2, 1972) and the PPC Policy Background Paper to this Policy Determination. They redistribute real income in favor of the poor, without depending on redistribution of money income.

Part III - Strategy

The most general, pervasive long-run solution to the problem of malnutrition would be to raise the per capita income of the bulk of LDC populations. However, sole reliance on broad income growth is not satisfactory because:

(1) It would at best take decades to raise per capita income to levels at which purchasing power increase could wipe out the bulk of malnutrition among the poorest 30-40%.

(2) And even if incomes of the poor were raised substantially, the combinations of poor feeding habits, malabsorption, protein-draining infections and the unavailability of nutritious low-cost foods, would continue to prevent adequate nutrients reaching and benefiting the critical target groups.

While a systematic comprehensive attack on malnutrition would address factors affecting near-term income growth among the malnourished populations, the central thrust of a strategy of nutrition per se is to operate from the food supply side and build adequate nutrients into the diet eaten by the bulk of the population, particularly the poor. Special efforts must be made to provide good nutrition to the pregnant women and nursing mothers and children up to about age five because nutrition from the womb through the first few years of life is critical for future mental and physical development.

Two mass coverage routes are technically feasible and appear consistent with the need for providing a low cost food supply for the bulk of the population:

(a) greatly improving the nutrient content of the basic food supply grown;

(b) fortification of the food supply.

Route (a) has two main branches: breeding more and better quality protein content into the basic grain staples of LDC diets, and increasing production while lowering costs (increasing per acre yields) of the more nutritious legumes or in some cases other high protein foods. This route has major advantages: it is an ideal way of reaching virtually all of the population, including the very poor, the isolated, and the most critical segment, viz., pregnant women and nursing mothers and infants -- particularly since the first branch requires no organization or administration of mass nutritional services or education (although some may be useful to help create a consumer preference for the more nutritious grain varieties), and the administrative effort needed for the second branch would be largely for informal education.

However, this route does have some limitations:

1. some nutrients cannot or are unlikely to be bred into the staple foods, e.g., minerals, vitamins, and perhaps some of the essential amino acids;
2. cost/price relationships may continue to discourage production and consumption of the more nutritious staples, and the cost of offsetting subsidies may in some cases be higher than that of subsidies needed to sustain fortification to reach the nutritionally deprived parts of the population; (These cost relationships are not yet established, due to the early developmental stage of the

relevant alternative technologies and the lack of experience and analysis.)

3. processed foods, on which a large and growing portion of LDC populations depend increasingly, may lose much of the nutrient value of their raw food inputs unless proper quality control methods are established in food processing plants.

Consequently the technology and pilot applications of route (b) also need to be developed, to establish the best pattern of complementarity between the two approaches, for the variety of LDC socio-economic and ecological situations. Although people who grow their own food supply and others in rural areas are reached best by making the staple crops more nutritious, some kinds of fortification may round out their nutrient requirements, and may also be more potent in reaching the increasing number of those -- largely in urban areas -- who depend heavily on processed foods. Fortification has many patterns, involving both the public and private sectors. Two main branches are (a) adding nutrients to established mass consumption foods in ways that avoid significant discernible alterations to the consumer, and (b) developing new low-cost food products that are attractive to LDC consumers.

Careful cost/effectiveness analyses are needed of alternative means of mass coverage of critical population segments in the varying environments - assessing alternatives within each of the two general routes and between the routes. These will need continual reassessment as the rapidly changing technologies evolve, including some forward estimating based on assumptions of likely attainable technological advances to guide choices between alternative R & D investments. The strategy will be progressively to broaden the range of

techniques from which components can be drawn and fitted into LDC programs and also to narrow the lines of exploration if and as cost/effectiveness analyses show conclusively where the greatest advantages lie.

An adequate strategy also requires some other lines of effort to complement the twin central thrust via changing crop production and fortification.

1. Rapid population growth is a prime cause of malnutrition in LDCs, for several interlocked reasons. This problem is being given the highest priority attention by A.I.D. in any case. The concern in developing a nutrition strategy is first to note the great importance of lowering population growth rates as a means of reducing malnutrition and, second, to shape nutrition and population activities to take maximum advantage of some important opportunities for mutual support. The latter efforts can save costs rather than add them.
2. Intestinal infection results in malabsorption of nutrients present in the food consumed. This is most severe and serious with the key infant group and contributes to the high rate of infant malnutrition and death. Consequently, work to establish the extent and nature of this problem and the most effective means of coping with it is a very important element of A.I.D.'s nutrition strategy.
3. The consumption of nutritious foods depends on consumer preference as well as on availability and price. Consumer preferences depend

not only on taste, convenience and the like, but also to some degree on what people think they should eat. Recognition by LDC people of significant health advantages of one eating pattern as compared to another, influences the pattern of their food demands -- particularly on the demands of mothers for food for their infants and young children. This is the hypothesis of the widespread nutrition education programs. Part of the A.I.D. strategy is to test this hypothesis in a fashion that discriminates among both audiences and techniques in seeking to establish comparative cost/effectiveness of information, education and communication efforts. This includes the development and evaluation of innovative types of education and mass communication on nutrition themes. There appears to be very low-cost or virtually no-cost opportunities to include communication efforts as part of development programs that will be undertaken any way.

4. The growing evidence that the critical group to reach with a more nutritious diet is pregnant and nursing mothers and preschool infants and children merits the exploration of supplemental strategies pinpointed at this group and taking maximum advantage of progress along the other strategy lines, e.g., seeking means to channel the more nutritious foods that become available more effectively and efficiently into available delivery systems for this target group.

In develop AID's nutrition strategy, it has been recognized that little will happen to affect nutrition in the LDCs, except as incidental effects

(positive and negative) of programs aimed at other objectives, until national policy makers understand that malnutrition is a major problem, are aware of potential solutions, and are prepared to establish program goals and allocate significant resources to attain them. In recent years there has been a growing recognition of the importance of combatting malnutrition, but policy makers such as national planners are still moving cautiously in attendant resource allocation, due to some uncertainty about the costs and likely consequences of various programs. Many governments have not hesitated to initiate child feeding programs when there has been free or low-cost food available (thereby reducing the amount of funding commitment required) and where they could clearly perceive other than nutritional benefits. By contrast, the benefits of widespread fortification are more difficult to measure since there is little experience to go by, and there are questions not only of initial capital costs but of how the increased product cost would affect consumer buying.

Therefore better data are required on the various program possibilities in terms of how they work, what they cost, under what conditions they are most suitable, what results they are likely to attain, etc., as well as a systematic way of assessing a country's malnutrition problem and of choosing the most appropriate approaches to its solution.

This can largely be accomplished by including the nutrition dimension in the analysis of the various relevant sectors such as agriculture, education, and health. These analyses should reveal the potential for achieving various levels of nutrition impact through given investments in these sectors. Traditional program techniques are currently being evaluated systematically by the Agency to provide better data on costs and benefits. In addition, the Agency is

developing techniques for nutrition planning on a national, inter-sectoral basis. The first effort has just been completed in Ecuador and has resulted in the publication of a first manual on a suggested approach to planning national nutrition programs. The manual, refined by LDC planners in a workshop, has now been given wide circulation and the Agency is following up by providing technical assistance to countries wishing to explore the application of such planning techniques. The Agency also plans to encourage and assist the development of a number of country cases to serve as demonstrations and to refine the techniques. Cases will include both single sector analyses and planning and two or three inter-sectoral analysis in which actions in different sectors can be compared.

The Office of Nutrition will continue to work on the refinement of the basic methodologies, will disseminate information to the field, will initiate demonstration activities in several countries in collaboration with USAIDs, and will develop the U.S. technical assistance capability which will be required to respond to requests for assistance. USAIDs are requested to encourage nutrition analysis and planning and provide such assistance as may be consistent with their country strategies and programs. TA/N will arrange for communication among the country planners in the form of circular mailings and will organize workshops as the work proceeds in order to provide for exchange of information and to hasten the refinement of sectoral and inter-sectoral planning techniques.

The Agency exchanges information on nutrition with international agencies such as FAO, WHO, UNICEF, and the IBRD toward the refinement of this approach.

Some of the international agencies have taken part in the A.I.D. Planners Workshops and are conducting their own planning workshops in which A.I.D. personnel assist. The goal is a consistent worldwide strategy.

Part IV - Program

IV-A. Nutrition and Agriculture

In the agricultural programs of most developing countries, emphasis is placed on ensuring an adequate food supply to feed the population and on increasing the export of crops which can earn foreign exchange. In fact, the objective of "feeding the people" usually means providing an adequate quantity of calories - a full stomach. Thus, high priority is given to increasing production of staple grains or roots and tubers. When nutritional quality of food is considered, it is usually in terms of the relatively higher-priced foods such as meat, fish and dairy products. Efforts to establish a dairy industry or to increase animal production do aim at augmenting good quality protein production. However, they are not likely to have a large-scale impact on the masses of people who have the greatest nutritional need and lowest purchasing power. This is not to argue against such programs; it is merely to point out that in many countries they will not by themselves achieve any significant nutritional impact among the poor and should not be justified on those grounds at this time. Advances in the technology of producing animal protein, especially through agriculture, could alter this situation in some countries.

The agricultural research and operational programs of international assistance agencies tend to reflect these objectives of local caloric sufficiency and export potential. Accordingly, greatest attention is being paid to increasing crop yields, especially cereals, encouraging better use of fertilizer and pesticides, weed control, water management, timely planting, and similar activities geared toward increasing local production of traditional crops

and toward adapting new technologies. In fact, more food per capita and more nutritious food are both requirements for substantial reduction of LDC malnutrition. The goal of providing more food is being pursued vigorously worldwide, but but there is need for a more discriminating and potent attention to food quality, particularly to increasing the protein content of the diets of the poor.

Modifications in agricultural policies and programs could help to bring about a major and near-term impact on the protein problem. A.I.D.'s R & D program has already incorporated this stress of direction toward food quality and it is increasingly evident in the programs of the international agricultural research centers. It needs to be deepened and spread throughout LDC research and operational programs.

Breeding Research

Research in breeding has already resulted in the identification of new higher protein varieties of some cereals such as corn, sorghum, rice and wheat. Protein quality can also be improved.

An example is the discovery in 1964 at Purdue of the opaque-2 gene which improved protein quality of corn markedly by increasing the content of the nutritionally-limiting amino acids lysine and tryptophan. Studies on young children in Latin America have demonstrated that the new maize variety is equal to skim milk when fed at an adequate level in the diet. This genetic breakthrough occurred eight years ago, but had a number of deficiencies with regard to yield and quality.

These deficiencies are being overcome and types which are expected to be more generally acceptable, both agronomically and from the consumer viewpoint,

are expected to be released soon for production in developing countries by the International Center for Improvement of Maize and Wheat (CIMMYT).

Similar progress, but not quite as striking as the opaque-2 in maize, is currently being made at the research level in developing varieties of wheat, sorghum, and rice, with higher protein content and quality.

Reviews and assessments of current research and applied breeding programs can help assure a nutritional direction without detracting from current agricultural objectives such as increased yields:

(1) After review, an order of priorities should be established for cereal breeding programs, based on consideration of (a) which nutrients are most lacking in LDC diets, (b) which are least efficiently provided by other means, such as fortification, and (c) which nutrients can be most readily introduced by breeding.

(2) The current results of breeding efforts should be further analyzed to determine whether there has been ad adverse effect on consumer acceptability-processing characteristics, taste and cost. Such knowledge should guide breeders as they proceed in the selection of desired breeding characteristics -- i.e. those with a realistic utilization potential.

(3) The directions and magnitude of breeding efforts should be studied to determine whether the program is receiving appropriate emphasis in the A.I.D. budget in relation to other efforts by other countries and agencies, and in relation to other agricultural and nutrition programs, and changes made when indicated.

Green Revolution

While more total food has become available with the Green Revolution, inadequate recognition and attention has been given to its nutritional impact. In India, for example, there is some evidence that the Green Revolution is creating a shift in land use away from the protein-rich food legumes to cereals. This is actually decreasing the availability of low cost protein. Among the many factors involved is the desire for the greater profit which may be realized from increased cereal yields compared with that of food legumes. In order to be able to predict and plan for such adverse developments, the nutrition and agriculture offices of A.I.D. have set up a study group to review and monitor the nutritional aspects of the Green Revolution.

Research and production management support must be encouraged to increase the yield of food legume varieties so that they may remain competitive with cereals, and to provide greater quantities at lower costs in any case. Such research should consider not only total legume yield but also better processing characteristics, quicker cooking time and avoidance of alterations which may adversely affect taste or nutrition.

The different breeding programs should be regularly subjected to cost analysis so that the relative cost/effectiveness of alternate approaches for achieving higher yield and improved nutrition can be determined.

In December 1970 a workshop of experts in plant breeding and fortification, nutrition economics, food processing, and food habits recommended that a joint Research and Development Planning and Evaluation Group be set up by A.I.D. to inter alia: provide general guidance to ongoing A.I.D. supported agricultural and technological efforts to improve the nutritional quality of cereals by

breeding and fortification, with consideration of costs, processing and distribution. The Joint Group has been established, and staff of the Agriculture and Nutrition Offices are developing and reviewing all Agency breeding and fortification projects. One major objective is to develop new policy guidance that A.I.D. can use in seeking to expand and sharpen the attention given to nutrition goals by the international agricultural crop research centers.

Nutrition/Agriculture Planning in the LDCs

Given an interested government official it is usually possible with some external funding to set up a pilot demonstration project on an operational activity in one small area. It is, however, difficult to move from these modest projects to a broader area or to the national level. The usual reasons are an inadequate budget and pressures from many sources to support a variety of programs. Thus it is difficult to get Agriculture Ministers to address the nutrition problems in their countries, especially since nutrition has traditionally been thought of as being the responsibility of the health sector. Granted, LDC health officials must be prepared to offer guidance on the nature, magnitude, and location of nutritional problems to help the agriculturalists decide on what to do and where to do it, but major actions by Agriculture decision makers -- such as nutrition-oriented modifications in agricultural policies -- could probably provide a greater impact on low-cost protein availability than efforts in any other single program area.

For example, a pricing policy which would reward the farmer for growing protein crops such as high lysine corn or selected food legumes and make available low-cost protein foods to consumers could have a wide spread effect on

improving the diets of the rural poor. Such policies are not likely to come forth unless attention is given to good nutrition as a national goal.

One step toward accomplishing this goal is to include in the agricultural sector analyses that form the basis for future aid programming an assessment of the nutritional implications of the country's sector strategy in relation to its nutritional problems. (Ideally, all assistance agencies such as FAO, the World Bank, other lending agencies, and the Foundations would also make a similar analysis).

Missions should begin immediately to include the nutrition dimension in their dialogue with host governments over agricultural assistance, should inform host governments of recent developments in nutrition planning techniques and technological progress, and should advise governments of the availability of A.I.D. and other assistance in this field. Where feasible, analysis of the nutrition question is to be included in agricultural sector analyses immediately. By FY 1975, all Mission agricultural program submissions should include a statement of country nutrition goals and an analysis of the way in which these goals are being addressed in the country's agricultural program.

In summary, the Agency will endeavor to use its agricultural programs to bring about a significant nutrition impact by: (a) expanding R & D efforts in plant breeding to give greater attention to nutrition, food processing, and food economics; (b) including the nutrition factor in agriculture sector analysis; and (c) including in the Missions' program submissions an analysis of the country's nutrition problems and the way they are being addressed by the country's agriculture program.

IV-B. Nutrition and Food Technology

In most developing countries, the low-income masses have a common consumption pattern: the staple is a grain or tuber, from which most of the protein and calories in the diet must come; the staple is usually supplemented with vegetables and occasionally with small inexpensive bits of fowl, meat or fish (a full portion of meat, fish or fowl being consumed only on special occasions); the diet is usually monotonous, since the choice of inexpensive nutritious foods is limited.

The infant is nursed for several months and may then be abruptly transferred to the adult diet, of which the prime ingredient is the cereal, root or tuber staple. Intermittently and in small amounts, the child may receive some packaged milk or weaning food, often imported and expensive. The well-meaning but nutritionally ignorant mother may dilute the milk or weaning mixtures below the minimum levels necessary to assure efficient utilization, or commonly reduce protein food intake (e.g. beans) during diarrheal infections when the child is suffering severe protein loss. This results in the child being deprived of protein when he most requires it for brain and body growth. Alternatively, children in many countries are breast-fed too long without a solid food supplement resulting in insufficient protein intake after the sixth month.

Since it is unlikely that there will be an early and significant increase in the income of these masses, other means must be explored to increase the nutritive content of the foods traditionally being consumed and/or to create new foods which will be readily available, low in cost, and acceptable for use by infants.

A promising possibility for doing this is through fortification of the basic staple with proteins, vitamins and minerals. The cost of vitamins and minerals is very low and it is simple and inexpensive to add these during the fortification process. In addition, for some protein-vitamin relationships they must be included in the fortification even where protein is the major objective.

Most cereals contain from eight to 12 percent protein, which however is of limited value since it is usually deficient in one or more of the essential amino acids.[1/] Some staples such as cassava are extremely low in protein, and fortification with amino acids is of little value. However, the protein quality of such foods can be improved by adding protein concentrates derived from oilseeds, fish or legumes which are high in protein and have a good amino acid balance. Vitamins and minerals must also be added to the staple as part of the fortification mix to insure that the protein is properly utilized and to create a food capable of sustaining growth.

It is now possible to synthesize the amino acids deficient in: wheat (lysine); corn (lysine and tryptophane); and rice (lysine and threonine). The prices of these amino acids have been reduced as a result of new technologies, and it appears likely that they be reduced even more, with sufficient demand.

Proteins are composed of long chains of nitrogen-containing compounds known as amino acids. Of the 20 or so amino acids needed by man, all but eight can be synthesized by the body. These eight have been labelled "essential amino acids". The nutritional quality of a protein is determined by its quantitative and qualitative amino acid composition. The shortage of an essential amino acid limits the utilization of all other amino acids present. Wheat, e.g. is deficient in the amino acid lysine. This means that when all of the lysine has been used up in protein syntheses, the body cannot use the other amino acids that wheat contains to form protein. The needed additional lysine, however, may be supplied by the other foods eaten with the wheat. Should the diet not include such foods, an alternative is to add synthetic lysine to the wheat to improve the quality and boost the quantity of the utilizable protein in the wheat. This is the principle of amino acid fortification.

The cost of adding vitamins and minerals is already quite low. While other costs for such things as distribution, packaging, and processing must also be considered, they appear to be relatively modest; therefore, fortification of cereals appears to be economically feasible.

The Agency has taken the lead in demonstrating the feasibility of fortifying staples. A large-scale wheat fortification project is under way in Tunisia, a corn fortification project in Guatemala, a rice project is being carried out in Thailand, and a cassava fortification project is progressing in Brazil. In each case technologies are developed for the addition of the fortificants to the staple. Optimum levels of fortification are determined through nutritional testing on animals and human subjects. Tests are made to confirm that the basic food is not altered to the point where its processing characteristics or its taste are adversely affected. The stability of the fortificants is also confirmed after use in traditional food preparations to insure that food processing has not destroyed nutritional value. The question of costs must be resolved by subsidy or by passing on the added cost to the consumer. In the latter case, testing must conform that the improved product is not passed up by the low income target population.

Meetings are being scheduled that will expose potential users of these techniques to the field trails and to plan the transition from research and demonstration to implementation. Africans, Asians, and Latin Americans from cassava-producing countries met in Brazil in 1972 to review the progress of the cassava fortification project there and to consider the relevance of the technique for their countries. In September 1973 millers, nutritionists, and those who control cereals policy in about a dozen wheat-eating countries will convene in

Tunisia to examine the wheat fortification project and to develop the procedures required to launch national programs.

The feasibility stage in fortification technology will be completed by mid-1975 by which time it is anticipated that a number of countries will be undertaking to fortify portions of their major staples. India is already fortifying centrally-baked bread in increasing quantities.

New Protein Foods

Another route to producing low-cost nutritious foods is via the commercial food sector. Several formulated nutritious foods are already being distributed through regular commercial channels: in Guatemala and Colombia, a low-cost food mixture, Incaparina, is marketed; in South Africa and Zambia, Pronutro has achieved commercial viability; fledgling efforts in Colombia (Duryea) Ethiopia (Fafa) and other countries have been made but product viability is yet to be established. Snack beverages containing protein are being successfully marketed in Hong Kong (Vitasoy) and Thailand (Vitamilk).

Other new products are being developed and tested in government laboratories and in the laboratories of the food companies. Interest is high, but there are numerous problems to overcome before products reach a stage of successful widespread distribution. In fact, for every success, there has been a large number of failures, due especially to the problems of high cost or poor acceptability.

From 1966 to 1971, the Agency has helped to create a momentum on the part of U.S. food companies to enter this field by financing 14 feasibility grants to U.S. food companies to explore the development and marketing of new protein foods. Four or five of the projects will most likely result in viable enterprises.

In itself, this is a relatively modest achievement, and it is recognized that these foods initially will be available primarily in urban areas, to people with relatively high purchasing power.

Many companies have begun to make high protein food products for such reasons as self-protection against possible market penetration by competitors. The General Foods Corporation has developed a high protein, low-cost macaroni which it is offering through various licensing arrangements to LDC companies. Nabisco is pursuing efforts at producing fortified crackers and cookies. Coca Cola has produced the first carbonated protein drink and is seeking distribution arrangements in several countries. Other companies are developing their own formulations. A.I.D. has stimulated this momentum and continues to maintain liaison and offer guidance to the U.S. private food sectors but the Agency does not plan any additional financial incentives. Instead, OPIC has in operation a similar program managed by the Agribusiness Council.

A.I.D. is now providing high protein food grants to encourage LDC food companies to carry out feasibility studies or to purchase technical assistance to develop low cost high protein foods. A three-year program starting in FY 1972 will provide assistance for some 30-40 projects out of which perhaps a dozen products will be brought into production. The priorities in this program are staple foods which reach large numbers of people (fortified pasta, bread, tortillas, chapati, etc.) and weaning products which will permit availability of an indigenous product at about half the cost of an import, which is usually the only weaning food available.

AID supports a modest research effort aimed at developing technologies that can be made available generally to the food industry to spur protein food

production. In many cases, the industry has invested many millions of dollars in R & D and there is no need for government support, (e.g. development of textured vegetable products in the form of meat, seafood, and fowl analogues). In other cases, work is being carried out on esoteric protein sources which may prove to be feasible in the longer range future (e.g. protein from algae, leaves, etc.) and such efforts are also inappropriate for A.I.D. support. A.I.D. research effort is limited to products or processes which are likely to have widespread low cost application in the LDC's in the near future. For example, A.I.D. supports a project to develop ways of improving wheat based products (with emphasis on North Africa and South Asia), a project to determine the feasibility of developing low cost high grade coconut flour (likely pilot plant in Philippines or Ivory Coast), and a project to develop protein foods by extrusion technology (currently in Chile and adaptable elsewhere).

IV-C. Nutrition and Child Feeding Programs

1. Food For Peace - History and Program Evolution.

Under the authority of P.L. 480, Title II (Food For Peace), the United States donates food for distribution in programs of emergency disaster relief, child feeding, and in other social and economic development schemes. Food is donated through U.S. registered voluntary agencies, international U.N.-related agencies such as UNICEF and the World Food Program, and through government-to-government channels.

In the early years of the program (begun in 1954-5) the emphasis was on initiating and then expanding programs. In a time when the U.S. was possessed of huge surpluses, there was great interest in "disposal"--and in fact disposal of agricultural surpluses was written into the legislation as an objective.

During this period there was a tendency throughout the Agency to look at the Title II program as an add-on which was not really an integral part of the development program. The major program concerns of the Agency were such things as avoiding diversion of commodities, whether the food grants interfered with normal marketing, and other administrative and management questions. The Agency devoted more manpower to auditing the programs than it did to program development and monitoring. The major image of the program was one of relief and humanitarianism.

In the mid-1960's the Agency began to shift the program away from the concept of relief, with the exception of emergency disaster relief which was and remains a priority, and more toward development. Programs providing food to the chronic economically needy, particularly those serving families with able bodied men were phased down. Emphasis was placed on promoting two types of programs:

(1) community development, food for work and other self-help programs in which the food was used as payment in kind to put people to work on improvement of the community, and (2) supplementary feeding programs for children enrolled in schools, in a maternal-child-health center type of scheme, or in some other institution-based program. The Agency formally established priorities assigning the highest level to programs reaching pre-school children* with a second priority to school feeding schemes.

About the same time, the Agency began to take steps to improve the program's effectiveness as a tool to combat malnutrition. After two unsuccessful attempts, the Agency, supported by the Department of Agriculture, suceeded in convincing the Congress that the wording and concept of "surplus disposal" should be removed from the legislation and that a major objective of the legislation should be combatting malnutrition. This was achieved with the Food For Peace Act of 1966. The legislation provided that the Secretary of Agriculture take into consideration overseas food sales and donation needs when planning domestic agricultural policies and programs. It also permitted providing foods other than those in surplus. Subsequently, steps were taken to upgrade the nutritional quality of the foods distributed.

When people subsisting on a very low protein diet (such as those in areas where cassava or plantains are staple) are fed high protein foods such as non-fat dry milk (NFDM), the Vitamin A deficiency is exacerbated (it having been

* As used here and throughout, such programs also included pregnant and nursing women.

removed with the fat). This can cause eye diseases leading to blindness. To solve this problem, Vitamin A and D are now added to the non-fat dry milk being shipped overseas. It has been standard practice to fortify wheat flour shipments with Vitamins B_1, B_2, Niacin and Iron as is done in the U.S., in addition since there was widespread calcium deficiency among the poor in the LDCs, the U.S. began to fortify wheat flour shipments with calcium. When it became apparent in 1966-7 that the supply of NFDM would be sharply reduced (as had occurred on two previous occasions), and since most child feeding programs were dependent on this commodity as a protein source, the government and private industry joined hands to create special nutritious, blended mixtures such as CSM (a corn-soy-milk mixture with vitamins and minerals added) and WSB (a blend of wheat flour, soy and vitamins and minerals) which could be served in a variety of ways in child feeding programs. Lysine fortified bulgur was made available for emergency disaster feeding, and a new "instant" CSM was used in Bangladesh. Soy-fortified oats are now being programmed, and in general, the nutritive value of the Food For Peace commodity shelf has been drastically improved.

2. Evaluation of FFP - Until recently, the expansion of supplementary child feeding programs has been accepted without question as being desirable. Certainly a strong case can be made that children's diets are improved and that the programs are popular with political leaders and with the people who participate in them, but when one approaches the question of the relative cost/effectiveness of alternate approaches to reach similar objectives it becomes apparent that there are many unanswered questions concerning such programs. What percentage of children do they reach and are they likely to reach the neediest

children even if expanded? What are the costs of such expansion -- in money -- in scarce trained personnel -- in warehousing -- transportation, etc.? Are the foods actually supplemtal to the diet or do they supplant food that would otherwise be served the child? Does the food given at a maternal child health center for distribution actually reach the child, or is it sold, or eaten by the family as a whole, or used to feed animals? Are habits and demands being created which would be hard to deal with if an external food subsidy were withdrawn? To what degree do the foods matter nutritionally? In the case of school feeding, do the programs have any demonstrable effect on enrollment, on drop-out rates, on attendance, or on classroom performance? Under what conditions are supplementary feeding programs most likely to be effective, and how do they fit into country strategies? And what are the costs of delivering a given amount of selected nutrients when compared to other alternatives?

To find the answers to these questions, the Agency has undertaken a project to evaluate supplementary feeding programs for children. A literature search has been completed, a research protocol has been developed and reviewed by a panel of experts, and field evaluations will begin in three countries early in 1973. The project should be completed by the end of the year and will provide a better basis for guiding the Agency's policies and programs in child feeding as part of a broad nutrition strategy.

A.I.D. is also conducting an evaluation of the blended foods distributed under the FFP program to determine whether and to what degree they are meeting the objectives for which they were designed. Field evaluations have been completed in India and the Philippines, and will shortly be completed in Brazil.

The results of these evaluations will be available in 1973 and will provide answers to questions regarding degree of acceptability, types of use, extent to which they reach target populations, their potential for commercialization, etc. The evaluation should also reveal the reasons for the relative effectiveness of these commodities in different programs. The results of these evaluations, the Agency's own on-going self-analysis and the recently completed evaluation of P.L. 480, Title II (known as the Checchi report) will be useful to the Agency in its long range planning in nutrition in general and Food For Peace in particular. Meanwhile, a number of actions are already idenfified which could enhance the effectiveness of child feeding programs in reaching A.I.D. nutrition goals.

Among these are the following:

(1) Combatting malnutrition should be made an integral part of the A.I.D. development program and child feeding programs an integral part of the A.I.D. nutrition strategy. The latter will require a change in field project design, presentation, and processing.

(2) Through the programming process, LDCs should be encouraged to develop nutrition programs in which child feeding programs may be a component, with specific time-related goals.

(3) The Food For Peace programming process and Nutrition programming process should be formally linked by requiring Office of Nutrition review and concurrence of all child feeding programs.

(4) Selected field personnel should be trained to handle nutrition programming, including child feeding programs. Where university contractors or

other intermediaries are used, they should work closely with Mission program and Food For Peace Officers to assure that child feeding programs are consistent with country and Mission priorities.

(5) The U.S. registered volagencies should be encouraged to concentrate on those interested and more needy LDCs in which governments may not be equipped for the task. Consideration will be given as to the need for strengthening volagency capability to do this through the provision of programmatic grants described in the section on Food For Peace and Nutrition.

(6) A greater incentive to the development of preschooler nutrition and feeding programs should be provided by offering technical assistance and other resource aid (manpower training, education materials, weighing scales, etc.).* This effort should receive special stress.

(7) The relative effectiveness of "take-home" programs as compared to on-site feeding should be studied to determine the feasibility and desirability of pursuing this approach.

(8) School feeding programs for children above the elementary school level (Grade 6) should be gradually phased out.

(9) Operational studies should be undertaken to determine the effects of greater concentration with improved diets and intensive nutrition education

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*As was demonstrated in the Agency's highly successful "Operation Ninos" program in Latin America in 1963-65, the provision of equipment on a one shot basis can help to generate expansion of such programs. Despite the fact that AID and every nutrition authority has for years stressed the importance of pre-schooler programs as compared to school feeding, the ratio of school children being reached is still about 4 to 1, due to the fact that school children represent a captive and easy to reach group and pre-schoolers do not. Reaching them via feeding programs will require some assistance in developing an infrastructure. Expansion of multi-purpose, health delivery systems, that achieve mass coverage of the most basic health services for mothers and young children at costs LDCs can afford, will provide a ready vehicle for at least the information/guidance part of efforts to reach this primary target group. Experimentation with supplemental feeding through the same network may be tried where feasible.

in school feeding programs on pupils in the first two to three years. (There is some evidence that nutritionally deprived pre-schoolers can "catch-up" to their cohort peers with a proper diet and intellectual environment.)

(10) Schools should be encouraged to introduce weighing programs to provide a basis for monitoring nutritional status of the population.

(11) Where possible, food fortification and new local nutritious food development schemes should be linked to local child feeding programs since these efforts can be mutually re-enforcing. The provision of a reliable initial market for these foods can make the difference in their commercial viability, while the availability of local low cost nutritious foods can provide a helpful basis for continuity following phase-out of U.S. commodity assistance.

(12) The United Nations Agencies such as FAO, WHO, UNICEF, and the World Food Program should be encouraged to adopt similar policies.

(13) U.S. food donations should be concentrated in those countries in which the child feeding program is a part of an overall nutrition strategy or where there is evidence that the child feeding program can be the cornerstone of a developing nutrition strategy.

3. Role of Voluntary Agencies - Since over half of the child feeding programs in the LDCs have voluntary agency participation, and since these agencies (such as CARE, Catholic Relief Services, Church World Service, etc.) sustain a volunteer force of about one million persons overseas, AID has been trying to stimulate the voluntary agencies to shift their activity concentration from food distribution per se to comprehensive programs involving manpower training, nutrition education, utilization of domestically-produced protein foods and

nutrition supplements, and programs which generally aim at providing a basis for prevention of malnutrition over the long term without dependence on external assistance.

As a first phase effort, AID conducted a three-year program (1969-70-71) of providing modest "incentive grants" to permit the agencies to undertake new nutrition projects. Projects were undertaken mostly with the objectives of improving the effectiveness of feeding programs by training manpower, educating consumers, or combining the delivery of complementary services such as nutrition, health and family planning. These projects generated an augmented flow of voluntary agency resources into nutrition programs.

For the future, it is proposed that the Agency fund incentive block grants to selected voluntary agencies who would wish to tool up for a broader nutrition program, including making modifications in policy and program priority and, with such funds, be able to add the staffing, undertake the training, etc. required for wider and more sophisticated nutrition planning. The agencies would assume the major responsibility for management and make some sub-grants for area or country projects. An important stipulation will be that Food For Peace resources would serve as interim support only for programs that could continue in operation independent of external assistance and not collapse if the Food For Peace contribution were discontinued.

4. Food For Peace and Nutrition Inter-Office Relationships. The Office of Food For Peace and the Office of Nutrition have been cooperating in a number of ways, including the following:

(1) Both offices participate in the interagency committee (chaired by USDA) which considers proposed new foods for inclusion in the Food For Peace program,

(2) TA/N, as well as the regional bureaus, is invited to sit in on the FFP sub-committee which reviews supplementary feeding programs,

(3) TA/N provides recommendations to FFP on the size of rations to be allotted in programming various commodities,

(4) FFP, as well as the regional bureaus, was represented on the TA/N committee which reviewed all volagency incentive grant proposals,

(5) FFP participated in the planning for the TA/N-sponsored evaluations of blended foods and child feeding programs,

(6) FFP, as well as the regional bureaus, participated in the TA/N chaired committee which reviewed industry grants for the commercial development of low cost high protein foods,

(7) FFP and TA/N both participate with regional bureaus, the Disaster Relief Coordinator, the Voluntary Foreign Aid Staff and the Volagencies in the planning of the significant emergency disaster relief programs,

(8) FFP field and Washington staff participate in the TA/N-sponsored Agency-wide In-Service Workshops on Nutrition which take place every two years.

IV-D. Nutrition and Health

Malnutrition causes more deaths and wreaks more havoc on the health of young children in the LDCs than any other single disease. Yet, the need in the LDCs to give this problem the highest priority -- or even a high priority has been overlooked. Although medical personnel in the LDCs recognize the fact that malnutrition is a major public health problem, national nutrition programs conducted by health ministries tend to emphasize treatment and rehabilitation rather than prevention. Unfortunately, few public health physicians exist in the LDCs; hence, the LDCs tend to support hospital based rehabilitation programs that reach only small numbers of people and are relatively costly on a per patient basis.

There are some encouraging signs that this is beginning to change. For example, the Ministers of Health of the Americas, meeting in Santiago, Chile in October, strongly recommended that the prevention of child malnutrition be given a high priority.

In providing an analysis and rationale for a health program, the Agency's Office of Health* has rated the key nutrition-related health problems as (1) the inefficient use of food energy and nutrients, due to widespread infections which impede intestinal malabsorption, and fevers which increase body metabolism and cause nutritional imbalance through accelerated calorie and protein use, and (2) the problem of health delivery capability resulting in a situation whereby only 10 percent of populations in developing countries have ready access to health care.

*Much of the following discussion is taken from the A.I.D. paper on "The Health Issues" prepared by Dr. Lee Howard, Director, Office of Health, TAB.

Food is wasted in two ways:

(a) Disease and infection, when accompanied by fever increases the body's metabolism and raises energy requirements drastically. This can make impossible the retention of protein by the body even with very high protein and calorie intake. Hence disease and infection can cause malnutrition. Conversely, malnutrition reduces the body's ability to ward off infection.

(b) Food energy waste also occurs from failure of food absorption from the intestine as a result of food and water pollution.

If the problem of intestinal malabsorption is responsible, in some countries -- as alleged -- for food losses of up to 20-25%. and if it were possible to prevent the disorders which result in malabsorption, it might be possible to make an impact on malnutrition through an effective disease prevention program. To determine the nature and magnitude of the malabsorption problem and the current status of knowledge regarding causation, cure, and prevention, the Office of Nutrition, in collaboration with the Office of Health, sponsored a mini-conference on the subject, convened by the National Academy of Sciences Committee on International Nutrition Programs on AID's behalf. The conference concluded that current knowledge has not advanced to the point of isolating specific etiology, let alone identifying treatment or prevention measures other than environmental sanitation. Nevertheless, the conference was useful in providing the necessary guidance in research and operational activities which will hasten the acquisition of the knowledge necessary to make program judgments. In addition, it gave current researchers a clear focus on the kind of research priorities required. Hopefully, this also will spawn such research with the financial support of agencies other than A.I.D.

It would appear that solutions lie in improvement of man's environment through water protection, waste disposal, and public education regarding the consequences of continuous contamination of food, water, and soil with human intestinal wastes. A modest A.I.D.-sponsored research project is under way to attempt to identify feasible operational programs to deal with this problem.

A quantum increase in the availability of traditional, hospital and physician-based health services is unlikely in the near term due to the great expense this would involve and the great demand it would make on manpower resources and administrative capacity. Innovative alternatives must be identified as well as techniques for combining the delivery of Health, Nutrition and Family Planning Services for greater effectiveness. As part of a strategy that overlaps Health, Nutrition, and Family Planning, the Agency is currently exploring the feasibility of establishing multi-purpose integrated delivery systems in several countries. The results of this effort will provide a basis for future decisions on programming technique and level of effort desirable.

It is important to note that aspects of better health, nutrition and family planning can be "delivered" outside the formal government facility which is usually referred to by the term "delivery system". Such other routes must play an important role if the cost of running a widespread government apparatus (even if it achieves cost reductions via intergration) is not to prove a major stumbling block to the feasibility of expanding Health/N/FP delivery.

IV-E. Nutrition and Education

While varying in degrees of fervency, there is an almost unanimous opinion among nutrition workers that widespread ignorance of nutrition is a major factor in the malnutrition problem. Accordingly, a wide variety of projects are in operation which aim to teach people (usually mothers) something about the choice of foods for the family diet, how to prepare or serve certain foods, and the causes and means of preventing malnutrition. There is a widely felt belief that all nutrition education is good and more is better. On closer scrutiny, there is reason to question this assumption.

Programs vary greatly in terms of:

(1) The message -- is it general (nutrition), nutrient specific (eat protein), or commodity or product specific (eat beans with your rice).

(2) The medium -- verbal messages via loudspeaker or radio, written messages via poster, newspaper, etc., visual demonstrations, various combinations,

(3) The frequency of exposure,

(4) The motivation being addressed - (pride, guilt, duty, love, etc.)

(5) The target -- mothers directly, mothers indirectly (through the child), fathers, children.

The relative effectiveness of different techniques under different conditions is not known. There is little information on the nature and extent of behavior change realizable through various techniques and there is no known basis for estimating costs and other inputs required to bring about a desired

level of change. Such knowledge is necessary to permit effective planning of the education component of nutrition programs, and accordingly, the Agency has initiated an evaluation designed to provide some of these answers. An exhaustive literature search has been completed and an evaluation methodology has been developed and reviewed by a panel of experts. The methodology is being modified and field testing will begin in 1973. There is irrefutable evidence that consumer behavior is being modified all the time by the use of mass media by the advertising industry. There is justifiable complaint that these powerful resources are generally being used to promote non-nutritious or even nutritionally deleterious consumer behavior (by promoting soft drinks, processed foods, high fat and carbohydrate snacks, bleached flour breads, etc.). This resource can be applied to promoting good nutrition rather than bad.

Under A.I.D. auspices, a "Madison Avenue" advertising agency has explored in three countries the possibility of applying advertising techniques to promoting better nutrition. These initial surveys suggest the feasibility of launching nutrition education programs using government-owned radio stations and complementary media. A modest one-country, single problem project to test this will begin in Ecuador in 1973 and be completed in 1975.

It is planned that other countries and different problems will also be tested so that desirable broader data will be available at an early date. More substantive data on techniques, costs, and impact would provide national planners with a basis for deciding on the feasibility of such programs in their countries.

A.I.D. is currently sponsoring work on the development of strategies for the application of modern educational technologies in the area of nonformal education. In addition to literacy, family planning and basic homemaking and

job skills, nutrition education should be a priority subject since information on the effect of diet on health and well being is basic to the welfare of the masses of lower income people. The Office of Education and Human Resources and the Office of Nutrition are cooperating on a project to test the use of modern educational technologies in improving consumer behavior. Strategies being developed by the Agency at this time will address the problem of too-early weaning and abrupt transition from high-protein breast milk to low-protein cereals or tubers. A protocol for field testing will be developed in 1973 and applied in 1973-74.

A.I.D. also conducts a modest program of developing and testing new education tools and techniques which fill identified gaps: e.g., the use and evaluation of a simple weight chart on which the weight gain of the child is plotted over the first few years of life to give the mother warning of malnutrition when the indicated weight falls below a prescribed range. The chart is usually used to promote nutrition education in supplementary feeding programs. It has been very much in demand (millions have been distributed in over 30 countries) and appears to be a very low cost technique, both for motivating mothers to try harder to improve their child's nutrition and for helping them to manage such efforts.

In summary, the A.I.D. Nutrition Education strategy concentrates on innovating techniques in face-to-face and mass media programs and in cost evaluation and impact, with a view to providing planners with a basis for choosing the nutrition education components of their nutrition programs.

IV-F. Nutrition and Family Planning

There are three principal relationships between nutrition and family planning which can be differentiated as follows:

(1) Better spacing of children leads to smaller families, more favorable food availability and better maternal health, and thus results in better nutrition.

(2) The provision of health and nutrition services along with family planning services may have several benefits:

(a) by indicating concern for people's well-being, it may result in a greater willingness to take advantage of family planning services.

(b) it may remove a religious or cultural barrier to visiting centers which are identified solely as family planning centers.

(c) it may create a more efficient way of delivering the several services.

(3) Better nutrition, by reducing child mortality, may reduce the need for large families which many people desire in order to ensure surviving heirs.

These relationships have the following implications:

(1) The implication to A.I.D. of the "better spacing, smaller families" argument is to give high priority in a nutrition program to family planning. The Agency is, of course, giving highest priority to encouraging family planning for a number

of reasons, going well beyond nutrition.

(2) In some cases, new family planning programs have encountered resistence on the part of governments and on the part of potential practicioners. The reasons may be religious, or there may be a belief that the programs are directed "against" non-white populations; and, in some countries it is politically not feasible to adopt a program -- with foreign assistance and urging -- which has essentially a "negative" connotation of reducing populations or preventing births. In such situations family planning programs may be more acceptable if they are part of a more comprhensive program for responsible parenthood with the "positive" aspect of preventing illnesses or saving the lives of their existing children. There is already some evidence emerging that mothers who see their children visibly improved in a nutrition program develop a greater confidence and trust in the program which has provided the nutritional benefits and become more receptive to family planning.

In some countries, food distribution networks extend into areas which are not reached by health or family planning centers. Adding family planning services to these centers would enable such programs to reach remote areas which would not otherwise be reachable for many years. This is especially true in the case of programs operated by non-government organizations, such as the U.S. registered

voluntary agencies. These agencies, long involved in food distribution programs, have begun in recent years to conduct programs of nutrition and family planning, but their efforts have been relatively modest. They could become a major resource for developing and extending integrated health-nutrition-family planning programs if they opted to give this objective their highest priority and if they could obtain additional resources. Since the availability to them of Food For Peace commodities is being reduced and since governments have begun to assume management responsibility for some of the school lunch and other programs in which these agencies formerly played a vital role, it may be an opportune time for them to consider a major shift in program emphasis. A.I.D. should encourage and assist in this effort.

As indicated in the section IV-D, "Nutrition and Health", the Agency is currently exploring the feasibility of assisting countries to establish multi-purpose integrated delivery systems combining health, nutrition and family planning services.

An inter-Office and inter-Bureau committee is helping to coordinate the efforts among the offices of Health, Population, Nutrition and Education, and between these and the Regional Bureaus. These efforts and those of the voluntary agencies will be studied to determine the conditions under which various combinations of services are most desirable, the relative importance of each of the services in influencing acceptance of the others, and the relative costs for delivering the various services. Alternative systems will be tested and evaluated in terms of cost and effectiveness. This will produce information which will be useful to guide the developing nations and A.I.D. in future programming.

Family planning and nutrition programming have similar problems with respect to reaching target populations and it is significant to note that in most cases the programs share a common goal: to reach fertile mothers. The family planning program seeks to provide her with the why and wherefore for spacing of children and preventing unwanted pregnancies; the nutrition program seeks to provide her with the why and wherefore for providing the existing young child with a diet which will prevent the onset of malnutrition.

It is estimated that at this juncture family planning programs reach only about ten percent of fertile women; the percent of women being reached with nutrition services is unknown, but is likely to be not much greater.

The extent to which combined services are being provided is unknown, but it may be assumed that there are many cases in which combined services are not being provided. Given the recognized need for improving and expanding delivery systems for both of these services (as well as for various health services), it would be logical to explore the possibilities of "piggy-backing" respective delivery systems and providing for combined services in new delivery networks.

A clear statement on the question of motivation for family planning being influenced by better nutrition and reduced infant mortality was produced by the President's Science Advisory Committee:

"That reduction of population growth is essential to achieving a balance between food supply and food need is an obvious, easily understood, and widely appreciated fact."

"There is, however, another more complex, less well-known, and crucially important relationship between nutritional needs and family planning. Surveys of

the attitudes of married couples in developing countries show that the numbers of children desired are higher than in the developed nations. Furthermore, the average number of live births per woman in the developing countries is 30 percent greater than the desired number of children."

"Emphasis on the desire for heirs leads to large families. Only one son may be needed for ritual or economic purposes but it is common to want two sons to insure against the death or incapacity of one. Couples must average four children to obtain two sons."

"Availability and efficacy of pills, intra-uterine devices and other technical means for birth control are largely irrelevent until couples have secured the desired number of living children."

"If we assume the necessary preconditions for reducing fertility rates in the developing countries are low infant and child mortality and a public awareness that mortality is low, then we have the apparent paradox that a reduction in mortality will reduce rather than raise the rate of population growth."[1/]

Berg and Muscat[2/] have further analyzed the issue concluding as follows:

"Population stability in the past was maintained by the higher rates of both births and deaths. With mortality declining

1/ The World Food Problem, A Report of the President's Science Advisory Committee, The White House, May 1967. Vol. I, P.14.

2/ Berg, Alan and Muscat, Robert, "Nutrition and Development: The View of the Planner". Paper prepared for May 1971 meeting of the U.N. Secretary-General's Panel to formulate a United Nations Strategy Statement on the Protein Problem Confronting the Developing Countries. Minea.

in the developing countries, clearly the only acceptable route to re-establishment of stability (or much slower growth), is a regime of low rates of both births and deaths. Although further lowering of child mortality is not sufficient by itself, fertility is unlikely to come down to acceptable levels without it. Thus, paradoxically, an important contribution to lower population growth may be to keep children alive."

The implications of these hypotheses are of profound importance in determining programming directions; yet, only a relatively modest level of effort is being directed to the study of these relationships. Field studies in India by Revelle of Harvard and Taylor of Johns Hopkins will add considerably to our understanding, but their results will not be available for several years, and their relevance to other countries will be limited. Several other small studies have been carried out and several broader ones have been proposed for Indonesia, Haiti, and elsewhere, and these might also produce useful additions to our knowledge, but instead of responding to requests for support of a variety of projects, it would appear to be more prudent for A.I.D. to plan a more systematic approach to tackling this question. What is the current state of our knowledge in this area? What do we need to know to permit proper planning by governments and by A.I.D.? What kind of studies are needed to provide us with this knowledge and in what magnitude? Are the pre-conditions for such studies available -- in terms of data, manpower, etc?

To find the answers to these questions, A.I.D. will convene in 1973 a mini-conference at which selected experts, including those currently involved

in research on this question, will develop appropriate recommendations for the Agency. The Offices of Population, Nutrition and Research are collaborating in this effort.

IV-G. Other Considerations

1. Institution-Building in the LDCs.

In most of the LDCs, institutional capability and availability of competent personnel are inadequate for developing and carrying out the multi-disciplinary nutrition programs described herein. The existing training programs, third-country or U.S., are on too modest a scale to make any real impact on needs in trained manpower. While there has been every effort made to involve local personnel in research projects (and certainly individual knowledge and capability are enhanced), this contributes little to building institutions. It would appear that an adequate institutional background in the LDCs that would permit operation of an effective nutrition program will entail more substantial initial inputs from outside.

These might be in the form of institutional development grants, providing U.S. institutional collaboration for development of an independent LDC capability. Where meaningful local institutional strength, contributions and interest are evident, Missions should examine project elements for eligibility under institutional development assistance.

In the meantime, every opportunity for bridging the gap in institutional capability should be utilized. The Agency, e.g. employs local personnel and institutions to the maximum extent in research and development activities. It holds international meetings and workshops in LDCs where on-the-site nutrition projects can serve effectively as focal points for study of project status and applicability elsewhere. One such meeting on cassava fortification was held in Guatemala last year under the auspices of the Institute of Nutrition for

Central America and Panama, another is scheduled in Tunis this year on wheat fortification, and another in Brazil on legume improvement.

2. Relations with the U.N. Agencies

The objectives and approaches of the U.N. Agencies do not always coincide with those of A.I.D. Nevertheless, the Agency and the U.N. Agencies share knowledge and collaborate in reaching scientific policy positions on nutrition issues through various means including:

-- The U.N. Protein Advisory Group (PAG), the body with a mandate to provide nutrition guidance to WHO, FAO, UNICEF and other member agencies -- these positions are reviewed by a Nutrition Advisory Committee and adopted if appropriate, obviating the need for independent and duplicatory study;

-- ECOSOC and the General Assembly, in Board and Council meetings;

-- U.N. attendance at AID-sponsored nutrition conferences, and A.I.D. participation in U.N. Agency-sponsored conferences.

The Agency, while not wishing to exert disproportionate influence on decisions concerning nutrition, but desiring to avoid what had become a widening gap between positions, has recently intensified the dialogue, and now acts as a more active U.N. member state, exercising the role and responsibility of a Board of Directors member.

Major goals in Agency-U.N. relations are: (a) attaining international consensus on priorities and a consistent strategy stressing the need for LDC governments to assume major responsibility for undertaking nutrition planning and programming; and (b) appropriate division of labor among the various international and bilateral agencies to avoid overlapping, competition and to ensure

that essential areas of activity are covered. This latter may result in promoting country concentration by the different agencies, thus promoting effective programming and making it easier for A.I.D. to maintain its strategy of concentration on a limited number of potentially high impact activities.

3. Ecological Considerations.

Faced with a multiple of the difficult and complicated problems of fostering development, nations are often not immediately concerned with environmental problems. Nevertheless, the Agency can take some actions during the process of conducting nutrition programs to minimize environmental problems without compromising development.

An arrangement has been worked out with the American Institute of Chemical Engineers, a private professional society affiliated with LIFE, under which the Society will work with A.I.D. to prevent environmental pollution attributable to nutrition and food science development activities. An AIChE Committee has been set up for this purpose, and professional volunteer experts are being recruited to provide technical information and support. It is hoped that the following activities will emanate from this project:

a. Information on solid waste disposal and other environmental protection aspects in the food processing industry will be disseminated to the LDCs through the medium of the regular newsletter distributed by LIFE.

b. LIFE will solicit and the AIChE Committee will respond to request for technical assistance in plant design to incorporate provision for proper waste disposal and other environmental protection activities.

c. One or two pilot projects may be undertaken by the AIChE Committee in AID's behalf to test the economic as well as technical feasibility of re-

covering polluting waste material such as whey, for processing into edible protein products, thus decreasing environmental insult while increasing protein supply.

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FROM - AID/WASHINGTON

SUBJECT - AID's Responsibilities in Nutrition, Supplement to FY 1979 Program Guidance

REFERENCE -

The paper presented in this airgram, AID's Responsibilities in Nutrition, was prepared by the Office of Nutrition, Technical Assistance Bureau in response to a request by the Administrator for a broad examination of nutrition-related activity in the Agency and presentation of policy options.

The paper was reviewed and endorsed by the Research and Development Committee, the Administrator's Advisory Council and the Title XII Board (BIFAD). On April 25 the Deputy Administrator approved a series of recommendations on nutrition contained in an action memorandum emanating from the paper. The first of these recommendations asked that the paper be sent as a supplement to FY 1979 Program Guidance to reflect AID's concern for consumption and nutrition, and to encourage Missions to consider placing greater emphasis on the integration of nutrition considerations into their ongoing and planned activities.

Accordingly, this airgram presents the paper, and as an Appendix, the recommendations approved by the Deputy Administrator. AID/W requests that this airgram be reviewed by policy/program, agriculture and economic staff as well as health, nutrition and food for peace officials, and would welcome Mission reactions and ideas relating to implementation.

Attachment:
(1) Program Guidance Paper - AID's Responsibilities in Nutrition, Supplement to FY 1979 Program Guidance

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AID'S RESPONSIBILITIES IN NUTRITION

Summary

Nutrition well-being represents the most basic need of the poor in low income countries. Depending on one's definition, most AID programs (i.e., agriculture, health, family planning, education and food for peace, plus direct nutrition interventions) relate in some way to the nutritional status of populations. Yet, we know relatively little about the magnitude of these effects and, in some cases, are not even entirely sure of the direction.

The paper suggests a number of areas which AID could pursue more actively than it has in the past. These initiatives fall into two basic categories: (1) determining and improving the nutrition/consumption effects of development policies, particularly those in the agricultural sector, and (2) development of nutrition components of integrated services designed to meet the basic needs of the poor.

Introduction

Improving nutritional well being or consumption is probably the most basic component of any basic needs strategy and thus emerges naturally from the Congressional Mandate. AID, in fact, has taken many important programmatic initiatives in this area, and has assumed a key leadership role in the nutrition field.

The World Food Conference, held in Rome in 1974, paid specific attention to the need in LDC's to undertake programs to combat malnutrition,

particularly that which exists among the poor in LDC's whose income is not sufficient to provide their minimum daily food requirements. Those resolutions dealing with malnutrition gave recognition to the fact that development programs aimed at increasing food production, even if successful, will not, of themselves eliminate malnutrition among the poorest and most vulnerable groups unless accompanied by other efforts designed to affect income distribution and dietary intake patterns. The International Food Policy Research Institute (IFPRI) in a recent paper made this even more explicit. "If...production expansion is a necessary condition for solving the nutrition problem in the developing countries, it is by no means a sufficient condition....Increased food production may bypass the neediest groups of the population if it does not help to raise their incomes, and it can also result in lower incomes and food consumption under some circumstances."

An estimated 25 percent of the world's 4 billion people presently are consuming less than 80 percent of their daily minimum requirements! Leaving aside China (where, however, available information indicates reasonable nutritional well being), the great majority of these persons are located in South Asia and Indonesia; the Sahel; and the poorest countries of Latin America; Haiti, Bolivia and Honduras. The magnitude of the malnutrition problem in these areas is considerably worse than in the rest of the developing world although there are pockets of severe malnutrition in virtually every low income country. (Second and third degree malnutrition is found in less than 5 percent of the young children in Chile, while in parts

of South Asia it affects over 50 percent of the children.) Within these countries, in turn, the most serious malnutrition is found among landless laboring families and in urban slums. These persons in these countries should represent the primary target of any AID nutrition strategy. At the same time, with scarce resources, there may be wisdom in directing a portion, in some cases a large portion of available resources to the most vulnerable population groups, children in the first years of life and pregnant and nursing mothers, who suffer most from the consequences of malnutrition, and usually benefit last and least from increases in family income.

Only a small proportion of Section 103 (Food and Nutrition) funds are devoted explicitly to nutritional improvement. While AID nutrition funds have increased from $6.6 Million in 1973 to an estimated $46 Million in 1977 and a projected $55 Million in 1978, this represents less than 10% of the estimated $587 Million requested in FY 1978 for "food and nutrition".

One response is that nutritional well being is affected by a range of Agency programs; that small farmer production efforts, rural development projects, health activities and PL 480 have a significant effect on nutritional status in low income countries -- perhaps far greater than direct nutrition expenditures. This paper presents an impressive listing of such programs. The problem is that, by and large, we have no real idea of the nutrition, or stated otherwise, consumption - or stated even more boldly, equity effects of most of these programs, particularly those in the agricultural sector.

This paper begins with a brief statement of the ideal, i.e. ways in which development policies ought to address malnutrition problems in low income countries. It then proceeds to describe, briefly, existing Agency programs which appear to be nutrition-related (i.e. what we're doing now), and identifies two sets of primary needs which could be at least partially addressed by the Agency, (i.e. new action we can be taking). The paper then discusses program alternatives designed to meet these needs, and steps which the Agency might take to facilitate these programs.

I. Nutrition and Development Policy

Ideally, malnutrition problems in low income countries should be addressed simultaneously (1) through increased food production and

employment generation and (2) through increased access by the poor to health, education and food distribution services.

Food production and employment generation are, in reality, significantly inter-related in the rural sector. Clearly, the first and continuing need is increasing agricultural output. Recognizing, however, that the incomes of the malnourished poor are inadequate to purchase sufficient food, there is a concurrent need for employment and hence income generation aimed at this group. Such employment generation can and should be integrally related to the process of agricultural production. This means that production increases should occur in a manner which seeks explicitly to increase the employment and hence purchasing power of low income groups, not only the small farmer, but more particularly the landless poor. Since low income groups spend most of their income increments on food, such an employment-oriented strategy significantly increases demand for agricultural products and boosts the agricultural sector. (Because there is always some lag in the supply response, the provision of PL 480 Title I food may provide governments with a buffer against inflation while pursuing an employment-oriented agricultural strategy.)

Both agricultural producers and consumers suffer from volatile price movements which occur when supply departs appreciably from a narrow equilibrium range. Every nation tries to reduce the adverse effects of these price movements on the producer and the consumer. Regrettably, this is the extent to which most nations incorporate consumption considerations into their agricultural production and pricing policies. And in some instances, even these policies adversely affect the dietary intake of the lowest income strata, at least in the short run.

The second component of a nutrition strategy -- increasing access of low income families to health, education and food distribution services -- permits direct and immediate reduction in the deprivation of this group, and at the same time facilitates a country's food production and employment efforts. Evidence in a number of countries: Korea, Taiwan and Sri Lanka and in the South Indian state of Kerala, indicates the possibility (deserving of further country-specific investigation) that meeting basic needs through the broad provision of services not only has improved human well being but also may have permitted a significant reduction in the rate of population growth. Slowed population growth, in turn, accelerates economic growth by reducing the burden of population increase on the supply of capital resources, consumption goods and social services. Although these countries may not be fully representative of third and fourth world nations, there is reason to believe that the poor in most countries will continue to find additional children necessary for economic security unless they perceive - through such services - an increased likelihood for improvement in their well being. A healthier and better fed population, in addition, will increase the effectiveness of existing educational resources, and thus affect productive capability indirectly if ~~not directly~~.

It should be made explicit that the nutrition component of any basic needs strategy relates, first and foremost, to the provision of adequate calories to those in need. As FAO has indicated, there are small pockets of the low income world which may experience an independent protein problem due to the consumption of low protein roots and tubers as staples (e.g. small areas of sub-Sahara Africa, central Java

and northeast Brazil). On the whole, however, adequate calories (i.e. more of the same) almost always means adequate protein. Iron, and in some cases vitamin A may be more elusive, but even these clearly are subsidiary to the primary objective of increasing food intake. The notion that nutrition connotes all nature of food intake except calories, is a notion which should be permitted to die quietly.

Conditions Contributing to Malnutrition

The causality of malnutrition almost always is complex and multi-faceted. Malnutrition most basically depends on the amount and quality of food consumed, and on the presence or absence of infection which may adversely affect the utilization of these nutrients. These direct causes, however, are in turn, a function of a broad range of economic, social and environmental factors, constituting a complex matrix of successive layers of causality.

When reduced to its bare bones, the causality of inadequate food intake for a particular population group often can be discussed in terms of one of three scenarios, each calling for its own intervention strategy. Examples of all three frequently are found in the same country. The first scenario involves inadequate food availability in particular populated regions. The second is characterized by adequate food availability (if reasonably divided), but inadequate purchasing power on the part of a sizeable population group. The third scenario is one of adequate food availability and purchasing power but deleterious belief patterns which lead to inadequate or inappropriate food intake, particularly by the vulnerable groups. Each of these scenarios clearly calls for a different

governmental response. In over-simplified form, the first calls for short-run food imports coupled with intensified production efforts. The second requires serious efforts to increase the real income of the poor, and, where appropriate, food subsidies in the short run. The third calls for well-focused nutrition education.

The causality of infection is equally complex, and less well understood empirically. Important determinants beyond the economic and belief factors discussed above, include the quantity and quality of available water, the level of other environmental sanitation, and the existence of particular health services.

II. AID Nutrition-Related Assistance

Identifying, with any precision at all, AID's nutrition-related assistance to low income countries is difficult in part because of problems of definition. It sometimes is suggested that any assistance which increases food production, generates employment, distributes food, improves water supply, decreases infection or improves rural or urban infrastructure is nutrition-related. More accurately, food production increases are nutrition-related only if, in the process, such increases generate income among the poor, or decrease the food prices paid by them, in turn increasing the intake of those malnourished. Similarly, the provision of health services can be considered nutrition-related only if they eliminate important constraints to improved nutritional well being of those previously deficient.

While most nutrition programs are financed out of Section 103 funds (Food and Nutrition), some nutrition-related activity may not be identified as such in AID's fiscal and accounting records. Nonetheless it may be useful to review those Agency activities which contribute or have the potential of contributing to improved nutrition well being.

In the agricultural and rural development sectors, AID has initiated programs designed to improve the productivity and welfare of small farmers in virtually every country in which the Agency operates. These programs include:

-- the development and transfer of technologies adapted to the problems of small producers;

-- improving access by small producers to inputs, credit and markets;

-- facilitating the development and improved utilization of land and water resources; and

-- assisting the development of the rural infrastructure and of institutions to serve the rural poor.

As examples, the Agency has been actively involved in:

-- the production and multiplication of improved seeds in Rwanda, Tanzania, Cameroon, Nepal and Morocco;

-- credit programs geared to small farmers in Tanzania, Ghana, Bangladesh, Pakistan, Bolivia and El Salvador;

-- land registration, redistribution or resettlement in the Philippines, Peru, Afghanistan and Yemen;

-- small scale irrigation in Bangladesh, Indonesia, the Philippines and El Salvador;

-- production of labor-intensive, high value, nutritious commodities such as grain legumes in Ethiopia, vegetables in Maritania, Central America and Yemen and fish in Sierra Leone and Jamaica;

-- improving marketing systems for small farmers in Rwanda, Tanzania, Botswana, Haiti and Central America;

-- supporting the development of cooperatives and other small farmer organizations in Liberia, Bolivia, Paraguay, Honduras and Nicaragua;

-- assisting rural access road development in Ethiopia, Kenya, Upper Volta, Bangladesh, Pakistan, the Philippines, Bolivia, Haiti and Paraguay.

In many of the above cases, the primary production and consumption decisions are being made by women. Yet, traditionally, the development community has been insufficiently sensitive to their needs, and to the constraints affecting their production and well being. Given the critical role of women in the causality of malnutrition and as primary targets of nutritional improvement, there is a clear need for greater cognizance of women in the broader context of agriculture and rural development.

The Agency has been less active operationally in programs designed primarily to generate employment for the landless, although it has provided assistance in the development of rural works programs in Bangladesh and Afghanistan. On the other hand AID is financing research studies on participatory rural development and the rural poor and has been giving serious attention to the issue of integrated rural development.

Finally the Agency has been doing work in the area of post harvest food losses. The nutritional implications of reduced losses will depend, importantly, on their effects on consumption of the poor directly, or through their effects on food prices.

In the health sector, AID unquestionably is affecting nutritional well being through the low cost provision of health services now being implemented or planned in 23 countries, and concentrating on women of child bearing age and children under the age of five. These preventive health systems improve nutrition by reducing systemic, enteric and parasitic infection, in turn reducing nutrient losses and improving appetites. In some cases they attempt

to address nutrition directly. Even where this isn't achieved, the networks of trained paramedics, auxiliaries and volunteers, and the delivery systems established permit subsequent inclusion of direct nutrition components.

AID health programs also affect nutrition through control of critical disease problems relating from the environmental pollution of water and soil and of the major endemic vector-borne diseases, such as malaria and schistosomiasis.

Finally AID has assisted the governments of low income countries in the more efficient allocation of health resources through assistance in health planning.

As examples, AID has been involved in:

-- the development of a prototype project in Thailand for the

development and evaluation of a low cost system for the delivery of integrated health, population and nutrition services;

-- the development of a quasi-public institute in South Korea organized through the Economic Planning Board, to design and operate a rural health delivery system according to local needs;

-- the development of a health delivery system in Panama which includes kitchen gardens, potable water, and integration of health services with appropriate training for additional auxiliaries;

--loans and grants to Bolivia, Guatemala and Haiti to support health planning, and the extension of low cost integrated delivery systems to rural areas;

- a program in the Philippines to provide basic sanitation, clean water and basic health services through locally trained personnel supported by village governments. Total AID expenditures in the field of health in FY 77 are estimated at $93.6 Million.

In addition to the agricultural, rural development, and health programs discussed above which have indirect although important effects on nutritional well- being, the Agency has been designing and implementing programs which bear directly and exclusively on malnutrition problems. AID inputs have been in the form of technical assistance, loans and PL 480.

Technical assistance to date has concentrated on nutrition planning and analysis, the determination of effective nutrition interventions and on what might be called research backstopping or extending the state of the art in human nutrition.

In the area of planning and analysis, AID has been assisting a dozen countries thus far to develop a capacity for national and local nutrition planning. One useful instrument in this process has been a simplified means of assessing nutritional status. Such AID-assisted surveys have now been carried out in 5 countries, and 6 additional surveys are planned in FY '77 and '78.

Closely related is assistance in the design, implementation and evaluation of direct nutrition intervention programs. AID has been actively involved, through regional bureaus and Missions as well as through the TAB Office of Nutrition, in carrying out systematic studies to determine the relative costs and effectiveness of child feeding programs, nutrition education, food fortification and programs of plant breeding for nutrient content and quality. Of these "direct" interventions, the Agency has singled out the following for special attention during the next few years:

a. Village level identification and follow-up of children at risk using weight surveillance, nutrition education and food supplementation. Such programs are being developed in the Philippines, Colombia, Indonesia and several Central American countries.

b. Interventions designed specifically to reduce iron deficiency anemia and vitamin A deficiency. AID has taken the initiative in organizing international advisory consortia on both iron and vitamin A. Operational activity is underway in Haiti,

Guatemala, Indonesia, Sri Lanka and El Salvador to develop programs aimed specifically at the vitamin A problem.

c. The development of intermediate "appropriate" technologies, primarily for the production of weaning foods and for food fortification. One example is low cost extrusion cookers developed in the U.S. to process soybeans for feed on the farm; but capable of producing pre-cooked easily digestible foods for young children. Such "cookers" are now in place in Central America, Tanzania, Sri Lanka and the Philippines.

d. Interventions designed to change deleterious weaning practices, primarily delayed provision of solid food, and early cessation of breast feeding. Affecting these practices, could have significant effects on mortality and morbidity, the primary measures of long term nutritional change. TAB has been testing some potentially attractive means of affecting these practices through the use of mass media and extension techniques.

Each of these activities assumes considerable inputs from U. S.-based and indigenous private voluntary agencies.

In terms of research backstopping the Agency has been attempting to increase understanding of nutritional requirements under differing sets of conditions, the relative importance of caloric and protein deficiencies in populations and the relationship of these deficiencies to disease resistance.

Direct technical assistance is being provided under development grants and development loans to more than 15 countries. Loans to implement specific nutrition efforts have been approved for Chile, Colombia, Costa Rica, Dominican Republic, Honduras and Panama. (In the case of the Dominican Republic and Panama the loans cover both health and nutrition activities, but a specific component of the loan is earmarked for nutrition).

Additional loans are now under consideration for Nicaragua and Bolivia. These approved and proposed loans total approximately $33 Million.

Development grant activities have been funded under AID's technical assistance program to Bolivia, Nicaragua, Brazil, Peru, Pakistan, the Philippines, Thailand, Zaire, Morocco, Tunisia and Haiti. These efforts amount to approximately $15 Million. Additional nutrition activities are under active consideration for inclusion in the programs of about 6 additional countries. Most of these activities (either development loans or development grants) fund programs in national nutrition planning, nutrition education, data collection, training and food supplementation programs.

The Agency to date has been uneven in its initiation and development of direct technical assistance and loan activities in nutrition. While the Latin America Bureau and Latin American missions are increasingly well-staffed and organized to make these inputs, there have not been commensurate inputs in other regions, this inspite of considerable effort by limited staff available.

The U.S. PL 480 Title II program has been undergoing considerable reorientation over the past decade in the direction of increased nutritional impact. School feeding is gradually being replaced by pre-school feeding with increased efforts directed at children in the poorest families and in the critical 6-36 month age group, and the nutritional value of Title II commodities has been improved. Title II programs unquestionably have a positive effect on the nutritional well-being of

those poor families reached. Even if the Title II foods replace foods normally provided at home, and even if some portion of the food is sold, the real income of these families is increased. Since so large a proportion of income increments are spent on food, nutrient intake of at least the family unit is almost certain to increase. While the primary thrust of the Title II program is not disaster-oriented, the program may make its most significant nutritional contribution during disaster periods. when the prevalence of malnutrition is significantly increased.

Although the interactions can be complex, Title II commodities usually help meet food needs while longer term measures for increasing food production are being implemented. Title II contributions, especially those to WFP, encourage other donors to maintain and increase their levels of contributions. In addition, the Title II commodities frequently serve an educational function, attracting mothers to health centers for MCH programs, or keeping children in school, lowering the dropout and repeater levels, so that funds invested in education become more productive. Title II Food for Work projects are directed at employment generation, especially in rural areas, and are an important income redistribution mechanism in these areas. The FY 78 proposal consists of a program level of 1.5 M/T (grain equivalent), which is 200,000 M/T more than the minimum required under Section III of PL 480 and 200,000 M/T more than the quality made available in FY 76 and FY 77.

There has been less discussion of the nutritional impact of <u>Title I concessional sales programs</u>. As with agricultural production programs, the

effect of such sales on nutrition would depend on the extent to which increased availability and/or lower price permits greater consumption by the poor. While imports, under some conditions, result in a depressed food price structure and may, in some instances, have an adverse impact on production, such a price effect of imports on the dietary intake of the poorest, notably the rural landless and the urban poor, is positive. While attention invariably is focused on the producer incentive effects of imports, and of prices in general, such a price effect on consumers, despite serious human consequence, is rarely considered.

In several countries, Title I commodities are being used to support subsidized consumption systems designed to assure at least moderate food intake levels for low income groups, particularly in the cities. In Pakistan, the ration system, utilizing Title I wheat in part, increases the real income of the lowest income group by 10 percent and provides between 9 and 14 percent of their caloric needs. More broadly, Title I resources, have the potential of assisting receptive governments in undertaking employment-oriented patterns of development with less fear of resulting inflation. It may be possible to utilize Title I more explicitly for these employment-generation and nutritional ends, and, in the process provide an important source of stability for PL 480. Additionally, local currencies generated, and loan forgiveness can be used for nutritional purposes.

Funding Trends

Efforts to combat malnutrition are multisectoral and are most directly related to programs in agriculture, health, population and education. Consequently, we should examine the magnitude of AID's programs in these three major sectors (food and nutrition, health and education) as they relate to the problem of malnutrition. The table below indicates funding appropriations by year for these areas:

	In $ Million				
	1974	1975	1976	1977	1978(Requested)
1. Food and Nutrition	306	500	407	493	587
2. Health	93	69	55	94	121
3. Education & Human Resources	101	94	71	122	96
4. Population	110	112	103	144	177

III. Primary Needs

A number of important needs emerge from the preceeding discussion, some of which could at least partially be addressed by the Agency if increased funding and personnel resources are available. Some of the most important of these issues presently are receiving high level policy attention by AID and other U.S. Government agencies, and, accordingly will not be addressed here, although they clearly affect and in turn are affected by issues raised here. One such issue is the need for international food security to minimize the effects on the poor of short-run food shortages and their concomitant price increases. A second relates to land reform and the plight of landless agricultural laborers. While AID agricultural assistance and that of other donors shows considerable promise for increasing the productivity and improving the well being of small farmers, it does not hold similar promise for landless laboring families among whom the most serious rural malnutrition is concentrated. A third critical constraint being addressed is the inadequacy of local participation. Evidence to date indicates rather conclusively that local participation in decision making and implementation is important for agricultural development activities and essential for the provision of health and nutrition services.

There are other needs, however, which though related to the early mentioned major issues, could be addressed at least partially independent of them.

The first of these relates to the lack of sufficient understanding of the nutritional (or, if you like, consumption, health or equity) effects of development programs, particularly those in the agricultural production sector. Despite the impressive listing of agricultural programs in the previous section, we really know less than we would like about these effects on consumption or nutritional well-being. While increased agricultural production or improved balance of payments per se are unquestionably desirable, the means by which they are attained may have significantly negative effects on the well-being of particular population groups. The Agency must be particularly conscious of situations in which what appear to be positive steps on nutrition planning or nutrition interventions are accompanied by macro policy action with clearly detrimental effects on the nutritional status of low income groups. This has occured in several countries in recent years, and in at least one case was endorsed by international organizations. An understanding of such factors, aside from affecting decision making, could go a long way toward an integration of the thinking and planning which takes place in the agricultural, rural development and nutrition and health communities.

The second problem is the relative isolation of programs designed to deal with pieces of the deprivation syndrome - low incomes, malnutrition, inadequate education and ill health.

Policies and programs directed to isolated factors in the syndrome may improve status with respect to that factor alone. More often, however, they produce only symptomatic relief without affecting causes that are multivariate and interacting. Needed instead is assistance in the development of a package of reinforcing health, education and food distribution programs which provide reasonable assurance of meeting these most essential human needs.

IV. Program Options

This concluding section outlines program initiatives the Agency might take to meet the two primary needs identified in the preceding section. This is followed by a brief discussion of research and training priorities.

A. Program Initiatives

1. Improving the consumption/nutrition benefits of development programs, particularly those in the agricultural sector. If we agree that nutrition well-being is affected most significantly by employment, land use and the processes of food production, pricing, trade and distribution, we should be in a position to estimate the consumption effects of these policies and programs, and assure that these effects are taken into account not only in the short-run decision-making process, but in the longer run process of re-thinking development patterns and, closer to home, setting Agency priorities in the food area. Looking at it most broadly, we're talking about using nutrition as a yardstick of development of the individual, at least the poor individual.

This approach is fully consistent with that of the AID Agriculture Strategy Paper; both argue that we not produce food first and then think

about employment, distribution, consumption and equity, but rather than we incorporate these premiums into the production process itself. At an absolute minimum, the approach will reduce the possibility of a country coupling agricultural and trade policies that have negative consumption effects with a few nutrition programs, or even a nutrition unit in its planning commission, and claim to be adequately addressing problems of malnutrition.

Although the NAS food and nutrition study identifies this area of consumption planning as a research priority, the Agency might, more usefully, view it as an operational initiative, and seek to establish, if not consumption impact statements (which would be administratively difficult and unpopular) then at least instruments in planning commissions and in AID capable of translating the income or price effects of such policies into disaggregated nutrient intake effects.

Such analysis is not likely to be demanding in terms of financial resources. The necessary data collection and development of such instruments in 4 countries by 1983 would cost an estimated $2.5 million. It may be some what more demanding in terms of staff. Although Mission initiatives along these lines could be carried out in various ways, there may be particular value in considering them the responsibility of mission agricultural or policy program staff perhaps with appropriate short term orientation.

The TAB Offices of Agriculture and Nutrition are actively pursuing arrangements for such orientation in collaboration with USDA, university and private organizations.

2. Development of broad-based, integrated delivery of health, education and food distribution services aimed at the poor. Recognizing the critically reinforcing nature of these inputs, and building in part on the experience of Sri Lanka and Kerala, referred to the earlier, the Agency could consider major inputs of financial and food aid in the form of an integrated basic needs program in a selected country.

A program of this nature, would be undertaken in a country with serious malnutrition problems but with a demonstrated interest in such a major effort. Furthermore, the country selected may well be a country to which AID has decided to provide large scale economic aid for a variety of rationales. A major portion of these funds might be channeled into a nutrition program. Assistance could be provided under any of several funding alternatives. That suggested by James Grant in his proposal, involved grant repayment if agreed upon "basic needs" goals were not achieved. It also calls for utilization of the foreign exchange for labor intensive development programs which might make the overall program economically viable within a reasonable time period. Finally such an initiative assumes a large role for U.S.-based and indigenous private and voluntary agencies.

The additional cost of such a program depends very much on prevailing aid levels in the country selected for this effort, the extent to which funds already programmed could be

reallocated for this purpose, the size of the population and the level of development. We estimate that such a program in one country with a population of 10 million, will cost $30 million, exclusive of PL 480, over the initial 5 year period.

While such an integrated program would be particularly attractive given the reinforcing nature of these inputs, it is not an inexpensive program. A less ambitious approach for the U.S. Government would be to provide assistance for components of the program, each of which is capable of achieving some direct reduction in nutritional deprivation:

(a) Expand Title II Programs - Delivery systems already exist for Title II food distribution so that integrated programs will not have to build new ones but can add to existing structures. The advantages are that there is already management control and years of experience in human resource development. On the other hand there may be limitations on increases in Title II authorizations likely in the foreseeable future.

(b) Determine the costs and benefits of earmarking a portion of Title I commodities for subsidized consumption systems. Such food distribution programs which constitute the backbone of basic needs strategies in Sri Lanka and Kerala, have the potential, if reasonably well designed, of significantly reducing caloric deficiencies among the poor without serving as a disincentive to domestic food production. This requires differentiated markets, price flexibility, and the rationing of commodities for which

there is a high income elasticity of demand only among the poor. With the exception of the Pakistan system, our knowledge of the nutritional and income distributional benefits and costs of such programs is still relatively limited, and there is a basic need for more information on such systems. In any case, our ability to show evidence of significant human benefits from our Title I program, may be an important and much needed source of stability for the program.

(c) Incorporate Nutrition into Low Cost Health Delivery Systems - This is an area where sufficient experience exists to permit considerable resource allocation immediately. It involves incorporating weight charts, highly focused nutrition education and food supplementation into 23 AID-assisted low cost health delivery systems now in the planning or implementation stage. Several AID-assisted health programs now include activities of this kind. Additional resources would be necessary for training, for the provision of scales and weight charts, in the identification of priority nutrition messages, and in the integration of such a delivery system with food distribution mechanisms.

In general, the first program initiative, determining the nutritional effects of other development policies, while critically important, will not absorb major financial resources. The second program, pertaining to basic needs, however, can absorb considerable program funds almost immediately, assuming reasonable staff availability. These funds should be made available to the regional bureaus, which in turn, should give highest priority, primarily through development loans and grants, to those areas identified earlier in the paper.

B. Research Priorities

The primary research need relates to inadequate identification, on a country-specific basis, of the dimensions and causalty of the poverty/malnutrition problem to permit clear identification of alternatives. One way of approaching this problem is through the use of nutritionally-determined poverty lines. This requires identifying that income level at which caloric requirements are generally met, and determining the numbers of households which fall below that level. Needs in terms of employment generation and the provision of broad-based services then become considerably clearer on a country-specific basis. Nutritional measures can continue to be used to determine the effects of development on the individual. Such explicit quantification, (which can be done in the context of PPC's approach to household surveys and data collection), should, in addition,

reveal the severity of the malnutrition problem as a manifestation of non-participatory development patterns, and thus strengthen the hands of those in LDC governments interested in affecting these patterns.

Even where steps are initiated to generate the employment needed to meet this gap, however, the short and middle run requirements for the provision of services to those below the line may be large, (e.g. there is still need for food stamp and other nutrition services in the United States). In such cases, there is a need to analyze ways in which such resources can be used most efficiently and kept within affordable bounds. In part this requires continued determinations of the relative costs and effectiveness of alternative approaches. It also may be important, however, to determine the functional or behavioral effects of various degrees of deprivation to better assign limited resources. We know the effects on mortality, resistance to infection, and on performance of severe caloric or nutrient shortages. We don't know very much about the effects on growth of intakes which are 75 or 80 percent of allowances or standards.

Finally, where malnutrition problems are identified it is necessary to identify the primary determinants -- at least to know whether the primary constraint is income level or beliefs and knowledge. Evidence to date indicates that both operate as limiting factors among population groups on all low income countries, although we rarely have a clear picture of the relative importance of these determinants, or of the population groups concerned.

C. Training Priorities

The concept of national nutrition planning is to inject nutrition considerations into the programs, policies and decisions of governmental agencies involved in food production, food distribution and pricing, establishment and operation of health systems, development and operation of educational systems and other actions impinging on the consumption of food and the nutritional well-being of the individual. Consequently, it is important to provide some level of nutritional understanding to those officials involved in these policies and decision-making, and to provide them with tools they can use to assess nutritional implications of their activities. Training in nutrition therefore cuts across all levels from the policy level of governments, project developers, project implementers and supervisors, and ultimately to village level workers. A village level worker must understand the most basic of concepts from identification of infants who are bordering on malnutrition, to the introduction of rudimentary sanitary concepts to the administering of simple techniques for the management of diarrheal infection.

Unless a nutrition orientation is provided throughout the system of governmental service facilities, we cannot expect that nutritional considerations will be taken into serious account. Policy makers who wish to deal with malnutrition issues will find themselves frustrated in the absence of personnel with an understanding of the nutritional problem and the available means of intervention. Nutrition-conscious project managers and village level workers will find themselves frustrated if the supervisors, managers and policy makers above them do not have an understanding of the problem.

We therefore advocate that training be conducted at each of these levels and to a sufficiently large critical mass of persons involved in nutrition policy and programs. Past AID-sponsored training efforts through nutrition workshops focused primarily on sensitization of key planners and policy makers. This new approach is a logical follow on to the earlier effort. In the next two to three years we propose to undertake an intensive program in four countries to train this critical mass of personnel. This will provide us with an opportunity to test alternative training approaches in different countries, and assess in systematic fashion, the effects of such training over time. Such training will be organized in close collaboration with Agency health, agriculture, education and rural development personnel, particularly at the country level, to assure logical integration of training and functions.

Appendix to Discussion Paper - AID's Responsibilities in Nutrition dated April 25, 1977

Recommendations on Actions to Implement AID's Responsibilities in Nutrition (Approved by the Deputy Administrator, April 25, 1977)

Recommendation I: Field Guidance

That the discussion paper, or a condensed version of it, be sent to all Missions as a supplement to FY 1979 Program Guidance to reflect AID's concern for consumption and nutrition and to encourage Missions to consider placing greater emphasis on the integration of nutrition considerations into their ongoing and planned activities.

Recommendation II: Nutrition and Agricultural Policy

A. That each regional bureau review its nutrition related workload/staffing requirements and, as appropriate, request any new position ceilings required for the effective backstopping of country mission efforts to assist governments to determine and improve the nutrition/consumption effects of agricultural policies.*

B. That the regional bureaus, in consultation with the Missions, determine the optimal means of assessing and considering the consumption/nutrition effects of agricultural production, land use, price and trade policies as well as of broader economic policies. In larger missions it may be desirable to designate one officer, preferably from agricultural divisions or program offices, to be responsible for these concerns.

C. That the Technical Assistance Bureau Offices of Nutrition and Agriculture, in conjunction with the Bureau of Program and Policy Coordination, make efforts to sensitize mission personnel on this issue through: (a) presentations at Mission Directors' conferences, ADS, DSP, and similar fora; and (b) establishment of an appropriate orientation/sensitization program for all personnel designated with responsibilities specified in II-A and II-B above, with a view to completing such training for all mission and regional personnel by 1979.

* Any requests for AID/W staff would be expected in the first instance to be absorbed within present ceilings; any exceptions to this will require full justification.

D. That, by 1979, every AID country agricultural sector analysis include specific consumption/nutrition considerations.

E. That the Technical Assistance Bureau examine its capacity to develop and support nutrition related research, giving particular attention to the recommendations of the forthcoming World Food and Nutrition Study of The National Academy of Sciences; in addition that the Technical Assistance Bureau, working together with the Bureau of Program and Policy Coordination, develop a competence within AID to develop and monitor policy-oriented, applied economic and other social-science research in nutrition to support actions II-A, B and D. *

Recommendation III: Basic Needs Strategy

A. That the regional bureaus identify priority countries within their regions in terms of nutritional need and potential receptivity and seek to incorporate nutrition into AID assisted programs in health, education and population. In these countries the regional bureaus should work with host countries to incorporate nutrition components into newly proposed future and,where appropriate, ongoing projects, primarily those concerned with low-cost health delivery systems, but also those relating to education systems and family planning programs, aiming ultimately towards establishment of an integrated program addressing basic needs. It is recognized that this may require the establishment of new positions in the regional bureaus (in addition to those in II-A above) and, perhaps, in certain missions, external recruitment for qualified persons who can be designated as responsible to assist these key missions in the development of such programs.*

B. For those countries selected, missions and regional bureaus should make an estimate of the FY 1979 funds needed to build nutrition components (anthropometric means of identifying children at risk, highly focused nutrition education and selective supplementary feeding) into their low-cost health delivery systems. This is roughly estimated to require a 40 percent increase in the cost of the basic low-cost health delivery systems.

C. That the Bureau of Program and Policy Coordination, in conjunction with the Technical Assistance Bureau and the Office of Food For Peace, undertake a review of: (a) subsidized consumption systems in low-income countries to provide the Agency with guidance concerning the nutritional and income distributional benefits of such systems, their costs, their effect on open market prices and farmer incentives, and their dependence on international food aid; (b) nutrition and employment implications of Title I and Title II of PL 480, and (c) effect on increased agricultural production (both food and cash crops), farmer income and nutritional status of the family.

* Any requests for AID/W staff would be expected in the first instance to be absorbed within present ceilings; any exceptions to this will require full justification.

Recommendation IV:

That the Bureau of Program and Policy Coordination, working with the regional bureaus, identify one major AID recipient country that might offer some opportunity to attempt a major integrated thrust addressed at basic needs over a three-to-five year period, and make some estimate of the incremental cost required above the regularly scheduled program level to attempt such an effort and evaluate the feasibility of undertaking such an effort, keeping in mind the limited knowledge available on the effectiveness of interventions, and the transferability of such an effort.

Recommendation V:

That the Technical Assistance Bureau, working together with the Bureau of Program and Policy Coordination, make a concerted effort during the next 18 months to influence international organizations such as FAO, UNICEF, WHO, UNDP, The World Bank, etc. to intensify their nutrition activities, and to assess more systematically, the nutrition/consumption effects of their overall program. Additional U.S. funding for these institutions is not considered to be a requirement to accomplish this.

Recommendation VI:

That the Office of Nutrition, in the course of the FY 1978 OYB review:

A. Develop plans for a continuous monitoring and evaluation capability to provide a broader overview of AID assisted nutrition programs in order to: (1) study the effectiveness of nutrition programs in a range of different conditions, and (2) develop a standardized and refined evaluation system for such activities so that the results can be utilized by AID for purposes of policy formulation.

B. Review AID's existing mechanisms to draw upon available trained nutrition planners (through contracting arrangements, IQC's, etc.) and assure that adequate field support can be made available to AID/W and overseas Missions.

C. Review its own staffing and personnel requirements to provide the regional bureaus and overseas missions with assistance to implement the recommendations contained in this memorandum.

Recommendation VII:

That the Bureau for Program and Management Services, recognizing that staff limitations are the major constraint to program development in the area of nutrition, take the following immediate actions:

(a) give prompt and sympathetic attention to requests by regional bureaus and missions for the establishment of new positions in the field Missions to carry out the responsibilities specified in the foregoing recommendations

(b) authorize recruitment (including external, if needs warrant it) and, with the assistance of the Office of Nutrition, identify mid-career level candidates with suitable qualifications to perform the designated functions.

(c) continue to assist the Technical Assistance Bureau in its efforts to establish special training programs for mid-career AID personnel who may have an interest in pursuing careers in the field of nutrition, and to pursue flexible assignment policies to fill vacant positions in AID/W and the field missions with primary emphasis on program needs.

(d) assure that all relevant AID training programs for its direct line staff, from training of IDI's to seminars for Mission Directors, should include appropriate sensitization in the field of nutrition.

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TO - AIDTO CIRC A - 41

FROM - AID/W

SUBJECT - Guidelines on Project and Program Planning for Small Farmer Credit (Reissuing)

REFERENCE - (A) AIDTO CIRCULAR A-418 dated 6/6/74
(B) AIDTO CIRCULAR A-347 dated 6/26/76
(C) AIDTO CIRCULAR A-514 dated 9/23/76

ATTENTION MISSION DIRECTORS

This airgram constitutes a reissuing of the A.I.D. Guidelines on Project and Program Planning for Small Farmer Credit (attached) originally issued by ref (a). Project reviews indicate that some projects are innovative and clearly justified by supporting analysis. Others, however, still do not adequately explain Mission rationale for supporting a credit program (rather than some other program) or resolve the major policy issues which are involved. There are probably several reasons for this: (a) a change over in AID staff and the time elapsed since the original issue of the Guidelines; (b) a reluctance on the part of LDC governments to change existing credit policies and implementation procedures; and (c) continued debate on the extent and sometimes the nature of the reforms required in the credit area.

I. Major Issues

While we appreciate the nature of these reasons and the various constraints which they reflect we believe nevertheless that the conclusions of the Spring Review on Small Farmer Credit, as reflected in the AID Guidelines (which received extensive clearance within the Agency), are still valid and that the Agency is not fully profiting from the lessons learned in formulating new credit proposals. Regional Bureaus and PPC intend to make continued use of the guidance in the various stages of the review process. Particular attention will be paid to the proper timing and use of credit as an instrument of agricultural development, to interest rate

PAGE 1 OF 3 PAGES

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structures, and to the encouragement of productive rural savings. These issues are discussed in Parts I and II.B of the attached Guidelines and the attachments to reference (b) and ref (c).

Moreover, we suggest that Missions pay special attention to two things at the project design stage: (1) the detailing of a specific plan for credit to reach the target small farmer and a monitoring - evaluation system to help implement this plan, and (2) an analysis of the proposed real interest rate in relation to the rate of return in agriculture (this should, of course, be disaggregated to focus on the target small farmer groups). (1) is considered important since small farmer credit may not reach the intended target group; and (2) is considered important as it helps us focus on the issue of the role of credit. If the rate of return in agriculture is high, there is no reason why an unsubsidized or only slightly subsidized interest rate should not be charged. If the rate of return in agricultrue is low, then priority attention should probably be given to research, marketing, agricultural policy, etc. rather than to credit.

II. Recent Findings

AID/W has made no systematic review of the literature on small farmer credit since the Spring Review but consensus of opinion is that recent work by academics and evaluators has tended to reconfirm the basic points made in the guidance. The recently published FAO Report on the 1975 World Conference on Credit for farmers in developing countries certainly highlights the role of credit, the choice of interest rates and themobilization of savings as among the most important issues concerning small farmer credit. Some analysts have noted the dangers of carrying too far what has been referred to as the "new orthodoxy", i.e., that credit may not be the only or even the principal constraint, that interests rates should be raised and that a more constructive attitude should be taken toward the role of moneylenders in the informal market. But, in practice, the problems still tend to be (a) an excessive attachment to the "old orthodoxy" of underestimation of the problems and opportunity costs of credit programs and (b) a search for organizational solutions to problems which frequently stem from other constraints such as the lack of a profitable technology, exogenous policies, or local power structures.

Subjects which receive continued attention by researchers and evaluators are (a) the need for group lending and the advantages of group responsibility for repayment, especially where those groups are small and socially cohesive; (b) the need to explain behavior towards risk and devise institutional means for addressing the negative effects of risk aversion among small farmers, and (c) the sensitivity of small farmers to the nominal interest rate. In addition, there is a continuing need to resolve the problems of high costs of administration, poor accounting procedures, and inadequate staffing of credit institutions.

Ref (c) should be of particular interest to USAIDs with small farmer credit projects as it transmits the AID sponsored book on small farmer credit put together by Gordon Donald of the National Planning Association. This book, just published, constitutes the most comprehensive review of the subject available and is a direct

outgrowth of the A.I.D. Spring Review effort. It explores a wide range of problems and issues, including a number of innovative approaches which are evaluated along with more traditional ones. It expands on, but is basically consistent with, the Guidelines here attached.* This message will be included as part of Supplement C-2 of Part II of Handbook 21.

ENCL: a/s

VANCE

*See Supplement C2 to HB 2.

A.I.D. GUIDELINES

ON

PROJECT AND PROGRAM PLANNING FOR

SMALL FARMER CREDIT

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GUIDELINES ON PROJECT AND PROGRAM PLANNING FOR SMALL FARMER CREDIT

The Guidelines attempt to summarize our present knowledge about small farmer credit programs drawing heavily on lessons learned during the course of the AID 1972-73 Spring Review of Small Farmer Credit. Treatment of the major issues in the Guidelines, as in the Spring Review, is basically market-oriented, although references to social and political forces are made where their influences are believed to be particularly strong. The format follows the Spring Review distinction between (a) issues concerning the role of credit, (b) policy issues and (c) institutional issues. Each sub-heading starts out with a question or set of questions designed to focus attention on the issue(s) concerned; the questions are followed by a brief discussion of the topic with suggestions on how to obtain relevant material and information from the Spring Review and other sources. Policy guidance is introduced where appropriate.

I. ROLE-OF-CREDIT ISSUES

A. Program Objectives

Questions:
- What are the program objectives? Are they conflicting or consistent?
- Are there alternative, more cost-effective ways of achieving these same objectives?
- Do the estimated benefits from the program outweigh the opportunity cost of funds?

Program objectives normally fall into one of two categories: efficiency and equity. Efficiency objectives demand (a) the efficient allocation of resources among competing uses and (b) cost minimization in program implementation.[1] Equity objectives demand that the benefits of a given program be "equitably" distributed among the population. The benefits may be in terms of increased employment, increased access to government services, or increased net income; however, the last measure is probably the most comprehensive, as it depends in part on the presence of the first two. Of course, governments, as well as individuals,

1/ Efficiency objectives are normally associated with the production process - i.e., what is the most efficient process for producing a given output; however other concerns, for example, the balance of payments, can also be handled. To the extent that foreign exchange is valued highly by the economy, economic efficiency will involve minimizing program imports and maximizing program exports.

may have varying concepts of what "equitable" means and how much importance it should be given relative to efficiency objectives.

AID has an overall equity objective (viz. Policy Determination #48 on Employment and Income Distribution Objectives), associated with agricultural credit programs, namely increased net income for small farmers. (The problem of defining "small farmer" is discussed in Section II A below). To achieve this objective, assistance must be restricted to small farmers as a target group, and yet this restriction must take place in a manner consistent with the LDC's national priorities. Once the target group has been selected, the primary objective becomes efficiency. This means considering (a) whether there are alternative, more cost-effective ways of achieving the objective of increased net income for small farmers and (b) whether there are alternative, more efficient credit program designs.

An approach to identifying a target group and establishing program objectives might, therefore, involve the following steps:

1) Identification of the scope and nature of the small farmer problem countrywide;
2) Review of the LDC's national strategy and how small farmer assistance fits into this strategy;

3) Selection of a target group using such criteria as geographic location, income level, viability as determined by resource base, nature of farming enterprise or potential for diversification;

4) Preliminary assessment of the social and political as well as the economic feasibility of proposed program;

5) Collection of existing data and where necessary, new data through sample surveys; (Note here that data other than those that bear directly on the target group might also be useful in subsequent analysis.)

6) Data analysis and project design (to include consideration of alternative projects/designs to achieve same objective).

Often, of course, AID is asked to support or continue to support an on-going credit program. In this case, many of the above considerations will have been already addressed; however, a redefinition of program objectives may be required. Small farmer credit program objectives are not always clearly identified or, when multiple, ranked in order of priority. In some cases, program objectives may be political with no clearly specified equity or efficiency concerns. Furthermore, implementation strategy

for programs with both efficiency and equity goals can be ambiguous unless these goals are mutually consistent. Recent studies showing that the return on capital investment in small farms is high compared to investment in large farms demonstrate that efficiency and equity goals can be complementary; however, where price distortions - especially the underpricing of capital and the overpricing of labor - are serious, these complementarities may not exist. In such cases, a change in policies is required.

Where conflicts do exist, it is sometimes useful to try to quantify the trade-off between alternative benefits of two or more fixed cost programs. For example, one might want to compare the production and equity benefits between a labor-intensive and a capital-intensive production technique (or between a heavily supervised and a lightly supervised credit program). The trade-off concept is useful; however, two caveats should be mentioned. One is that comparisons of program benefits must be judgmental to some degree since such features as increased access on the part of the poor may have political, social, and psychological benefits which are not captured in quantitative measures. The other is that the existence of factor price distortions imply

that the trade-off arrived at through financial calculus may be more illusory than real.

References: (1) "The Trouble with Goals of Small Farmer Credit Programs" by Judith Tendler, AID Spring Review of Small Farmer Credit, Volume XIX, 24 pp.

(2) "Partial Implications of the Linear Programming Analysis for Decision-Making in the Agricultural Sector," Analytical Working Document #6 of Colombia Agriculture Sector Analysis (AID-IA/DR/SAS). (Illustrative measurement of trade-offs associated with alternative strategies).

B. Characteristics of the Small Farmer in Traditional Agriculture

Questions:
- What local cultural and/or risk-aversion factors may prevent small farmers from responding satisfactorily to the credit program? How can these be overcome?
- What is the form of savings prevalent in the countryside and how can these savings be tapped and increased for re-investment in productive activities?
- What are the nature, scope, and cost of credit in the informal money market in the rural areas?

Out of the Spring Review came a restatement of the situation of small farmers in traditional agriculture. This can be summarized in three general propositions which may run contrary to views held in some countries. Although these generalizations do not hold in all situations, they are supported by most of the authori-

ties with extensive field experience as well as by relevant available data. They should be used as working hypotheses in formulating credit programs unless specific country evidence is available to support an alternative set of key assumptions.

The propositions can be stated as follows:

1) On the whole, small farmers are rational and well informed about traditional agricultural technology. Cultural factors and risk aversion may inhibit their adoption of new technologies to their economic advantage, but they normally maximise their returns from traditional technology.

2) Within limits, small farmers are willing and able to save. A shortage of capital, is likely to constrain few farmers from adopting some feature of their traditional technology. The rate of savings is often low in the countryside, not because farmers are unwilling or unable to save, but because farmers using traditional technology have over time accumulated the capital commensurate with patterns of landholding, labor, and management requiring relatively low capital inputs. Because their savings performance has been

modest - for the above mentioned reasons - small farmers often cannot immediately take advantage of a new, more capital-intensive technology.

3) In Asia, the Middle East, Latin America, and to a lesser extent sub-Sahara Africa, there are informal lenders from whom small farmers can borrow at least for short periods. One of the major sources of funds are friends and relatives who sometimes charge little or no interest. Though rates from commercial lenders are much higher - reaching and sometimes exceeding four per cent per month - the difference between these rates and institutional rates are not necessarily a measure of exploitation. Costs of lending are very high in rural credit. Some exploitation undoubtedly exists, but exploitation is net necessarily the major reason rural interest rates are high.

The implications of these propositions are obvious and of great importance for credit programs: The absence of institutional credit may not at present be an important constraint on increasing production using traditional methods. Nor may it be an important constraint for small farmers wishing to adopt a new technology

which requires little additional capital. Other factors such as technical knowledge, input supply, or land holdings constituting less than an "economic unit" may be the effective constraints. Public credit programs should be designed to meet the needs of farmers who can productively use additional capital but who are genuinely unable to finance their needs through savings and borrowing from other sources.

In attempts to determine the real need or demand for institutional credit for small farmers, local institutions, rural sociologists, agricultural extension agents or community development workers may provide valuable insight. In addition, it may be highly desirable to conduct a small, appropriately designed rural sample survey to obtain more specific information on facts and attitudes. This could be arranged locally with the central statistical office or, by contract, with a private firm, university or other source.

References: (1) "The Credit Connection: Cultural and Social Factors Affecting Small Farmer Participation in Credit Programs" by Cynthia Gillette and Norman Uphoff, AID Spring Review of Small Farmer Credit, Volume XIX, 39 pp.

(2) "The Case for Voluntary Savings Mobilization: Why Rural Capital Markets Flounder" by Dale W. Adams, AID Spring Review on Small Farmer Credit, Volume XIX, 16 pp.

(3) "Regional Similarities and Differences in Small Farmer Credit" by Marvin Miracle, AID Spring Review of Small Farmer Credit, Volume XIX, 13 pp.

C. Conditions for the Productive Use of Credit

Questions:
- What type of credit is required - production, marketing, or consumer?
- Are profitable small farmer technologies available? Are these effectively communicated to participants in the credit program?
- Is there satisfactory handling of agricultural inputs and outputs for the small farmer under present conditions? If not, what modifications are necessary as conditions for success?
- What is the effect of land tenure patterns and other socio-political characteristics on profitability and incentives?
- How might cultural attitudes toward innovation and risk affect the program?

Credit will contribute to increased output only under a limited set of conditions. First, it must be ascertained whether production credit, as distinguished from marketing credit or consumer credit, is required. The type of credit required will be an important determinant of the appropriate delivery system. Furthermore, if production credit is required, there must be an opportunity for farmers to make what is for them a profitable investment.

Examples of such opportunities are: the introduction of a new technology, e.g., high-yielding seeds or fertilizer; the opening of new land areas, the introduction of a new cash crop to the region, and crop intensification or crop saving practices. It should not be assumed that profitable investments for the farmer exist.[2] In fact, the evidence is to the contrary: the preponderance of unsuccessful credit programs for small farmers have failed for precisely this reason - there was no feasible way in which the farmers could profitably invest the credit extended to them. Either there was no new (i.e., new to that farmer) applicable technology; or if the technology was applicable, farmers were constrained by one of the following economic or social conditions:

1. Even where technical opportunities exist, they may not be economic. New grain varieties, although they may produce a larger harvest in physical terms, have sometimes sold at a discount because local consumers considered them inferior to native grains. The pro-

2/ In order to consider an investment opportunity as profitable small farmers may require a substantial financial profit rate, i.e., 30-50 per cent or more depending on their risk-aversion.

fitablity of new investment opportunities resulting from new technologies or from the opening of new lands clearly is not guaranteed, and it would be naive to assume that all new technology made available to the small farmer would be profitable to him.

2. Some of the recent improvements in technology involve indivisible components which make them less suited for adoption where farming units are small. For example, the new seed varieties are much more productive when water application can be controlled, yet the minimum size tubewell or low lift pump available in most areas is far larger than required by small farmers to irrigate their land. (The availability of long-term as well as short-term credit constitutes a necessary but insufficient response to the problem of indivisible components.)

3. Many agricultural innovations are quite risky. For example, the new seeds show greater yield variation than the varieties they displace. Under ideal conditions output may be twice as great or more, but under adverse weather conditions the new seeds may yield even less than the traditional varieties. Many of the

traditional varieties have evolved over time to produce under wide extremes of harsh conditions and to resist local diseases. Among small farmers living in marginal ecological areas or close to subsistence levels, the risks associated with the technologies may jeopardize survival, and thus substantially reduce the attractiveness of new practices.

4. A number of country studies show that a lack of adequate infrastructure makes marketing costs unduly high. In addition, pricing policies, such as an overvalued exchange rate, export duties, or ceilings on agricultural prices designed to favor urban consumers, may impede farmers from profitably marketing additional output.

5. Adoption of the new practices may be constrained by poor input supply. For example, new seeds and pesticides may be available, but fertilizer may be in short supply. Because the success of the new technologies depends on a balanced application of several inputs, the absence of any one may affect adversely the benefits from using the others. The small farmer is at a definite disadvantage in obtaining essential

inputs if their supply is limited. A strong association exists in most countries between wealth and power; as a result, scarce inputs, are sold primarily to the wealthier and more influential farmers.

6. Farmers may be ignorant of new economic opportunities open to them, or they may misjudge the potential return. In many cases recommended practices appear to be only imperfectly adopted. Farmers may use new seed but not fertilizer; or use fertilizer on seed beds but not on the fields. An educative process may be needed with regard to the potential profitability of innovation. For various reasons, including the great effort required to reach large numbers of small farmers, extension agents spend less time visiting small farmers, and thus the latter have reduced access to one of the main sources of information regarding new practices.

7. New agricultural practices may disturb traditions, attitudes and values. Profitable changes in practices may not be adopted if they involve work considered to be demeaning, or if agriculture is only a secondary occupation with primary orientation toward non-agricultural employment, as in parts of Africa, or if

societies provide sanctions against progressive farmers. In other words, cultural factors may make farmers unwilling to adopt new practices even when all the economic conditions are met.

8. Land tenure patterns - especially tenancy arrangements, unusually small holdings, and severe fragmentation - may reduce the profitability and therefore the incentive to adopt new technologies or even improved practices.

9. The absence of purchasable consumer goods in remote areas may detract from farmers' incentives associated with increased income.

As the above discussion shows, profitability depends not only on production technology and market prices but also on a complex set of other factors. Each of these factors should be addressed in designing or evaluating a small farmer credit program, and Missions may require outside consultant assistance in pulling all the pieces together.

References: (1) "Conditions for Success of Public Credit Programs for Small Farmers" by Millard Long, AID Spring Review of Small Farmer Credit, Volume XIX, 15 pp.

(2) "Role of Credit in the Economic Development of Small Farm Agriculture" by Chester Baker, AID Spring Review of Small Farmer Credit, Volume XIX, 27 pp.

(3) "Technology, Profit and Agricultural Credit" by Ronald Tinnermeier, AID Spring Review of Small Farmer Credit, Volume XIX, 16 pp.

II. POLICY ISSUES

A. Distribution of Credit

Question:
- What is the present pattern of distribution of agricultural credit with regard to low, medium, and high income farmer groups?
- What are the political, economic, technological and administrative constraints on credit distribution to small farmers? What changes are necessary to increase credit for small farmers?

To date credit institutions have made little credit available to small farmers. Even those programs set up to serve small farmers usually lend most of their funds to farmers who fall outside the target group. Some agencies make numerous loans to small farmers but these are of small size; in value terms the loans go to larger farmers.

The reasons for the failure to reach small farmers even when they constitute the target group are several. Many credit institutions, at both the national and the local level, face political and administrative pressures to lend to the larger farmer. It is the large farmer who the credit officer knows personally. Moreover, with limited personnel, an institution is restricted in the number of loans it can process. Finally, to maintain the financial viability of the institution and to keep costs down,

it is easier to make loans to the larger farmers. These are all important problems which must be resolved if the objective of supplying credit to small farmers is to be met. (For suggestions regarding the reduction of these problems, see especially sections II B, II E, and III A below.) As distribution policy is crucial, Missions should seek facts on both past distribution and policy for the future as a first priority.

It is now established AID policy to concentrate support of agricultural credit programs on small farmers. Missions can provide funds either to programs which lend exclusively to small farmers or to institutions which have small farmer credit programs so long as in the latter case the total amount of increased lending (i.e., AID funds plus increased local contributions) to small farmers will be at least as great as the funding to be supplied by AID. The latter formulation provides slightly more flexibility in programming and reduces somewhat the pressure on AID for local currency funding, which is likely to constitute a larger percentage of small farmer credit programs than of agricultural credit programs in general.

The intent of this policy prescription, which arises primarily out of the Agency's concern with the equity impact of AID sup-

ported programs (viz. AID Policy Determination #48 of October 1972), is clear; however, ambiguities arise in the attempt to define "small farmer." In a draft policy paper in agriculture credit, the World Bank has defined a small farmer as having less than 5 hectares of land, or in countries where the majority of the farmers have less than 5 hectares, the 50 percent with the lowest income. Although this definition may be a good general reference point, the quality of land and its development potential vary. Thus, farm size may or may not be a good proxy indicator for the small farmer category. No adequate, globally acceptable definition of small farmer has in fact been devised, although such indicators as (a) net income, (b) net assets, (c) accessibility, (d) nature of technology, as well as (e) farm size have been used to establish a small farmer category in any given country or region. In general, one can say that a small farmer is one whose net income and/or assets are low both in absolute terms and relative to other farmers in the sector; and, as a rule of thumb, since data on assets are difficult to come by, one might simply define the relevant net income category to include farmers with incomes equal to the mean (or average) rural

family income or less.[3] Since upper income groups give a positive skew to the distribution of income (i.e., making the average higher than it would be if incomes were more equal), this definition will probably include a majority of all farm families.

Although the net income and/or net asset concept appears to be the most comprehensive, Missions and LDC country programs may choose to define the small farmer group using other criteria such as geographic region, type of tenure, crop, or farm size as proxy indicators of low income. Thus, an alternative, and perhaps more easily verifiable, policy definition of small farmers might include farmers whose holdings are smaller than a given size (e.g., 5 hectares) and who have not previously had access to government institutional services. In the event that average rural net income is not used to define the upper limit of a small farmer category, however, some effort should be made to define the range of possible income groups involved.

References: (1) "Technical Change and the Distribution of Income in Rural Areas" by Carl Gotsch, American

3/ Average rural income is used here to suggest an upper limit on eligibility. A lower limit on eligibility would depend more directly on the credit-worthiness of the individual applicant. If the group of credit-worthy applicants is small, it is probable that credit is not the primary constraint on increased incomes.

Journal of Agricultural Economics, Volume 54, No. 2 (May 1972) 15 pp.

(2) "The Distribution of Agricultural Credit and Benefits: Political Economy and Small Farmers in Less Developed Countries" by Harry Blair, AID Spring Review of Small Farmer Credit, Volume XIX, 12 pp.

(3) "Employment and Income Distribution Objectives for AID Programs and Policies: by Edwin Cohn and John Eriksson, AID Policy Background Paper (October 1972), 45 pp.

B. Interest Rates

Questions:
- What is the present interest rate structure in the country? Are interest rates high enough to cover the operational costs of credit without depressing the level of participant investment?
- What interest rates do small farmers face in the informal market? Do these rates represent monopoly profit or real costs?
- What lending margins are necessary for capitalization of various agents in the lending chain, especially if private sector institutions are involved?

Conceptually, one can distinguish four types of costs which should be covered by the interest rate on agricultural credit loans: (1) the opportunity cost of capital, i.e., the average return on investment in the economy at large; (2) the institutional overhead costs associated with administering the loan; (3) a premium for the risk of delinquency or default; and (4) a premium to cover the rate of inflation.

Some of the experts at the Spring Review felt that raising interest rates substantially is the single most important change that has to be made in credit programs. As long as resources are scarce, it is argued, they should be rationed to those who can use them most productively; and recent evidence shows that the productivity of capital on small farms is often quite high. Furthermore, it

is said, higher rates would mean more credit for small farmers by making lending more profitable and retarding the decapitalization process that often occurs over time with small farmer credit programs. When rates are low, institutions can not afford to lend to small farmers. Also, only by charging higher rates on loans can institutions afford to pay more on deposits. The latter is considered essential to mobilize savings, which credit institutions must do eventually if they are not to be forever dependent on government loans and grants. (See Section II E below). In addition, some experts believe that repayment rates improve if members have a stake in the institution through savings or equity participation.

The arguments for high interest rates were not supported by all of the experts; resistance and counter arguments were put forward by AID field personnel and LDC credit administrators in the regional seminars. Part of the problem with raising interest rates for small farmers is that the whole structure of interest rates is too low, so that raising rates for small farmers to cover the real costs of lending will discriminate against them unfairly. This is, of course, true, but it is also true that present rates would have to be tripled or quadrupled before real costs were covered. Perhaps the most often articulated objection

was that low rates are needed to stimulate investment by small farmers who can not afford higher rates. In fact, however, a low interest rate is often perpetuated as political tokenism to the poor in a program whose coverage is so limited that the subsidized costs are still bearable by the government. In other words, low interest rates are claimed as a pro-poor policy but the effect is to severely restrict the availability of funds and hence participation of the poor in the program. From the farmer's point of view, when there is an opportunity for productive investment, ready availability of capital is likely to be more important than price. Also, and paradoxically, higher official deposit interest rates, by increasing savings, may force down informal rates.

It is true that small farmers may require subsidies; however, these subsidies should be given in the form of services (such as extension, some of the credit institution's administrative costs, or roads into poor areas) that are not easily transferred from one individual to another. Subsidized physical inputs such as fertilizer often end up in the hands of individuals who were not meant to receive the subsidy. Similarly, subsidized interest rates for small farmers, which are less than other institutional lending rates, almost always discriminate against

the weak in favor of their more powerful neighbors. Also, subsidies on selected inputs tend to distort relative real factor prices. In the case of an interest rate subsidy, the latter implies the underpricing of capital and hence an artificial incentive to substitute capital for labor, an undesirable phenomenon in a labor-abundant, capital-scarce economy.

Today, in many programs, interest rates are negligible or even negative in real terms, that is after correcting nominal rates for inflation. Such low rates are economically unjustifiable, and AID/Washington believes strongly that in most programs interest rates should be higher. A reasonable initial target might be to raise the interest charge to 12 - 15 percent in real terms, that is to raise the rate to 12 - 15 percent plus the going rate of inflation.

References: (1) "Interest Rate Policies and Small Farmer Credit Programs in LDCs," by Claudio Gonzales-Vega, AID Spring Review for Small Farmer Credit, Volume XIX, 35 pp.

(2) "Higher Interest Rates Reconsidered" by Millard Long, AID Spring Review of Small Farmer Credit, Volume XIX, 2 pp.

(3) "The Interest Rate Policy for Agriculture in Developing Countries: The Prescription versus the Experience" by Charles Nisbet, AID Spring

Review of Small Farmer Credit, Volume XVI, 18 pp.

(4) "Agricultural Credit Policy in Developing Countries" by Jirysis Oweis, AID Spring Review of Small Farmer Credit, Volume XVI, 54 pp.

(5) "The Structure of Interest Rates in Underdeveloped Rural Areas" by Anthony Bottomley, Journal of Farm Economics (May 1964).

(6) "A Model of Credit Applied to the Allocation of a Sample of Mexican Farms" by Jerry Ladmon, in Economic Development and Cultural Change (January 1974).

(7) Money and Capital in Economic Development by Ronald McKinnon (1973).

(8) Financial Deepening in Economic Development by Edward S. Shaw (1973).

C. Default and Delinquency

Questions: - What is the extent of default and delinquency in on-going agricultural credit programs?

- What is the reason for default/delinquency? What must be done to reduce the default/delinquency problem?

The demise of agricultural credit institutions is often brought about by high rates of default. Until the day of reckoning most credit agencies conceal their usually poor repayment picture through rescheduling overdue loans and reporting inappropriate statistics; however, few public credit agencies seem in fact to have delinquency rates below 40 percent. These institutions are not financially viable; the credit agency should not treat rescheduled loans as though they had been repaid. In dealing with credit agencies with on-going programs, care should be taken to ascertain the actual delinquency situation. Perhaps the best single measure of delinquency in a credit program would be annual figures showing the percentage of overdue loans plus interest actually paid during the year.

There are various reasons for non-repayment; the harvest may have been poor, the farmer may simply refuse to repay because he knows the stated transactions will not be applied, or the money may have been spent on consumption rather than production. It

has also been suggested that default may be associated with poor quality extension. AID Missions should: (a) attempt to learn the truth about repayments; (b) ascertain as well as possible the reasons for non-repayment when the figure is high; (c) work out with the agency a program for improving performance; (d) develop a system to monitor performance. The funds lost through delinquency and default have high opportunity cost particularly when these losses are made up from public funds. Also the distribution of income through default tends to be regressive, even where the bulk of the loan money is going primarily to the larger among the small farmers, not to mention when loans are extended primarily to medium and larger farmers.

References: (1) "The Credit Connection: Cultural and Social Factors Affecting Small Farmer Participation in Credit Programs" by Cynthia Gillette and Norman Uphoff, AID Spring Review of Small Farmer Credit, Volume XIX, 33 pp.

D. Supervision

Questions:
- What elements of supervision are essential to the success of the program and what elements can be eliminated in order to lower costs?
- What other institutional mechanisms to incentives can be introduced to achieve the objective normally associated with supervision?

To prevent misuse of agricultural credit funds (due to inadequate technical knowledge, poor management, or diversion of funds for consumption purposes) and to help contain the high delinquency rate which plagues most programs, many agencies have established supervised credit programs for small farmers. The degree of supervision covers the entire gamut from the simple provision of information coupled with credit; to the specification of inputs the farmer should employ, which may then be provided in kind; to the almost complete control of the farm operation by the supervising officer. Each added degree of supervision is, of course, more costly.

To the extent that supervision provides the farmer useful information, it is probably an effective complement to credit. But to use supervision to force farmers to utilize funds as dictated by the credit agency may be counter-productive. Too much super-

vision is likely to be considered unwarrantable interference by the farmer, who may then become alienated from the credit institution. Group dynamics and the development of self-monitoring skills on the part of the farmers are also important. Furthermore, experience shows that credit, whether in cash or kind, is simply too fungible for an institution to be able to control effectively how it will be used by farmers. It is impossible and perhaps undesirable to elimate completely the use of credit for consumption purposes. In Section I B above, the working hypothesis that small farmers are essentially rational is presented. It follows that if farmers are convinced of the profitability of a new opportunity they will use the loan for investment purposes. Thus, restricting credit to production areas with bona fide investment opportunities is essential to reduce the misuse of funds. Otherwise, the question of supervision for small farmers should not really be whether or not to have it, but how much and of what kind. The benefits of more intensive forms of supervision should be carefully compared to the additional costs.

References: (1) "The Use of INCORA Supervised Credit in Colombia in 1969" by Dana Dalrymple, AID Spring Review of Small Farmer Credit, Volume V, 12 pp.

(2) "Technology, Profit, and Agricultural Credit" by Ronald Tinnermeier, AID Spring Review of Small Farmer Credit, Volume XIX, 16 pp.

E. Economic Efficiency

Questions:

- Has a vigorous effort been made to reduce administrative and supervisory costs, learning from those informal and formal banking systems which have successfully decentralized their operations, eliminated unessential red tape (such as tied loans), and exploited channels, services and information already available? What about default costs?

- Does the credit program have an internal or an associated mechanism for encouraging and collecting rural savings?

- Is there evidence to suggest that program funds are merely substituting for private credit - informal credit - especially for the purchase of seed, fertilizer, labor and other fairly divisible expenditures?

- Has a vigorous effort been made to harness sources of private capital, particularly commercial bank funds? If private banks are not lending directly to farmers, are they at least financing the operations of other primary lending organizations, such as cooperatives?

Administrative and supervisory costs associated with small farmer lending tend to be high and in some countries default rates are also high among small farmers. Given the constraints on what they can charge, credit agencies cannot cover costs, let alone default, on their loans. There is no simple solution to this problem. Nevertheless, if administrative costs were reduced, and interest

rates made more realistic, credit institutions could more readily afford to lend to small farmers. What is needed is a "low cost delivery system" for agricultural credit which would compare to the conventional credit distribution system as the recently publicized low cost delivery systems in health and education compare to the more conventional distribution systems for health and education services.

The Spring Review did not investigate the issue of economic efficiency, or cost-effectiveness, with the thoroughness that it demands and cannot offer a list of proven cost-cutting expedients. Grouping farmers (see III A below) can often be an efficient way of lowering costs and default, if the group accepts responsibility for the individual repayments. The honesty of the system is important. Decentralization of operations, especially of loan review and approvals, will also help. One technique of decentralization may be to encourage the formation of farmer associations in which "credit and finance committees" carry out a great deal of the administrative work - at no expense to the government. In general, administrative cost cutting characteristics of informal credit and other private credit systems can be imitated. (Note that although the price of credit, i.e., the

interest rate, is high in the informal market, administrative costs may be relatively low.) As mentioned above in Section II C, the key to reducing the costs of supervision and default lies in selective lending to farmers who face productive opportunities. If they do, they will be more likely to invest the funds advanced. The need for supervision will be lessened and the probability of repayment and the justifiability of higher interest charges will be greater.

Aside from measures to reduce costs in a given credit program, one should also keep in mind the broader spectrum of rural capital formation. A much wider variety of possible strategies to improve the flow of finance to small farmers must be considered. Both savings and informal market transactions should be recognized as alternative sources of investment funds; the more agricultural investment can be financed through these funds, the less the burden on public agricultural credit institutions. Similarly, means of harnessing private sector institutional funds for small farmers, as in the Philippines' Rural Banks program, should be explored

References: (1) "The Case for Voluntary Savings Mobilization: Why Rural Capital Markets Flounder" by Dale

Adams, AID Spring Review of Small Farmer Credit, Volume XIX, 16 pp.

(2)q "Informal Lenders as Suppliers of Development Credits to Small Farmers in Developing Countries: Attractive or Deceptive Alternative" by Charles Nisbet, AID Spring Review of Small Farmer Credit, Volume XV, 12 pp.

(3) "Agricultural Credit for Small Farmers in the Middle East" by Thomas Strickley, Raja Mouracade, and Yusuf Kashshu, AID Spring Review of Small Farmer Credit, Volume IX, 17 pp.

III. INSTITUTIONAL ISSUES

A. Alternative Delivery Systems

Questions:

- Has a vigorous effort been made to group farmers for credit/information/marketing transactions?
- What mechanisms are available to obtain feedback from the farmer on the type of delivery system which is most appropriate to him? How can farmers be included in the planning and decision-making process associated with their credit program?
- What are the characteristics of the local informal market? How can the relative advantage of this informal system be exploited by the delivery system?
- What steps can the government take to encourage more private institutional financing of agricultural production - particularly by smaller farmers?

Various institutional mechanisms for delivering credit to small farmers have been tried. The most common one appears to be government supported "group credit," i.e., public lending to small farmers grouped into cooperatives, credit unions, or more informal farmers' associations. Of course, in some programs loans are extended directly to the small farmer, but administrative costs of direct funding are very high. In other programs, public funds are channelled to farmers through private intermediaries - either through conventional commercial banks, special rural banks, or

individual agents. Private agencies appear to have both lower administrative costs and default rates. However, it is clear that in distributing credit through private channels, the government loses some control over both who gets the funds and to what use the money is put. Private lenders are more interested in repayment than in fostering development projects.

Another danger of course, is that private lenders will extend the credit to small farmers but at exploitative interest rates. Evidence suggests that the problem of monopoly in rural credit markets has been exaggerated, but, where it is a problem, the strategy should be to eliminate the excess profit, not the moneylender, or private agent. This is best done by developing alternative sources of funds - both public and private - not by imposing new usury laws or by outlawing moneylenders who provide farmers a real service. Specific steps which governments can take to urge commercial banks to increase agricultural credit financing include the relaxation of (a) the usury laws, thereby allowing commercial banks to engage in more risky lending operations at higher interest rates and (b) the restrictions on commercial bank financing of moneylenders, thereby encouraging competition among this group. Higher lending rates will also

permit banks to pay out realistic deposit interest rates, which, by increasing the supply of savings and hence loanable funds, may provide competition to the moneylenders.

Group credit is often preferred for four reasons: (1) it lowers the administrative costs of lending, at least from the standpoint of the banking institutions; (2) it lowers the default rate, and hence total costs of the program, where group responsibility is enforced; (3) it can be more easily combined with savings mobilization; and (4) the group can assist the credit agency in assessing the credit needs of individual farmers. It is also argued that through groups, small farmers can obtain sufficient political power to force local governments to be more responsive to their needs. The actual record of group credit, however - particularly cooperatives - has been mixed. Corrupt or incompetent management, political abuse, and default by group members may cause the group endeavor to fail. Success factors are perhaps more difficult to pinpoint, but one recent study (see Carroll below) points to the following:

i. Homogeneity (both ethnically and by income class) of the group members;

ii Group responsibility for loans;

iii Well-intentioned and competent political and managerial

leadership (at both national and local levels);

iv Provision of technical services (ideally medium and long term development services as well as short term technical advice).

Integrated marketing arragements which permit deductions of farmer repayment obligations from gross revenues are also recommended, but evidence attesting to the extreme efficiency of traditional marketing channels in many countries brings into question any blanket endorsement.

The Spring Review country papers reveal that credit programs - irregardless of the specific delivery system - are generally excessively bureaucratic and heirarchical. Farmers are excluded from the decision making process and there is no account taken of their ideas. Not only are the credit agencies inflexible and plagued by red tape, but they are often unresponsive to farmers' needs. Special efforts are needed to shorten the hierarchical lines of authority and communication, to incorporate a mechnism that will feed back farmer ideas to decision makers. Credit agents should be recruited from the farming community and an incentive system developed to make the agents more concerned with the problems of the farmer than of the bureaucracy. Including farmers in the planning and decision process would reduce their

alienation from the credit agency and increase the credit agency's responsiveness to farmer needs.

No one distributive system tried to date can be cited as superior to all others. It should be possible, however, to experiment with several alternative systems in an attempt to find one that is compatible with local culture, reasonable in costs, and successful in identifying those small farmers with good investment opportunities and in establishing an effective institution/clientele relationship. Experience from the Review indicates that irrespective of the mechanism utilized, greater attention needs to be given to organizational development and improved management if successful credit programs are to result.

References: (1) "Group Credit for Small Farmers" by Thomas Carroll; "Co-ops Can Help if Governments are Willing" by Edgar Owens and Charles Antholt; and "Cooperatives and Development Through Small Farmer Credit" by Jack Dublin, AID Spring Review of Small Farmer Credit, Volume XIX, 30 pp.

(2) "Informal Lenders as Suppliers of Development Credits to Small Farmers in Developing Countries: Attractive or Deceptive Alternative" by Charles Nisbet; "Some Aspects of the Utilization of Existing Credit Sources by Institutions Applying Public Funds to Small Farmer Credit Programmes in Africa" by Richard Roberts; and "The Rotating Credit Association: A "Middle Rung" in Development" by Clifford Geertz, AID Spring Review of Small Farmer Credit, Volume XV.

(3) "Regional Similarities and Differences in Small Farmer Credit" and "Notes on Developing Small Farmer Credit Institutions in Third World Countries" by Marvin Miracle, AID Spring Review of Small Farmer Credit, Volume XIX, 14 & 12 pp.

(4) "Analysis of Organizational Aspects of Small Farmer Credit Programs" by Jerome French, AID Spring Review of Small Farmer Credit, Volume XIX, 13 pp.

B. The Package Approach to Credit

Questions:
- Has agricultural credit been considered in the context of a "package" approach?
- What should be the role of government, specifically the agricultural credit institution, in providing the "critical minimum" elements required for small farmer development?

As mentioned previously, the constraints on agricultural development are numerous. Sometimes the key constraint is a shortage of credit; other times it may be the absence of a more productive technology, incomplete or inadequate information about more productive technologies, misjudgement about the expected return, or risk aversion on the part of the farmers. Shortage of required inputs or marketing problems (price risks, inaccessibility of markets, etc.) also act as constraints. Often more than one constraint applies in a given geographic area; in such a situation credit alone can not be effective. The other missing inputs must also be supplied either by government or the private sector. In planning a credit program considrable attention should be given to whether credit alone will be sufficient or whether the government needs to see that the other constraints are addressed. In some cases this may involve direct government input supply or marketing programs.

Once the government decides to intervene, it must also decide whether the package of services should be provided by one or more governmental agencies. A multi-service approach by one institution often presents a way of reducing the per farmer costs of providing services at the local level. On the other hand, a multi-service approach results in organizational complexity, and a need for higher degrees of management competence. It is sometimes argued that, with a package approach, credit agencies tend to lose both their primary focus as financial institutions and the benefits of professional specialization, particularly at the local level. The scope of activity best suited to credit agencies will undoubtedly depend on circumstances such as the competence and training of available personnel and the additional services required to stimulate farmer development. If a multi-service approach is adopted, an attempt should be made to keep separate the costs and revenues from the various activities. Unless a relatively clear record of revenues and costs can be established, it will not be possible to judge the success of the various elements of the program, and losses incurred on one service might lead to the abandonment of the entire program.

Reference: "Role of Credit in the Economic Development of Small Farmer Agriculture" by Chester B. Baker, AID Spring Review of Small Farmer Credit, Volume XIX, 27 pp.

C. Graduation

Question: - If the program subsidizes participants, and if government is not prepared to eliminate the subsidy, can a graduation policy be instituted?

As long as the credit program contains a substantial subsidy, the demand will exceed the supply of available funds. Compared to those who would like institutional credit, few will receive it. On equity grounds it therefore seems appropriate to "graduate" (i.e., to transfer from a subsidized program to a non-subsidized program) successful farmers in order to extend the subsidy to more needy individuals. Institutions are of course somewhat reluctant to graduate farmers who pay their debts; furthermore, it is more costly for institutions to build a new credit relationship than to continue an existing one. Still it is important to see participation in a subsidized credit program as a transitional phase. A graduation program, therefore, should be structured so that the farmer himself has an incentive to graduate. As an example, one can envisage a subsidized program in which the interest rate on credit would be slightly higher than the rate in other programs. In this way, the subsidized public program could provide access to credit to the non-commercialized small farmer, but at the same time would provide him the incentive to transfer to other programs as soon as he is eligible.

(The assumption here, of course, is that the magnitude of the subsidy, which could be provided by means of extension or other services, would exceed the interest rate differential.) As farmers adopt new technologies with a consequent rise in income, they should be able to finance additional investment through personal savings or institutions other than those subsidized by the government.

Reference: "Subsidized Small Farmer Credit - The Graduation Problem" by Philip E. Church, AID Spring Review of Small Farmer Credit, Volume XIX, 17 pp.

D. Monitoring Credit Programs

Question: - Has the information gathering and evaluation process been institutionalized in the agricultural credit institution?

The Guidelines have summarized the many problems that have plagued agricultural credit programs in the past. Any mission considering support for an on-going credit program would wish to review how well the program has performed in these areas. Obviously where past performance has been deficient, negotiations should be carried on with the credit institution to determine policy and/or management changes which might rectify the situation. However, the procedure should not stop with the institution of new policies. The credit agency should develop programs of evaluation and applied research to provide decision-makers with continuing feedback. Detailed information should be gathered on several priority topics - especially the distribution of credit, default and delinquency, the costs of administration, and the impact of programs on output. The information gathered should be sufficiently detailed to find the correlation between any of the above and the size of borrower, the type of program, and the region of the country. Information on distribution, delinquency, and costs should be available to the credit agency from information already collected or easily collectable. For regular participants

in credit programs information on outputs is often gathered from the annual loan applications; if not, it could be added. However, for purposes of determining the impact of the credit program on output, data should also be collected on a control group of farmers who do not receive institutional credit. The additional costs of collecting this information and carrying out the analysis are justified by the importance of ascertaining the impact of the credit program as distinct from other events on participants' output. Cost can be minimized and the utility of results maximized if data collection and analysis is built into the management operations of the credit institution. The information collected does not have to be in the form of complete enumerations. Well-designed samples will be less costly (much less in a large program) and, if carefully executed, more reliable than complete enumeration.

Reference: "Institutions and Institutional Issues Associated with Small Farmer Credit in Developing Countries" by John R. Brake, AID Spring Review of Small Farmer Credit, Volume XIX, 13 pp.

AIRGRAM

DEPARTMENT OF STATE

Sup C3 to HB 2, (TM 2:1)

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FROM - WASHDC

SUBJECT - Working Papers on Rural Development: Number 1, Overview of Rural Development

REFERENCE -

Attached to this airgram is the first of a series of working papers prepared by the Working Group on the Rural Poor (WGRP). This paper provides a draft overview of rural development with special emphasis on some of the areas of consideration which have received special attention in the development community in recent years. Its purpose is to help the busy field operator round out his perceptions of rural development and thus to assist him in local discussions and in project identification and development.

This paper will be followed by others, to be transmitted by the WGRP, which will explore particular areas of rural development activity at greater depth. These papers will be revised from time to time and ultimately be incorporated into AID rural development policy. The time to make inputs to that policy development process is now -- and through the medium of comment, discussion, criticism and improvements to these working papers and participation in other opportunities for interaction with the WGRP.

As you know, since the passage of the FAA of 1973, AID has undertaken a fundamental shift of orientation towards programs which focus on increasing food production and improving the distribution of benefits of development to the poor majority in developing countries. A review of the FY 74 and proposed FY 75/76 programs reflects a solid response of the Agency toward the new challenge facing us. We can, and I am confident will, move to increase the share of AID resources directed at the problems of the poor. Our response must not only be a quantitative shift, but a qualitative improvement as well

ATTACHMENT: Conceptual Overview Paper on Rural Development

PAGE 1 OF 2 PAGES

DRAFTED BY	OFFICE	PHONE NO.	DATE	APPROVED BY:
CHB C. H. Blankstein:ddt	PM/MD	235-9103	10/8/74	AAID:JEMurphy

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Rural development is an enormously complex and difficult task for an LDC to undertake. The resources that AID can transfer to assist an LDC in its efforts, while not inconsequential, are rarely large relative to the burdens the LDC must undertake. Often the greatest contribution AID can make is in helping LDC officials in thinking through their problems and assisting them in gaining timely access to the best technical assistance available. To do this, we in AID must be as knowledgeable as possible in our various areas of responsibility.

One of the tasks assigned to the Working Group on the Rural Poor was to develop programs and materials to assist AID personnel in broadening and deepening their knowledge of various aspects of rural development. The working Group is approaching this problem with a multi-faceted program of communication and interaction with USAID and AID/W personnel. The program includes:

1) The circulation of a number of working papers designed to acquaint practitioners with the latest and best thinking and experience in the field, of which this Overview Paper is the first.

2) A series of workshops, seminars and discussions with interested AID personnel, tentatively scheduled to begin in the Spring of 1975.

3) The encouragement of Mission exchanges with AID/W and between missions for the purpose of giving wide distribution of constructive thinking on rural development topics.

4) Intensified support for AID missions, drawing on inhouse and outside consultants, in the identification and development of projects in those aspects of rural development which are relatively new and in which the Agency's competence and experience is limited.

I urge you to participate in and contribute to this program. There is no cookbook approach to rural development. The views of field practitioners are at least as important as those of AID/W personnel to the development of AID policy in the rural development area. We need the benefit of your knowledge and insight. The focal point of exchange of ideas for AID is the WGRP. Please use this channel of communication and in doing so do not hesitate to push your personal views. We are all engaged in a learning process. We all have something to learn and something to offer.

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WORKING PAPERS ON RURAL DEVELOPMENT

1

CONCEPTUAL OVERVIEW OF RURAL DEVELOPMENT

Working Group on the Rural Poor
United States Agency for International Development
Washington, D.C.

DRAFT

CONCEPTUAL OVERVIEW PAPER ON RURAL DEVELOPMENT

INTRODUCTION

There is now a widespread view in the development community that the goal of developing country efforts should be a substantial improvement in the productivity, health and skills of the poorest majority so that they will share equitably in the benefits of development. This view is clearly expressed in AID's present congressional mandate. In accordance with that mandate, AID will place great emphasis on the rural poor.

For operational purposes, the "rural poor" in developing countries can be defined as those persons living largely ouside of or at the lower income and of the modernized sector and not in major cities. We assume that in Asian and African countries, but to a lesser extent in Latin America, these groups constitute the "poorest majority" referred to in the legislative history of the FAA, 1973. They include small semi-monetized and subsistence farm or pastoralist families, landless laborers and their families; plus craftsmen and the unemployed and underemployed in market towns and small cities in the rural hinterland. In addition, if rural programs are to reach the rural poor AID will also need to work with some whose income may be somewhat above the level of the poorest majority but whose activities are essential for rural advance, especially small and tiny non-farm entrepreneurs.

AID's approach to rural development is to provide effective financial and technical support for selected country operational and research programs which seem likely to enhance the productivity, health and skills

of the rural poor. AID is already engaged in this work in a number of countries and through a number of research projects. AID is also trying to increase the in-house and outside expertise available to work on these problems.

An ambitious but feasible operational target for AID is for the agency to demonstrate by the end of FY 1976 (FY 1977 Congressional presentation) a response that would include:

1. In all countries interested in rural development programs focused on benefitting the rural poor, AID participation of a clearly constructive nature in light of the local circumstances.

2. In countries whose governments are not interested in such programs, the definition of a USAID approach to increase the interest of the government in such activities.

3. The assurance of an agency capacity to respond to request for rural development assistance in a manner consistent with the latest "state-of-the-art."

The purpose of this paper is to provide practitioners with a preliminary conceptual overview of current thinking on rural development. Part I sets out in very general terms some of the theoretical assumptions derived from the literature and the evolving body of AID experience which underlie current AID/W thinking about rural development. Part II sets out some strategic assumptions about the nature of rural development assistance, goals, target groups and the setting of national LDC policy within which the desired approach to rural development can be expected to function

effectively. Part III sets out some major issues common to many rural development programs about which there can be no agreement or generalization. These are some of the areas of critical importance which must be resolved locally. It is important that these issues be explored in any case so that the best solution achievable in the given case can be identified. Part IV explores the elements of the broadened rural development concept. The discussion emphasizes the more recent concepts and extensions of the scope of rural development. However, it should be understood that the new concepts are largely additive to AID's traditional concerns with agricultural production, technology transfer and institution building.

This statement should not be regarded as "policy". The policy will emerge as a consequence of dialogue between AID/W and field missions on the matters addressed by this paper. The FY 75-76 guidelines and field budget submission responses thereto were the first stage of this dialogue. This paper carries on that dialogue.

In the near future, a number of papers will be circulated to the field which will go into many of the subjects mentioned in this paper at greater depth.

The usefulness of these papers depends more upon their ability to initiate rethinking and discussion than their "objective truth" or direct applicability in any given case. Feel free to use or reject any part of the document. We would appreciate your comments and criticisms so that later versions of the paper will reflect a broad range of knowledge and experience in the agency.

I. Theoretical Assumptions of Rural Development

Until quite recently, the dual goals of increased production and equity might have been considered inconsistent. Current thinking, however, suggest that these goals are not only compatible but that questions of employment, income distribution, and increased food production are interdependent and must be addressed simultaneously. The current thinking is based on a body of experience and theory which has developed in the past few years.* On the basis of these materials, the following propositions or assumptions on rural development are viewed as basic premises for AID program planning:

1. Assuming that small farmers have adequate access to production inputs, technology, the financial system and the market:
   a. Output per acre will be higher on small farms than on large farms.
   b. Production will be increased at the lowest captial cost.
   c. The largest possible number of jobs will be created (small farm, labor-intensive agriculture creates more employment than any other economic activity.)
   d. Income distribution should be improved since large numbers of the poor will be increasing their incomes.

*A paper summarizing the evidence on the economics of small producers is nearing completion and will be distributed shortly.

2. Adequate access to the four elements (production inputs, financial system, the market and technology) of a high productivity-rising income agricultural system normally cannot be achieved without viable local institutions.

3. Development strategies aimed at increasing the productivity of farming through capital intensive means and through large farm methods do not produce optimal overall growth results because income effects tend to favor the wealthy, food production tends to be less than optimal, employment creation is limited and the potential effective demand for food and other basic products is curtailed.

4. Small producers can be expected to have a fairly high marginal savings rate if they own or control (through reasonable contractual arrangements) their own farms or business firms, even if per capita income is low at the starting point.

5. Creation of both farm and non-farm jobs in rural areas increases demand for commodities and products which facilitate the growth of markets at all levels of the economy, promotes a better distribution of population in a range of urban centers from small market towns to metropolitan centers and favorably affects the quality of life in various ways throughout the LDC society.

6. Programs aimed at increasing small farmer productivity are successful only where farmers' incomes can be substantially increased and their risks reduced. This usually implies introduction of agricultural techology which is new to farmers though often not new to agricultural specialists. In cases where technology currently in use is not sufficient to yield significant productivity and income gains, introduction of new technology is essential if programs in credit, extension and such are to be effective in increasing productivity and incomes.

7. There are many categories of industry in which small firms are as efficient as, or more efficient, than large firms. Many of these industries can be economically viable in the small-sized economy of market towns and small cities.

8. Financial institutions and intermediaries are needed not only to provide rural credit but also to mobilize rural savings.

9. Subsidized interest rates are generally dysfunctional and are particularly harmful to the interests of the large mass of poor and marginal farmers.

10. Geographical factors, including distance, significantly affect transportation time and costs, risk assessment, and the

cost of obtaining information about distant markets. Geographical factors must be considered in rural development planning. Spatial relationships are critical to design of action programs, planning of resource allocation and creation of urban-rural linkages.

10. Geographical factors, including distance, significantly affect transportation time and costs, risk assessment, and the cost of obtaining information about distant markets and must be considered in rural development planning. Spatial relationships are critical to design of action programs, planning of resource allocation and creation of urban-rural linkages.

11. Market towns and district urban centers are essential to facilitate the flow of inputs and outputs. They also form growth centers where small rural industry and services can create non-agricultural jobs in rural areas.

12. The simultaneous availability of a minimum package of certain services and facilities, appropriate technology, financing and markets, must be assured if small producers are to be assisted.

13. Low cost rural transportation networks, utilities and land improvement are critical physical factors of spatial planning.

14. The existence of profitable agricultural production opportunities does not assure that those opportunities will be exploited, nor, if exploited, that benefits will be

equitably distributed. The capacity to organize rural people to exploit such opportunities is a very important element in achieving potential production increases and an absolutely essential element in assuring equitable income effects from those opportunities.

15. Rural development must be carried out in extraordinarily complex social, cultural, economic, political, historical framework which in each country has shaped the nature and degree of deviation from the desired norms set forth above. The interactions and interdependencies of these complex elements make it highly unlikely that any single intervention such as increasing small farmer credit or introduction of a new technology will be effective in isolation. To the contrary, the performance of the system as a whole requires a rather large number of elements functioning effectively and within a supportive national policy structure in order to produce significant advance. Thus, in most cases, one cannot think only of identifying specific constraints and relieving them as a strategy for rural development. To the contrary, it is the capacity of the system as a whole rather than isolated parts which must be the focus of attention in planning. However, an assessment of an LDC's current system may reveal a few critical parts whose improvement will make the whole work a great deal better for the benefit of the rural poor. Further,

broad-scale changes in the system as a whole cannot be induced quickly. Rather, changing the system must be regarded as a gradually evolving process.

While the foregoing propositions are not all regarded as conclusively proven and may not in certain specific cases be applicable, they may in general terms be regarded as underlying propositions on which AID country strategy may be formulated.

II. Strategic Assumptions of Rural Development Programs

AID rural development activities in the past have been carried out in the context of strategies dominated by a set of concerns primarily defined in economic terms such as increase in production, improvement in balance of payments and so forth. The new thrust toward dual equity/production goals raises some difficult problems of articulation of objectives. Stated simply, where AID is providing assistance, it wants to support local efforts to improve rural conditions in developing countries. In order to improve rural conditions, LDCs may need to make many economic and social changes. Various elements in local and national economic and social systems must support each other, and overall relationships among them may be more important than individual projects viewed separately. In order to improve performance, LDCs must change many elements of the overall system. Given this "systemic" viewpoint, AID can begin to formulate some assumptions on which AID;s rural development strategies in LDCs can be premised:

1. Rural development is a description of an LDC policy, not an AID project or program as such. AID hopes to help the country view its rural development problem in comprehensive terms. Within the context of a systematic rural development program, AID will support one or several elements of a developing country's program. Indeed, rarely would AID support all aspects of an integrated rural development program.

2. The goal of rural development is a system which supports self-sustaining growth by promoting profitable farm

and non-farm productivity increases coupled with equitable distribution of the benefits of that productivity.

3. The target groups of rural development are persons living in villages, market towns, and small cities whose incomes are low relative to those living in the modernized sector. They include small farmers, pastoralists, landless laborers, artisans, craftsmen and small businessmen.

4. Rural development must be carried out within a framework of national policy which is supportive of self-generating growth in rural areas. The set of policies necessary and sufficient to carry out the objective will vary from case to case. However, some minimum set of LDC government policies and commitment to rural development must exist or neither government nor AID programs are likely to achieve the intended results. The following areas of policy concerns are among those which will significantly affect the effectiveness of any rural development activity. In the real world it is, of course, somewhat unlikely that many governments would have established or be working toward all of these policy goals simultaneously.

A. Investment Priorities

Investment priorities should be balanced between interests of urban and rural populations rather than promoting rural subsidization of urban industrial investment.

B. Spatial Planning

National planning on a sectoral basis should be broadened to include spatial considerations in the allocation of investments and the design of action programs.

C. Growth Centers

Planning strategies which promote economic growth at one or a few major urban centers should be shifted to a policy that will strengthen the economies of regional cities, district centers and market towns through a concerted effort at raising the productivity and incomes of rural populations and developing services and industries supporting rural populations.

D. Target Population

Rural development policies should be directed primarily at small farmers, herders artisans, labor intensive industry and service workers in villages, market

towns and small cities rather than at large scale capital intensive commercial farms and capital intensive "agro-industries" located in big cities.

E. Agricultural Markets

Policies should give more emphasis to production of food for domestic use and expansion of domestic markets rather than favoring production for export.

F. Technology

The development of technologies that are economically and socially appropriate to the conditions of the country should be favored over the introduction of standard advanced Western technologies in agricultural production and manufacturing. Linkages to international research networks should facilitate the development of technology appropriate for the country's agriculture.

G. Irrigation & Settlement

Improvements in land management practices and small scale irrigation should be favored over large scale resettlement, colonization and irrigation programs.

H. Health

Emphasis should be placed on environmental sanitation, preventive medicine, eradication of endemic diseases, improved nutrition and family planning based on rural clinics, para-professionals and traditional rural health practitioners rather than on the provision of costly personal medical facilities based on highly trained professional staff and Western-type hospitals.

I. Education

Programs preparing adults and children for productive work in rural and smaller urban centers should be favored over education oriented predominantly to big city professional and sub-professional careers.

J. Transport

Transport investment should focus on the development of low-cost rural transport networks with the objective of providing farm to market access and achieving closer linkages among smaller cities and market towns and linking these rural networks with main railroad highway and air facilities.

K. Price & Fiscal Policies

Policies should support the objective of keeping surpluses generated within farming localities primarily for reinvestment for the benefit of local populations in those same localities. Policies which result in intersectoral and interregional transfer of economic surplus for the principal benefit of city populations should be discouraged.

L. Planning & Implementation

Emphasis should be placed on processes which link central planning with effective implementation at the local level and which facilitate feedback of information from the base level to the center rather than processes in which planning is separated from implementation and in which the needs of local populations are determined by central authority. "Bottom-up" flows of information and decisions should be emphasized over exclusively top-down direction and control. The capacity of planning authorities to diagnose problems in light of accurate information on local conditions should be emphasized in order to harmonize local and national

interests. If at all possible, bringing people into a participative role in making decisions affecting their lives and welfare should be encouraged.

III. Rural Development Policy Issues

In contrast to the areas discussed in Part I above concerning which there is justification for the assertion of generalities, Section III will focus on areas where there is less consensus on theory and practice. In many respects, however, these areas are among the most important for careful examination in project design and implementation. Further, these and similar "unsettled" areas of practice are most in need of examination in light of experience. Therefore, we wish especially to emphasize the importance of your providing the benefit of your experience and observations in this connection by letter or airgram to the WGRP. The issues listed are of particular importance, but they do not constitute an exhaustive list.

1. Focus of Resources

Substantial benefits flow from assuring the simultaneous availability of all basic services in a particular area. When all major constraints are relieved synergistic effects are maximized and resources applied have their highest benefit potential. However, given constraints on resources, intensive integrated programs usually cannot be started in all areas of a country. This can cause a real dilemma for LDC planners.

One approach to resolving the policy problem (following A.T. Mosher's book, Creating a Progressive Rural Structure) is to divide potential areas of rural development activity into four classifications.

a. Lands of immediate high potential for agricultural growth.

b. Lands of future high potential for agricultural growth.

c. Lands of low potential for agricultural growth.

d. Sparsely populated non-agricultural rural lands.

Programs can be developed which provide incremental rural development program elements such as the following:

In areas with low growth potential, focus on rural welfare programs.

In areas of future potential for agricultural growth, focus on rural welfare plus regional research, land development and initiation of organizational and institutional development.

In areas with high potential for immediate agricultural growth, carry out programs including all the foregoing plus intensive introduction of new labor-intensive technology but with lower investment at the outset in rural welfare activities.

Using this approach, all regions of a country can get some benefits while emphasis is placed on productivity increases in high potential areas in the short run. Some income increases from higher GNP can be taxed to expand programs in lower potential areas.

Another approach to integrated rural development to start in wide areas with one or several programs, such as rural public works. Additional program can be added as rapidly as money, trained manpower and institutional resources permit. In this "extensive" approach, integrated rural development is a target to be worked for over a period of years.

2. The Appropriate Mix of Public and Private Activities

In the public-private responsibility question, there can be no generally "correct" answer. But the search for a feasible solution in any given country is a critical problem.

The question of which activities will be public responsibilities and which will be left to private activity within an overall rural development program is fraught with political and ideological consideration. Foreign influence is likely to be minimal with respect to such decisions and LDC decisions on such matters often must be taken as given.

Where feasible, it seems desirable to encourage leaving to private responsibility those activities which the private sector can handle well. In some cases, it may be possible for an LDC government to retain responsibility until an activity or a unit can be "spun-off" to the private sector. For example, a government agency might retain responsibility for servicing local cooperatives to help them become viable business enterprises. Gradually, as cooperatives learn how to manage their own business, they can buy and sell in the private market. Federations of the local organizations can be formed to take over the functions initially performed by government agencies.

3. Sequence of Development Activity

Considerable attention has been given to the question of whether the sequence of development should focus first on generating-marketable outputs and higher incomes and later on the provision of social services or to attempt a balanced approach providing resources for both increasing output and providing social services simultaneously. There are advantages to both although many experts now believe that the production/income increase activities should lead the provision of social services. Limited experience with decentralized decision-making suggest that local groups, such as the local council, farmers cooperative or irrigation associations, also give first priority to increased income, so long as more or less all producers can share in the increase. Essentially, welfare oriented rural programs tend to be associated with skewed land distribution systems or elite-dominated communities in which welfare (primary schools, rural clinics, small production loans in which full repayment is not expected) is a substitute for income opportunities for the poor.

4. The Organizational Unit of Rural Development

Should the focus of rural development assistance activity be upon village and kinship groups or upon farmer organizations organized as economic units? Village or kinship groups are useful units of develop-

ment assistance activity because there is trust and faith in local leadership and local people are familiar with local customs. On the other hand, efficiency, economies of scale, optimal utilization of trained manpower, access to marketing opportunities and so forth may best be served by using larger areas such as village clusters which are roughly the equivalent of "counties" or "townships". Where it is feasible to combine the two approaches effective functions and and should be distributed between the two levels. For example, managerial and investment aspects of farmer organizations might be assigned to an organization representing as many as several hundred villages while implementation of specific activites such as screening credit applications might be the responsibility of individuals indigenous to each village who are given low-level training. Other functions, such as the introduction of new technologies in financial administration may involve people from both levels, such as a qualified extension agent at the higher level working in each village with "villager extension agents."

5. Training Issues

One common issue in training is whether manpower requirements at the village level should be filled by outsiders. The latter are always faced with the problem of gaining the trust of local people. Another issue is whether the content of training courses is designed for the jobs to be done, is sufficiently pragmatic and not too high a level. Still another issue is the willingness or obligation of participants to use their newly acquired skills where they are needed.

Experience suggests that some considerable revisions may be needed in training programs. Perhaps villagers themselves can be trained at a low low technical level. If supervised tolerably well by qualified personnel from an organization located above the level of the individual village, the villager-extension agent could be a way of resolving the relationships issue between outsider and local communities. Sometimes people may be "over-trained" if training is viewed as a stepping stone to "white collar" jobs rather than a way of raising productivity and improving the quality of life of the poor. One of the countries with exceptionally high agricultural productivity has virtually no college-trained extension agents working directly with farmers. The agents are farm boys with some secondary schooling and vocational agricultural training. The current emphasis on the use of paramedics in integrated health programs is an example of efforts to make training more pragmatic, adjusted to the knowledge level of local communities and directed at local people who are willing to work in their own communities. This approach may be useful in other sectors. Finally periodic in-service courses for personnel working with local organizations and local people may be an under-used way of gradually up-grading skills through a combination of learing from experience and formal classroom work. In this fashion, the desirability of higher levels of education for individuals, perhaps could be accommodated with practical requirements for carrying out the specific tasks of development activity.

6. The Role of Women

There is a growing awareness of the importance of women in the development process in the development community and in the LDCs. It is apparent that in the past, the economic and social significance of the role of women has been vastly underestimated not only in the way that statistics are gathered and national planning is carried out, but also in project design.

Consideration must be given, particularly in rural development program, to the role of women as decision makers in the family and in local organizations; as agents of the implementation of projects; as beneficiaries of development activities as workers, and potential entrepeneurs; as a critical influence in all aspects of the change process.

How this emphasis can be expressed in project activity may be a difficult problem given the cultural, legal, economic and attitudinal barriers which may exist in various countries and socio-economic groups (including, it should be noted, our own). But it is essential that this issue be addressed in analysis and project design.

7. Land Tenure

Land tenure considerations are critical in any rural or agricultural development program. The nature of the problems may vary widely from region to region but access to land and constraints on its use are

typical problems in rural development. Experience clearly demonstrates that those countries which have equitable land tenure and land use arrangements have achieved far better economic performance than those which have not.

In the past, AID has treated land reform activities with some reluctance because of political sensitivities involved. But it is obvious that land reform activities are sensitive because they are powerful instruments for change. Whether basic AID policy will be changed in this area remains to be seen. However, attention should be paid to land tenure issues in any diagnostic activity.

It should be borne in mind that full scale land reform, while apparently desirable, it is not the only way to attack problems of land tenure. Mortgage financing and guarantees of private real estate transactions, laws providing security of tenancy, rent control and other mechanisms have been used in various parts of the world. Finding innovative ways of dealing with land tenure problems is one of the most difficult but potentially most important contributions that can be made in rural development programs.

7. Food Production Versus Equity

The argument is sometimes made that the need for food production is so great that equity considerations must yield to greater output in development planning. It is often true that a quicker increase in food

production can be achieved by supporting large producers. Small farmer projects tend to be more complex and slower to unfold. Nonetheless, support of small farmer projects generate economic and social benefits which can outweigh quick production payoffs in the medium to longer term and perhaps in the short run as well. Those countries which have achieved both high productivity and sustain agricultural growth have involved their small farmers. While local considerations will determine specific cases, current thinking would favor, other things being equal, AID support of that element of a government's program which promotes longer run production increases with equity outcomes.

8. Benefit Incidence

Rural development projects will often not benefit only the poor. Project design often presents difficult tradeoffs between feasibility and gross impact and assuring a flow of benefits to the poor. Indeed, it often is very difficult to determine benefit incidence effects after the fact let alone to predict those effects before the fact. What is clear is that benefit incidence should always be an issue in project design and implementation. Without a continuing focus on this question, equity goals can be subordinated or displaced. Procedures to assure continuing monitoring of benefit incidence effects should therefore be included in rural development projects as an integral part of the project management mechanism.

9. The Role of AID

The development of an AID approach to rural development, of which process this paper is a part, may be viewed as inconsistent with the principles of "collaborative style" and responsiveness to LDC initiatives. However, in many cases, a strong AID orientation toward effective rural development will parallel and complement the growth in this orientation among LDCs and the development community as a whole. In some cases, focusing the attention of governments on rural development problems must preceed project financing. In any event, rural development investments are unlikely to be productive without strong government commitment to its goals. Further, rural development programs which are not responsive to local cultural, historical and political factors are not likely to be effective. Therefore, the AID approach to rural development assumes dialogue, not prescription. The many elements addressed in this paper should be viewed as areas for exploration, not a set of conditions or demands any or all of which must be accepted as a prerequisite of AID support.

10. Political Consideration.

While the subject of political stability falls outside the purview of AID, the Agency must be sensitive to the likely political impact of the rural development policies it supports and the projects which it helps to finance.

Rural development implies a transition from a traditional system which derives its stability from effective resistance to change to a

dynamic system which derives its stability from using productivity and a flexible approach to meeting the changing needs of people. One of the theoretical assumptions of rural development is that it will help promote political stability in a changing society. This is not to suggest that the transition out of an essentially low and static productivity society is not destabilizing along many dimensions including the political dimension. Rather, the issue is whether a country can develop the capacity to adjust and adopt to change in an orderly and relatively peaceful manner. AID should recognize that some rural development activities are carried out against a background of tension and expectations. How people view rural programs will have a profound influence on whether stability can be maintained. If peaceful change is to be feasible people must have confidence in the processes and institutions of rural development. Part of this confidence comes from a government commitment to rural change. Without this commitment, long-run political stability is highly uncertain.

IV. Major Elements of Rural Development

This section speaks to the major elements of rural development. Many of these factors are the activities with which AID has had considerable experience such as agricultural production and technology, research and extension, marketing, financial and institutional frameworks and infrastructure. There are also certain elements which, if not wholly new, are now being given a higher degree of emphasis than in the past. These factors include regional planning, participation, institutional learning and growth, the systemic emphasis, effective linking of planning and implementation, and agriculturally related industry. The newer factors are considered important to achieving maximum benefits from the conventional activities. The differences between a rural development as practiced by AID to the present time and the new rural development approach will be seen to be primarily differences of emphasis and attention to the interaction of discreet activities. Very little of past practice is eliminated but a number of new concepts are introduced.

The following list presents a number of factors to be considered in rural development programs:

I. Overall Policy and Planning Framework

- Macro Policies
- Overall Integration and Coordination
- Sector Analysis
- Regional Planning: Spatial Organization and Market Towns
- Bottom-up Planning and Feedback System

II. Agricultural Production

Planning and Management

Research and Technology

Resource Endowment

III. Activities Supporting Agricultural Production

Research and Extension

Financial Development

Marketing

IV. Institutional Framework

National Agencies

Regional and Local Government

Base-level Farmer Organizations and Federations of Such Organizations

V. Industry Related to Agriculture

VI. Infrastructure

Rural Roads

Irrigation Facilities

Utilities

VII. Human Resources Development

Nutrition

Population and Health

Education

VIII. Special Problems

Land Tenure and Water Rights

Energy

Motivation, Information and Learning

Employment and Welfare

Evaluation and Research

The following paragraphs comment on some of the foregoing elements with special emphasis on those factors where substantial changes from conventional rural development practice are being encouraged.

Overall Policy and Planning Framework

The kinds of macro policies which appear to be particularly supportive of effective rural development were discussed in Section II above. The planning and implementation of programs supporting a rural development policy present management challenges of the highest order. In this connection, some comments may be useful on three matters: systems approaches, sectoral analysis and regional planning.

1. Systemic Approaches

Rural development is a goal directed change in an enormously complex system of people and institutions. The interdependencies and interrelationships among these many complex elements are often extraordinarily difficult to perceive and understand, let alone manipulate. For example, recent research has demonstrated that growth rates of food grain production, employment and capital supplies and requirements are highly interdependent and sensitive to each other. A substantial growth rate in foodgrain production may not increase employment by very much if the production increase is concentrated among a small number of large

farmers. If the added income from increased food grain production goes largely to those comparatively well off, output prices may decline for lack of demand. In consequence, incentives are lost and production falls off despite the introduction of new technology. Increased production of non-food grain agricultural commodities and rural non-agricultural small industry may, however, create a flow of income and demand which will support greater food grain production. Both increased food grain and non-food grain production, and creation of non-agricultural jobs is necessary, if not simultaneously at least in quick succession, in order to shift a short term increase in production yields to a self-sustaining process of growth.

Correct decisions on a policy level in a complex system like the rural sector probably will require a set of decisions with respect to a number of variables rather than a single-minded push in one direction. The experience of the green revolution in Asia provides ample evidence of the disfunctionality over time of uni-dimensional "attacks" on agricultural development problems.

At another level, it is important that a development effort recognize the importance not only of the improvement of management of institutions serving beneficiaries but also the viability of base level organizations.

Examples of why systemic approaches to rural development are necessary are legion. But the application of systemic thinking to operations,

planning and management is extremely difficult. It is necessary to probe not only into the detail of how each sub-system works but how the performance of each sub-system affects and is affected by all other relevant sub-systems. We have not tended to think this way in the past. But it is now apparent that we must do so in rural development activities.

2. Sectoral Analysis

Sectoral analysis (agriculture, health, education, etc) remains a major tool of diagnosis and planning under the rural development concept. Added to the current approach is a heightened emphasis on the process of analysis as a learning and training tool not only for planners but for LDC agency management and the potential beneficiaries as well. To date, sectoral analysis has often been an instrument of top down planning by technicians. This process should be broadened as far as possible to include a flow of information and decision from the bottom up. Thus extensionists, local LDC government representatives and small farmers themselves should be involved at a minimum in data collections and if possible, in preliminary decision making as well.

3. Regional Planning

A factor in the rural development concept which has not been emphasized in recent years is regional planning. Regional Planning is itself a substantial area of knowledge. Its potency as a vehicle for expression of sub-national aspirations has been important and will grow. Its greatest value is that it is a disciplined approach to the difficult problem of decentralization. For purposes of this paper, we need dwell only on a few

implications which flow from regional planning. Among these, none is more important than the significance of spatial arrangements of rural settlement and infrastructure.

It has been observed that there is a strong relationship between rural incomes and the access of rural people to roads, market facilities credit, utilities, health and education services and so forth. At any point in time, an ideal location pattern of these facilities may be specified for a given population. Such an arrangement might involve a cluster of villages around a head village or market town where retail markets and basic services for the cluster areas are concentrated. In turn, these clusters of villages may be grouped around district centers where wholesale distribution and more specialized facilities and services not economically viable in smaller towns can be positioned. The districts in turn may be grouped around a regional city. The number of levels and geographic distribution of hierarchies of agro-urban communities will vary according to variables such as country size, population size and density, topographic barriers, the common modes of transport used by the poor and, of course, the historical growth of the society to the present time.

The rational locating of services, facilities and connecting roads yields a minimization of infrastructure costs and optimization of the availability of important services to the rural population. The area serviced by the market town may be referred to as "farming locality". The "farming locality" centers on the market town. The market town connects

the locality with the outside world. Activities properly concentrated in the market town include health clinics, agricultural extension services, repair facilities, production input stores, savings and credit facilities schools and other training facilities or perhaps sponsoring an "education center", both formal and non-formal education activities. The locality may also be viewed as an appropriate area for local verification trials.

The high complementarity among the listed elements results in significant improvement in the "system" performance of the farming locality when these factors are available. A higher synergistic effect is possible than if one or several of these factors were not present in the locality, or if they are scattered about in different sites rather than being grouped together.

It should be noted even in this very general overview that the ideal size for a farming locality changes and expands over time as better transportation facilities become available. But at the early stages of agricultural commercialization, farming localities need to be small to facilitate agriqultural growth. (A common radius is seven or eight miles from the market town.)

The farming districts service farming localities in the same way that localities serve farmers. District centers provide for an appropriate level of concentration and specialization of services for a number of farming localities. The basic services provided by a district center include wholesale markets for farm products; farm supplies and

and equipment; regional agricultural research facilities; district extension service administration; district banking facilities and major transportation and communication links.

Agricultural Production and Supporting Activities

1. Agricultural Production

The economic engine of rural development is agricultural production. Substantial increases in agricultural output are essential to move the system, provide jobs, and generate income in the rural sector to buy goods and services. Generally, such substantial increases can be achieved only through improved agricultural technology supported by a variety of activities required to assure access to the benefits of that technology. Specifically, one or more profitable technologies must be available and applied in every situation for rural development to take place. Hence, the centerpiece of AID rural development strategy in the past remains the centerpiece of the new rural development concept. The planning and management of technology and inputs to achieve greater physical outputs on the farm is the necessary, though not sufficient, central element in any rural development program.

2. Activities Supporting Agricultural Production

AID has long recognized that numerous supporting activities are essential to agricultural production activity. Research and extension, seed multiplication, marketing, agricultural credit and other related activities are well understood by AID practitioners. Such functions are

in no sense viewed as less important under the emerging rural development concept. The new concept does attempt to incorporate the lessons of experience which show that the effectiveness of the traditional agriculture support activity projects can be enhanced and assured by systematic development of many functions beyond agriculture as such. It is the linking of the traditional fucntions to a broad range of related activities to improve overall system performance that characterizes the new rural development approach.

In this connection, new approaches to traditional services are encouraged. For example, the use of villagers as extension agents is one of the concepts of rural development that is fairly new to AID. In essence, this is a system in which villagers serve as the communications link between LDC agency professional and technical staff assigned to the base level organizations and individual village communities. The village agents are given some low level technical training through nonformal programs conducted by the properly trained staff and their work in the villages must be supervised by the trained staff. In the village the agents are responsible for demonstrations, organizing discussions and otherwise trying to involve their fellow villagers in the project. Their exact set of activities will depend, of course, upon the technical subject involved.

Another possible innovation is the use of large numbers of small farmers for field trials in support of extension work. In this fashion, field trials more closely approximate use by relatively less sophisticated farmers. The task of inducing the farmer to try new methods is simplified if he has had a practical, low risk experience with the new technology.

3. Financial Development

Greater importance is now being attached to the development of integrated capital markets in order to increase the efficiency of resource allocation. Small producers must have convenient access to credit and savings facilities if they are to increase their productivity and investment. Organizing financial institutions that are conveniently accessible to all producers is now being viewed as an important condition of rural development. Mechanisms which facilitate the flow of capital to, from and within the rural sector to profitable investment opportunities are necessary for sustained growth.

Discontinuous, fractionated financial development results in inefficient allocation of investment funds, including credit, and an inability to mobilize savings that are potentially available. Existing distortions in financial development tend to favor the larger producers, capital intensive rather than labor intensive investment, and large city rather than farm and agriculturally-related small town investments.

The dysfunctional effects of subsidized interest rates - including disincentives to savings and distorted or corrupt rationing of available credit - are now generally understood. A rational financial market, including rational prices for the use of money, is viewed as a necessary condition for self-sustaining growth in the rural sector.

In many cases, the need for more effective financial development may require innovative approaches to central banking, commercial

banking and financing of agricultural commodities, working capital and rural capital projects. In many countries, the development potential of the financial sector may be exploited more effectively and creatively to accelerate rural development.

4. Marketing

AID, other donor agencies, and most of the LDCs have often emphasized increasing the supply of goods and services while not giving enough attention to increasing aggregate demand and making demand effective. Experience suggests that this imbalance needs to be righted and also that linkages between supply and demand need to be assured as much as this is possible. Markets must be rationalized so that supply and demand are more closely linked and so that increases in production will in fact, lead to higher incomes for small producers.

With respect to services, much attention needs to be given to the condition in which services are wanted and used. (For example, under what circumstances do farmers want the help of agricultural extension?)

Marketing problems tend to be particularly difficult because they so often involve either very costly government pricing solutions, or solutions involving controlling the behavior of large numbers of individuals in private markets. Benefit incidence is often hard to predict in marketing projects. The analysis of these and many other problems of market development should be handled in the context of regional planning problems.

Institutional Framework

1. Institutional Learning & Growth

The institutional framework for rural development has long been recognized as critical. The national government, its major ministries and agencies and some private agencies have been the subject of institution building activities for many years. Rural development incorporates a number of concepts which have evolved in recent years relating to matters of organization practice and procedure, the linkages between institutions and their beneficiaries and most importantly the way that information and influence flows from the beneficiaries into the institutional structure. In this connection, a substantial amount of new and potentially useful ideas are available from the field of organizational studies and other management disciplines.

In addition to the governmental institutional framework, a new emphasis is placed upon farm groups. The history of farmers organizations in developing countries has been discouraging. But the cost of providing the services small farmers need is prohibitive if they are provided individually. Effective forms of group action must be found if economies of scale are to be achieved in the management of savings and credit and other elements of a modern agricultural system.

The shift in emphasis toward the involvement of large numbers of low income farmers implies for any developing country an enormous

institutional challenge. Agriculture ministries, banks, cooperative federations and other LDC institutions are faced with greatly expanded and more varied responsibilities when such a shift in strategy is adopted. In most, if not all cases, the transformation to modern, client-centered service institutions capable of coping with the difficulties of organizing and relating to base level development activity will require a program of planned institutional development growth and change taking place over a period of time.

The process of agricultural sector management sufficient to support base level participation involves not only the expansion and improvement of traditional activities such as agricultural credit and extension. It also requires some new approaches and functions.

Most important of these is the emphasis on better understanding of the beneficiary, his needs and his behavior. Therefore, successful rural development places heavy stress on development within the LDC government of research and evaluation capability linked to the management system Research thus becomes not an adjunct of planning as such. Rather it becomes an integral part of management which is conceived as a process of planning, implementation and evaluation. The focus is shifted from general, "academic" research to "action research", a system of dynamic, on-going evaluation generating timely, useful data to support management decisions. Such research is not only on economic but also on social and behavioral factors affecting project design and execution.

Only in the most unusual case can an LDC institutional structure be thought to have the capability of substantial expansion and modernization in a short period of time. Ordinarily, it must be assumed that the institutions involved must undergo a process of transformation. In the past we have referred to the process of improving institutional capacity to deal with social and economic problems as "institution building". This term carries with it the implication of the construction of a structure starting at one point and finishing at another point. When "finished", the structure is then fully capable of carrying out the function for which it was designed. But the process of adjustment by institutions to the challenges of rural development is better analogized to the organic concepts of learning and growth. The process of transformation and change in that sense in a continuous one. The nature and quality of an institution must be assessed in terms of its ability to respond to new challenges and responsibilities as well as its capacities to carry out a given function at any point in time.

Viewed in this light, it becomes apparent that considerable emphasis must be placed upon the ability of the institution to gather information and understand what is going on at the base level. The ability of an institution to gather relevant economic and social data and provide communication pathways by which such information can be fed back into its managerial processes becomes critical. Thus, the need for "action research" - research by the institution concerning its clients and its own functioning emerges as a function of equal importance with the gathering of general economic data for economic planning and resource allocation purposes.

2. Base Level Organizations

Increasing agricultural production and general rural welfare depends upon improving the efficiency and productivity of small scale producers. This in turn depends on assuring access of small producers to a range of inputs, new technology, marketing opportunities and so forth. The individual servicing of small producers and independent marketing of outputs generally appears to be neither administratively feasible nor beneficial to the small producers. In consequence, some form of base level organization of small producers is critical to facilitate access and to provide some degree of power in relevant markets and influence through linkages to the national government.

Base level groups of small producers are desirable for other reasons as well. Groups are a valuable vehicle for feed-back to agencies providing services to its clients. The delivery of services and inputs is administratively more convenient and less costly when focused on groups rather than individuals. Carrying out activities involving joint investments and labor is difficult outside the context of an ongoing group which can facilitate both economies of scale and social pressures to encourage participation by all members. Many aspects of rural development require changes in individual behavior on the part of beneficiaries. Changes in attitudes and behavior are facilitated by participation in group activities and decision making. Further, the reinforcement of behavioral change is facilitated by the existence of an ongoing and supportive group.

Base level organizations tend to be most effective when they are designed, organized and managed on the principle of viable business enterprises. This, as a minimum, means for both private and public organizations that revenue equals or exceeds expenditure. Development planners often select key criteria other than viability of business enterprise such as an existing cultural group in a village. Indeed, a village, an existing cultural and social group, may well be an easier focus for a given task than a group of villages. A whole area or region on the other hand might be viewed as an economic unit for mass delivery of inputs and services under government control. The planning of farmers organizations on the principle of a "viable business enterprise" provides a mechanism for management, ongoing evaluation, and the capability for self-sustaining growth.

A number of other factors bear on the successful development of base level organizations. Indigenous leadership, trained if necessary in training centers and returned to their organization rather than utilization of outside promoters is favored conceptually. Experience demonstrates that effective base level organizations take time to develop. They should be started with a few functions. New functions can be added as the organizations acquire the capacity to handle them Forcing the pace of development can be counter-productive. Base level organizations need sufficient autonomy to define their own purposes and goals within the general policy framework set forth by the center. Excessive control designed to assure conformity with a master plan can be seriously counter-productive.

3. Participation

The emerging rural development concept places a renewed emphasis on human factors in development planning and management. While the concern for human values is intuitively appealing and supportable on moral grounds alone, the case for participation can be built on purely pragmatic considerations.

From a managerial viewpoint, the participation principle is of great importance. A participatory process of development generates much better information for decision making in the system as a whole. Thus the process of participation facilitates better planning and more effective resource allocation. Furthermore, the process of participation results in higher commitments to success and higher expenditures of energy and resources by the beneficiaries. Thus, in effect, a participatory process calls into being or makes available to the development process resources which otherwise would be unavailable. Capturing these peculiar characteristics of participatory activity and exploiting them for the benefit of the development process is perhaps the most difficult yet the most promising and important of the new approaches.

The essence of the participatory process is based on the propositon that a person's motivation to achieve a particular objective is optimized under circumstances where he can:

1. Identify his own needs.
2. Plan how to meet those needs

3. Have decision making power to call in the particular resources which he feels are appropriate to meeting his needs.
4. Experience either success or failure of his own planning as well as physical efforts.
5. Evaluate the causes of success or failure
6. Feed-back the results of that self-evaluation into a new planning-acting cycle.

Where such conditions apply, the individual may be said to be operating in a problem solving climate rather than a dependency climate.

The benefits of a participitory, problem solving approach are substantial. But just as overdoing top-down planning can be damaging, overdoing "bottom-up" planning may result in the misallocation of scarce resources. In any given case a balance must be struck between "top-down" and "bottom-up" approaches. That balance might be characterized as a system in which policies and technical and administrative standards of performance are directed down from "the top", detailed plans are developed at "the bottom" and moved up through the system to appropriate levels of aggregation at which levels resources are allocated according to criteria known and understood by all participants. This implies a substantial change in the distribution of decision making power. It also implies a much greater investment in helping beneficiaries learn to cope with their environment. But the management skills thus learned are the very essence of self-sustained growth and development.

Industry Related to Agriculture

The emerging rural development concept places greater emphasis on the creation of non-agricultural jobs in rural areas. Job creation opportunities should be promoted not only in agricultural a activity but also in small labor intensive industries including agricultural product processing, consumer goods, construction, service activities, transportand so forth. These activities should be located in market towns and district centers in accordance with the potential market for the services. Activities of this nature often will require working capital financing more than capital investment finance. They often require as much concern for technical assistance as agricultural activities. Thus, it may be useful to apply earlier experience with urban based small business development projects.

Conclusion

The foregoing materials highlight a number of factors characterizing current thinking on rural development. In their totality, they reflect an idealized set of considerations and circumstances which are unlikely to be simultaneously applicable or feasible in any given country. Viewed as a set of converging goals, they present an agenda of factors which, if effectuated over time, are highly supportive of progress in both food production and equitable distribution of benefits of development.

Comments and criticisms of this draft paper would be greatly appreciated. It is hoped that the document in its current from will be a useful if not authoritative expression of current views. Its refinement depends upon the feedback that experienced practitioners can provide.

Bibliography

(NOTE: The following books and articles will be sent to Missions as rapidly as they can be purchased (books) or reproduced (articles). The number of books on production/equity rural development is still rather few.

The number of professional articles is multiplying rapidly and can now be counted in the hundreds. From this enormous number, the following few have been selected as key articles on major points covered in this Conceptual Overview Paper. Missions desiring additional materials on particular subjects should send their requests to the WGRP. To the list of books and articles there is attached a list of AID airgrams on matters relating to production/equity rural development.)

Books

Ranaan Weitz, "From Peasant to Farmer"
Arthur D. Mosher, "Creating a Progressive Rural Structure"
Edgar Owens and Robert Shaw, "Development Reconsidered"
Ronald McKinnon, "Money and Capital in Developing Countries"
Doreen Warriner, "Land Reform in Theory and Practice"
Ranaan Weitz, editor, "Rural Development in a Changing World"
David Turnham and Ingilies Jaeger, "The Employment Problem in Less Developed Countries"
Richard Jolly et. al., Editors, "Third World Employment"

Articles

Barbara Ward, "A 'People' Strategy of Development"
Dudley Seers, "The Meaning of Development"
Mahbub ul Haq, "The Crisis in Development Strategies
Peter Dorner, "Needed Redirection in Economic Analysis for Agricultural Development Policy"
Polly Hill, "A Pleas for Indigenous Economics" (Chapter 1 of "Rural Capitalism in West Africa")
Albert Waterston, "Resolving the Three-Horned Planning Dilemma"
Keith Marsden, "Towards a Synthesis of Economic Growth and Social Justice"
Akhter Hameed Khan, "The Comilla Projects - A Personal Account"
"Tour of Twenty Thanas," Part I
Dev Weintraub, "Rural Periphery, Societal Center, and Their Interaction in the Process of Agrarian Development"
Bruce F. Johnston, "Agriculture and Economic Development: The Relevance of the Japanese Experience
Gustav Ranis, "Technology Choice, Employment and Growth"
John W. Mellor, "The Impact of New Agricultural Technology on Employment and Income Distribution"
Ong, Adams and Single, "Voluntary Rural Savings Capacities in Taiwan, 1960 to 1970"

AID airgrams

1. AIDTO CIRC A-448, 6/22/74: FY 1976 Program Budget Submission Guidance.
2. AIDTO CIRC A-275, 4/2/74: Program Guidance on Implementing AID's Strategy for the Education and Human Resources Sector.
3. AIDTO CIRC A-230, 3/19/74: Planning and Evaluation of Integrated Health Delivery Programs: A Systems Approach.
4. AIDTO CIRC A-996, 9/29/73: AID Nutrition Strategy
5. AIDTO CIRC A-461, 4/21/73: pp. 6 and 7 of Program Planning for FY 1975 and beyond.
6. AIDTO CIRC A-418, 6/6/74; Guidelines of Small Farmer Credit
7. Legislative History of Sections 103-107 of the Foreign Asisstance Act, 1973

DISTRIBUTION:

A/AID, Mr. John E. Murphy
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PPC/PDA, Mr. Robert J. Muscat
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EXSEC, Mr. B.W. Cain (Info)
A/AID, Mr. Lloyd Jonnes (Info)
A/AID, Mr. H.E. Kosters (Info)
PPC/PBAR, Mr. James L. Roush (Info)
L/LPCS, Mr. Christopher H. Russell (Info)
OPA, Mr. Clinton F. Wheeler (Info)

SUPPLEMENT D - Sector Guidance - Population Planning and Health

POLICY DETERMINATION

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT

File as: AID HANDBOOK

TRANS. MEMO NO.	EFFECTIVE DATE	PAGE NO.
Sup D1 to HB 2		(TM 2:1)

PD-39
November 3, 1967

POPULATION AND FAMILY PLANNING PROGRAMS

There is increasing world-wide concern over the social and economic consequences of rapid population growth. A.I.D. must help awaken other governments to a full realization of the nature of the population problem, and respond quickly and imaginatively to requests for assistance from countries which desire to limit population growth to a rate commensurate with improvement of the economic and social quality of life. The attached Policy Determination provides a policy framework and guidance for program development growing out of earlier policy statements and the new detailed "Guidelines for Assistance to Population Programs."

William S. Gaud

William S. Gaud

DISTRIBUTION:
AID List M, Position 25
AID List B-6, Position 25
AID List B-4, Position 5
AID List C-2

Address questions about this policy determination to: TA.

PD-39
November 3, 1967

POLICY DETERMINATION
POPULATION AND FAMILY PLANNING PROGRAMS

1. Definition and Objectives

Rapid population growth seriously hampers man's efforts to improve the quality of life. World resources are limited and all nations find it difficult to provide enough food, housing, education and medical care for their people. This is most evident in less developed countries where economic growth is offset by population increases, often despite massive foreign assistance.

The problem of population pressure varies from country to country. In some nations the natural increase is small (1% annually), while in others it runs at a rate which results in a doubling of size within one generation. The rate of population increase, coupled with other variables such as food production, natural resources, and level of health, determines the urgency of the problem in a particular country.

We in the United States are concerned about problems arising from population growth within our own country. Public and privately sponsored programs promote education about family planning. In nearly all states there are state-wide or local family planning programs, in many instances through the support of the U.S. Public Health Service, Children's Bureau or the Office of Economic Opportunity. More important, the majority of American couples began to practice birth control on the basis of personal conviction rather than national policy. This has been the case in other developed countries and seems to be a natural corollary of economic progress. A pluralist, democratic society, the United States believes in full freedom in the selection and the use of such methods for the regulation of family size as are consistent with the mores and creed of the individual concerned. This is our practice at home; this has been and will remain our policy abroad.

Already there is a large and growing number of family planning clinics established throughout the world, particularly under private auspicies. In most countries there are national associations and programs to promote interest in the population crisis and its relation to national goals through information, education, motivation and persuasion. All programs face the formidable task of influencing millions of family decisions and of making it easy for individual families to implement decisions to have fewer children.

This cannot be done without bringing knowledge and assistance in applying modern methods of family planning to vast rural populations. For this there is required a network of health and social services which does not exist in most countries. It requires administrators, communications specialists, doctors and paramedical personnel, vehicles, dispensaries, medical implements and communications equipment as well as pills, intrauterine and other devices.

It is apparent, however, that these needs are not likely to be met unless governments accord family planning programs a position of high priority.

Unfortunately, progress to date has been slow. Many governments lack a full appreciation of the enormous impact of fast-growing populations on the life of their people, on their food supply, and on their entire development effort. As a result, many countries have not yet faced up to the need to deal with the problem, or have not pushed forward vigorously enough with well-planned programs.

Without outside encouragement and assistance, it seems likely that some countries will be unable to make real progress. Through its foreign aid program the United States Government is prepared to use every appropriate means to assist developing nations to deal with rapid population growth. This help will be extended only to those countries which ask for it, and only for family planning programs in which participation is voluntary.

AID assistance to family planning programs will, together with assistance to food production programs, share the highest functional priority in AID planning and operations. Within the limits of its dollar and local currency fund availabilities, and its requirements of careful planning and sound administration, AID will do its best to assure that lack of funds will not prevent it from helping governments carry out effective programs in the field of family planning. This assurance will naturally depend on the governments allocating enough of their own financial resources and efforts to make external assistance effective.

The existence of a population program is under no circumstances to be considered a condition of U.S. aid in other areas of economic and social development.

2. <u>The Scope of Family Planning Programs</u>

Family planning programs seek to influence human behavior. Motivation is therefore an important part of any approach to the population problem. This requires understanding of cultural, social, psychological and economic forces. Effective methods of contraception must be made available and acceptable within the behavior patterns of people. As yet, no ideal method of contraception has been devised which is applicable for persons in all socio-economic situations; better contraceptives are being developed but programs should not be delayed until these are available.

To accomplish behavioral changes and provide contraceptive methods, a substantial, effective and well-organized family planning program is

necessary. This is often a major stumbling block, for large numbers of trained people and efficient administrative procedures are required. These are limited in developing countries as are the institutional systems out of which any new organization is derived.

3. A.I.D.'s Role in Support of Family Planning Programs Abroad

Foreign aid assistance in family planning will observe regular A.I.D. procedures, but with an added requirement of urgent and imaginative action. In keeping with A.I.D. policy, assistance will be given to local government programs only upon request of the government and to local nongovernment programs only with the knowledge of the government.

Within A.I.D., responsibility for evaluation of the population problem in A.I.D. receiving countries, and for delineating A.I.D. assistance, rests primarily with US A.I.D. Missions. Each Mission has a person assigned full or part time to follow developments in the field and to work with other Mission personnel in formulating programs. Where additional assistance or more specialized background is required, A.I.D. Washington will supply consultants from the Regional Bureaus, the Population Service of the Office of the War on Hunger, and from outside sources. In countries with large populations and foreign aid needs, Missions are expected to assign full-time persons to population matters. These may be either managerial or technical personnel, depending on the specific situation in each country.

While host country and Mission proposals will be submitted through the usual official channels and be subjected to the normal, critical review, they will be accorded priority consideration at all stages within A.I.D. control.

Country teams in non-A.I.D. developing countries may offer US assistance through regional programs where appropriate or in obtaining advice and help in family planning from private and multilateral organizations.

A.I.D. is prepared to use all its mechanisms of support including grants, loans, advisory assistance, participant training, Cooley and dollar loans, investment guaranties, and investment surveys. In addition to bilateral efforts, A.I.D. will encourage, promote and support the activities of national and international organizations.

A.I.D. may provide financial support to multilateral organizations for family planning efforts that can best be made in this way by contributing directly to specific projects, or by financial support to stimulate greater effort overall in population activities by particular organizations.

A.I.D. may contract with private organizations to carry out specific projects. It may also provide financial support for organizations assisting the LDCs in family planning without requiring that the organization attribute the specific projects to A.I.D. A.I.D. should, in

providing such support, stipulate countries or kinds of activities on which A.I.D. funds may not be spent.

4. A.I.D. Action Approach

Assessment of the population problem in a host country is a Mission's first step. It must determine the government's and the people's attitude and receptiveness towards family planning. In those countries with minimal awareness or no policy, US A.I.D. Missions are expected to encourage and promote economic and sociologic studies and other measures which would bring this problem into focus. Sponsorship of conferences, seminars and participant visits is appropriate.

In countries without family planning programs or with programs inadequate to their needs, US A.I.D. Missions should assist and encourage local authorities to take steps that will assure that adequate resources and personnel are available.

For those nations with action programs, US A.I.D. will offer both short and long range support. If certain specialized competence or services are needed, A.I.D. can provide these. Contraceptives and other necessary commodities required as an integral element of technical assistance projects must be planned to achieve clear objectives expressed in quantitative and qualitative terms and be supported by agreed host country US A.I.D. work plans. Commodity components necessary for training, pilot or demonstration purposes are not subject to any arbitrary or absolute limit as to size.

Contraceptives and other necessary commodities are eligible for financing under program assistance loans. They may also be financed under development loan projects subject to the usual requirements of project definition, scheduling and monitoring.

It will be more difficult, however, to identify program weaknesses which require long range support. These will usually require institutional development in several areas such as public administration, public health services, education, evaluation, research and logistics capability.

There is no simple answer to solving the population problem. No one method of contraception or organizational pattern is assured of acceptance and success. While time is a critical factor, there will not be quick successes. As in all of our efforts to help the developing countries achieve economic and social progress, our resources for coping with the population problem are limited. However, we have no alternative to extensive and dedicated effort.

William S. Gaud NOV 3 1967

William S. Gaud

Sup Dla, HB 2
(TM 2:14)

ACTION MEMORANDUM FOR THE ADMINISTRATOR

MAY 6 1976

THRU: DEPUTY ADMINISTRATOR
ES

FROM: AA/PHA, Fred O. Pinkham
AA/PPC, Alexander Shakow

Problem: The final version of the AID Population Analysis paper is attached for your approval.

Discussion: The attached paper is a very slightly revised version of the draft you informally approved several days ago. This text incorporates a few minor changes and editorial suggestions received from Assistant Administrators during the final clearance process. The paper and its recommendations now have the endorsement of the AA's for the Regional Bureaus, TAB, LEG and GC as well as our own Bureaus. We believe it represents a comprehensive statement of Agency policy on population-related assistance which deserves your formal endorsement.

With your approval we will present the paper to Ambassador Green and his Interagency Task Force for use in responding to NSDM 314. We will then distribute the document widely in Washington and in the field as important policy guidance for use in program development. Budget reviews later this year will further emphasize these directions.

We are currently developing, at Ambassador Green's request, crude five-year budget projections by goal area to illustrate the broad components of the total program level of ± $200 million annually. These numbers will be consistent with the emphases noted in the recommendations found on pp 43-47 of the full text. We will run these heavily caveated numbers by you before providing them to Ambassador Green.

Recommendation: That you approve the attached text as an expression of Agency policy directions in the population area.

Approved: DP

Disapproved: _____

Date: 7 V 76

AA/PPC:AShakow:cg:x21594
Clearance: DAA/PHA. AFurman 23842

POPULATION ANALYSIS

Summary

Rapid population growth in developing countries continues to exacerbate the already difficult task of improving the welfare of millions living at or near subsistence. While birth rates in developing countries have begun to fall, death rates have also declined, and resulting annual rates of natural increase of around two percent threaten to double the population every thirty-five years or so. The basic question of this analysis is how to achieve the greatest additional voluntary reduction in fertility at a given program cost in those LDC's wishing to slow population growth. We recommend a "package" approach involving increased levels of Title X assistance and sharply increased attention to the potential impact on fertility of other development programs or policies.

Fertility control remains a sensitive subject; three caveats on this paper are in order. First, it must be seen in light of AID's assistance objectives as delineated in our legislation, which are in turn grounded in the mutual interests of LDC's and the U.S. Most LDC's take their fundamental development objective to be improving individual levels of well-being particularly among the rural poor -- by encouraging broader participation in development, helping increase supplies of key

goods and services, supporting their equitable distribution, and limiting the numbers who must share (through family planning). This particular paper, however, addresses one aspect of AID's programs -- their impact on fertility. The Agency considers voluntary fertility reduction as only one means, albeit an important one, for achieving improvements in individual well-being. This view is compatible with the view of many LDC's as expressed at the World Population Conference, the International Women's Year Conference, and other public fora -- and with the implicit priorities reflected in development policies and programs of some LDC's whose public pronouncements on fertility have been limited. The paper concludes that AID-assisted family planning services and development programs can all affect fertility. This does not suggest, however, that AID programs with little or no fertility effect should be downgraded, for such programs may be justified on independent grounds.

Second, the paper does not seek to prescribe any particular approach to reducing fertility for any particular country. AID provides population assistance only when requested, firmly believes that ultimate responsibility should rest with the LDC concerned, and implements any assistance in a collaborative style.

Third, the paper does not address whether the U.S. practices what it preaches in terms of population policy. The U.S. lacks

an official population policy, but does have many of the programs (public or private) discussed here, and the average family size implied by current U.S. fertility rates is slightly less than two children.

* * * * *

Population growth rates reflect the sizes of individual families. Couples need not affirmatively decide to have a child, but they must affirmatively decide to practice family planning to postpone pregnancy either temporarily or indefinitely. Consciously or unconsciously they weigh the pros and cons, as they see them, of another child against the pros and cons, as they see them, of available means of family planning. Their attitudes toward family planning depend on the type, cost, and accessibility of the family planning services available and on the extent to which they accurately understand those services. Their views on the desirability of a child are more complex, and depend largely on the social, cultural, economic, political, and medical milieu.

The number of children parents actually have includes:

(1) <u>the minimum desired number</u> of children that parents would want even if the best possible family planning services were available;

(2) <u>any additional "insurance" births</u> they may want <u>to insure survival</u> of the desired minimum;

(3) any extra births they don't really consciously seek.[1/]

Providing better family planning services and information is perhaps the most obvious way to tip parental decisions in favor of family planning. Better services and information can avert extra births that couples do not affirmatively seek. They can also help reduce insurance births as wider spacing of pregnancies works to improve the health of existing children. And they can indirectly influence the minimum number of children parents seek; as services change family size now, they help modify future social expectations on appropriate family size.

Thus most population assistance and domestically financed population programs have concentrated on developing and extending better family planning services and information. Over the past decade AID has devoted some $750 million to population assistance, primarily to improve and extend services and information. While it is difficult to quantify their demographic impact precisely, available evidence shows that providing good services has helped siginficantly to reduce birth rates, particularly in Asia. The exact role of AID is difficult to pinpoint, of course. But where AID has supplied a large part of the wherewithal needed to develop and extend family planning services and information or

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1/ No one pretends, of course, that sharp lines divide these three categories of births. But they do reflect reality and they also help to clarify analysis.

supportive measures, it can claim considerable credit for subsequent drops in birth rates. (AID programs have also worked to stimulate the gathering of more accurate demographic data, inform leaders and policy makers on the urgency of population problems, and encourage the development of needed institutions and skills, etc.)

Since services are as yet available to only about 15% of most LDC populations, further extension of better services should bring substantial further birth rates reduction.

But family planning services and information alone may not suffice to bring birth rates down to current LDC target levels, much less to stable-population levels. That would require an average family of only slightly more than two children. As emphasized at the World Population Conference and elsewhere lately, for socio-economic reasons many parents may feel they want three, four, or more children at a minimum even when safe, effective, acceptable, and affordable family planning services are made available. A small-scale farmer in India may want several children, particularly sons, to provide reliable labor at planting or harvest, to support him during old age, and to dispose of his body according to his religious rituals. The illiterate wife of a Latin campesino may be content to keep bearing and rearing children; it was what she was always expected to do. And so on. AID believes development policies

and programs can be tailored to change the socio-economic milieu to encourage smaller families, thus effectively complementing better family planning services and information. Indeed such a package approach involving both development programs and policies and improved family planning services and information may be the most effective way to accelerate declines in birth rates.

Development policies and programs that can encourage smaller families include:

-- Policy statements favoring small families and opinion leaders' support for family planning.

-- Laws and regulations raising the minimum age of marriage and easing access to and lowering the cost of family planning services.

-- Increased education especially for women.

-- Increased female employment in non-menial occupations that compete with continual childbearing, bearing in mind the need to assure that children, particularly among the poor, can be cared for.

-- Increased economic incentives for smaller families, whether for individuals or whole communities.

-- Rural development promising higher incomes and more egalitarian distribution.

-- Improved rural organization like multi-purpose cooperatives and other such village organizations that can be used for a variety of related purposes like increasing income earning opportunities, improving health, or encouraging family planning.

The importance of improving the status of women and increasing their opportunities deserves special mention.

PROGRAM RECOMMENDATIONS

Focusing on improving the well-being of the rural poor will help generally to lower fertility, while lowering fertility may in turn help improve living conditions particularly in poor, crowded, rural areas. Thus reducing fertility may itself call for about the same "package" of development policies and programs that seem most promising as means of generally improving welfare, though some qualifications on that statement must be made.

The following are our basic recommendations for both Title X population assistance and other AID and PL-480 assistance as it may affect fertility.1/

A. Title X Program Directions

Since the primary purpose of Title X population assistance is to encourage voluntary reduction in fertility, decisions on allocation of these Title X funds should be based on the cost effectiveness of alternative approaches to reducing fertility, including (a) more and better family planning services; (b) more and better family planning information; (c) exploration of the links between fertility and the development process; (d) provision of population-related components in broader education, health, nutrition, rural development or other programs; and (e) other appropriate measures designed primarily to limit fertility. At present we believe somewhat higher Title X funding levels, perhaps around $200 million,

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1/ As indicated below, we do propose using non-Title X funds to affect fertility, inter alia, as appropriate given considerations of cost, acceptability, and other objectives.

could be justified over the next several years depending on LDC interest and absorbing capacity, though we need to improve data and refine statistical methodology in order to make a better case for precise levels. With that in mind, we suggest the following program directions within the six functional categories of Title X population assistance.

Category 1: Demographic Data

--- Place less emphasis on financing broad-based but relatively undetailed censuses in the future.

--- Moderately expand efforts to develop more complete and detailed demographic data at least on parts of populations to permit more accurate estimates of the demographic impact of various programs.

Category 2: Population Policy

--- Moderately expand LDC-based research on the linkages between fertility and various aspects of development, particularly including:

a) female education of various types and levels;

b) female employment;

c) health (especially of children);

d) nutritional status of women and children;

e) incentives/disincentives to encourage smaller families;

f) income growth, distribution, and rural development (focusing specifically on food);

g) laws and policy statements supporting family planning;

--- Moderately expand "population impact" analysis and other measures to encourage broader understanding of the development implications of population growth and the potential for bringing development programs to bear on fertility.

--- Moderately expand pilot projects and experiments in areas a) - f) above, providing technical assistance or financial support. (Title X or other AID funding for expansion of pilot programs in these areas would depend on such things as estimated cost-effectiveness, the extent to which lack of funding constrains program expansion, and competing demands on funds.[1/]

Category 3: Research

a) Bio-medical Research [2/]

--- Moderately expand projects to field-test promising new family planning methods.

--- Moderately expand research to develop new methods (particularly once-monthly methods and better and more reversible methods of male and female sterilization) and research on side effects of available methods, particularly pills.

--- Moderately expand research on the relationship between nutritional status and fertility.

b) Operations Research

--- Sharply expand LDC-based research on the comparative effectiveness of alternative approaches to family planning services and information, focusing particularly on basic, low-cost, village-based distribution with short start-up times.

--- Sharply expand LDC-based research on what services, health auxiliaries, and laymen may be able to provide.

--- Sharply expand research on whether or under what conditions village-distribution schemes using low-level health auxiliaries or lay personnel can be established without much clinic backup.

1/ As noted elsewhere, of course, Title X funds would not be used for programs whose primary objective is not reducing fertility, except for the parts of such programs that might directly affect fertility.

2/ Subject to legislative restrictions, e.g. Helms amendment.

--- Moderately expand research on prospects for LDC production of contraceptives and other family planning supplies.

Category 4: Family Planning Services

We expect the major focus of Title X population assistance to continue to be on extending better family planning services; within that focus, we shall give priority to providing more low-cost services for the poor, particularly in rural areas where the vast majority still lack any but traditional services. We shall:

--- Encourage provision of a variety of family planning methods, particularly pills, condoms, and sterilization.

--- Sharply increase efforts to help establish and expand village-based distribution of family planning services in rural areas particularly through low cost systems relying on health auxiliaries and laymen and promising short start-up time.

--- Encourage integration of health, nutrition, and family planning services wherever sensible, taking care to encourage movement on either the health or family planning front where simultaneous movement may be very difficult.

--- Seize opportunities to "piggyback" family planning services on existing delivery systems, particularly clinics, where they are available (e.g. some Latin countries).

--- Encourage allocation of health funds to the establishment of low-cost delivery systems reaching into rural areas that could add in family planning where that approach seems most promising (e.g. some African countries).

--- Encourage provision of appropriate contraceptives through private channels (e.g. midwives) or commercial outlets like pharmacies or small shops.

--- Work with intermediaries, public-funded programs, or both depending on potential effectiveness.

In terms of country priorities, we take our primary objective to be getting family planning services started in developing countries. We will, of course, give careful attention to encouraging those countries to assume total responsibility for their own programs, including their major contraceptive requirements.

Category 5: Information, Education, and Communication

--- Where broad-based family planning awareness campaigns have not been undertaken, we would encourage those; but since many countries have undertaken such campaigns, we expect relatively less emphasis in this area.

--- Where basic awareness exists, fine-tune existing IEC efforts so they are:

a) country and culture specific;

b) informative on each specific method of family planning;

c) related to personal needs and aspirations;

d) focused considerably on the interface between village family planning worker and village client;

e) reliant on relatively inexpensive media with broad out-reach that require little reading (e.g. radio);

--- Sharply expand operational field testing and collaboration with other agencies, such as UNESCO and UNDP to better determine which combinations of the many modern and traditional media are more efficient, effective, and suited to the special and evolving needs of differing countries and family planning programs.

Category 6: Manpower and Institutional Development

--- Sharply expand efforts to help train health auxiliaries or laymen for village-based distribution.

--- In countries having enough basic family planning workers at present, focus on filling specific institutional and personnel needs.

--- Moderately expand efforts to strengthen planning and management capacity at all program levels.

B. OTHER AID PROGRAMS AND PL 480: PROGRAM DIRECTIONS RELATING TO FERTILITY

Other AID programs -- in food and nutrition (and broader rural development), in education, and in health -- can affect fertility indirectly but significantly as discussed above. Except for low-cost health systems designed to provide an integrated package of health, nutrition, and population services to larger proportions of LDC populations, the primary objectives of AID's other programs do not include fertility reduction, though that may be an important secondary result. It is expected that due weight will be given to any secondary impact on fertility when the benefits and costs of possible programs are considered, though final funding decisions will of course depend on all benefits and costs. It should be stated specifically, however, that non-Title X population funds can be used to explore links between fertility and development and assist in planning, implementing, and evaluating programs designed to affect fertility.

Specific suggestions follow. We emphasize, however, that in each area additional LDC-based research is needed.

Food, Nutrition, and Rural Development

--- Give increased attention to projects that will help elucidate and take advantage of the linkages between these program areas and fertility, particularly focusing on the very poor. (It is particularly important to have an overview of the problem in order to plan the best possible combination of individual projects that will act in coordination to improve well-being, lower fertility, etc.)

--- Give increased attention to those programs helping reduce unequal distribution of income and other goods and services.

--- For rural development as a whole, give increased attention to a "package" of policies designed both to foster production and slow fertility growth as consistent with LDC objectives and preferences and with managerial capacity.

--- Give increased attention to projects which encourage community-based organizations and local managerial capability.

--- Give increased attention to potential fertility effects of any proposed redistribution of the land.

--- Give increased attention to the use of community or personal incentives (relevant for either AID or PL 480; major additional attention should be devoted to this area).

--- Give increased attention to ways of fostering rural development that discourage traditional forms of child and female labor.

--- Give increased attention to ways to encourage profitable employment for women in non-traditional, non-menial occupations.

--- Give increased attention to the problems of planning administering, and evaluating multi-purpose or "package" programs that may affect fertility *inter alia*.

Particularly on Nutrition:

--- Encourage integration with health and family planning services where appropriate.

--- Encourage programs with direct impact on lower fertility, such as promotion of breastfeeding.

Education

--- Give increased attention to raising the number of female beneficiaries in all programs (especially where males outnumber females significantly), bearing in mind other benefits and costs of such programs.

--- Give major attention to expanding basic education for girls as well as boys.

--- Encourage incorporation of messages on the benefits and methods of family planning into formal and non-formal education programs of all types -- in schools, through rural extension work, through clubs, etc.

Health

--- Encourage development of integrated health, nutrition, and family planning services where appropriate (either in one organization system particularly at the village level or at the planning level) for the majority. Also encourage integration at the planning level, to assure efficient coordination of all programs that may substantially affect health and fertility.

--- Give major attention to maternal and child health.

Country Priorities

Obviously the same type of program will not do for all countries; thus, our general policy and program strategy must be adjusted considerably for a given country, and an approach developed that makes sense in that country. The overall shape

of all AID programs actually operating will depend on what countries we actually assist. Country allocation decisions naturally reflect both U.S. economic and political interests and prospects for meeting program objectives -- in this case, reducing world fertility.[1/] Here we propose to give only rough guidelines as to the countries in which AID may concentrate its population-related assistance. Special concern exists for thirteen countries excluding China who contribute most to world population growth: Bangladesh, Brazil, Colombia, Ethiopia, Egypt, India, Indonesia, Mexico, Nigeria, Pakistan, Philippines, Thailand and Turkey. But AID does not operate major bilateral population programs in about half of those countries at present; nor can we mount massive programs through intermediaries of the scope, design, and vigor we would want. Thus the Agency is also determined to pursue opportunities in a limited number of other countries interested in reducing fertility where prospects seem bright or where unusually good opportunities exist for development prototypes of programs that may also prove helpful in other countries. We are continuing our analysis of program prospects, requirements, problems, etc. in order to refine our list of country recipients, assuring adequate program focus, and expect to make considerable further progress in this area in the next several months.

1/ It bears emphasizing that reducing fertility is only one of AID's objectives under the mandate -- and that it is viewed as a means of facilitating per capita improvements in welfare.

AIRGRAM

DEPARTMENT OF STATE

Sup D2 to HB 2, (TM 2:1)

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TO - AIDTO CIRCULAR A- 1118

DATE SENT 11-15-73

FROM - AID/W

E.O. 11652 N/A

SUBJECT - Beyond Family Planning: What Influences "Desired Family Size"?

REFERENCE -

1. The FY 1975 guidelines and the FY 1974 Congressional Presentation indicate that AID, while continuing to concentrate on developing and distributing the most effective and attractive family planning services and information, will also give greater attention to research and pilot programs designed to (1) explain what affects parental interest in family planning, and (2) where appropriate, foster that interest. This new attention reflects growing concern in both developed and developing countries that even when unwanted pregnancies are largely eliminated, residual "desired family size" may still be too large to permit reaching low birth rate targets. Such concern has been expressed at last fall's ECAFE meeting on population, at the UN preparatory meetings for the World Population Conference, and on the part of several governments in Asia. AID's increasing interest has recently been expressed in a paper on the Agency's approach to the population problem, prepared at OMB's request.

At last summer's Asian Population Officers meeting, several mission population and program officers made vigorous representations on the need for such expanded research and pilot programs, noting host government interest, and urged AID/W to pay increased attention to "beyond family planning."

Following the Asian Population Officers meeting, Mr. MacDonald, AA/ASIA, has urged Mission Directors in the region to push ahead in this aspect of the problem, suggesting a wide exchange of information

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and ideas as an important first step. Since a substantial amount of the theorizing, research, and policy and project proposals has been developed by economists (based partly on work done on U.S. fertility and household decision-making, under the aegis of Prof. T. Schultz and of the National Bureau of Economic Research), PPC/PDA has been closely following this particular aspect of the population problem for some time. To help promote the suggested exchange of ideas, and assuming that Missions in other regions share the concerns of their colleagues in Asia, we are responding to Mr. MacDonald's request in airgram form. This first message outlines briefly the latest work that has come to our attention on what influences desired family size. We will issue more detailed airgrams later on specific influences.

2. There is, of course, considerable uncertainty on what "desired family size" is in various situations. It appears from experience that where better family planning services and information are provided, more parents opt for smaller families, so that "desired family size" itself falls when family planning services improve. Thus one reason for apparently high "desired family size" may be the still inadequate supply of the most effective and attractive family planning services and information.

3. There is also growing evidence today that more than the supply of family planning services or the availability of family planning information influences desired family size. Education, lower child mortality, government and elite support of the small family norm, improved status of women, development strategies that skew the benefits of growth toward the poor, and specific incentives aimed at family size can all affect it too. Thus "desired family size" -- hence interest in family planning -- also depends on considerations "beyond family planning" which affect the attractiveness to parents of different numbers of children.

4. Individual couples may have their own reasons -- given their economic, social and health conditions -- for wanting large families. A peasant farmer with no "social security" may need sons to care for him in his old age; his illiterate wife may have no opportunity to achieve standing except by bearing children, and so on. European and Asian experience suggests that when such considerations change to favor smaller families, family planning may proceed that much faster.

5. Thus there is reason to initiate more research and pilot programs on the question of what encourages interest in having fewer children, especially since there may be considerable lead-time before the results of some of these initial efforts are translated into actionable proposals. On the other hand, several governments have already taken economic and social policy measures to encourage family planning and strengthen the demand for services provided by their family planning delivery services.

6. As an initial follow-on to AID's decision to give increasing attention to the "beyond family planning" area, we plan a series of airgrams on subjects identified below to cover significant developments including new ideas, research, experimentation and policy innovations in motivation. To strengthen and expand host government and AID experience in this area, we invite the field (a) to circulate similar informative material; and (b) to pass these materials on to appropriate family planning finance, and other officials, and encourage governments to examine these initiatives for possible application locally, and (c) to report field reactions or ideas to AID/W.

Attached is a brief, non-exhaustive outline of some issues, studies, and pilot programs which have come to our attention. The outline will serve as an indication of the kinds of policy and program areas that have been introduced or discussed. We will report in more detail on some of these in separate airgrams.

Attachment

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ATTACHMENT

I. DEVELOPMENT STRATEGIES AND POLICY PACKAGES TO ENCOURAGE FAMILY PLANNING

A. Development Strategies Resulting in More Even Distribution of the Gains of GNP Growth May Encourage Lower Fertility.

1. See e.g. Rich, William, "Smaller Families Through Social and Economic Progress," Overseas Development Council, 1973. Paper suggests there may be some "threshold" of general development required in many circumstances before family planning really takes hold; and it suggests that this threshold for demographic transition in LDCs may be lower than it was historically in the more developed countries if these LDCs distribute gains of growth more evenly. (Airgram forthcoming)

2. See also Kocher, James E., "Rural Development, Income Distribution, and Fertility Decline," Population Council, 1973. Paper suggests that the greater extent to which the rural population participates in development and shares the benefits of growth, the earlier and more rapid will be the decline in overall population growth rates. In the absence of widespread rural development, sustained overall fertility declines in rural areas cannot be expected. One primary mechanism for stimulating development is increasing effective demand in labor-intensive sectors through more equal distribution of income. (Airgram forthcoming)

B. The Singapore Government's New Policies to Encourage Smaller Families

Singapore's extensive family planning services have contributed to a sharp reduction in birth rates; recently, however, interest in family planning seems to be falling off. The government has therefore announced a package of policies which, in conjunction with continued provision of family planning services, is meant to encourage two or, at the most, three-child families. The new policies include:

1) Limiting income tax relief to only the first three children.
2) Limiting paid leave for only the first two confinements.
3) Increasing childbirth costs (with gradation based on ability to pay). Government still subsidizes first two births, and all births of lowest-income parents.
4) Giving preference in allocation of public housing (over a third of all housing) to small families.
5) Introducing sex education as a compulsory subject in primary and secondary school. (Airgram on Singapore's new policies forthcoming.)

II. ECONOMIC INCENTIVES TO ENCOURAGE FAMILY PLANNING

A. There are many possibilities for such incentives: they may be provided immediately or in the short term (a "spacing" incentive) or in the long term as "social security" measures ("retirment pay" or children's educatinn bond); they may be designed for the family planning acceptors, "finders", program administrators, or even the acceptors' communities. For a general discussion of incentive possibilities, see, e.g.:

1. Pohlman, Edward, "What may be offered as Incentives", Incentives and Compensations in Birth Planning, North Carolina Population Center Monograph #11, 1971.

2) Sprehe, Timothy, "Incentives in Family Planning: Time for a New Look" Mimeo, USAID Office of Population, Washington, D.C. 20523.

3) Kangas, Lenni, "Integrated Incentives Fertility Control," Science, Vol. 169, September 1970.

4) "Economic Incentives: A Strategy for Family Planning Programs" GE/TEMPO, 10/72.

B. Social Security Programs

See e.g., R. Ridker and R. Muscat, "Incentives for Family Welfare and Fertility Reduction: An Illustration for Malaysia" (Studies in Family Planning, Vol. 4, No. 1, January 1973) which describes a possible incentive in the form of a social security account to attract women to MCH and family planning facilities; the account, which could be drawn down only during the woman's "retirement," would be made larger for women with smaller families. (Airgram forthcoming.)

C. Education Incentives

See e.g., O.D. Finnegan and T.H.Sun, "Planning, Starting, and Operating an Education Incentives Project" (Studies in Family Planning, January 1972) under which interest-bearing bank deposits earmarked for children's higher education are provided for parents in Taiwan who have three or fewer children. (Airgram forthcoming.)

D. Employer-Operated Programs providing family planning incentives as well as services.

1. See e.g., R. Ridker, "Savings Account for Family Planning, an Illustration from the Tea Estates of India" Studies in Family Planning, Vol. 2, 1971, describing a program under which Indian tea estates establish a blocked savings account for women employees to use during their retirement, which is larger for women with smaller families. (Airgram forthcoming.)

2. A number of industrial concerns in India, such as Tata and far smaller firms, provide family planning services along with incentives to encourage family size limitation.

III. LEGAL CHANGES TO ENCOURAGE FAMILY PLANNING

See e.g., Luke Lee, "Law and Family Planning," Studies in Family Planning, Vol. 2, No. 4, April 1971, describing specific legislative changes that can promote interest in family planning. Among these are measures to delay marriage and improve the status of women.

IV. MEASURES TO AFFECT PHYSICAL ENVIRONMENT WHICH ENCOURAGE FAMILY PLANNING

A. See e.g., Singapore government's new housing policy described above, which gives preference in allocation of public housing (a substantial fraction of total

housing) to small families. (Other studies indicate that the scarcity of housing in the USSR has encouraged family size limitation).

V. MATERNAL OR CHILD NUTRITION AND HEALTH MEASURES TO ENCOURAGE FAMILY PLANNING; INFLUENCE OF CHILD MORTALITY ON FERTILITY

Since high child mortality rates may encourage extra births to insure survival of some minimum number of children, especially sons, measures in health or nutrition or related areas may lead parents to rest content with fewer children and so foster interest in family planning.

VI. WOMEN'S STATUS AND ECONOMIC EARNING CAPACITY IN COMPETITION WITH FERTILITY

A. Education

Though many studies tend to confirm a tendency for more educated parents (especially women) to have fewer children, there is counter-evidence too; the whole issue will be summarized in a forthcoming airgram.

B. Egypt is studying the extent to which women's employment encourages family planning, and is experimenting with employment programs involving sewing as a means of increasing the "opportunity cost" of having children in Egyptian circumstances.

Copies of the referenced materials will be distributed with the follow-on airgrams.

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FROM - AID/W
E.O. 11652: N/A
SUBJECT - Planning and Evaluation of Integrated Health Delivery Programs: A Systems Approach
REFERENCE - (a) State 145605 dated 7/24/73 (New Program Directions - for Asia Missions)
(b) State 140073 dated 7/17/73 (An Improved Program - for LA Missions)

FOR MISSION DIRECTORS

SUMMARY

As in the functional sectors of food production and nutrition, and education and human resources, the thrust of the Foreign Assistance Act of 1974 in the health and population sector is to direct AID's efforts at the less advantaged elements of LDC societies. This focus on the welfare of the many rather than the few leads in the health and population sector to programs designed to improve health and nutrition, particularly of low income groups which have been traditionally beyond access to minimal health services, and to promote increased family planning practices to help slow population growth.

A number of alternative ways of improving health and nutrition exist - and many have been tried. For example, access to potable water can have a major impact on the health status of rural populations; agricultural programs designed to increase the quality and quantity of food grown can significantly improve the health and nutrition of the rural population; and health education may be delivered through the formal education system. The integrated delivery systems concept is thus not the only way to achieve health and nutrition objectives, but because of the potential for making the resources available to the health sector go further with broader impact by combining the delivery of three services (health/family planning/nutrition) through one network, AID is most intrigued by the possibilities for developing

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TA/H:LHoward
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integrated systems in LDCs. This is not to suggest that all family planning and nutrition programs should be integrated. There will clearly be a continuing need for separate programs in these areas (such as food fortification, commercial distribution of contraceptives, etc.) which will remain outside of integrated delivery systems.

AID's health sector strategy (summarized in AIDTO Circular A 461 dated April 21, 1973 "Program Planning for FY 1975 and Beyond") is now being revised; when issued in the near future, it will provide a formal statement of overall sector guidance. The strategy includes an emphasis on health planning as well as on systems for low-cost delivery of health services - two interrelated ways to increase the effectiveness with which a country's available resources are mobilized to deal with its health problems. Effective planning is a prerequisite for effective action but may be limited to making the existing system work better. This message discusses the exploration of new ways to extend existing resources further.

In addition to ongoing programs, we are according special priority to exploring the potential advantages of low-cost systems for delivering to broad segments of LDC populations an integrated package of health, family planning, and nutrition information and services in a number of countries where the host government is pursuing priority goals in these fields. Despite the cost-saving potential and other advantages inherent in the integrated approach, local circumstances may still make single-purpose or non-integrated programs in these fields appropriate in some cases. Much of the following guidance will be relevant for some single-purpose programs.

We wish to work together with interested LDC governments (1) to test alternative systems for delivering information and services which can make an impact on health at costs low enough to permit large scale replication, and (2) to explore ways to carry out such replication with responsible host country institutions. In doing so, AID inputs should fit in with country plans and be coordinated with the activities of other donors (e.g. WHO).

(Note: For the sake of brevity in this message, the term "health" is understood to encompass nutrition and family planning as well as other aspects of health.

Five basic points should be considered when planning low-cost delivery activities:

1. The nature of health problems and thus the services required to deal with them may vary greatly from one geographical area to another. Making curative medical services available for the people in a given area may not have much impact on their overall health status if their real problems have to do with frequent pregnancies, faulty nutrition practices, an inadequate or polluted water supply or specific eradicable diseases. Therefore, before trying to develop an effective and affordable delivery system the most prevalent health problems should be assessed so as to determine what sort of services or information are required to affect them.

2. Integrated delivery projects must be planned carefully so as to reach all or most of their low-income target groups and attain their objectives at a per capita cost which will allow possible widespread replication on a national scale within a limited period (perhaps a decade) by a host government without a significant increase in LDC budget requirements and without external donor assistance beyond the start-up period.

3. A major focus of effort should be to motivate key target groups - e.g. mothers - to specific behavior changes in health, nutrition and family planning. This may include the education of mothers to recognize health danger signs in children and to use the services available.

The basic target population for maximum impact will vary according to the specific country situation and objectives, but will focus on low-income groups. For family planning, the key target group will be women of reproductive age; for nutrition, the key target group will be pre-school children and pregnant and lactating women; for health, the key target group will include pre-school children and fertile-age women, but may also include others affected by prevalent vector-borne diseases or by health practices the project seeks to change. In comparing program choices, benefits to people outside key target groups should also be taken into account.

4. Specifying precise objectives and choosing among program alternatives designed to meet one or more objectives is a crucial part of projects designed to deploy limited resources as effectively as possible given manpower, financial, administrative and other constraints.

5. Given these constraints and objectives, the large-scale linear expansion of clinic-based systems even with relatively low per-capita cost will often be simply too expensive a burden for LDC governments to shoulder and may not in any event be the most effective way of encouraging the desired health behavior changes; it is therefore desirable to consider a range of alternative health delivery methods which go well beyond the clinic to include not only auxiliary health manpower trained in local visitation but also existing systems for the distribution of health services and information such as midwives, indigenous practitioners, community volunteers and commercial distribution systems.

This message summarizes the elements of AID's strategy to encourage the planning and design of more effective integrated health delivery programs and suggests certain criteria to be used in developing projects in this area. While AID/W will be using the criteria in project review, our purpose is not to add requirements but to provide general guidance to assist in project formulation and design, and to suggest questions which should be asked at the initial stages of planning and consideration.

Attached is a paper outlining factors to consider in planning and designing more effective ways to deliver health, nutrition and family planning services. You may wish to discuss this paper with interested host government authorities. You will

shortly receive a follow-up message describing some of AID's current actions (such as the DEIDS project and similar activities in Africa and Latin America included in the Accelerated Program Development exercise) to develop and test innovative approaches to the low-cost delivery of health, nutrition and family planning service.

END SUMMARY

REQUESTED MISSION ACTION

It is clearly not expected that all Missions or host governments will wish to experiment with low-cost health delivery, which may not accord with current host government priorities. In several countries, especially in Latin America, health sector assessments and/or pilot projects that may lead to cost-effective health delivery programs are already underway and in such cases this message only confirms existing guidance. Where activities in this area are not underway, we would appreciate Mission reaction to the considerations set forth in this message and their relevance for country conditions. Missions should also assess the extent of host government interest in exploring the possibilities of affordable health delivery systems, sharing this message or any part of it at Mission discretion with appropriate host government authorities.

Effective program action will require a close working partnership between AID/W and Missions - the more so because we are feeling our way in a relatively uncharted field. Agency-wide guidance must be refined in the light of field experience. We need to find clues on what methods seem to work. Some Missions may be aware of projects now planned or underway, financed by AID or other sources, which appear promising for low-cost health delivery and which may hold lessons which should be applied elsewhere. A brief statement of the basic facts in such cases (if you believe AID/W may not be aware of them) will be a useful step in helping AID/W and Missions jointly to pursue development of improved health projects.

Where appropriate, Missions should indicate to host government authorities the U.S. interest in problems of the cost-effective delivery of basic health services and our willingness to help interested LDC governments in improving their approaches by (1) providing information from time to time about progress elsewhere on these matters; (2) providing consultants, to help LDCs with assessments, planning assistance or project design; and (3) assisting pilot and experimental projects.

In view of Congress's mandate to the Agency to increase the proportion of funding going into the major priority areas, AID/W is encouraging the development of health sector activities in relation to other elements of Mission programs outside of priority areas, and will provide, as appropriate, loan as well as TA/grant funding through Regional Bureau budgets for the development of integrated health delivery activities.

Missions should make clear to LDC authorities that we plan to give funding priority to the extension of health and related services rather than to support for additional, high cost health programs. We are interested in assisting LDC initiatives along the lines sketched in this message, particularly through helping interested host governments in analysis and project design. Missions which have already proposed or are planning to propose activities in integrated low-cost health delivery, such as those which have been included under the Accelerated Program Development exercise, should take this guidance into account for project design and should request whatever AID/W assistance may be appropriate. Messages to AID/W in response to this guidance should be designated "Integrated Health Delivery".

OBJECTIVES AND STRATEGY GUIDANCE

Agency policies and programs are being redirected to give priority to encouraging and supporting LDC initiatives to plan, finance and operate low-cost systems for delivering health, population and nutrition services to the population majority, and in particular to the lower income groups. Such programs can complement efforts to deal with problems in these areas by other means - for example, by improving health and nutrition through better agriculture, reduced rural poverty and safe water and sewage systems.

Family size, poor health, low nutrition and poverty are interrelated. Reduction in morbidity and mortality offer an important means of improving the quality of life and productivity of the disadvantaged groups on which AID wishes to focus increasingly. In some cases the availability of health or nutrition services along with family planning services may help increase the acceptability of family planning services. Health care and nutrition programs help enhance children's chances for survival and may thus in the long run ease the perceived need for large families. (However, we do not wish to exaggerate the likely effect of health services on child mortality rates or to underestimate the likely lag between changes in child mortality and net reductions in family size.) (For further discussion see AIDTO CIRC A-1118 dated November 5, 1973, "Beyond Family Planning: What Influences 'Desired Family Size'?") Furthermore, smaller families can lead to better maternal health, better diets for the whole family, and better chances of survival for the fewer children of the smaller family. Thus, having fewer children may well be one of the quickest ways to lower mortality rates and improve the well-being of the family.

The purpose of integrated delivery systems which LDCs can afford is to reach a majority -- not only to carry information messages and elementary services but also ultimately to bring about an actual improvement in health, nutrition and family planning practices. The obstacles in the path of such initiatives may be formidable. Persuasive evidence of successful, replicable programs is scarce and existing health delivery systems usually reach only a small percent of the population and absorb most available government funds. We should recognize that to an individual LDC, experimenting with new health delivery methods may involve political and economic risks which they may be reluctant to undertake. Host governments may be persuaded of the positive political, social and economic advantages of new approaches if it is possible first to strengthen those indigenous institutions which show potential

for extending low-cost health services and, more important, for motivating target groups to specific behavior changes in health, nutrition and family planning. The poorest, most backward (often the most prolific) population groups may not demand or use health, nutrition and population services even when and where they are available. (While some proportion of the population will probably readily accept family planning services, this group may not suffice to achieve ambitious target reductions in birth rates.) Fundamental social and behavioral changes may be needed to stimulate demand for family planning services by the very poor and ill educated who may constitute a large part of the group still to be reached. It is often possible to reach greater numbers of these population groups by adapting in-place delivery systems both to expand their outreach capacity, especially into rural areas where services are not now available, and to change their character if necessary to better meet the perceived needs of the poor and affect major health problems.

In some cases particularly effective and innovative methods already in use on a small scale may serve as models for extending services at a low enough cost to allow broad replication and earlier impact with substantial savings in time and money. The outreach of services should be planned in such a way that it can be maintained by LDC resources and so that all service elements, i.e., LDC government paid activities, indigenous practitioners, voluntary agencies and other groups are included in a system or network that will provide services to the target population. Hence, initial priority will be given to developments that will tend to make existing networks more effective at low cost or to build networks which make more effective use of available local resources.

1. The overall cost of maintaining an integrated delivery system must be within the financial and human resource capability of the country.

The term "low cost" should have meaning in a specific country context over a stated period of time. A health service should be accessible and acceptable to the total population at the level of health technology considered necessary to meet the problems of a country at a given time within the limits of the resources which the country is prepared to allocate for that purpose. Thus, the term "low cost services" is relative, and should bear a direct relation to an LDC's ability to initiate and continue a level of service that is to be spread in a given period (a target of ten years is not unreasonable) over an increasing portion of its needy population.

Neither AID nor LDCs should invest in medical systems which cannot possibly reach most segments of LDC populations and cannot be broadly replicated on a fairly early timetable. For all but the highest income LDCs, even an extensive clinic-based health system will usually be too costly to provide effective assistance to most of the population.

LDCs should therefore be encouraged to consider alternative, innovative health delivery methods which have usually not been exploited effectively but which would require little or no expansion of LDC budget support.

One alternative is the far wider use of indigenous practitioners, who have often brought some sort of rudimentary paramedical services to far more people than the current methods have been able to reach and whose effectiveness - in coverage and/or quality - could be improved at little or no cost.

Almost every LDC has some sort of indigenous health delivery system in place. In many cases these systems may be upgraded and/or used to assist in meeting health, nutrition and population objectives. If such groups can be used as a channel for the delivery of basic preventive medical services and advice - e.g., hakims, herbologists, pharmacists, midwives, acupuncturists, to mention a few - the benefits could be very large indeed. Incorporating simple information and other elementary services into an existing network at a low cost may be an efficient way to affect large numbers of people who now lack access to even basic health, family planning and nutrition services. Often part of the local modern medical community may voice objections, but others in that community may recognize the need to consider unconventional ways of reaching vast numbers of people who are likely to remain largely beyond access to clinic services the country could afford to provide in the near future. The latter group must help determine how indigenous practitioners can best be used and trained. Similarly, objections may be raised to giving apparent official sanction (or incentives) to indigenous medical systems which may include some unscientific or possibly harmful practices. Experience in several countries (India, Brazil) indicates that such objections can be dealt with and overcome.

Other nonconventional potential components of a low-cost health delivery system might include the subsidized distributions through commercial channels of contraceptives, nutritional supplements and other commodities for health; and the use of mass media and motivational programs which can structure incentives for behavioral changes. AID is interested in working with LDC governments to explore other options both within and outside the usual government medical network and to strengthen the indigenous institutions which can contribute to the low-cost delivery of health services. (For further discussion of commercial distribution of contraceptives see AIDTO CIRC A-24, dated January 11, 1974.)

2. <u>AID is prepared to help LDCs experiment with alternative approaches.</u>

Where it is not clear what form the new programs would take, it may be appropriate to make a start with pilot or experimental programs from which LDCs, AID and others could learn. In some cases these could be on a country-wide scale. AID can help LDC governments test and evaluate innovative approaches which seem to show some prospect of affecting the behavior of a larger percentage of the population in matters which concern their health, nutrition and procreation. We expect that some of these experiments will involve radical departures from current practices. Clearly we will be most interested in supporting those that offer the greatest assurance of long-term host country commitment, cost-effectiveness, broad replicability potential, manpower feasibility and long-term viability. AID is prepared within funds available to make substantial investments (including loan-financing and local

costs in accordance with local cost financing policy applicable to other sectors) in helping LDCs replicate and expand successful pilot projects into appropriate programs which they are prepared to carry on.

Project proposals may include not only direct low-cost health delivery system activities per se, but also technical assistance, training, etc. in areas closely related to low-cost health delivery systems. (In addition, on request, TA/H is prepared to provide assistance in analysis and planning to increase the efficiency of health systems in general - not just low-cost health delivery systems - as a part of the Agency key priority area of health planning.)

As a first step to encourage experimenting in this area, AID has already earmarked FY 1975 funds for integrated delivery activities in the Accelerated Program Development exercise (see AIDTO Circular A-1136 dated November 20, 1973). Also within health sector loans money has been provided to support the costs of a few such experimental projects. Because the bulk of the effort must come from LDC sources, these projects should yield results which will be of value for LDC planning. Because it is unrealistic to expect the extraordinary acceleration in LDC health budgets that would be required in most countries to achieve near-universal coverage with expanded conventional delivery systems, it is important that Missions and LDCs consider programs to make greater use of non-conventional services like those mentioned above.

In helping host governments to experiment with alternative approaches, AID encourages collaboration in projects and other activities with other bilateral and multilateral donors (UNFPA, WHO, UNICEF, etc.) WHO is actively concerned with the problems of improving health delivery programs, and WHO policy in this area (expressed in a ten page statement - "Organizational Study on Methods of Promoting the Development of Basic Health Services", approved in May 1973 by the WHO Executive Board) is clearly consistent with the AID approach outlined in this message. Recent AID-WHO staff discussions in Geneva on health planning and delivery systems have made clear that there is considerable WHO interest and much to be gained in exchanging information and coordinating headquarters and field activities concerned with improving health delivery programs.

3. Careful analysis is required before effective action can be taken toward defining the problems and planning how to solve them.

Current conditions which affect the delivery of nutrition, health or family planning services must be assessed in a systematic way. The extent to which adequate analysis is possible will certainly vary among countries and projects and will be affected by constraints of data, time and manpower. A systematic approach should not be interpreted as requiring a thorough sector analysis as a prerequisite for AID support to a particular project; but we should encourage the kinds of analytical work which may well give us - and, more importantly, host countries - a sounder basis for making choices and an institutional capacity for long-term planning. We urge the use of systems approaches to the maximum extent possible, recognizing that in many cases the simpler and quicker techniques of analysis can make a real contribution. Where health sector assessments are planned or in progress, some of the

possible approaches mentioned here can be investigated. In a number of cases groundwork for project action has already been laid and a relatively modest survey and analysis effort over a short period may be all that is required to address the kind of planning questions raised in this message. In other cases it may be possible to adjust an existing project's design to include an analytic and evaluative component which could provide a basis for planning a future experimental program. Where agricultural sector analyses have been completed or are in progress, the data generated may be useful in analyzing health and nutritional status of rural populations.

In short, analysis is essential and should be specifically structured to conform to time and other resource constraints.

4. Projects should be designed so that outputs can be evaluated to allow comparison among different approaches as a basis for planning decisions.

The purpose of this message is to encourage experimentation -- that is, demonstration of a wide variety of specific prototypes for low-cost delivery systems comprising different packages and different modes of delivery. Evaluation is critical to decisions on what works best. Evaluation should permit ready comparison of the cost of the prototypical programs and impact on coverage, health practices, and other health variables of the broad target groups reached through the different prototypes. It is also essential that the country context to which each experimental approach is adapted be made explicit to assist in choosing among alternatives for replicability elsewhere. Benchmark data (perhaps gained through sample surveys) can help establish the starting point. To help measure the marginal cost-effectiveness of the new prototypes, attention must be given to specifying the target -- the intended output in terms of changes in health/family planning/nutrition practices, or for the longer run in terms of reductions in morbidity and mortality, not just the "quantity" of services or information to be passed on. Then the cost of obtaining a particular "output" through a particular program must be recorded. There are reasonably easy-to-implement methods for getting a basic grasp of this problem, and AID/W stands ready to provide assistance as required.

5. AID/W can help with analysis, design and evaluation.

As a first step toward developing low-cost health delivery projects, it is suggested that the following questions be addressed:

a. Identification of the main critical rural health problems that the low-cost health delivery system should be designed to meet (indicating priorities).

b. A statement of specific goals of the low-cost health delivery system including health, family planning and nutrition activities.

c. An assessment of resources available to the country for this low-cost health delivery system to deal with health problems (to include institutional, manpower, budgetary, logistics).

d. A listing of alternative projects available to realize the extension of affordable health delivery systems in support of the specified goals.

e. An assessment of social and political feasibility of the various projects.

f. An examination of the potential efficiency of the various projects or mixes of projects to accomplish the goals. One simple but sometimes underused test of budgetary feasibility is to multiply expected per capita average cost times the target population (taking into account scale economies) and see if that cost can be financed within a reasonable period of time.

g. The selection of the most effective project or projects.

h. Detailed project planning (to include design and evaluation for integration of delivery services in a pilot/demonstration area).

AID has some recent experience in implementing the activities listed above.

In general it is felt that a staged procedure for carrying out the assessment and planning activities is appropriate. The stages might be as follows:

a. collection of general background information: 1-3 man months (Resources available: AID/W staff consultants and institutional contract resources).

b. site visits, selection, agreements of country approaches and necessary approvals: 2-6 man months (Resources available: AID/W staff consultants and institutional contract resources).

c. detailed project planning and presentation: 4-12 man months (Resources available: Consultants and institutional contracts).

Such a schedule should provide adequately for full consideration of possible alternative approaches to integrated delivery systems suitable to individual LDC situations. As indicated previously, it is recognized that time constraints may require abbreviating this schedule. But even when time restrictions require briefer preparation, it is important that consideration be given to the range of relevant options and issues before commitment is made to a particular program strategy.

Responsibility in planning and designing any health delivery activity should rest in the LDC government supplemented as needed by outside AID consultants. To the extent possible this planning, evaluation and project design work should be incorporated into other activities of national planning.

Missions that have population officers should utilize their capabilities where practicable in analyzing, designing and evaluating integrated delivery systems, particularly the family planning elements.

The AID Nutrition Strategy handbook (which Missions have received with AIDTO Circular A-996 dated September 29, 1973), will be helpful in planning nutrition activities in relation to health and family planning. TAB can also provide direct-hire and contract assistance in applying a systems approach to designing projects in low-cost health delivery.

AID/W has developed several mechanisms for assisting USAIDs and LDC governments through TA/H, PHA and other bureau staff and various institutional contracts. Missions desiring their assistance may request through the Regional Bureaus.

As more information becomes available about specific innovative delivery systems, and about expertise available to assist host countries in exploring low-cost health alternatives, AID/W will endeavor to keep Missions informed.

Attachment:
Planning and Evaluation of Integrated Health Delivery Programs: Factors to Consider

Send to List "P"

Send 20 cys to PPC/DPRE, Rm. 2637 NS

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Planning and Evaluation of Integrated Health Delivery Programs: Factors to Consider

Specifying Problems, Goals, Programs and Costs

This paper suggests factors to consider in analyzing health/nutrition/family planning problems, and in structuring a systematic means for attacking these problems effectively within a country's budgetary capability without excessive expenditure of time and funds for a formal and precise "systems analysis."

The discussion below is meant for use by developing countries, AID Missions, and others working on developing country health problems. Some of the questions and issues raised may seem obvious and based on common sense, and yet there are many health programs now underway which are weakened by not having taken them into account. The purpose of this guidance is not to set up a check list of questions that must each be answered before a sound low-cost delivery system can be designed. Rather it is to raise for those considering, or designing, such systems a range of program options and some of the key points to be considered in determining whether a given option is relevant and feasible for a particular country situation. AID/Washington is prepared (as indicated in the preceding airgram) to assist in applying these principles to specific situations to provide consultant assistance in the range of analytical planning and design questions related to low-cost delivery systems and their relationship to other aspects of the health sector.

Major tasks confronting program planners in these areas include: (1) definition of critical health/nutrition/family planning problems, assessment of their importance to specified target groups and identification of priority goals based on this problem assessment; (2) determination of available manpower and institutional capacities and available budget resources; (3) identification of programs that affect a particular goal or goals (and trade-offs among programs).

1. Definition of Problems and Goals

Problem and goal identification for planning purposes requires more than general categorization (i.e., "malnutrition," "excess fertility," etc.). The nature and dimension of the problem or goal should be described as specifically as possible, given the limits of data, time and manpower available. When set down in rank order - according to their social as well as economic importance to the target population - this specific itemization should afford an initial approach to ascertaining program priorities. For example, a rank-ordering of goals relating to reduction of mortality and morbidity might require estimating the impact of alternative health activities on priority target groups (by age, occupation, location or ethnic affiliation) through basic information normally available in host countries or obtainable from sample household surveys.

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A rank-ordering of nutrition program goals might place emphasis on alleviating conditions which interfere with maintaining or elevating a populations' nutritional level, e.g., educational/motivational work on changing infant feeding practices; control of intestinal parasites; availability of basic food supply; food enrichments and supplements and treatment programs for specific problems with high incidence. Family planning goals might give priority to motivation of and/or direct delivery of services to special target groups, with emphasis or selective barriers to understanding and successful and continued use of contraception methods of their choice (~~ie~~ i.e., post-partum, teenage, and regular health center clients); and such barriers as those presented by other family members including those reflecting needs for personal discipline and those related to a economic/culture support for life style changes.

Analyzing the causes of "quality of life" constraints is equally important in program priority determination. The prevalence of certain diseases and malnutrition may be readily apparent and directly related to attackable conditions: impure water, faulty midwife practices, disease-bearing vectors, weaning customs, etc. In other cases the chief causal factors may be further removed (housing conditions, production practices) or may suggest activities indirectly associated with "quality of life" deficiencies -- for example, the possibility of effecting positive changes in popular customs through the influence of social leaders within a target population. In such cases, a multifaceted program may offer an optimal solution for each of the problems individually. (In other situations where a solution seems precluded by resource constraints, the nature and cause of the deficiencies should be spelled out.)

Cost estimates of the proposed actions should then be made in order to determine whether LDC budgets can sustain them. These estimates may range from simple per capita costs for programs affecting a single goal to more complicated estimates for multi-goal programs. Estimates of unit or per capita cost should be multiplied by the size of the entire target population (taking into account any economies of scale) in order to ascertain whether an extended program is within the host country's financial capability. In this context, it is important to ultimate acceptance and continued support by the host country that total program costs, both capital and recurring, be projected as far as possible into the future. Recurring cost estimates in particular should reflect anticipated changes in prices of consumable supplies; salary adjustments necessary to attract and retain suitable manpower under foreseeable labor market shifts; costs of equipment maintenance; energy costs; inflation factors and similar elements. If the program under consideration is pilot, the Mission should also ascertain the most likely total recurring cost burden if the program eventually were to be extended to similar target populations throughout the country.

2. Determination of Available Resources - Generating Improvements at Low-Cost

"Quality of Life" benefits are generally regarded as end-products of economic development, but they may also contribute to the success of general development effort, or in turn be amplified through coordination with other development effort.

When considering low-cost approaches to integrated health/nutrition/family planning delivery systems, one should inquire into other types of development efforts to which delivery systems might be added. Incorporating elementary information services into another kind of activity may permit greater number of people to be reached at a lower cost than would be possible by building a completely new delivery structure. Options permitting services to be added onto existing structures should be thoroughly examined. For example, could curricula in health and sanitation, nutrition, and family planning be combined into expanding school programs? Could wells and latrines be dug at lower costs as part of other construction projects where similar equipment and construction material are used.

Cost-effectiveness and other comparisons of alternative routes for achieving "change in health status" objectives need not necessarily require large investments of time and money, nor precise health sector analyses. Often valuable information can be sifted out of routine local data, basic information gathered for project action, baseline data generated for unrelated projects, agriculture sector analyses that may have been underway, and UNICEF, WHO, IBRD and other international organization studies of the target area, and needs merely to be supplemented with very specific analyses or household surveys.

What collaborative planning is now in operation? What is the interdisciplinary input (each agency) in the planning and program development? What community input has been developed, especially in respect to problem analysis, definition of needs, interests and attitudes of the public?

Is there a system which assures continuity for planning and program development at each level from national planning to local, and from local to national? Does this information reflect all interests and viewpoints involved?

Deficiencies in Planning, Organization or Administration

Established health delivery systems are often constrained in their ability to deliver health services by deficiencies in planning, administrative, and/or supervisory capability. This may be evidenced through circumstances like conflicting spheres of influence within command channels; logistical shortcomings such as irregular or inadequate delivery of drugs and supplies to health stations, procurement and warehousing difficulties or lack of transport for construction teams, technical advisors, debilitated patients, etc.; lack of communication and referral; failure to provide for maintenance and depreciation of equipment; ill conceived or poorly executed personnel policies; inefficient coordination amongst key personnel or operating units; and so on. Circumstances like these may constrain utilization of existing health resources to a level substantially below actual capacity. Alleviation of such constraints may succeed in expanding service delivery at a cost considerably lower than the cost of equivalent expansion through increase of resources; or it may attract contributions from other donors which were being withheld because of such difficulties. Missions should be attentive to opportunities for significantly enhancing service delivery to target populations, by improving a system's efficiency or increasing its absorbtive capacity, at relatively small cost in technical assistance.

3. Possible Program Approaches - Persuasion and Motivation

Many health and nutrition problems are avoidable. Often they are rooted in, or aggravated by, practices and customs amenable to improvement. It is particularly important that mothers be persuaded to make simple behavioral changes which have a bearing on their health and their existing or expected children. Control of many health and nutrition problems depend on comprehension and motivation, therefore, the uses and potential of behavioral stimuli should be explored among a target population.

Attempts to assess the behavioral influences of persons and media within target populations and their potential usefulness in affecting changes in health status should be explored. For example, would the tribal or social leaders in a target population be willing to attend short courses directed toward nutrition, family planning and health education; and if so, how effectively could they communicate their learning through their tribe or community? What institutions -- religious, educational, voluntary -- function in the area; what part of the population do they reach; and how persuasive are they? What would it take to interest such institutions in participating in an integrated delivery program; what commodities and materials would be required for their success; would additional manpower be required, and would they need training?

What measures would be incentives to self-help projects beneficial to health, nutrition or family planning? Simple latrines require about $3 in materials; what proportion of households would undertake their construction if materials and instructions were supplied? A simple, durable pump could be mass-produced for about $18; what demand could be generated for such a pump? Would it be sufficient to justify local production; and what inputs would be required to stimulate production? Is family planning a sensitive subject at village level? If so, can social leaders within villages be encouraged to organize various groups to de-sensitize inhabitants and to disseminate family planning information?

In this regard, the concept of interdisciplinary teams for sector analysis is now fairly well established; but the interdisciplinary teams that have been assembled to date have been notably lacking in behavioral scientists. The inclusion of experts in motivation might be a worthy addition to future consultant teams charged with recommending integrated delivery programs.

Media

In some LDCs, radio and other mass media are available to villages and rural areas as well as urban areas. Where radio (or TV or movie theater) time or published media space can be co-opted for public service messages, the cost of disseminating information on health, nutrition and family planning subjects can be quite low -- often merely the production cost. Questions to be addressed are: to what extent do target populations believe information that reaches them through existing media? Are there ways of improving the credibility of such information such as endorsements by popular and religious figures, respected experts and organizations enjoying close rapport with target populations? Traditional media (puppet shows, etc.) may also be promising. How do these media compare in cost-effectiveness with

other types of delivery systems?

Utilization of Indigenous Practitioners

Rudimentary health care and childbirth assistance have evolved out of necessity in many LDCs. Native midwives, curandaros, herbalists and other indigenous practitioners constitute networks for treatment and communication in areas where scientific care and education do not reach the people. The major advantages in the use of indigenous practitioners is that they already cover large portions of populations, that some systems cost little or nothing to resource-constrained governments since the practitioners are paid by their clients, and, in some cases, that their advice is listened to more than that of the official health workers. It is worth investigating the extent to which this indigenous cultural and social network can be utilized, by provision of training (and possibly commodities or financial incentives), to provide greater access to the integrated health/nutrition/family planning services that the host country is able to support. Should such an effort be used in areas where it is not now feasible to cover the target population with clinical services or as a supplement to clinical services? In what ways can this be done? What would be the cost of expanding the services and information that indigenous practitioners are able to offer? Which of the indigenous practitioners would be interested in augmenting their present expertise by disseminating information on preventive health, nutrition and child spacing? Do they still attract significant numbers of clients among target populations? Do any legal restrictions constrain their involvement? Can these be changed? What combination of advice and services can they deliver for the purpose of maximizing impact on health, nutrition and family planning goals? In what ways should indigenous practitioners supplement, substitute for, a clinic-bases system? What would be the training costs, per practitioner, and per "client" reached? What fees, if any should the government pay to the practitioners, e.g., referral fees for sending clients for long-term or terminal contraceptive measures? How well would indigenous practitioners accept coordination with physicians, and physicians with them?

What objections to use of indigenous practitioners can be expected from elements within medical associations, health ministries, or others? How can these objections be overcome? For example, can leading doctors or medical institutions be involved in designing or implementing training for indigenous practitioners? How can attention be drawn to the harsh facts in many countries about how long it will take to expand government clinics to cover the total population? Would a study by a respected local health figure of the advantages and disadvantages of using indigenous practitioners be helpful? If there is concern about appearing to give an official stamp of approval to indigenous practitioners (who, in many countries, are likely to continue recommending many ineffective and even harmful remedies), how can training be provided to them without appearing to give such official approval?

Utilizing Private Vendors

Distribution of family planning supplies, information, nutrients and some health supplies may be facilitated at low cost through arrangements with commercial vendors -- tea shops, fuel outlets, etc. -- serving the target area. Where such possibility exists, an assessment should be made of whether the target population is likely to

use purchased commodities more effectively or less effectively than free commodities. Estimates should also be made of (a) price levels for the selected commodities necessary to stimulate broad demand; (b) profit margins necessary to assure aggressive merchandising; (c) subsidies that may be deemed necessary to meet these criteria; (d) cost-effectiveness of distribution through available commercial and non-commercial channels.

Where subsidies are favored, Missions should indicate possible sources of funds and should estimate the likelihood of this burden shifting to the host country.

If merchants are to be paid for distributing informational material or subsidized for distributing commodities, some sort of control or audit may be appropriate to assure their actually reaching the target population. Proposals for subsidizing private vendor distribution channels should include plans for control.

Many societies draw on central processing at some point in their food supply. In Central America it may be a village maize grinder, in Iran a regional baker, and so on. Arrangements can often be made for including nutrition supplements in processing, and for utilizing the processing plant as a channel for education in food preparation, sanitation, preventive health and family planning. In some cases processing may be done individually for customers, permitting voluntary test and control populations for purposes of evaluation.

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TO - AIDTO Circular A-611

FROM - AID/W

SUBJECT - Procedures for Health Sector Assessments

REFERENCE - (A) A-263 ~~(4/29/74)~~ (4/30/75)
(B) State-265233
(C) A-239 (4/28/76)

Introduction and Summary

A. AID's Congressional legislation, Secretary Kissinger's initiative in his speech of last September to the Seventh Special Session of the U.N.G.A. (ref. B), and our own convictions as to what now constitutes effective health programming compel the Agency to give greater attention to determining what package of programs (including LDC efforts as well as those of other donors or our own) work most effectively to improve health. As you know, in this context we are giving special attention to the integration of health, nutrition and family planning services. We are encouraging integrated delivery of related services through one organizational network at various levels--village, more central clinic, district health center, etc. We are also encouraging integration in a broader sense: the coordinated planning of all programs or private efforts with a major impact on health, including integrated delivery of services.

B. We believe health sector assessments--HSA's--may be a useful tool in achieving such coordinated planning, which will in turn indicate the types of organizationally integrated services or free-standing programs that can be pursued most effectively, given current resources, current public and private programs and services available in the private commercial sector, and current interests of both LDC and donors. We further believe HSA's are a useful vehicle for collaborative planning of health programs between AID and LDC which works

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indirectly but effectively to strengthen the LDC's capacity to plan and implement its own future health measures. HSAs should also assist LDCs in identifying local sources of funding (eg. community level) for health projects.

C. We believe that collaborative assessments are a virtual prerequisite to forming an adequate LDC constituency of interest to support the marked innovations our congressional guidance requires.

D. This airgram includes an outline of the "how to" of HSA's. Additional guidelines will be available in the form of "how to" manuals in the next several months.

E. HSAs should form the definitive basis for specific AID programming in health. A collaborative HSA should therefore ideally precede other health programming activities although we understand that in practice some AID programming decisions must ordinarily be made before a collaborative HSA is completed. i.e. DAP preparation, ABS preparation and in many instances PID preparation. Normally the sector assessment is scheduled between PID submission and PP preparation.

F. Guidance in this message will be included in HB 2 - Program Planning & Budgeting.

I. Basic Purpose of HSA's

A. HSA as Pre-cursor of Health Projects:

The basic purpose of HSA's is to pave the way for more effective planning and implementation of both AID and LDC measures affecting health. This occurs as a direct result of the analysis which constitutes the assessment and indirectly as LDC analytic capacity is strengthened by collaborating in the assessment. While a HSA should ideally precede major health programming, such an assessment requires several person-months at a minimum to accomplish. As the programming process is continual, we understand that some programming decisions should be made before such an HSA is completed.

B. HSA's: Integrated Planning of Measures Affecting Health:

We are familiar with many different measures that influence health: medical care, disease vector control, sanitation, improved diets, and family planning, as well as improvements in education and income. The array of possible programs always goes far beyond funding capabilities. But since the best programs are so far superior to average ones, how they may be identified warrants careful study. That is the purpose of HSA. Essentially it is one type of integrated planning mentioned above; it reveals the most effective package of measures affecting health, given resources available. The best program alternatives may not necessarily be those that appeal most to professional health organizations. Thus the health assessment must also help develop a national commitment and a constituency to support recommended changes and new departures in health programs.

C. General Procedures for HSA's:

This airgram explains general procedures for HSA's. It encourages collaborative HSA's carefully designed according to existing LDC analytic capability. With greater understanding of procedures commonly utilized, resulting HSA's (and the concomitant strengthening of LDC health plannning capacity) should stimulate greater LDC interest in pursuing innovative measures to improve health.

D. Integrated Services:

We expect these measures may often include integrated delivery of basic health, nutrition and family planning services as mentioned above, though the most promising measures may not always include or may range far beyond such integrated services. For example, free-standing clinics in private family planning programs may be appropriate. The modern or traditional commercial sector may offer effective health services alternatives. Clean water or disease-vector control programs are other possibilities. But in situations where the rural poor remain largely beyond access to any modern H/N/FP services, where health resources are severly limited, and where ill health is widespread, we expect that HSA's will often yield recommendations for integrated services.

Most available health clinics do provide services integrated to a greater or lesser degree. But budget limitations prevent putting a clinic within easy reach of the whole poor majority in many LDC's. In such countries the most promising course may be to focus on providing quite elementary but still effective services at the village level through health auxiliaries, traditional practitioners like midwives, or even laypersons with only rudimentary training. (Even in countries with a fairly widespread network of clinics, such village-based services may also be useful.) A village network can hook into any available clinic network as backup. Just what backup may be needed-and indeed how the whole array of health measures may best be organized from top to bottom--is, of course, one of the key questions to be addressed through the HSA.

II. Introduction to Health Sector Assessment

This airgram presents a general overview of goals, content, priorities for, and administrative procedures for health sector assessments. It is not a standard format or model to which all health sector assessments should conform. Many methods and techniques exist to address the specific areas of assessment or analysis presented in this document. Some of these methods are described in the attached documents. Other methods and techniques can be found in the annotated bibliography also attached to this document.

This need to choose the techniques and methods most appropriate to problems of a particular country and to the analytical resources, data and time available for the

assessment activity forms one of the three central themes of these guidelines.

The second central theme is that of the importance of carrying out health sector assessments in collaboration with LDC institutions. (Both country variability and colllaboration have been demonstrated to be of critical importance in five countries where assessments have been completed.)

The third central theme of these guidelines is the multi-sectoral nature of health sector assessment. Many health problems are caused or conditioned by problems in other sector, and health can often be most efficiently influenced by activities in other sectors. These guidelines indicate how such extrasectoral causes and potential interventions can be identified.

In some instances significant components of a HSA may have already been completed as the result of a country health programming exercise or similar health planning activity. HSAs should obviously not require duplication of these activities instead all efforts should be made to identify and utilize such studies and to coordinate assessments with other donors to the maximal extent feasible.

Health sector assessments should usually be completed prior to the completion of project papers in health. Obviously if such assessments can be completed earlier and submitted with the DAP, the Mission and LDC governments can devote more attention to the details of project planning. Experience to date indicates that once national enthusiasm is generated for a collaborative assessment the process may continue for some time as new problem areas are defined, etc.

At this point, it is appropriate to indicate what experience suggests may reasonably be expected to result from health sector assessments:

A. Health sector assessments should develop new knowledge concerning how national health goals can be accomplished most efficiently. If sensibly planned and administered, the assessment is likely to develop a broader commitment to national health goals among national and international institutions as well as a greater constituency for AID supported activities. Sector assesments will study national goals to determine if new or different sectoral goals would be more appropriate to the health problems and resource constraints of that country.

B. Health sector assessments are likely to identify ways in which feasible programs and mixes of programs can markedly improve sectoral performance through a more explicit understanding of alternative program cost and impacts.

C. Assessments will make more explicit the results of various levels of investment in terms of changes expected in health sector, but will not

resolve the question of optimal amount of mission support for the health sector.

D. Assessments will help identify bottlenecks or likely implementation problems that in turn allow missions and LDC officials to address critical problems in the health sector.

E. Assessments can encourage significant upgrading of national institutional and personnel skills in applied health planning if time and care are taken in development of an appropriate scope of work for the assessment.

F. Assessments will address resource requirements and potential sources including communities involved.

The remainder of the guidelines will discuss the objectives of health sector assessment in section III, determination of assessment priorities in section IV, the general content of health sector assessment in section V, and procedures for undertaking health sector assessment in section VI.

III. Objectives of Health Sector Assessments

Within the AID context there are several objectives of a health sector assessment. They are:

A. To provide an improved basis for programming LDC investments within the health sector (including population and nutrition) in the context of national development goals.

B. To provide a more factual basis for programming AID support to the health sector (including population and nutrition).

C. To contribute to the improvement of LDC institutional capability in health planning by (a) demonstration of a structured analysis of health sector problems and alternative solutions; and (b) assessment of the health planning requirements of the LDC and development of estimates of the manpower and resource requirements to accomplish the health planning activities identified.

D. To establish a national constituency necessary for support of innovations suggested by the assessment.

A basic assumption of these four objectives is that health, population, and nutrition goals are so interrelated that joint analysis is required.

The health sector assessment process described in the remainder of this document is one specifically designed to address the objectives outlined above within the time

available in the AID program cycle. The intent is to take full advantage of the time available to do assessment work while not delaying the initiation of AID programmatic support to the health sector.

IV. Identification of Priorities for Health Sector Assessment Activities
The problems of setting up priorities for the content of a collaborative health sector assessment must be vigorously addressed if a focus on the most important issues is to be accomplished. In planning the assessment, choices must be made between both alternative problem areas and the type of information gathering and analysis activities to be applied to a given problems areas.

A principal focus of the assessment must be on planning for the poor majority. The assessment must address the problems and alternative measures suited to the target groups of infants, children and pregnant and lactating women. The assessment must attempt to identify least-cost alternatives mitigating the health problems of the target groups. (These alternatives should include private commercial and/or indigenous sectors as they can be used in conjunction with public sector programs.)

The priority problem areas should be chosen from among: (1) major health problems of the poor as indicated by available data on morbidity and mortality, LDC interests, and AID program objectives; (2) the subset of those problems for which technological alternatives exist; and (3) the still smaller subset which are likely to be socially and politically feasible.

Once the problem areas are defined where scope exists for influencing policy, the following generic types of information must be considered:

A. The identification of health problems which affect the poor majority;

B. Social, economic and behavioral determinants of health status;

C. Specification of potential health programs;

D. The relationship of health problems and programs with the problems and programs of other sectors of the economy;

E. Resources available and their costs;

F. The resources required to produce units of health services or other health programs;

G. The impact of health programs on health status; and

H. The impact of health programs on population growth.

Experience to date indicates that generally, little additional effort is required in the areas of information on health status or identification of government priorities.

The point is an important one to make because normally health planning activities get so bogged down in collecting information on magnitude of health problems that they never progress beyond this point.

Ordinarily, however, considerable attention should go to gathering information concerning the social, economic and environmental causes of poor health; new data may be required to elucidate these relationships. The area of social and cultural perceptions of health problems should be addressed vigorously if viable strategies are to result from the assessment process.

Most assessments have tended to concentrate on the economics of choices between program alternatives because of the historic dearth of information on the economics of production of health services or the impact of programs on health status. This is also the area where assessment-like activities of other organizations are weakest.

Assessments have also concentrated on administrative capacity of health institutions. This concentration partly reflects the significant gains of efficienty that can be made in health services in LDCs through improved management. Assessments must provide AID with knowledge of the capacity of host institutions to manage the financial and other inputs from foreign assistance.

A related need is that of choosing between the various data sources or data gathering activities to be utilized. Choices have to be made between (1) existing data, (2) expert judgement estimates, or (3) collection of new data. Normally some new data gathering activities are incorporated into health sector assessments.

V. General Content and Organization of Health Sector Assessments

1. Health sector assessments should be structured in such a way as to:

   A. Accurately identify national health policies and health problems of the population and their causes;

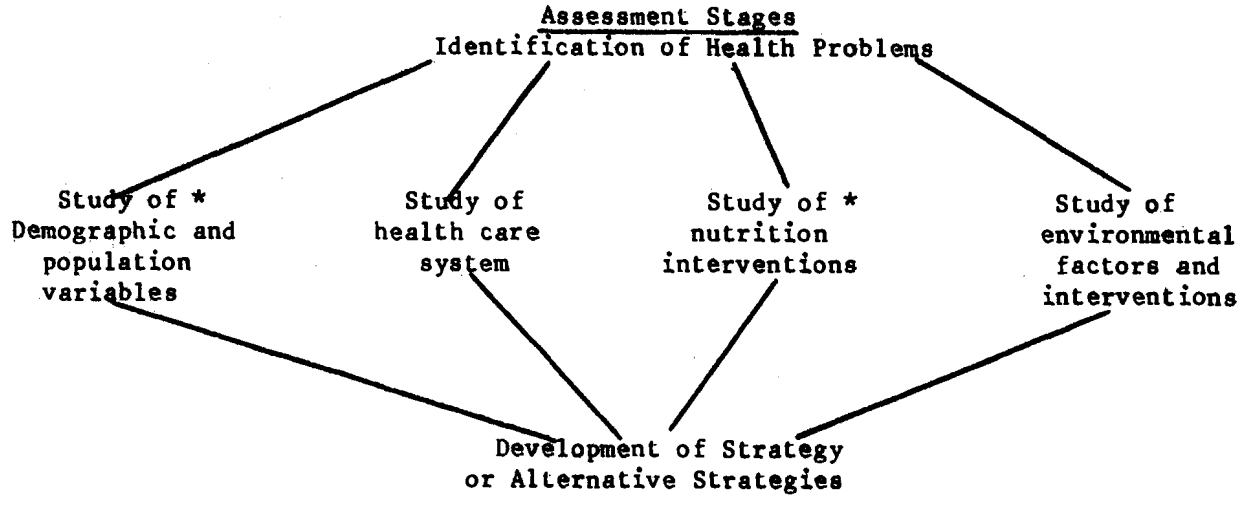
   B. Estimate the resources available to the nation and to address health problems, considering both community and government resources;

   C. Identify and study alternative technical soultions to health problems;

   D. Identify and study administrative and other infrastructure bottlenecks to the improvement of health; and

   E. Synthesize the proceeding stages to develop a health sector strategy or alternative strategies.

2. Operationally many of the above steps are accomplished in a parallel fashion as shown below:



3. Each programmatic area diagrammed above in the assessment should be analyzed taking into consideration the conceptual elements identified in the following outline:

a) Problem Definition

1) determination of relative magnitude of health problems;
2) description of epidemiological, social, economic and cultural causes of health problems;
3) description of social and cultural perceptions of health problems by the population and health care providers;
4) identification of factors to be modified in order to ameliorate health problems.

* In health sector assessments nutrition and population are integral elements. Specific examples i.e. nutrition assessment in Costa Rica and family planning evaluation in Nicaragua are available for distribution.

b) Analysis of National Policy

1) identification of national policy objectives which influence health problems and interventions to solve problems
2) description of decision making process in health, analysis of factors which have influenced health sector decisions;
3) description of bureaucratic processes and their effect on implementation of health sector programs

c) Evaluation of Existing Programs

1) description of current programs to impact on health problems;
2) evaluation of impact of program activities;
3) identification of population affected;
4) identification of resources available and utilized;
5) identification of bottlenecks to improving services
6) description of social and cultural acceptability of existing programs;
7) identification of probable impacts of program activities on the target population.

d) Identification of new Technologies

1) identification of new technical alternatives;
2) description of probable program activities, resources and costs;
3) prediction of social and cultural acceptability of proposed new program alternatives;
4) description of probable program impacts;
5) estimate of new infrastructure requirements.

e) Description of Resources

1) development of health manpower projections and current distribution;
2) inventory and description of equipment available to the sector and its distribution;
3) inventory and description of hospitals and other facilities and their current distribution;
4) identification and study of critical resource constraints and bottlenecks.
5) Description of possible financial resources in both community and various levels of government.

f) Study of other Infrastructure Elements

1) identification of administrative bottlenecks including logistics and supply systems;
2) study of financing systems, projections of finances available and impact of various systems on utilization and efficiency of health care;
3) study of health information system.

g) Extrasectoral Impacts

1) identification of aspects of other sectors which influence health and estimate of the extent of impact;
2) study of programs which could ameliorate or improve the effect of other sectors on health and specification of their cost and probable impact;
3) identification of health program impacts on other sectors;
4) estimates of benefits or disbenefits of extrasectoral impacts

h) Strategy Development

1) synthesis of proceeding stages;
2) elaboration of alternative strategies and program mixes;
3) analysis of alternative strategies and program mixes
4) identification of dominating strategy;
5) determination of required program activities and estimate of resources required to implement program activities.

i) Project Plan Development

1) scheduling of projects;
2) determination of AID-National and other donor inputs.

The description of assessment activities above is cursory. Given the variety of ways in which each task listed can be accomplished and the necessity of selecting the appropriate technique for the particular national context the following section describes procedures for conducting a health sector assessment.

Always, difficult decisions must be made regarding the most useful content for the assessment, since even in the larger ones it is impossible to address the entire sector. This recognition has led to the procedure for implementing health sector assessments described in Section VI.

VI. Procedures for Implementation of Health Sector Assessment

It is assumed that the first health sector study activity performed in conjunction with AID will normally be the preparation of a background document which provides a synthesis of descriptive materials currently available concerning the country and identifies the existing information sources, their completeness, etc. The document would serve to orient AID or contractor personnel to the problems of the country existing programs, information availability, etc., so they can rapidly undertake sector assessment tasks. HEW under contract to AID has prepared such literature searches in 16 countries to date upon request from the field. The advantage of this mechanism is that background searches can be completed well in advance of field sector

assessment activities.

Following the background document preparation a team will visit the country for two to three weeks to discuss assessment alternatives with the USAID and national institutions and to arrive at an agreed upon scope of work for the next phase - usually a "health sector assessment". The scope of work teams may, of course, also advise against a health sector assessment, or on short term health program support, or potential direction of long term program support.

The content and magnitude of assessment, of course, are most importantly dependent upon the health problems, national health objectives and capacity of national planning institutions. A minimal assessment might include 2 or 3 professionals for a period of six months to one year. Such a program could not be profoundly quantitative. It would, of courses, collate and synthesize data relating to the health sector. More important, such a team could perform a relatively detailed conceptual analysis of current health and socio-economic status. Such a program could also analyze in depth the current health plan of the country. The analysis could be extended to improving the presentation or modifying the health plan.

More detailed assessments could extend the minimal program of sector assessments, and are ordinarily warranted due to the complexity and wide variety of health sector problems and programs resources required for intermediate programs, would of course depend on the number and specific types of analyses desired but normally incorporate several man-years of effort from LDCs personnel. Sophisticated quantitative analysis are not ordinarily desirable due to lack of familiarity by LDC personnel with the techniques.

Prior to the site visit, discussions between AID/W, the AID Mission, and sponsoring host country agencies should clearly establish the desire for an assessment on all parts, and the role of the team.

A suitable team to define the scope of work might consist of:

a) health-planner-economist
b) a physician-epidemiologist
c) a sociologist/anthropologist
d) a specialist in public administration
e) an experience AID program officer;
f) nutrition planner; and
g) population planner

Such a team should be provided with a local research asistant and with secretarial support. Additional personnel may be added if there are special requirements for health, nutrition and population planning expertise identified by the AID mission.

The scope of work team and field health, population and nutrition personnel will normally begin work in the country with a number of formal visits to officials of key health agencies and of the AID mission. These will be followed by interviews with the top technical officials of these same agencies. It is suggested that the health officer of the AID mission take special care that all factions of the health sector are represented in the set of meetings. The scope of work team can work with the AID office to assure this coverage.

The team will be expected to make site visits with local counterparts to assure that they observe the different regions of the country, and to familiarize themselves with the administrative system, and to see the health service delivery system in operation.

The team should then spend the major portion of their time in discussion with national counterparts in the specification of a sector assessment scope of work, identification of national resources and personnel to carry out the scope of work and identification of national institutional responsibility for and organization of the sector assessment that will be recommended to AID and the national government.

Experience to date indicates that the most critical element of the determination of scope of work for collaborative assessments is matching the scarce resources available to do assessments with the enthusiasm and broad interest in assessment activities engendered in national planners. Ordinarily, little resistance is met from Ministries of Health or Planning once the collaborative nature of health sector assessment is understood.

A final debriefing should be planned to present to AID officials the conclusions reached by the team. Similar meetings should be held for the host country officials and for AID Washington. The written report of the group should probably be prepared in draft after these debriefings, and in final form after comment of the AID mission staff. While intermediate briefings may be held to discuss team progress, it is suggested that the team take care not to commit themselves to any project recommendations too early...the period of two to three weeks is itself a very short time in which to make overall judgements on a total health system.

If the health sector assessment is to realize stated objectives of upgrading the capability of host country planning institutions and personnel, considerable time and effort must be taken to identify LDC institutions and personnel, as well as to orient them to the purpose and value of proposed assessment activities. Normally the assessment should be coordinated by a national institution and will be carried out chiefly by LDC personnel, and directed by a series of national coordinating and

working committees with technical asistance requirements from AID normally no greater than 25% of total effort.

Since the minimum collabortive sector assessment which has been planned to date is of 3-4 man-years in magnitude, and normally is substantially greater, the workload on the mission to administer such an activity can be quite large. An additional benefit to encourage maximal involvement of national institutions and personnel is that the assessment can then be funded and administered as a project through a project agreement.

The mission will have various responsibilities in conjunction with the health sector assessment. Prior to the initiation of the assessment, the mission should assure staff that there is in fact an area of mutual agreement on health policy and the desire for donor assistance in the health field. Mission should also initiate contact with other donor organizations--e.g. WHO/PAHO, IBRD, IDB--to ascertain if they have similar or conflicting plans. Considerable efficiency may be achieved piggybacking a sector assessment on a parallel activity of another donor, if it is certain that coordination can be achieved. This may lead to a better assessment product and avoid spreading national capacity too thinly through competing efforts.

The health, population and nutrition officers will have considerable interest in the assessment, even if a full time assessment coordinator is employed, the officer will probably be required to devote a considerable amount of time to the activity. A major portion of their responsibility will be continuing policy negotiations with the government. Such negotiations will relate to reforms to be undertaken, and the incentives appropriate to stimulate those reforms.

Administrative requirements for a full health sector assessment must be planned. Vehicles, offices and secretarial support are all required. It is suggested that the majority of nationals involved in the assessment be assigned on a full time basis, or at least half time. Separate and adequate office space should be provided to the staff. Demands for secretarial services will be particularly great at the end of the assessment, and provision should be made for this activity. Similar provision for xerox and publication/duplication services must be made.

Although in principle data collection should be reduced to a minimum, experience with field teams to date has resulted in the need to collect some information. Resources are included in the budgets of assessments to provide for research assistants for such purposes. During such efforts, vehicles will normally be required for field work, data processing may also be a problem where statistical clerks and computer facilities are required. Survey and data processing administative requirements are usually very intense, if only for a short period of time.

If the assessment is to be based in a national institution, it is desirable that the mission consider assistance requirements in relation to the institution's

capacity to administer such a program. Experience to date suggests that the missions which carefully monitor the assessment, and provide timely administrative assistance, obtain a better assessment. If a mission chooses to set up an ad hoc, or perceives difficulty in providing administrative support for consultants, assignment of a time assessment coordinator should be considered either through a personal services or institutional contract.

Analytic responsibilities that normally must be carried out by the mission include:

a) submission of scope of work for AID/W review;
b) evaluation of past health sector experiences of AID and development of strategies to take advantage of their lessons;
c) evaluation of the assessment itself, and agreement on mission strategy in light of the assessment; and
d) submission of completed assessment for AID/W review.

These activities may require loan and program officers from the mission, as well as the health, nutrition and population officers. It is suggested that continued policy supervision of the assessment by top officials of the mission is required to assure miximum quality.

VII. Consultant Personnel for Health Assessment

A variety of external consultant personnel are normally required for health sector assessments. Several sources and mechanisms exist to mobilize the required consultant expertise. AID, through a RSSA with the Office of International Health/DHEW can normally provide 25 percent of one individual's time in the field with Spanish or French language competence is required, to maintain continuity between consultants as well as provide general advise to mission and national personnel on assessment issues. In addition, AID has a small number of consultants who are frequently utilized in assessment activities. Contractual relationships with The American Public Health Association, The American Hospital Association, The Johns Hopkins University School of Hygiene and Public Health, and The University of Michigan School of Public Health, sometimes allow ready access to personnel to provide assistance in assessments. Through Indefinite Quantity Contracts and other arrangements, supplementary personnel can be made available for assessment and other health planning activities.

SEND LIST P

(Diplomatic Posts only)

KISSINGER

Sup D4 to HB 2 (TM 2;1)

PD-56
June 10, 1974

A.I.D. POLICIES
RELATIVE TO ABORTION-RELATED ACTIVITIES

INTRODUCTION:

Section 114 of the Foreign Assistance Act of 1961, as amended, adds for the first time to this legislation restrictions on the use of funds relative to abortions. The new provision reads as follows:

> "Section 114. Limiting use of funds for abortion--None of the funds made available to carry out this part (Part I of the Act) shall be used to pay for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions."

The indicated policy positions represent the best legal and policy judgment in A.I.D. on a desirable stance the Agency should have at this time relative to this subject. The A.I.D. policies relative to abortion dealt with here involve the following programmatic aspects--Procurement and Distribution of Equipment; Institutional and Program Development; Motivation, Promotion, and Training; Research; Fees for Abortion Services; and Coercion.

1. Procurement and Distribution of Equipment

A.I.D. Policy - No funds available to carry out the Foreign Assistance Act will be used to procure or distribute equipment provided for the purpose of inducing abortions as a method of family planning.

2. Institutional and Program Development

A.I.D. Policy - A.I.D. funds will not be used for the direct support of abortion activities in LDC's. However, A.I.D. may provide general population assistance program support to LDC's and institutions so long as A.I.D. funds are wholly attributable to the permissible aspects of such programs.

3. Motivation, Promotion, and Training

A.I.D. Policy - A.I.D. does not and will not fund information, education, training, or communication programs that seek to promote abortion as a method of family planning. A.I.D. will finance training of developing country doctors in the latest techniques used in OB-GYN practice. A.I.D. will not disqualify such training programs if they include pregnancy termination within the overall curriculum. However, A.I.D. funds will not be used to initiate or expand the pregnancy termination component of such programs, and A.I.D. will pay only the extra costs of financing the participation of developing country doctors in existing programs. Such training is provided only at the election of the participants.

4. Research

A.I.D. Policy - A.I.D. will continue to support research programs designed to identify safer, simpler, and more effective means of fertility control. This work includes research on both foresight and hindsight methods of fertility control.

5. Fees for Abortion Services

A.I.D. Policy - A.I.D. funds are not and will not be used to pay women in the less developed countries to have abortions as a method of family planning. Likewise, A.I.D. funds are not and will not be used to pay persons to perform abortions or to solicit persons to undergo abortions.

6. Coercion

A.I.D. Policy - Pursuant to the Foreign Assistance Act and A.I.D. policy, A.I.D. activities in family planning and population assistance to developing countries cannot incorporate coercive features relative to the practice of family planning or any mode thereof.

Approved: Daniel Parker
Daniel Parker
Administrator

Date: 10 VI 74

DISTRIBUTION:
A.I.D. List M, Position 9
A.I.D. List B-6, Position 9
A.I.D. List C-2

POLICY DETERMINATION

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT

File	TRANS. MEMO NO.	EFFECTIVE DATE	PAGE NO.
AID HANDBOOK 2, Sup D5	2:16	June 14, 1977	
		PD-70	

A.I.D. POLICY GUIDELINES ON VOLUNTARY STERILIZATION

The attached Policy Determination 70 was approved by the Administrator on June 14, 1977.

Attachment

Address questions about this policy determination to: AA/PHA

PD-70
June 14, 1977 (TM 2:17)
(as corrected)

A.I.D. POLICY GUIDELINES ON VOLUNTARY STERILIZATION

I. Overview

The World Population Plan of Action of the World Population Conference of 1974 observed that: "All couples and individuals have the basic right to decide freely and responsibly the number and spacing of their children, and to have the information, education and means to do so. . ."

The Foreign Assistance Act (FAA) of 1961 (as amended) reflects additional considerations:

(1) the process of economic and social development affects and is in turn affected by the pace, magnitude and direction of population growth; and,

(2) in many LDCs high rates of population growth limit attainment of broader development goals, contribute to economic hardship and hazardous health conditions, and deny opportunities for improved quality of life for many parents and their children.

In carrying out a comprehensive population assistance program authorized by the FAA, A.I.D. has responded to the growing number of LDC requests for assistance and has helped to make the various methods of family planning permitted by our legislation available on a broader scale to the rural and urban population for use on a strictly voluntary basis.

More recently, LDC governments and non-government organizations have requested assistance to extend the availability of voluntary sterilization services.* Such requests are partially in response to the preparatory work conducted by

*VS service programs include those activities which are primarily intended to provide voluntary male and female sterilizations to persons requesting this type of contraceptive procedure. For purposes of this discussion, however, VS training programs are included, since training generally requires that trainees conduct supervised procedures on patients who have voluntarily presented themselves at a service/training facility for sterilization.

various organizations which have received A.I.D. support, including the Association for Voluntary Sterilization (AVS), the Pathfinder Fund, the International Fertility Research Program (IFRP), and the Johns Hopkins University Program for International Education in Gynecology and Obstetrics (PIEGO) as part of its broad program of advance training in obstetrics and gynecology. These organizations have contributed to significant advances in the development of new surgical techniques which make sterilization safer, simpler and less expensive as an outpatient procedure. They have developed specialized equipment and given LDC medical personnel specialized training in the practice of obstetrics and gynecology, including endocrinology, identification of cancerous conditions, maternal care, and the management of infertility and fertility, including sterilization procedures.

In providing support for sterilization services, A.I.D. must reaffirm its long-standing and complete commitment to the basic principle of voluntary acceptance of family planning methods and determine basic conditions and safeguards within which A.I.D. support for sterilization activities can be provided. These conditions and safeguards are needed because of the special nature of sterilization as a highly personal, permanent surgical procedure and to ensure that the needs and rights of individuals are scrupulously protected.

The official positions of national governments are mixed. While voluntary sterilization has become a basic part of comprehensive family planning services in many countries, in some there is only unofficial approval for action by non-government agencies while in other countries there is opposition to the method. A.I.D. staff and A.I.D.-funded grantees and contractors must be fully aware of national sensitivities and must receive AID/W and mission approval before making any commitments on commencing support for sterilization activities in any context.

II. General Guidelines

A.I.D. acknowledges that each host country is free to determine its own policies and practices concerning the provision

of sterilization services. However, A.I.D. support for VS program activities can be provided only if they comply with these guidelines in every respect.

A. Informed Consent: A.I.D. assistance to VS service programs shall be contingent on satisfactory determination by the USAID (bilateral programs) and/or A.I.D.-funded grantees or contractors that surgical sterilization procedures, supported in whole or in part by A.I.D. funds, are performed only after the individual has voluntarily presented himself or herself at the treatment facility and given his or her informed consent to the sterilization procedure.

Informed consent means the voluntary, knowing assent from the individual after he or she has been advised of the surgical procedures to be followed, the attendant discomforts and possible risks, the benefits to be expected, the availability of alternative methods of family planning, the purpose of the operation and its irreversibility, and his or her option to withdraw consent anytime prior to the operation. An individual's consent is considered voluntary if it is based upon the exercise of free choice and is not obtained by any special inducement or any element of force, fraud, deceit, duress or other forms of coercion or misrepresentation.

Further, the recipient of A.I.D. funds used all or in part for performance of VS procedures must be required to document the patient's informed consent by (a) a written consent document in a language the patient understands and speaks, which explains the basic elements of informed consent, as set out above, and which is signed by the individual and by the attending physician or by the authorized assistant of the attending physician; or (b) when a patient is unable to read adequately a written certification by the attending physician or by the authorized assistant of the attending physician that the basic elements of informed consent above were orally presented to the patient, and that the patient thereafter consented to the performance of the operation. The receipt of the oral explanation shall be acknowledged by the patient's mark on the certification and by the signature or mark of a witness who shall be of the same sex and speak the same language as the patient.

Copies of these informed consent forms and certification documents for each VS procedure must be retained by the operating medical facility, or by the host government, for a period of three years after performance of the sterilization procedure.

USAID Missions should note their responsibility to monitor A.I.D.-assisted VS programs -- whether such programs are funded bilaterally or by A.I.D.-funded grantees or contractors -- to ensure continuing adherence to the principle of informed consent. In order to carry out this monitoring function effectively, all proposed programs -- either bilaterally funded or funded by A.I.D.-supported intermediaries -- shall be approved by the mission and AID/W prior to any commitment of funds or promise to commit funds for VS activities. In carrying out this responsibility, USAID staff should be thoroughly familiar with local circumstances and government administrative patterns and be able to communicate effectively with host country representatives.

B. Ready Access to Other Methods: Where VS services are made available, other means of family planning should also be readily available at a common location, thus enabling a choice on the part of the acceptor.

C. Incentive Payments: No A.I.D. funds can be used to pay potential acceptors of sterilization to induce their acceptance of VS. Further, the fee or patient cost structure applied to VS and other contraceptive services shall be established in such a way that no financial incentive is created for sterilization over another method.

D. Quality of VS Services: Medical personnel who operate on sterilization patients must be well-trained and qualified in accordance with local medical standards. Equipment provided will be the best available and suitable to the field situations in which it will be used.

E. Sterilization and Health Services: To the fullest possible extent, VS programs -- whether bilaterally funded or conducted by A.I.D.-funded private organizations -- shall be conducted as an integral part of the total health care services of the recipient country and shall be performed with respect to the overall health and well-being of prospective acceptors. In addition, opportunities for extending health care to participants in VS programs should be exploited to the fullest. Consideration must also be

given to the impact that expanded VS services might have on existing general health services of the recipient country with regard to the employment of physicians and related medical personnel and the use of buildings or facilities.

F. Country Policies: In the absence of a stated affirmative policy or explicit acceptance of A.I.D. support for VS activities, USAIDs should take appropriate precautions through consultation with host country officials in order to minimize the prospect of misunderstandings concerning potential VS activities. In monitoring the consistency of A.I.D.-supported VS programs with local policy and practice, USAIDs and A.I.D.-funded donor agencies shall also take particular note of program activities among cultural, ethnic, religious or political minorities to ensure that the principles of informed consent discussed under "A" above are being observed and that undue emphasis is not given to such minority groups.

SUPPLEMENT E - Sector Guidance - Education and Human Resources Development

Sup E1 to HB 2 (TM 2:1)

AIRGRAM

DEPARTMENT OF STATE

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TO - AIDTO CIRCULAR A 988

E.O. 11652 N/A
~~See AID Notice March 15, 1973~~

FROM - AID/WASHINGTON

SUBJECT - Education Sector Paper

~~REFERENCE~~ FOR MISSION DIRECTORS FROM ADMINISTRATOR

The attached Education Sector Paper has been developed over a period of the last eight months. During this time, regional bureaus and central offices have been involved in a comprehensive study and analysis of the agency's past education programs and in establishing guidelines for our future educational programming.

To make meaningful progress toward the objectives set out in the paper will require concerted effort by both Missions and AID/W, in working with recipient governments. I urge all those in the Agency involved with Education Programs (directly and indirectly) to review this paper and to give careful consideration to what we can do to make more progress in this area, which is of major priority to AID and virtually every developing country.

PPC is in the process of developing specific and more detailed guidance for the field and the regional bureaus with respect to implementation of the recommendations described in the paper.

TAB is developing an information program to help personnel in the field and in AID/W to learn more about new concepts in education, what their implications are for program development, and what resources are now available to give assistance to the field.

KISSINGER

Attachment: Education Sector Paper
(Cable Room -- List G for distribution)

PAGE 1 OF 1 PAGES

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THE A.I.D. EDUCATION PROGRAM STRATEGY

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D. C.
SEPTEMBER, 1973

PREFACE

The central role of education in national development is clearly recognized by developing countries and by development assistance agencies. The basic issue, therefore, is to decide through what kinds of education, for which people and at what costs the objectives of national development are best attained. A collateral issue, but one of central importance to the Agency for International Development, is to decide how our resources may most usefully contribute to the improvement of education for development.

This Sector Statement on Education is in no sense a definitive response to either of these issues; it is rather a thoughtful analysis of our past experience, and an indication of the main directions our support of educational development will take in the future.

These directions are based on our perceptions of the evolving problems of educational development, and of the relatively limited role which this Agency can play in it. They are put forward without dogmatism, but with the conviction that the approach indicated and the program emphases identified constitute an important and distinctive role for the Agency to play in education for development.

The Statement indicates significant past achievements in education by LDCs through use of their own resources, and with the help of development assistance agencies. It also identifies some of the major problems remaining to be solved, particularly those in which the Agency has, or can create, the resources necessary to make an important contribution. It recommends redoubled efforts to relate learning, both in and out of schools, to overall development goals.

The objective of helping to provide more useful education for more people at feasible costs is not a new one in AID. The real significance of the Statement is that it defines an approach and a set of priorities for AID through which this objective may be more effectively achieved.

John A. Hannah
Administrator

SECTOR STATEMENT

ON

EDUCATION

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AGENCY FOR INTERNATIONAL DEVELOPMENT

SECTOR STATEMENT ON EDUCATION

I. INTRODUCTION

One measure of the difficulty of judging what should or can be done about education in the future is that we cannot perceive very clearly what has happened in education in the recent past. Even in a much longer perspective, it is hard to link causes and effects, costs and benefits, inputs and outputs in a clearcut and definite way. Few human endeavors are as beset by variables, inconstants and unknowns as education. Its proper objectives and content have been in dispute throughout history, and remain so. From the hermetic learning of ancient Egypt to the "learning to be" of the Faure Commission, the purposes of education have been contested ground.

Even those who could approximately agree on the proper aims of education have often found themselves in strenuous argument with regard to how these objectives were to be achieved, and this also continues.

In the crucible of science, education, in many of its fundamental aspects, remains a mystery - how and why people learn (or fail to learn), the variables of learning endowment, the cultural imperatives which govern motivation, the strange biological curve which describes the progress of learning.

Education is an ill-defined and elusive thing, part mystical and part scientific, part knowledge and part value. In the broad sense of assimilated human experience, education remains essentially a secular theology, partaking of emotion and intellect, symbolism and reality, faith and knowledge, ritual and rational method.

Nevertheless, every successful society has grasped the essential fact that a reasonably effective and realistic learning system is essential for its survival and growth. Every modern nation, moreover, has acknowledged that its learning system must reach a large proportion of its citizens, with knowledge useful to them as individuals, and to enable them to participate in solving the internal and environmental problems of their societies.

The central role of education (or learning) in development is therefore not in dispute. The basic issue is that of what kinds of learning are to be provided for how many people, at costs a given

country is able to pay. A secondary, but nonetheless vital issue, is that of the most appropriate role of external assistance to developing countries in meeting their learning needs and objectives.

These issues are not new; they have been major concerns of both developing countries and development assistance agencies from the beginning. But the perceptions of both developing countries and development assistance agencies with respect to the proper responses to these issues have gradually changed. In fact, they have now changed so radically that both face the need for substantial revision of their strategies for development of learning systems.

Perhaps the most fundamental revisions are in our earlier assumptions about what education is, who could and should profit from it, how it should be conducted, how long it takes and what it costs. Put more succinctly, we must modify some of our past assumptions about the relationship between education and national development.

In the early stages of development, it was widely assumed that when education became a national priority, supported by high policy and large scale commitment of funds, it would rapidly permeate whole populations and, in a fairly brief time, transform "old" societies into "new" societies. It was believed that education would be the catalyst for a wider and more equitable distribution of opportunity and income, health and security, within the context of improved political systems and social orders. It was to be the touchstone for the social, economic and technological skills necessary to create and maintain modernized, self-generating economies within two or three decades.

It is now clear that none of these things has happened on the scale or within the time we assumed. Both developing countries and development assistance agencies under-estimated the problems of societal change, and over-estimated the role which education could play in it. Our earlier assumptions about the nature, costs, time required and role of education in development have not been borne out.

This does not indicate that education as an instrument of development has failed; it does indicate that education did not achieve all the goals which might reasonably have been expected of it, and that we have held unreasonable expectations about what it could produce. It suggests that serious efforts must be made to strike a better balance between the potentials of education and the goals we assign to it.

The optimism of the First Development Decade has tended to give way to a pervasive pessimism which may well be no more realistic than our past assumptions. In our concern about the many and

manifest problems of education in the developing countries, we tend to overlook the real and substantial achievements of the past two decades.

If we consider the educational base from which the developing countries began, their progress has been remarkable, both quantitatively and qualitatively. If, instead, we consider it from the standpoint of their current and future educational needs, it falls far short in quantity, quality and rate of progress. Greater realism can be achieved only by a candid examination of both.

Both the achievements and the problems of educational development are shared by the development assistance agencies. They have helped the developing countries, in some cases, to find the high road to progress; in others, they have joined them in exploring what proved to be blind alleys. The aims and priorities of development assistance agencies were related to but never fully congruent with those of the developing countries. The developing countries were required to give attention to all the areas of educational development; the assistance agencies were required, by their roles and resources, to be selective in the areas to which they would make major commitments. An analytical look at the nature and consequences of these similarities and differences can perhaps be helpful in charting collaborative efforts in the future.

The amount of AID investment in education has remained relatively stable for the past twelve years, but as a fraction of investment in LDC education it has declined substantially. Moreover, the distribution of this investment, by purpose, category and country has changed significantly. It appears essential that if the Agency is to make the most effective use of its educational investments in the future, further well-conceived changes are required.

The purpose of this Sector Statement is therefore threefold: (1) to examine some of the indices, evidence and trends of educational development during the past decade, (2) to examine some of the more important AID activities in education during that same period, and (3) to suggest some basic concepts, principles and actions which should guide the Agency in its educational activities of the 1970s.

II. EDUCATIONAL DEVELOPMENT IN THE 1960s

Serious, widespread concern about educational development began in the 1940s. The 1950s marked a period of strenuous effort to expand education at all levels, primarily building upon traditional and outmoded systems. By the beginning of the 1960s, however, it had become evident that there were sharp limitations to the expansion of traditional education, and, even more important, much of it was

irrelevant to the most urgent needs of national development. This led to a restatement of educational priorities as a component of the United Nations Development Decade.

Judging by their stated commitments, and, largely supported by their commitments of resources, the primary educational goals of the developing countries in the First Development Decade were:

1. To produce the high-level professional, technical and administrative manpower required for national development, and to create the institutions necessary for producing such manpower.

2. To bring about universal literacy - defined as basic competence in reading, writing and arithmetic; and a basic system for maintaining such literacy,

3. To increase educational opportunity at all levels to meet the growing social and economic demand for it, and

4. To provide for greater equity in access to education at all levels, for all economic and social groups.

That these goals were more in the nature of statements of national aspiration than realistic educational goals for a single decade is now clear. Moreover, the definitions of education and literacy were based on concepts of education which have proved, in many ways, unrelated to the most urgent learning needs of development. These definitions are changing but the new meanings of education are slow to be reflected in the re-orientation of national education systems. Moreover, any effort to appraise progress toward these several goals is confronted by an astonishing inadequacy of knowledge which can be brought to bear upon them. The facts we have about educational development provide only a crude and unreliable profile of what has actually happened.

For example, we have rough indications of the magnitude of public expenditures for education (estimates vary from $12 to $18 billion), but we know virtually nothing about private expenditures for education. Least of all do we know the educative effects of more modern agriculture and industry, urbanization, political independence and mass communications.

Scanty as our knowledge is about the inputs to education, it looms large by comparison with our knowledge of the outcomes. We know that higher education makes disproportionate demands on public expenditures for education; we are by no means sure of the relative value of this investment as compared with investment in other levels or modes of education, or in other development sectors.

In short, we have only limited indices of schooling in developing countries, and even less knowledge about learning in those countries.

A further but related problem is that no two countries start from the same point, move in the same direction or achieve the same rate of progress. As a consequence, overall data frequently conceal more relevant information than they disclose. To lump all the developing countries together, or all countries within a developing region, or even all areas in a large country, can be almost as misleading.

Although general indices have these defects, they nevertheless have value in identifying broad common problems and achievements of the developing countries. It is, therefore, worthwhile to review some of the standard (though by no means precise) statistical information related to educational development.

School Enrollments

In total quantitative terms, the increase in numbers of school age children enrolled in school is impressive. Between 1960 and 1970, school enrollments increased in all regions at about 6 per cent annually, almost doubling the number in schools.

There is substantial evidence to show that education from grade 1 through 5 is the most cost effective of all education, provided that the five grades are successfully completed. This unfortunately is not the case in many of the developing countries; in half the countries of the world, about 50 per cent of the children enrolled fail to complete the third year in school. Other studies show that the incidence of dropouts and repeaters necessitates from 12 to 17 school years to produce one sixth grade graduate.

The most dramatic increases in enrollments occurred at secondary and higher levels of education during the decade.

University level enrollments more than doubled in all three regions.

The education of women showed a historic change. During the decade, the enrollment of females kept pace with total enrollments, and at the level of higher education increased at an even faster rate than total enrollments.

These achievements are substantial by any standard. However, two factors tend to obscure their real significance. First, the very narrow base of education at the beginning of the decade suggests growth rates out of proportion to the absolute numbers involved; and second, the school age population increased more rapidly than

the population at large. As a result, while enrollments at all levels increased by around 100 per cent, the percentage of school age youth enrolled in school increased by only 6 per cent in Africa, 9 per cent in Asia and 10 per cent in Latin America. The percentage of school age youth in school for the three developing regions was about 40 per cent; if we assume the same rates of population growth and school enrollments during the 1970s, and the same modes of education, by 1980 there will still be no more than 50 per cent of school-age youth in school. At the present time, more than half the populations of developing countries have never been to school, less than 30 per cent of their young people go to secondary school, and less than 5 per cent go on to higher education.

The inescapable conclusion is that unless developing countries resort to significantly different and more efficient educational systems, they will fall farther behind in meeting their own national needs for education.

Quality and Relevance of Education

As disconcerting as the above figures may be, the current concern of development assistance agencies - and developing countries - turns more upon the "relevance" and "quality" of the education provided than upon the numbers exposed to it.

In expressing concern about the subject matter and quality of education in the LDCs, it is quite possible that the problem is being both ill-defined and over-stated. There is no doubt that many developing country school systems remain trapped in 19th century educational curricula and methodologies. But it is highly questionable that the overall quality of education has declined, or that the subject matter is wholly irrelevant.

As a generalization, it seems certain that the quality of LDC education has improved during the past decade, and in some countries it has improved substantially. (This observation relates to national education systems, not to the few schools available only to the well-to-do families). Rote learning persists, but it is widely undergoing reform. Teacher education has been re-oriented, new materials and methodologies are gradually being introduced. The quality of education at the university level, around the world, not only has been greatly expanded, it has improved substantially in breadth, quality and relevance.

Recently there has arisen a growing awareness of the divergence between what LDC schools teach and the knowledge required by LDC people to improve their "quality of life." This is, without doubt, a serious problem, but it also can be over-stated.

For example, there is a tendency to blame the kind and quality of education for a whole host of problems, such as unemployment, urban migration and ill-health.

Although education can bear on all these problems, their real origin lies in structural imbalances and anomalies - political, economic, and cultural. When these are attacked effectively through direct action, education can be a powerful instrument for facilitating change. When they are not, education is relatively ineffective in producing change, or does so only over unacceptable periods of time.

There is, of course, no question about the need and the possibilities of relating education more realistically to economic and social requirements. But it is equally important to understand what education cannot do. One of the great disabilities under which education labors is the tendency to assume that it can or should solve problems which arise from factors entirely outside its purview.

It would probably surprise many critics of developing country education to know how much is, in fact, taught about health, hygiene and the social skills required for adjusting to a changing society. The fact that such instruction does not overwhelm the family pattern of behavior, or the cultural verities in which the children live, simply corroborates what American educational research has discovered here at home.

These observations are in no way a defense of school systems which teach less useful things to too few people at costs a poor country can ill-afford. It is a reminder that while schooling in the developing countries is far less effective, for the individual and for society, than we would like it to be, it is probably far more useful than we tend to concede. This seems to be borne out by research, which shows a high correlation between number of years of LDC schooling and propensity for adapting to new ideas and practices in agriculture, industry, and, indeed, almost every aspect of "modernization."

Costs and Benefits

Public expenditure for education in the developing countries increased at an annual rate of about 11.8 per cent throughout the decade of the 1960s. It was highest in Asia, at 14.1 per cent, with Latin America at 11.3 per cent and Africa 10 per cent. As a percentage of public budgets, education expenditures in the developing countries compare favorably with those of the United States, Europe and the Soviet Union. For all countries of the world, the figure is about 16 per cent. For Africa it is about 16.4 per cent, Latin America 15.4 per cent and Asia 13.2 per cent.

But with 75 per cent of the young people in the world, the developing countries were able to spend only 10 per cent of the amount committed

by the developed countries for education. Although public expenditures for education increased by upward of 100 per cent, rapidly rising population and costs per pupil held the increase in the percentage of school age youth enrolled in school to about 8 per cent.

There are few reliable cost/benefit indicators for education in the developed countries; and those we have are even less applicable in the developing countries. One consequence is that there is a continuing controversy with regard to whether the developing countries invest too much, too little or incorrectly in education. It is generally agreed that LDC education is internally inefficient and externally far less effective than it should be. While this judgment is no doubt partially correct, it must be tempered by two considerations: resources require that the per pupil expenditure of funds be kept very low, and judgments based upon economic hypotheses can be very misleading when applied to LDC education.

For example, some economists insist that vocational training in formal educational institutions makes little sense on either educational or economic grounds, and there is considerable empirical evidence that this is true in many countries. What is frequently overlooked is that the problem arose in large part because many of the early assumptions about growth and diversification in the economy - particularly in the modern sector - were unrealistic.

The main problem with vocational education, as we see it now, appears to be that it was conceived, conducted and financed far too much in the mode of the developed countries, rather than as an adjunct to specific development goals and activities.

Another case in point is rural education. Here again, there are few indicators which bear directly on the great disparity of educational opportunity between urban and rural populations. Thus far, a very large proportion of educational expenditures has been in urban areas, despite the fact that most of the people in the LDCs live in rural areas. In total numbers, rural populations continue to grow more rapidly than urban ones, and this trend appears likely to continue for the rest of this century.

Moreover, rural educative influences and experiences are far less available and diversified than they are in towns and cities. Thus, the present pattern of educational opportunity tends strongly to deprive the largest segment of the population of both formal schooling and learning from a diversity of environmental experience.

The costs of extending equal educational opportunity to large widely dispersed populations are high, particularly through use of traditional methods. And it is not at all clear what the benefits of such an investment would be. In some instances it has produced greatly enhanced acceptance of more modern agricultural practices; in others

increased migration to urban centers of the brightest young people in the countryside.

But the most interesting, and, in some ways, the most controversial of all are developing country investments in higher education. This is so for two reasons: (1) it represents one of the largest investments and most dramatic growths of any aspect of education, and (2) it bears most immediately and most directly upon all aspects of development.

In 1960, there were approximately 150 universities in Asia, 28 in Africa and 141 in Latin America for a total of 319. In the single decade of the 1960s, this number increased by 263 institutions, 84 in Asia, 52 in Africa and 127 in Latin America. The legitimacy of their claim to university status varied widely, but all these institutions asserted the claim and many deserved it.

At the same time, substantial numbers of new research institutes were being established - 25 in Asia, 45 in Africa and 37 in Latin America.

In short, during this ten-year period, the number of university-level institutions in the developing regions almost doubled - from 431 to 801.

At the same time this enormous growth in the number of new universities and research institutes was taking place, almost all the older institutions were engaged in major modernization and renewal. Both new and old received large-scale support from their national governments and, many of them, very substantial assistance from external donor agencies.

There are allegations, in some cases probably justified, that the universities are simply building new elites, not markedly different in motivation or behavior from the old ones. Some of them have a growing number of unemployed graduates, trained in disciplines with little relevance to development, or refusing to move to the towns, villages and countryside where their skills are needed. The methods of financing them produce serious inequities between those who benefit from higher education and those who pay for it.

On the other hand, the absolute requirements for strategic manpower and institutions have been very substantially ameliorated. The great majority of the developing countries now have universities and professional institutions capable of producing most of their requirements for highly trained manpower. A large and growing segment of leadership in every aspect of development is now being provided by graduates of developing country universities.

During the past few years, universities and research institutes have assumed increasing responsibility, as institutions, for greater contributions to national development. In the field of agriculture,

it seems clear that many developing countries would now be facing famine if these institutions did not exist.

This development of higher education may be viewed from many standpoints - as an unwise and unwarranted investment of scarce resources, or as far-sighted, necessary action to accelerate development and achieve intellectual parity in the world community. Or, of course, something in between, depending upon the circumstances of each individual country. The fact appears to be that no one can say with any certainty what the consequences have been or will be, ten or twenty years in the future, of this massive investment in higher education, or what the benefits and costs would have been of alternative forms of investment.

It seems clear, however, that inasmuch as many LDC institutions of higher education now exist, with trained staff and reasonably modern facilities, that further investments in higher education should be designed to capitalize upon what exists - to strengthen weak spots, to make programs and curricula more relevant to national development needs - in short, to get the most and the best from what is in place.

Teachers

Despite the doubling of students in school during the decade, the ratio of teachers to student kept pace reasonably well. Using the developed countries as a measure - 1 teacher to 25 students - Latin America has 1 for 32, Asia 1 for 36 and Africa 1 for 40.

Existing research tends to indicate that this ratio of teachers to students is by no means an insupportable one. Indeed, in a few countries, notably Korea, the expansion of education is predicated upon a deliberate increase in the number of students per teacher. With improved teaching methods and better materials, it is quite possible that an increase in this ratio is one of the few promising possibilities for expansion of education at an acceptable level of quality.

Materials

One of the remaining pervasive problems of LDC education is that of teaching materials and methodologies geared to their uses.

It has become increasingly clear that one of the keys to both quantitative expansion and qualitative improvement of education is shifting more of the initiative in learning to the learner. Yet there is no way of doing this without the materials by which self-instruction can take place.

As in the case of teachers, every developing country has made efforts to improve the quality and availability of learning materials, so far without any marked success.

One basic problem is that the education budgets of developing countries are almost totally absorbed by the salaries and other fixed operating costs of their school systems. Any growth in budgets is instantly devoured by inexorably rising costs of education.

Another problem is that few countries have people qualified to create high quality instructional materials, or publishing and distribution systems to make them widely and inexpensively available.

Many development assistance agencies, including AID, have attempted to help developing countries solve, or at least substantially ameliorate, the educational materials problem. Although there have been a few relative successes, and recently some promising new approaches have been tried, the problem remains one of fundamental importance to educational development.

Methodologies - Technologies

The issue of methodologies and technologies of education does not, of course, stand apart from teachers or learning materials. In fact, throughout the decade, nearly all LDCs considered that methodological and technological changes could be effected only through improvements in teacher education and use of teaching materials. While development assistance agencies frequently had higher expectations from such improvements than were apparently warranted, there nevertheless were significant gains in the quality of instruction through these improvements.

Toward the end of the decade, however, it became increasingly clear that two things were happening: (1) the marginal improvements in methodology and technology of education were not making education effective enough, or attractive enough, to hold and provide acceptable education for the children in school, and (2) the slow rate at which the proportion of school age youth in school was growing meant that in many countries there was no prospect in the foreseeable future of education for more than fifty to sixty per cent of the young people needing it.

It was at this point that two major concepts began to be taken seriously - radical educational reform in the schools, based upon extensive and systematic use of new communications and instructional technologies, and application of these same technologies, in different ways, to reach large out-of-school populations both young and adult, with useful learning opportunities.

These concepts have steadily gained ground conceptually, but only a few countries have found ways to implement them on a significant scale. And there are important problems associated with both.

There is however, accumulating experience which tends to show that the new instructional media and technologies do have great potential for both in-school and out-of-school populations. And unless this potential is fully developed and utilized, the prospects for more and better education for the people of the developing countries are dim indeed.

Other Factors Bearing on Educational Development

In many ways, the most significant development in education during the past decade has been the learning experience of educational and political leaders. All the problems which have been discussed here are now well known to them. The objectives, methods and subject matter of education are more open to question than they have ever been before, by developing country leaders themselves.

They no longer have to depend on imported wisdom or foreign experience. They have all been through at least a decade of struggle with the costs, deficiencies and consequences of their school systems. Nearly all of them now recognize that more useful education, for more people, at costs they can even hope to pay require not only the reform of school systems, but a more systematic and sustained effort to create national learning systems, in which nearly everybody has access to some form of useful learning. Moreover, in almost every country there is a substantial number of highly qualified professionals who are fully aware of the problems, constraints and alternatives which confront them. Comparative knowledge and experience are being more widely shared; reform and innovation have become accepted as educational imperatives.

There are a few countries in every developing region which have gained valuable experience with the new educational technologies; many countries are now seriously investigating the potential of out-of-school education for development; and nearly all of them are more realistically facing the issue of educational finance, cost and efficiency.

The physical as well as the human infrastructure for educational development has improved enormously.

This does not mean that solutions to educational problems will be easy or assured. Experience has shown that there is no quick, inexpensive way of providing useful education for whole populations; that development of "human resources" is the most expensive, complex and lengthy process in any society.

Educational leaders in the developing countries have learned these things the hard way. They, and we, know that educational development in the decade of the 1960s did not fully succeed, but neither did it fail. It succeeded in that the developing countries built better traditional educational systems for far larger numbers of their people than ever had access to education before.

The problem of this decade is twofold. One part is to build non-traditional learning systems that can reach very large proportions of their people, with useful knowledge, at acceptable costs. This will require new educational concepts, the design of new systems, testing of those systems before they are fully designed and application before they are fully tested. The other parallel need is to make significant incremental improvements in the traditional systems, which will continue to bear much of the educational load. A third implicit need is to develop appropriate divisions of labor and mutually supportive linkages between the "traditional" or formal learning systems and greatly strengthened non-formal systems.

III. AID INVESTMENTS IN EDUCATION: PRIORITIES AND EDUCATIONAL DEVELOPMENT 1960-1970

(Note: The Appendix to this Statement contains a number of tables which show in some detail the magnitude, nature and distribution of AID's past and projected expenditures in education for FY 1960-75.)

The General Profile

In the period 1960-70, the Agency for International Development invested about $1.8 billion in education in 70 developing countries. Of this amount $1.38 billion was directly in the education "sector" (Code 600) and $423 million was in clearly identifiable education components of other development sectors, principally agriculture, health and sanitation, labor and public administration.

Although AID investment in education was substantial, as a percentage of total economic assistance it was very small. During the FY 1960-70 period, AID's obligations for all economic assistance totalled $27.3 billion; obligations for the education sector were $1.3 billion, or 5 per cent of the total. If we include the education components of development sectors other than education, the percentage rises to only 6.6 per cent.

Examined by the three main obligation categories, obligations for the education sector were 6.2 per cent of the grants, 2.5 per cent of the loans and 8.1 per cent of the local currency.

Because of the many different ways in which technical assistance funds have been made available, and the inadequacy of the records accounting for them, it is not possible to specify the percentage of technical assistance project funds obligated for education. An inspection of such records as are available and relevant suggests that education accounted for roughly 20 per cent of such funds.

From FY 1962 through FY 1970, AID obligations for the education sector remained relatively stable--averaging around $142 million a year.

Of the total obligations for the education sector for the decade, the obligation by Region was in Asia $503.5 million, followed by Latin America at $407.6 million, Africa at $266.1, and Supporting Assistance countries at 87.7 million. AID/W obligations accounted for $137.8 million.

It does not appear possible to make a clear-cut judgment with regard to the appropriateness of the total funds allocated to education, or of the distribution of such funds by region. It does appear (1) that the Agency

has allocated less funds, as a percentage of its total development assistance, than has been commonly assumed, (2) that substantial funds have been committed to authentic educational activities not classified or accounted for as education, and (3) more detailed analyses are required for a more factual estimate of AID's past, present and future investments in education.

Neither is there any objective way of evaluating the results of AID's investments in education. As we have seen, even the monetary obligations are, in many cases, impossible to quantify accurately. When we enter the area of qualitative results, we must depend almost entirely on reason and informed judgment.

This is true in large part because, as has been noted earlier, in education the relationships between causes and effects, inputs and outputs are hard to establish. Although some significant evaluation efforts have been made over the years, they do not add up to definitive conclusions regarding AID's assistance to education.

There are some generalizations, however, which seem to be supported by facts, reason and judgment: (1) AID's investments in the 1960's were a major and, on the whole, positive force for educational development, (2) despite some legitimate differences of view, their main emphases were fundamentally sound, and (3) the magnitude of AID's obligations and methods of implementing them, largely through non-governmental institutions, paid great dividends to both developing countries and to American education.

These generalizations are in no way intended to obscure the fact that there were individual project failures; some of these resulted from ill-conceived projects, poor management or bad luck. In other instances, developing countries simply did not have the stability, administrative talent or perseverance to follow-through on well-conceived programs.

Nevertheless, looked at in the large, the numerous, diverse and long-term educational development enterprises supported by AID have been substantially successful. In some cases, AID assistance has been crucial to the achievement of major educational objectives.

High Level Manpower

About half of our total obligations for education were for the development of institutions of professional and higher education. This was clearly responsive to a major educational need of the LDC's in the 1960's: to produce the professional, technical and administrative manpower required for national development, and to create the institutions necessary for producing such manpower.

Through the expenditure of these funds, some of the best professional and educational talent of American universities was brought to bear directly upon the rapid development of some 100 LDC universities, professional schools and higher research institutes.

Nearly all these efforts were designed to achieve qualitative improvement in teaching, research and professional services in sectors critical to development. In terms of funds and technical assistance, agriculture ranked first, as fundamental to the lives and livelihoods of most of the people in all the developing countries. Few, if any, would challenge the proposition that the Agency's investments in agricultural development, through education, research, and institutional services was its single most important contribution to development in the 1960's.

Expansion and improvement of higher education to produce the professional and technical leadership for whole systems of education was a comparable priority. While measurement of progress in education is more difficult than in agriculture, it seems clear that the assistance provided by AID significantly improved the capabilities of the developing countries to educate their own leaders for political, economic, technological and social development.

In addition to participating in development of higher education in the developing countries, some 170 U.S. universities provided, under AID contracts, undergraduate and graduate education for around 70,000 developing country nationals.

At the middle manpower level, AID invested $94 million in technical education, including teacher education, in 59 developing countries. Although the evidence is not clear regarding the effect of these investments on the quantity and quality of technical manpower, they undoubtedly were highly beneficial in many countries.

In short, AID investment in higher and technical education was an important factor in enabling substantial numbers of developing countries to achieve a large measure of self-reliance in producing their own high and middle level manpower.

Elementary and Secondary Education

In these areas also, AID's efforts were directed primarily at qualitative improvements, in system management, curriculum reform, learning materials and educational methodologies. A substantial part of these efforts were through teacher training and education programs.

The degree to which elementary and secondary education were perceived as an AID priority varied considerably within and between Regional Bureaus. For example, the Latin America Bureau obligated $14 million for elementary

education but slightly less than half that amount for secondary education. On the other hand, the Africa Bureau obligated twice as much ($30 million) for secondary education. The Asia Bureau obligated small amounts for both, except in two countries where large amounts of U.S. owned local currencies were used in elementary education. These figures probably do not reflect accurately all the investments AID made in elementary and secondary education. Many educational activities were conducted and coded under other sectors; teacher education was considered a sub-category under "technical education," and a number of important teacher education projects were of a composite type and classified as "Other - Miscellaneous."

The result of all this was that students in many LDC's had access to higher quality education than otherwise would have been available. Thus AID contributed significantly to achievement of another LDC educational goal--improvement in educational opportunity at all levels to meet the growing social and economic need for education.

Literacy and Equity in Education

These two major educational objectives of the LDC's at the start of the Second Development Decade have proved, perhaps, the most elusive of all.

Most countries, with the aid of UNESCO and other agencies, have mounted literacy programs of substantial size, but the present judgment is that few of these have achieved the real objectives of the struggle against illiteracy. Despite the fact that in 1970 the number of literates had increased and the illiteracy rate had declined, there were 50 million more illiterates than a decade earlier.

Neither has there been attained anything approaching equal access to education in most developing countries. The very poor, the rural populations and the socially or ethnically isolated continue to have least access and the lowest quality of education.

In retrospect, it appears that perhaps the Agency espoused too completely the "from the top down" concept of educational development. In any event, only minor obligations were made for basic (literacy) education, for rural populations, women and girls or migrants to urban areas. Few efforts were directed at achieving more equitable sharing of education costs and benefits, or in reaching out-of-school populations with useful learning opportunities.

These problems were reocgnized, but they are open to direct action by development assistance agencies only when there is greater recognition of the problems and priorities for action by the developing countries themselves. AID therefore sought to assist the LDC's in formulating concepts, building institutions and evolving delivery systems which enable them to attack these problems more effectively.

Instructional Technology

For the first half of the decade, the attention of all developing countries and development assistance agencies was focused upon the building of traditional systems of education, albeit adapted to local needs. Considerable attention was given to improved teaching materials and methodologies. But the fact that these would prove shortly to be inadequate in terms of quality and wholly unable to cope with the need for providing access to learning for large proportions of LDC populations was not widely perceived until late in the 1960's.

A few countries experimented with specialized applications of modern communications media, and AID provided assistance to a number of them. In 1965 AID began support of a substantial program to introduce instructional TV in El Salvador, and in 1968 funded a major evaluation of the program. In 1967, the Agency provided support for a sizeable radio-correspondence program in teacher education in Kenya. In 1966 major support was provided to the Government of South Vietnam in the development of instructional materials and technology. In all, by 1970, the Agency had funded 14 projects in communications technology for development, totaling $4.5 million.

The small and tentative nature of efforts to develop educational technology in the 1960's is understandable, for several reasons. Experiments with and applications of communications media for education had proved both expensive and inconclusive in the United States. The skills and knowledge for introducing educational technology effectively in the LDC's were minimal.

However, during the decade, three important new elements entered the picture (1) evidence mounted that traditional, even marginally improved and expanded, schooling could not even ameliorate substantially the problems of education in the LDC's, (2) new communications and instructional systems entered a period of extraordinary growth and development, and (3) developing countries were acquiring modern communications systems, and the ability to manage them, for purposes other than educational development.

The consequence was that by the end of the decade, encouraged by enactment of Section 220 of the Foreign Assistance Act, the Agency began a serious, significant and long-term effort to assist in the development and application of communications technology to achieve education objectives.

Costs and Benefits of Education

As in the case of technology, worldwide concern about the costs and benefits of education did not arise until relatively late in the 1960's.

Earlier in the decade, public budgets for education were expanding at the rate of 12 per cent per year; international assistance agencies were providing substantial sums for education development; per capita costs of education were still relatively low; enrollments in secondary and higher education, where costs were higher, were still a minute proportion of total enrollment.

The benefits of education--almost any kind of education--were assumed to be great. Education was generally regarded as the touchstone of "modernization" and development, and was therefore believed to be worth whatever it cost. Faith was particularly placed in the benefits of technical and higher education, the two most expensive forms.

Development assistance agencies, including AID, tended to share these views. The long land grant college tradition of the United States provided AID with a strong bias in favor of agricultural, engineering and technical education; but the doctrine of universal literacy as a prerequisite to social and economic development also was largely accepted.

One consequence of this was that the Agency invested essentially all its education funds--probably in excess of 90 per cent--in formal schooling/education, and well over half of it in higher and technical education. Since it was obvious that no external agency could begin to assume in every country the costs of large-scale expansion of education, the qualitative improvement of formal education/schooling was accepted as the proper role for AID. (It should be noted, however, that AID did contribute significantly to non-formal learning through technical assistance in other sectors.) While this focus on quality was undoubtedly correct, one result was that the benefits of better education were accompanied by rapidly increasing unit and total costs.

In the second half of the decade expanding budgets for education began to collide with budgets for other essential development sectors. Annual rates of increase in educational expenditures leveled off, then began to taper off.

Concurrently, the phenomenon of the "educated unemployed" began to appear in more and more countries. The inordinate costs of technical and higher education became more obvious when graduates could not find acceptable jobs.

For these and other reasons, the second half of the decade produced the growing "crisis in education." However, even after the financial problems of educational development were recognized, our knowledge base was totally inadequate to provide useful guidance to the developing countries in this area. Both LDC's and development assistance agencies had growing apprehensions about the benefits of schooling/education, while every system

remained caught in the iron grip of rising costs. It was not until the last year of the decade that AID and other assistance agencies formally addressed themselves to the central issue of costs, benefits and efficiency of education.

Distribution by Country

In all Regions, investments in education were largely concentrated in a few countries. In general, these appear to have been selected because they were large, relatively advanced educationally and, therefore, capable of pace-setting in their region. In some instances, these considerations apparently do not apply, and there were presumably other reasons for large educational investments in them.

At the other end of the scale, there were many countries which received so little assistance that they could not have benefited materially unless the projects were of a particularly creative research and development type. This does not appear to be the case. Moreover, these tended to be the very least advanced countries whose main benefit from AID projects was participation in the relatively large amounts of funds programmed on a regional basis.

AFRICA BUREAU

Of the 32 African countries receiving aid in education, 6 (Nigeria, Ethiopia, Liberia, Sudan, Guinea and Libya) received 50 per cent of the funds programmed by country. Eighteen of the countries received only 5 per cent of the total and the remaining 8 received 19 per cent.

However, 26 per cent of the total funds obligated for education in Africa were for regional activities. Even these regional funds tended to benefit most the countries receiving large direct grants and loans. Most of the eighteen receiving least assistance did participate substantially in regional educational development projects and in training abroad.

ASIA BUREAU

During the decade, 15 countries of Asia received educational grants and loans. Six of these countries (India, Afghanistan, Philippines, Indonesia, Korea and Turkey) received 56 per cent of the funds programmed by country. Ten per cent of the total funds were programmed for regional projects and the remaining 10 countries received 34 per cent of the total.

LATIN AMERICA

During the decade, the Agency obligated funds for educational development in 25 countries of Latin America. Large loans, made late in the decade, radically increased AID assistance to three countries--Brazil, Chile and

Colombia. These three countries received 50 per cent of the educational funds AID invested in Latin America. Another nine countries received 25 per cent of the total and 5 per cent was obligated for regional projects. The remaining 13 countries received 20 per cent of the total.

Supporting Assistance Countries

The shifting of countries among Bureaus makes securing precise overall data very difficult. However, the countries now included in the Supporting Assistance Bureau--Jordan, Laos, Khmer Republic, Thailand and South Vietnam, received AID assistance for education. All received substantial amounts, with 52 per cent in South Vietnam, 23 per cent in Thailand, 13 per cent in Laos and the remaining 12 per cent shared by Jordan and the Khmer Republic.

Loans

Late in the decade, the Latin America Bureau began making substantial loans in education. This very significantly increased the funds obligated for education in Latin America. But the bulk of these funds was authorized in FY 1969-70 and disbursements are very largely scheduled for FY 1971-75.

Of the $300 million in 51 loans authorized, 83 per cent was in Latin America, 10 per cent in Africa and 7 per cent in Asia.

Participant Training

The participant training program was (and is) one of the largest and most sustained educational programs supported by AID. It began in 1942 when Latin Americans were brought to the United States for training. In 1948 it was expanded under the Marshall Plan, as part of the rehabilitation of Europe following World War II.

In the decade of the 1960's, an average of about 15,000 participants per year, from the developing countries, received training under this program, in the United States and third countries. The costs of this program averaged in excess of $40 million per year. A very significant aspect of this program is that cooperating countries share in the total costs of participant training. Most countries pay the costs of international travel of their participants, bear most of the costs of preparing participants for departure, and many countries maintain the participant's family through continuing salary payments during the training period.

Virtually all the obligations for participant training were investments in LDC education. However, these were spread over all sectors and were for a great variety of education, ranging from short term specialized or on-the-job training to academic graduate and even post-doctoral programs.

Technical Assistance as an Educative Factor

By its very nature, all technical assistance is in some degree an educational activity. The sharing of knowledge and experience in dealing with specific problems is undoubtedly one of the most effective of all modes of learning.

During the decade, AID invested $11.6 billion in development grants, about 25-30 per cent of which was in the form of technical assistance. Of the total development grants only 6.2 per cent was classified as "education." It therefore seems reasonable to assume that technical assistance activities, other than those classified as education, made a very important contribution to the learning of developing countries, in fields central to national development.

It would be impossible to quantify this contribution or to specify its educative effects. Nevertheless, any sensible appraisal of the Agency's investments in education must take serious account of its overall technical assistance program.

IV. AID INVESTMENTS IN EDUCATION - FY 1971-75

There are significant similarities and differences in the pattern of AID investments in education for the periods FY 1960-70 and FY 1971-75. To some extent these arise from the fact that half of the latter period constitutes projections in which firm program commitments have not been made. However, certain trends can be detected which merit examination.

The General Profile

The total A.I.D. program in support of education during FY 1971-75 is expected to be at about the same level on an annual basis as the 1960-1970 period - $166 million per year for 1971/75 versus $164 million for 1960/70 (see tables II and X). The largest part of this will be loans ($307 million), and of the loans, sector loans will make up the bulk. Technical assistance outlays directly in the education sector are projected to be $174 million during the period but an additional $195 million is projected for education technical assistance through other sectors.

Active technical assistance projects, funded by Regional Bureaus, total $157 million for the five-year period. Projected technical assistance projects bring this total to $174 million, or an average obligation rate of about $35 million per year. This is roughly half the amount obligated for such projects annually during the FY 1960-70 period.

Since three of the five years in this period were projections, it seems likely that obligations for this period are under-stated. Moreover, with the present thrust of the Agency toward new and more innovative modes of educational activity, obligations during this period are less predictable than would normally be the case.

Some increase in centrally funded research and development projects is contemplated, but these amount to only 2-3 per cent of the total.

The one very significant new fact revealed by this analysis is that the Bureau of Population and Humanitarian Assistance has become a very major factor in AID supported educational activities. The obligations of PHA in education require further analysis, but the basic figures have been reviewed and validated by that Bureau.

It is rather startling to note that during the five years beginning FY 1971, PHA obligations and projects for education total almost as much as the technical assistance obligations of the four Regional Bureaus combined. (PHA $162 million as compared with $174 million of all Regional Bureaus.)

Another remarkable feature of the FY 1971-75 trend is that the percentage of AID's investments in education through other sectors shows a sharp rise. During the period FY 1960-70, such obligations were 23 per cent of the total obligations for education while in the 1971/75 period they amounted to 44 per cent.

This trend has profound implications for Agency strategy in education; it seems to indicate that the Agency's investments in education have become increasingly development problem oriented rather than education oriented.

When we examine AID's overall investments in education for FY 1971-75, they compare favorably with those of the 1960s, but reflect a trend toward funding education as a component of other development sectors.

Similarities and Differences

Among the several major similarities between the program in education during FY 1960-70 and FY 1971-75, is first, the continuing emphasis on professional and higher education, and relatively stable obligations for technical education. Second is the continuing trend in Latin America, and lack of it in other Regions, towards large scale funding of education through project and sector loans.

A third is the tendency to extend old projects and a concomitant small number of new starts. Of the 104 active technical assistance projects in education in FY 1972, 69 were over five years old and 32 were 10 years old or older. Only 24 new technical assistance projects were initiated by Regional Bureaus in FY 1971-73. Ten of these were in Africa, 9 in Asia, 4 in Latin America and 1 in Supporting Assistance.

The age of a project, of course, is not a good single criterion of its merit. Significant institution building projects usually should have a commitment of five years, and in some cases even more. However, there are other types of projects in which five years should see the project phased out as completed or not worth continuing. Even institution building projects should be required to present very special justification after ten years.

Without attempting to assess the merit of any individual project, it would appear that the large number of old projects and the small number of new ones indicated that the changes in Agency philosophy and policy with regard to its objectives in development are not yet adequately reflected in its pattern of obligations for education.

There were also marked differences. One of the most important has been noted - the large scale obligations for education through other development sectors, particularly in population.

It should also be noted that total expenditures for education in the 1960s included large amounts of U.S. owned local currency. During the FY 1971-75 period, such expenditures will be minor.

Another important dissimilarity is the emphasis during the current period on educational innovation, research and development, and concentration by TAB (and to some extent by Regional Bureaus) on the key problem areas of educational technology, non-formal education and educational finance, costs and efficiency. However, these new program concepts are still evolving and are not yet significantly represented in the Agency's total obligations for education.

In fact these new concepts account in some measure for the paucity of new project starts in education since FY 1971. Traditional educational projects have been increasingly looked upon with skepticism, and neither the Agency nor the developing countries have made the transition from new concepts to new programs.

V. TOWARD AN AID STRATEGY IN EDUCATION

The concepts, principles and actions proposed in this Section do not constitute a strategy for LDC educational development. Such a strategy must be primarily designed by those who have the authority to make strategic decisions and the resources with which to implement them. This means that educational strategy properly rests with the leaders of the developing countries.

The role of the Agency for International Development is, therefore, not to design educational strategy, but to influence and facilitate it, in areas in which our knowledge, experience and financial resources can be a constructive force in helping to achieve strategic goals.

To play this role effectively, however, requires that we join with the developing countries in a continuing search for more realistic goals in education, for more effective methodologies to achieve those goals, and for better instruments for measuring results. The concepts and principles by which we are guided, and the actions we take can become an evolving AID strategy in education.

Even in this limited definition of strategy, regional and country variations are necessary. Although there are worldwide commonalities in educational development, there are also important differences.

The educational strategy of each country, to be successful, must be based on a realistic assessment of its particular objectives, resources and constraints. To the extent a country strategy appears wisely conceived, the AID response should become a helpful element in implementing that strategy. When it appears ill-conceived, the AID role should be to assist in evolving modifications or alternative strategies.

This in no sense means that we are qualified to sit in judgment on strategic decisions of developing countries. It does mean that we must judge where and how our limited resources can be most usefully employed in achieving progress in education.

Sector Analysis

Although the methodology of sector analysis is still relatively undeveloped, its basic concepts are absolutely critical to any well-conveived strategy in education. A careful, systematic analysis of each education/learning system (formal and non-formal) is necessary to gain a balanced view of its goals, resources, constraints and internal relationships.

It is equally important that sector analysis in education lead to a balanced view of its external relationships.

Most professional educators (and this is largely true in all sectors) focus their attention upon educational development as a relatively self-contained system. The fact that education is only a part, although an important one, of the larger system of national development is often insufficiently recognized in educational planning and practice.

More than perhaps any other development sector, the internal functioning of education affects its external relationships with all other sectors. Indeed, it is at these points of intersection that education succeeds or fails.

The concept of sector analysis in education therefore must include not only the whole system of education but its multiple intersections with other sectors, such as agriculture, industry, health and public service.

This type of analysis is, of course, not easy, but neither is it impossible. It need not necessarily be highly technical or require complete data. It must be a systematic and rigorous examination of all the component parts of an education/learning system; their relationships to each other; their critical intersections with other sectors, and the ways and degrees to which they contribute to achievement of the goals of national development.

There has been some tendency by developing countries, and in AID, to regard sector analysis as a passing fad, or a new obstacle to be overcome in providing or receiving educational assistance. This is not the case. Actually it is a belated recognition that the only possible solution to the problem of providing better education for more people at bearable costs is more effective analysis of the goals, inputs, delivery systems and outputs of education/learning systems, leading to wiser decisions regarding availability of resources, their utilization and comparative benefits. To view sector analysis as an exercise to justify external assistance is to miss the main point - that the largest gain, by far, is in more effective utilization of a country's own resources. Consequently, stress should be on assisting LDCs to build sector analysis capabilities, so they can get better answers for themselves regarding effects of alternative actions.

Without these kinds of analyses, sound strategies of educational development cannot be constructed by developing countries; without them AID has no dependable basis for appraising the validity of country strategies or of determining where and how its own resources can most fruitfully be invested.

Such analyses obviously will lead to different conclusions regarding AID investments in different countries. The essential thing is that AID and Missions have the same objectives and utilize the same analytical concepts in arriving at program decisions. To that end, AID should give a high priority to further development of such concepts and methodologies, in collaboration with the developing countries.

Project and Program Criteria

Competent sector analysis is essential but it is not a sufficient guide to AID priorities in educational development.

At the present time AID investment in LDC education is roughly 1 per cent of the total invested by the developing countries themselves, and only about 10 per cent of the total provided by all external development assistance agencies. Although these percentages vary substantially from country to country, in no case are they more than a very small fraction of the total investment in any country.

This simple equation defines the basic element in any AID strategy - each project must be based upon a significant potential gain from a relatively or absolutely small investment of funds. The question of whether any specific project has merit within itself, while still an essential criterion, does little to establish its claim for AID support. The real issue is that of whether the strategic investment of AID

funds gives reasonable promise of triggering or making possible changes in education which make it better, cheaper or available to more people, through better utilization of other funds, provided by the host country or by other donors.

This leverage principle is, of course, a familiar one in AID, but it has been better enunciated as a doctrine than applied as a program rule. However, there are now several factors which make more rigorous application necessary and possible.

First, the reduced availability of development assistance funds places a high premium upon investing more wisely in high priority projects, with great potential multiplier effects. Second, the Agency's view of educational development objectives and of our role in helping LDCs achieve them is more sharply focused than it has been before. This is increasingly true, as well, for developing countries. Moreover, our continuing attention to project and program evaluation techniques, and methods of improving analysis of cost/benefit factors should strengthen progressively our ability to assess the comparative leverage of various kinds of educational support activities.

It therefore seems possible and desirable for the Agency to formulate criteria which provide overall guidance beyond the individual country approach indicated for sector analysis.

Among these criteria, the following deserve careful consideration.

Does the project, or cluster of projects, appear to have a significant potential for:

1. Providing more useful (relevant) education/learning on an expanding scale. (Subject matter, quality, methodology, delivery systems.)

2. Providing useful education to a significantly larger clientele at acceptable unit and total costs. (Relevant materials, mass media.)

3. Reaching populations which are disadvantaged educationally - (Rural, urban poor, women, families.)

4. Improving "holding power" of schools to reduce drop-outs and repeaters. (Making learning more real, more interesting, more participatory.)

5. Improving articulation of components of the education system - (between levels of formal system and between formal and non-formal.)

6. Improving the content, methodology and technology of school systems or out-of-school education. (Educational system reform.)

7. Introducing innovations for the foregoing purposes in delivery of knowledge, skills and attitudes in respect to critical development sectors - (Effective components of education in other sector projects - health, population, nutrition, agriculture).

8. Providing more effective approaches to financing, cost reduction and efficiency of school systems. (New resources, more effective allocation and utilization, greater equity in educational costs.)

9. Encouraging and assisting institutions in evolving and playing a more effective role in education for development (Universities, industries, labor unions, cooperatives).

10. Advancing the "state of the art" in any of the above, with particular reference to communications technology for development, out-of-school education/learning, and educational finance, costs and efficiency.

Obviously, no project or group of related projects is likely to meet more than a few of such criteria. But every project should clearly meet at least some of them, and in so doing include a generative or multiplier effect which will continue with or without further AID funding.

The Research and Development Approach

During the 1960s, there were many instances of imaginative programming in education. Although the concept of innovation had not been as explicitly stated as it has been more recently, there was considerable innovation in many AID-supported projects.

Nevertheless, in retrospect, these innovations can be seen as relatively minor variations on old themes. The plain and urgent problems of education today require innovations of a different order, in which risks are incurred to achieve large potential gains. Thus far, the Agency has been willing to take them only in isolated cases.

The risks of innovation can be minimized by building research, development and evaluation components into every project. At the very least, there is a gain in knowledge, which if positive, is of great value; and, if negative, indicates what should be avoided or done differently in the future.

In the 1960s, centrally funded technical assistance, research and institutional development projects in education were minimal and produced relatively little of creative value. The reasons for this are various and somewhat controversial, although the basic reason would appear to be undue dispersion of very limited resources.

It now appears that with concentration on a few key problem areas, begun in 1970, these central funds are being more fruitfully utilized. Three institutional development grants have been approved by the Agency, one in instructional technology (Florida State University), one in alternatives to traditional educational programs (UCLA) and one in educational finance, costs and efficiency (U. of California at Berkeley). Another such grant in low cost instructional technologies is now pending (Stanford University).

Substantial technical assistance funds have also been invested in these areas, and in non-formal education.

These activities represent significant forward movement in the key problem areas, but can in no real sense be considered adequate responses to the problems.

The crux of the matter is that the central funds for research, development and evaluation are not now, and as yet give no promise of becoming, adequate to enable the Agency to make sufficient contribution in helping the LDCs find better ways of providing more useful education, for many more people at acceptable costs.

Of the total obligations made by AID for education, central funds for general technical services, research and development, institution building and evaluation are only 1-2 per cent. This clearly requires upward adjustment as a percentage of total obligations for education, not necessarily as central funds, but as a priority component in all Agency funds invested in education.

There is little prospect of breakthroughs, or even adequate progress in the kinds of innovations which the Agency now seeks unless research, development and evaluation in education becomes a high priority of the Regional Bureaus and major Missions.

In addition to the bulk of the funds, the Regional Bureaus have a continuing planning and management capability in the field, major responsibility for project design and implementation, day-to-day relationships with host institutions and, thus, a powerful opportunity to encourage and assist in developing a research, development and evaluation outlook. In such an environment, central funds for these purposes could become far more useful. It would provide readier access

to trials and full-scale applications in the field, and more intimate association with AID Missions and host country institutions. Productive networks of research and development effort, embedded in operating LDC education systems and providing mutual reinforcement between many LDC organizations and selected developed country institutions, would become feasible.

A corollary of comparable importance is the building up of research and development capabilities in LDC institutions. In education, this has been very largely neglected. Probably the most important single observation of the Faure Commission bears directly on this subject.

> "We propose that agencies assisting education, national and international, private and public, review the present state of 'research and development' in education with a view to strengthening the capacities of individual countries to improve their present educational systems and to invent, design and test new educational experiments appropriate to their cultures and resources. We believe that if nations, regional bodies and assisting agencies make the strengthening of these capacities their first order of business over the next ten years, they will enable a number of countries to begin becoming true 'learning societies'."

AID should adopt this proposal as a cardinal feature of its strategy in education, and encourage other donor agencies to do so. Of all the resource bases to be built for development, the most important ones will be those in the developing countries.

Program Development Emphases

In 1970, TAB established, after wide consultation in and outside the Agency, three "key problem areas" in which to concentrate its efforts. These were educational technology, non-formal education and educational finance, costs and efficiency. As demonstrated by its obligations of funds, the Agency had already established university development as a worldwide area of concentration for AID.

It is therefore proposed that the Agency formally designate four areas of program development emphasis in education: (1) Education Economics and Analysis, (2) Educational Technology, (3) Non-Formal Education, and (4) Strengthening Higher Education for National Development.

The rationale for this is simple. They are, in fact program emphases by action or deliberate decision of the Agency. They are all related to central objectives of educational and national development; they are all related significantly to each other; the problems associated with them are increasingly of concern to developing countries; and the experience and talent of the U.S. are at least equal to, and in some cases hold a comparative advantage over, other development assistance agencies. These areas get at the heart of the educational development problem of the 1970s.

However, this in no way suggests that there should not be full and careful attention to other areas of education in particular countries, as indicated by sector analysis in each country. Neither does it suggest that these key program emphasis areas should necessarily remain fixed.

The basic reasons for such program emphasis areas are (1) to concentrate our efforts and thereby facilitate mobilization of the best possible U.S. capability to respond to LDC requests; (2) to direct more coherent attention to them as areas, and to the points at which they can be made to reinforce each other more effectively, and (3) to bring to bear in an integrated way the various assistance tools available, in packages appropriate to specific projects or programs.

In each emphasis area, there are three strategic aims: (1) strengthening LDC capabilities in solving key educational problems, (2) strengthening U.S. capabilities to assist the LDCs in key program areas, and (3) facilitating and supporting interaction between the best capabilities on both sides in solving problems. Developing our "network" mode of operating is seen as an effective organizing strategy to serve all these purposes simultaneously.

Program Emphasis One: Education Economics and Analysis

This program emphasis addresses the need for improved analysis of the education sector, leading to better diagnosis of deficiencies; improved

design of, and planning for change; and more careful attention to what we shall call the economics of education - embracing such things as funding, costs and efficiency, as well as employment and income distribution effects of education programs.

Education Economics. The growing disparity between educational needs and educational resources is one of the most dramatic developments of the past decade. This occurred even with rapidly growing investments in education by developing countries. With the leveling off of educational expenditures, the gap between educational needs and resources continues to widen. This dilemma arises from several interrelated factors: (1) gross inadequacy of total funds available for education, (2) serious inefficiency in the allocation and utilization of the educational resources available, and (3) lack of knowledge regarding practical alternatives in funding, reduction of costs and measurement of outputs.

The basic problem is by no means one of resources alone. Archaic systems of education are costly; but the subject matter and methods of instruction of such systems are such that the educational product is often of relatively low value to social and economic development.

On the side of the external efficiency of education systems, the rise of the problems of the educated unemployed has put into sharp focus the very complex issues of the relevance of education to development. Looking at education as an economic investment, it is clear that the specific intellectual and manual skills needed in particular economies will vary over time as the economies develop.

Systems of different kinds, of differing life-spans and flexibility will be needed if scarce educational resources are to make an adequate input into each country's human resource development requirements. Education also has numbers of other "outputs" not directly related to individual economic productivity, but which are also very important for the development process and development objectives. An outstanding example is the observed strong inverse relationship between levels of education of women and their fertility.

In all these aspects of the relation between education and development, surprisingly little can be said with any authority as to the correct choices that ought to be made among many alternatives. However, now that the questions are emerging with greater clarity, it will be important for the LDCs, and interested donors, to undertake research and experimentation that can throw more light on some of the major choices concerning educational systems, technologies, and content.

AID's effort to make progress in this crucially important and difficult area consists of four major elements:

1. To develop new knowledge and insights with respect to educational finance, costs and efficiency in developing countries, through problem-oriented research, field investigations, and dissemination of knowledge and comparative experience.

2. To develop new or improved tools for analyzing present and potential resources for education; for measuring educational inputs, resource allocation and utilization, and outputs; and for comparative studies of costs and benefits of various kinds and modes of education for different learning clienteles (e.g., rural populations, families) including attention to the employment and income distribution effects of different kinds of educational programs.

3. To improve the capacity to provide LDC and U.S. nationals with education, training and experience in critical aspects of education economics.

4. To participate in a functioning network of institutions in both developing and developed countries in this field.

Improved Analysis for the Education Sector. AID has determined that it will approach development problems through a "sector emphasis", and has established sector analysis as a means to this end. For those who are concerned with the education sector, it has become more and more obvious that the things that can be done to expand learning opportunities and improve delivery of education services must be planned in a larger framework, designed to take advantage of latest research and development efforts. Even relatively small, single project educational development endeavors must be more carefully planned and integrated into the total national development fabric. The reasons for this are threefold. First, funds for educational development assistance are limited and new investments of any type must be carefully planned for maximum pay-off and multiplier effect. Second, when substantial changes are contemplated in one part of the education sector, they will affect other parts. The interrelationships must be considered and the total effects of modifications anticipated and understood as fully as possible. Third, innovations and new directions must be continually sought and, when they have promise, must be introduced quickly. Analysis undergirds the development and implementation process; it is absolutely essential to successful innovation.

Probably a distinction should be made between analysis of a sector (usually termed Sector Analysis), and analysis within a sector. Both kinds of analysis hold much promise.

Sector Analysis refers here to the employment of a wide range of measures that will result in a comprehensive appraisal of all the major elements of the total education sector. In its most highly developed form, it may involve complicated model-building and extensive quantification.

In most cases, however, it will consist of a more systematic and analytical appraisal of the education system, its component parts, their inter-relationships, external effects, costs, efficiency and relevance to national (or local) needs and problems.

Within-sector analysis refers to a great many activities, from quite modest efforts with little quantification, to more complex endeavors, but not as broad as sector analysis in scope. It has to do with designing small projects of low cost, to larger projects requiring substantial investments and having potentially far-reaching effects.

The important thing is that we not focus on comprehensive sector analysis to the exclusion and detriment of improved analysis within the education sector. It is frequently more feasible and desirable to improve key elements of a system than to attempt to improve a system as a whole. By emphasizing the whole range of analysis possibilities for the education sector, we will be in a more flexible position to help solve smaller specific problems, or to focus on key points for intervention, as well as to assist in planning reforms of systems as a whole. Our work in analysis should include, therefore, a systematic look at the relation of objectives, whether addressed to the education system as a whole or to one or more of its component parts.

While several development assistance agencies have worked out approaches that have promise, there is no "dogma" that requires that sector analysis embrace a given number of measures or depend upon certain kinds of techniques. The requirements of the situation should dictate how far analysis goes, what tools it employs, and what measures it produces.

Above all, it must be clear that improved analysis for the education sector has the purpose of improving decision-making; it is not something engaged in for its own sake.

Program Emphasis Two: Educational Technology

This program emphasis essentially addresses the need to make the learning process more effective and accessible, whether in formal or non-formal programs of education.

We define educational technology as a systematic way of designing, carrying out, and evaluating the total process of teaching and learning, in terms of specific objectives, based on research in human learning and communication, and employing a combination of human and technical resources to bring about more effective instruction.

This definition encompasses the newer electronic media such as television, films, radio, computers, together with the older technologies such as textbooks and visual aids.

As educational technology is brought to bear on existing educational systems, it tends to stimulate reform and renewal, as for example in El Salvador and South Korea. Indeed, there is a growing number of countries which have made, or are making, firm, long-term commitments to educational technology as a major instrument of development, for both in-school and out-of-school applications. In addition to Korea and El Salvador, other examples are Colombia, Guatemala, Ivory Coast, and Mexico. The experience of these countries will be crucial in establishing a knowledge base on which other developing countries can build.

AID's work in educational technology rests on the following set of principles:

1. Focusing on pilot and operational projects which aim at major breakthroughs to make the learning process more effective and accessible.

2. Providing qualified professionals to help make these pilot efforts successful.

3. Assisting in the development of programs that are problem-oriented, not communications-media-oriented. The approach is to work toward solving key problems rather than searching for uses of available technology.

4. Assisting in the development of professional competence on the part of LDC personnel, with particular stress on systems-oriented project planning, project administration, quality content, careful evaluation, and planning for continuing innovation.

Our overall effort, then, is essentially a <u>research and development</u> program, directed toward assisting the LDCs to choose, try out, perfect, and evaluate systems which hold significant promise.

The developing countries are turning more and more to education technologies as a promising way of alleviating their education/learning problems for both in-school and out-of-school populations. AID envisages a significant step-up in research, development and experimentation with educational technology during the next few years. <u>However, this can bear fruit only if the Agency as a whole makes a firm commitment, in both policy and program terms, to a much more purposeful support of communications technology for development in every sector</u>. <u>Such support must, of course, include rigorous analysis of costs, relative efficiency, effects on employment and other economic issues</u>.

Program Emphasis Three: Non-Formal Education

This program emphasis addresses the need to create a richer variety of learning opportunities in addition to those afforded by existing graded school systems.

The potential of non-formal education has been amply demonstrated in in the more developed societies. In such diverse countries as the United States and the Soviet Union, non-formal educational activities are as varied as and comparable in scale to those of formal education.

With regard to LDCs, we know that non-formal education historically has been the primary mode of learning. However, we are just beginning to understand how these modes have carried over and been modified to meet modern problems. Studies which have been made thus far by AID, IBRD, UNESCO and the LDCs themselves broadly suggest that, properly developed and supported, non-formal education is perhaps the only way that widespread diffusion and application of practical knowledge and skills for development can effectively be achieved.

Experience in both developed and developing countries has demonstrated that:

1. Non-formal education can be valid, high quality education for imparting "life" skills and knowledge. It need not be third-rate education.

2. It can reach large numbers of people where they live and work. It can impart useful knowledge, skills and recreation without removing people from their normal environments and responsibilities.

3. Non-formal education can be highly diverse in organization, funding and management. It can emphasize local initiative, self-help and

innovation on the part of large numbers of people and their local institutions. Every successful learner can become in some degree a teacher.

4. It can pay at least part of its own way initially and in the longer term increase employment, productivity and social participation.

5. It can make learning a national, life-long experience, compatible with the interests of individuals and communities, for all economic levels of a society.

Much of what has been said of the strategy for educational technology is equally applicable to non-formal education. However, there are significant added dimensions encompassed by AID strategy in this area.

1. To establish the concept of non-formal education as a type of education, distinct from formal education systems, but potentially capable of providing non-school populations with educational services systematically and in ways which significantly serve individuals, societies and the purposes of national development.

2. To study, document and disseminate information on successful LDC examples of non-formal education which appear suitable for experimentation and application in other LDCs.

3. To provide professional and financial support for research, experimentation and implementation of those models which appear most promising, or for new concepts which appear worthy of testing.

The LDC need is to establish the concept of national education/learning systems, encompassing both formal and non-formal components, with a suitable division of labor and coordination between them.

Although developing countries and AID Regional Bureaus have shown serious interest in non-formal education, as one promising way out of the educational dilemma, this interest has proved slow in crystallizing into concrete projects or programs.

To accelerate this process, it is proposed that AID, as a further measure, commit itself to direct funding of LDC institutions for studies, experiments and when appropriate, for full scale trials of non-formal education projects. Such projects would be cast in the research, development and evaluation mould, and supported by U.S. institutions under contract to AID for development of the non-formal education area.

Program Emphasis Four: Strengthening Higher Education for National Development

This program emphasis addresses the need to strengthen university capabilities to (a) produce high-caliber leaders with professional

and technical competence required for national development, and (b) provide more relevant research and services in identifying and helping to solve the real and immediate problems of development.

From the outset of the U.S. development assistance program, the universities in the LDCs were perceived as being one of the main engines of development. As indicated earlier, since 1960 AID funds obligated for higher education were of the order of $900 million, or about half of our total expenditures in education. The largest part of these funds was for contracts with U.S. universities to provide institutional development assistance to LDC universities. Many other development assistance agencies, public and private, have also made major contributions to LDC university development.

There can be little doubt that these investments have enabled many LDC universities to achieve a capability in teaching, research and, potentially, in community and national services which would have been entirely out of the question had these investments not been made. Although our support has declined somewhat, higher education in the LDCs is still one of our largest technical assistance activities.

A few of these universities are beginning to play the major role in national development envisaged for them by their own countries and by external agencies which provided assistance. Many are reaching a level of institutional maturity and professional competence which can enable them to play such a role.

The transition from internal development to effective, problem-oriented service to their societies is not easy for universities anywhere. For developing country universities, this transition presents special problems: for many, the concept of an externally oriented university is new; most lack experience with non-academic services in a community or national context; they frequently have difficulty in finding common ground for understanding and cooperation with their governments and with political, economic and social institutions; and, of course, they are all confronted with limited resources to do an increasingly large and complex job.

The magnitude of AID's past investments and the growing potential of LDC universities for contributing to national development argue strongly for our continuing support, but with a different concept and in a different mode.

The length and nature of the engagement of American higher education with real-life problems in our society suggest that they have much to offer LDC universities in achieving this transition. Many U.S. universities have gained great experience and interest in collaborating with LDC institutions. There is great mutuality of interest and value in fostering effective relationships between U.S. and LDC universities. There are few people in the U.S. or LDCs

who believe that an abrogation of these relationships would be in the interest of either, and it clearly leaves incomplete the role which this country has sought to play in university development over the past two decades. The final phase is to effect a transition from large-scale institutional development support of individual LDC universities to a long term and mutually advantageous relationship between U.S. and LDC universities, in contributing to national development.

That the Agency is now at a point of decision regarding our future role in their activities is clearly indicated by the present nature and trends of our investments in them. At the beginning of FY 1973, AID was providing support to 42 LDC universities - 18 Asia, 13 in Africa and 11 in Latin America. However, of the contracts with U.S. institutions for providing these services, 37 were due to expire or be renewed in FY 1973 or 1974.

Judging by projections made by the Regional Bureaus, many of these will be continued on a declining scale: for the five years FY 1971-75, the total projected for professional and higher education is about $60 million, or roughly $12 million per year. This compares with an annual rate of obligations of $36 million for the preceding eleven years.

We have already "phased out" support of a sizable number of LDC universities in which AID made substantial investments in the past. The present trend, if continued, could result in severe damage to the links forged between U.S. and LDC universities through investment of over one-half billion dollars in AID funds.

This program area therefore envisages major changes in concept, management and funding rather than development of a new field. The heavy investments previously made by the Agency, and the relationships built between U.S. and LDC institutions, make this feasible and desirable.

Though there are exceptions, what LDC universities need and want is not a return to (or continuation of) the relationship of the 1960s but a different, more economical and sustained set of relationships for the 1970s and 1980s.

As AID obligations for higher education have declined, it has become evident that a new and enduring arrangement is required to maintain joint U.S.-LDC university collaboration (1) which emphasizes mutual access to each other in solving problems of mutual concern, (2) at a scholarly, professional level, rather than as formal exchanges between governments and (3) at moderate costs shared by participating universities and development assistance agencies.

This is not a new or untried concept. The Africa Bureau has employed something very similar to it for fostering U.S.-LDC university relations, with a specific focus on the role of the university in development, through

the Overseas Liaison Committee of the American Council on Education. Some elements of the concept are present in the arrangements of the Asia Bureau with the Asia Society. The Latin America Bureau has fostered such relationships in a variety of ways.

For many years Britain has supported U.K.-LDC university relations through the Inter-University Council on Higher Education Overseas, and recently this program has been expanded and funded by the U.K. Overseas Development Administration. The testimony of the IUC and LDC university officials is that this arrangement has tremendous value at relatively modest costs.

There are still important but uncompleted tasks of university development in the LDCs to which AID should give continuing attention through traditional or new types of contracts with U.S. institutions. However, with the phasing down of AID investments in higher education abroad, the growth of competence of LDC institutions, and transition to a collaborative style of U.S.-LDC relationship in development, new and imaginative ways of establishing effective, permanent links between U.S. and LDC universities can be of great mutual advantage.

Some of the types of functions that should be provided for are:

1) To maintain on-going dialogue between U.S. and LDC universities on their institutional development and role in national development;

2) To develop highly flexible capabilities for responding to specific short-term technical collaboration needs and problems as expressed by the LDCs, including getting people together who work on common problems;

3) To maintain more purposeful concern with the in-flows and out-flows of LDC and U.S. university students and scholars, including analysis of the consequences of these flows and of changes needed;

4) To establish effective mechanisms for providing the margin of assistance needed to make possible collaborative programs between U.S. and LDC university elements where the collaborating institutions each participate because of their own program self interest, where the primary support is from their own resources, and there are significant benefits for both; and

5) To build a suitable knowledge base for carrying on the foregoing activities, as well as the necessary base for high level relationships between the university communities in the U.S. and LDCs.

The fostering of such relationships between U.S. and LDC universities has a natural corollary in special direct support of selected LDC universities which demonstrate a significant commitment to and potential competence in contributing distinctively to national development. A few universities now clearly are at this point, and many more are approaching it. Well conceived assistance to them could accelerate the process and provide a larger probability of success.

This concept was discussed in general terms by the Heads of Agency Conference on Education at Bellagio in June 1972. In October 1973, it will be before the Second Conference of Agency Heads for their explicit review and approval as a development priority for joint support by a number of assistance agencies. Should this proposal be approved, it will provide AID with the extraordinary advantage of sharing with other agencies the opportunity and responsibility for helping LDC universities achieve the crucial transition from academic institutions to that of vital forces for national development.

Education in Other Sectors

In all development sectors, education is a major component necessary to long range solutions. While any definition of what constitutes "education" must be somewhat arbitrary, it is clearly a major part of most development programs. As noted previously there has been a sharp rise in AID's investments in education through other sectors.

This trend indicates that a major portion of the Agency's investment in education is becoming oriented more broadly toward specific development concerns. This is desirable. Although such investments are fully justified in terms of the priorities and goals of other sectors, they are, in fact, part of AID's education strategy.

We need also to keep in mind that our business is people not systems. In considering educational purposes, this means focusing on the learner -- being especially sensitive to segments of LDC populations who frequently are by-passed. These include hundreds of millions of people who cannot be accommodated in schools, to women, to whole rural enclaves of men and women, children and adults. Consequently, every activity supported by AID should have built into it a significant learning component, designed to encourage and help people whose lives are touched by the activity to learn useful things, to cope more effectively with their problems, to live more fruitful lives.

This concept poses difficult problems of communication and coordination within AID, and between AID and the developing countries. Within the Agency, it suggests less compartmentation by sector, more collaboration between technical offices, and between those offices and regional bureaus and missions. At the developing country level, it suggests a heightened emphasis on practical improvements in quality of life and a humanistic as well as economic approach to development.

Although the Bureau for Technical Assistance has certain responsibilities for intra-Agency communication and coordination, these can best be served when all elements of the Agency share a common set of objectives and concepts of development. While this is important in all sectors, it is crucial in the education sector, which is a fundamental ingredient of all development activities.

This internal coordination function can be enhanced by increased efforts at "networking", building linkages of joint research, information sharing and training/advisory services among LDC, developed-country and intermediate organizations with common interests in a particular problem area. This provides a framework for coordination and mutual support among disparate efforts, by different institutions, and between countries. AID's country missions should make particular efforts to encourage and assist LDC institutions in building linkages with worldwide networks of activity on problems of concern to local and national institutions.

AID Staff Orientation in Education

The concepts, principles and actions considered in this paper should be widely discussed by the staff of AID/W and by AID Missions. The dwindling number of education officers, the greatly reduced rotation of personnel between Washington and the field, and the uncertainties associated with any transition have resulted in serious problems of communication and programming in education. Thus special efforts are needed to bring into greater congruence the views of AID/W and field Missions. Although field experience has contributed heavily to the preparation of this paper, a thoughtful review of it by AID's field staff will be highly beneficial.

Accordingly, it is proposed that a series of seminars be organized which, over the next six months, will provide an opportunity for an exchange of views among all education and program officers having significant present or prospective responsibilities in education.

There are at present about 71 AID education officers, including some multisector officers, in the field, 31 in Latin America, 27 in Supporting Assistance countries, 8 in Africa and 5 in Asia. Consideration should be given to both re-orientation and possibly re-deployment of education officers in a manner consistent with the philosophy, emphasis and management of AID's present outlook on educational development.

The involvement of program officers in AID/W and in the field, and of selected Mission Directors, is essential to an effective understanding and direction of AID programs in education. Unless this is done, the Agency will encounter great difficulty in introducing new concepts into projects and programs.

Collaborative Style

References to "collaborative style" usually imply more responsiveness by AID to the views and priorities of developing countries. This is clearly essential and, indeed, there has been more of it in the past than is sometimes acknowledged. However, responsiveness does not necessarily mean agreement or acquiescence. It does mean more open-mindedness, less dogmatism, a willingness to listen, to learn and to act together. It means a candid recognition that developing countries have the right and responsibility for their own decisions, and that frequently the weight of knowledge and wisdom is on their side. But it also means that we must bear the final responsibility for deciding where and how AID funds can contribute most effectively to educational development.

Collaboration becomes real not through a change of "style" but through bona fide partnerships in finding solutions to problems.

With regard to collaboration with other development assistance agencies, some progress is being made. However, it is still far from sufficient.

During the past year, significant steps have been taken toward more effective coorperation with the World Bank and UNESCO, and with the Rockefeller and Ford Foundations. These need to be strengthened in specific key problem areas.

The Conference on Education by Heads of Agencies, initiated in 1972, gave concrete promise of fostering greater mutual understanding, sharing of knowledge and joint support of selected projects by a variety of donor agencies, bi-lateral and multi-lateral, public and private. Important as these conferences are, however, they can mean very little unless their thrust toward collaboration is taken seriously at all levels of each agency, and particularly at the country and mission level.

Such collaborative efforts are time-consuming and sometimes produce limited results. Nevertheless, the fact remains that intelligent cooperation among the development assistance agencies can multiply their effectiveness in educational development, and jointly they can provide a more rational design for helping developing countries utilize their own resources as well as external assistance.

Finally, it should again be emphasized that there is a need for greater collaboration within the Agency - between and among the several Bureaus and field missions. Though there are manifestly differences between the AID Regions and individual countries, the philosphy, objectives and principles which guide AID in its support of educational development can and should be more commonly shared and better understood than they are today.

Although the Bureau for Technical Assistance has special responsibility for leadership in developing educational concepts, policies, research and evaluation, all the other Bureaus share this responsibility. Moreover, the primary responsibility for assisting the developing countries to achieve

acceptable educational development rests with the Regional Bureaus.

It should also be recognized that as the direct-hire staff of the Agency declines, increased reliance must be place on the U.S. institutions selected by AID to provide the technical assistance and research for educational development. A closer and more fruitful partnership with them is absolutely essential to the successful performance of the mission of the Agency.

APPENDIX

A Note on the Data

Quantitative analyses of AID investments in education are difficult to make on the basis of data collected over the years. The problem arises primarily from the nature of education. It takes place in a great multiplicity of ways, at every point where development assistance investments are made. In some, it is the primary objective, in others a secondary aim, and in yet others is an incidental but important component.

Further complicating the problem is the Agency's classification and code structure for development sectors. Substantial numbers of projects are multi-purpose and are classified as miscellaneous, even though their component parts are clearly classifiable under specific sub-sectors.

For these and other reasons, the data contained in the following tables are not put forward as complete or entirely accurate; but they are probably sufficiently accurate to support the main conclusions derived from them.

Modification of the Agency's classification, coding, reporting and accounting system is required to permit better and more timely analysis of education program planning, implementation, evaluation and accounting.

TABLE I

TOTAL AMOUNTS OBLIGATED[1] FOR EDUCATION ACTIVITIES BY SECTOR, FY 1960 - FY 1970
(In Thousands of Dollars)

Sector[2]	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	Total
Food & Agriculture	5,599	5,003	17,904	16,875	12,650	12,624	8,812	10,425	7,663	6,518	8,368	112,441
Industry & Mining	3,148	2,136	2,275	1,632	227	1,231	5,341	3,060	3,137	233	-	22,456
Health & Sanitation	4,310	3,701	12,687	12,043	8,050	2,025	4,756	9,858	3,222	5,686	3,564	69,902
Transportation	598	195	1,419	702	519	196	157	1,276	65	548	-	5,675
Labor[3]	1,193	2,082	3,049	19,407	40,588	713	22,401	16,865	890	1,236	724	109,148
Public Administration	6,242	3,921	4,484	2,513	1,016	1,232	2,302	1,501	3,435	1,862	624	29,132
Community Development and Housing	43	337	190	720	128	35	457	238	160	287	488	3,083
General and Misc.	5,955	8,562	6,362	7,445	5,657	2,837	6,509	5,348	5,846	8,953	4,220	67,694
Public Safety	-	193	510	1,005	917	508	282	81	137	165	76	3,874
SUB-TOTALS	27,124	26,130	48,880	62,342	69,752	21,401	51,017	48,652	24,555	25,488	18,064	423,405
EDUCATION	50,324	46,946	158,461	191,378	111,285	144,154	127,153	150,735	151,551	95,236	152,224	1,379,447
TOTALS	77,448	73,076	207,341	253,720	181,037	165,555	178,170	199,387	176,106	120,724	170,288	1,802,852

1/ Amounts represent sums of all individual projects reported in the annual project summary publications (W-132) for the fiscal years 1960 through 1970, with the exception of loans (authorizations) data obtained from other sources. Dollar equivalents for projects wholly or partially funded with U.S.-owned local currency are included in the amounts reported in this table, except for 1969 and 1970, for which local currency amounts could not be obtained.

2/ Figures shown for each sector represent amounts obligated for projects which could be considered as unmistakably education or training activities. In those cases where some doubt arose, as for example where education was one component among several encompassed in the same project (e.g., agricultural research, education and extension), such projects were excluded.

3/ Fluctuations in amounts for years 1963-67, and particularly low figure for 1965 due to heavy local currency funding of Craftsmen Training Project for India. No local currency investment was made in the project for FY 1965, or after FY 1967.

TABLE II

OBLIGATIONS FOR EDUCATION ACTIVITIES FOR ALL SECTORS AND FOR EDUCATION SECTOR ONLY AS COMPARED TO TOTAL ECONOMIC ASSISTANCE PROGRAM, FY 1960 - FY 1970

(In Thousands of Dollars) 1/

Fiscal Year	AID ECONOMIC ASSISTANCE PROGRAM				OBLIGATIONS FOR EDUCATION, ALL SECTORS		OBLIGATIONS FOR EDUCATION ACTIVITIES: EDUCATION SECTOR ONLY (ABSOLUTE AND RELATIVE)							
	Grants (1)	Loans (2)	U.S.-Owned Local Currency 2/ (3)	Total (4)	Total Amount (5)	Per Cent (5)÷(4) (6)	Grants (7)	Per Cent (7)÷(1) (8)	Loans (9)	Per Cent (9)÷(2) (10)	Local Currency 2/ (11)	Per Cent (11)÷(3) (12)	Total (13)	Per Cent (13)÷(4) (14)
1960	1,255,200	515,900	165,025	1,936,125	77,448	4.0	44,274	3.5	0	-	6,050	3.7	50,324	2.6
1961	1,272,200	659,300	304,705	2,236,205	73,076	3.3	46,100	3.6	0	-	846	3/	46,946	2.1
1962	1,180,000	1,314,800	704,522	3,199,322	207,341	6.5	90,589	7.7	540	3/	67,332	9.6	158,461	5.0
1963	954,000	1,346,000	626,740	2,926,740	253,720	8.7	74,767	7.8	13,300	1.0	103,311	16.5	191,378	6.5
1964	808,000	1,333,000	698,259	2,839,259	181,037	6.4	67,483	8.4	20,450	1.5	23,352	3.3	111,285	3.9
1965	904,000	1,129,000	667,534	2,700,534	165,555	6.1	66,638	7.4	9,400	1.0	68,116	10.2	144,154	5.3
1966	1,326,000	1,228,000	473,812	3,027,812	178,170	5.9	58,767	4.4	4,750	3/	63,636	13.4	127,153	4.2
1967	1,162,000	1,091,000	702,466	2,955,466	199,387	6.7	67,704	5.8	37,165	3.4	45,866	6.5	150,735	5.1
1968	963,000	929,000	502,011	2,394,011	176,106	7.4	63,771	6.6	74,400	8.0	13,380	2.7	151,551	6.3
1969	879,000	570,000	-	1,449,000	120,724	8.3	69,686	7.9	25,550	4.5	-	-	95,236	6.6
1970	988,000	680,000	-	1,668,000	170,288	10.2	71,074	7.2	81,150	11.9	-	-	152,224	9.1 4/
TOTALS	11,691,400	10,796,000	4,845,074	27,332,474	1,802,852	6.6	720,853	6.2	266,705	2.5	391,889	8.1	1,379,447	5.0

1/ Sources: Columns (1) and (2) derived from "U.S. Economic Assistance Programs Administered by AID and Predecessor Agencies," April 3,1948 - June 30, 1970 Office of Statistics and Reports. Columns (3), (5), (7) and (11) derived from Annual Project Summary Publications (W-132). Column (9) from various sources (e.g., Congressional Presentation, Operations Reports, LATS Reports). Listed in column (9) are gross amounts authorized for each fiscal year. Amounts for Assistance Programs for Greece, Japan and Europe have been excluded from all tabulations.

2/ Local currency figures not available for FY 1969 and FY 1970.

3/ Less than 1 per cent. 4/ Higher per cent for 1970 as compared with 1969 due in large part to $65 million in sector loans in Latin America.

TABLE III

OBLIGATIONS[1] FOR EDUCATION ACTIVITIES BY SECTOR FOR GEOGRAPHICAL REGIONS, FY 1960 - FY 1970
(In Thousands of Dollars)

Sector[2]	GEOGRAPHICAL REGIONS				
	SA	ASIA	AFRICA	LATIN AMERICA	TOTALS
Food and Agriculture	4,630	32,743	45,443	28,773	111,589
Industry and Mining	3,374	10,589	1,376	7,117	22,456
Health and Sanitation	17,267	39,112	6,030	7,349	69,758
Transportation	-	1,624	2,328	1,723	5,675
Labor	6	100,798	3,439	4,813	109,056
Public Administration	2,556	9,005	10,352	7,087	29,000
Community Development and Housing	372	156	1,237	1,298	3,063
Public Safety	-	1,175	1,657	1,039	3,871
General and Miscellaneous	4,456	23,144	12,358	22,725	62,683
SUB-TOTALS	32,661	218,346	84,220	81,924	417,151
EDUCATION	87,718	503,531	266,182	407,647	1,265,078[3]
TOTALS	120,379	721,877	350,402	489,571	1,682,229[4]

1/ Amounts represent sums of all individual projects reported in the annual project summary publications (W-132) for the fiscal years 1960 through 1970, with the exception of loans (authorizations) data obtained from other sources. Dollar equivalents for projects wholly or partially funded with U.S.-owned local currency are included in the amounts reported in this table, except for 1969 and 1970, for which local currency amounts could not be obtained

2/ Figures shown for each sector represent amounts obligated for projects which could be considered as unmistakably education or training activities. In those cases where some doubt arose, as for example where education was one component among several encompassed in the same project (e.g., Agricultural Research, Education and Extension), such projects were excluded.

3/ This amount does not include $114,369,000 for non-regional education projects.

4/ This amount does not include $120,623,000 for non-regional education activities.

TABLE IV

Percentage Distribution[1] Of Obligations For Education Sub-Sectors, By Region and AID/W: FY 1960 - FY 1970[2]

Education Sub-Sectors[3]	ASIA		AFRICA		LATIN AMERICA		VN		AID/W		TOTALS	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
610 Technical Education	35,113	12	36,384	14	14,683	7	7,824	16	0	0	94,004	10
620 Voc., Agric. Education	2,674	1	10,034	4	1,175	1	691	1	120	*	14,694	2
630 Home Economics Education	1,169	1	17	*	1	*	0	0	0	0	1,187	*
640 Elementary Education	11,889	4	21,120	8	44,417	20	7,427	15	5,583	4	90,436	10
650 Secondary Education	9,862	3	30,272	12	21,798	10	7,740	16	2,600	2	72,272	8
660 Prof. & Higher Ed.	131,039	46	86,536	34	41,000	19	7,489	16	103,417	75	369,481	39
670 Adult & Community Ed.	4,481	2	1,027	*	1,808	1	161	*	44	*	7,521	1
680 Education Administration	2,471	1	9,704	4	8,746	4	0	0	1,018	1	21,939	2
690 Other Education (Misc.)	85,966	30	59,311	23	84,822	39	16,835	35	25,105	18	272,039	29
TOTALS	284,664		254,405		218,450		48,167		137,887		943,573	

* Less than 1 per cent
1/ Represents Per Cent of Total Obligations (Last line) committed to sub-sector activities.
2/ Source: PPC/OPR W-253 (6-30-70)
3/ Obligations reported here do not include Education Sector Loans or U.S.-owned local currency.

TABLE V
A.I.D. TECHNICAL ASSISTANCE PROJECTS IN EDUCATION (CODE 600) FY 1971-75
(IN THOUSANDS OF DOLLARS)

Region	Number of Projects	Obligations FY 1971	Obligations FY 1972	Estimated Obligations FY 1973	Estimated Obligations FY 1974	Estimated Obligations FY 1975	Totals	Totals Including Anticipated Obligations
LATIN AMERICA	33	11,024	9,385	9,532 (c) 500 (a)	6,135 (c) 900 (a)	4,765 (c) 1,000 (a)	40,841 (c) 2,400 (a)	43,241
ASIA	18	7,414	5,655	4,172 (c) 1,675 (a)	3,672 (c) 2,187 (a)	3,920 (c) 2,796 (a)	24,833 (c) 6,658 (a)	31,491
AFRICA	38	12,006	12,346	9,483 (c) 196 (a)	9,690 (c) 516 (a)	6,320 (c) 662 (a)	49,845 (c) 1,374 (a)	51,219
SUPPORTING ASSISTANCE	14	11,477	7,953	9,530 (c) -- (a)	7,138 (c) 250 (a)	5,860 (c) 250 (a)	41,958 (c) 500 (a)	42,458
TAB	5	1,050	679	90 (c) 650 (a)	-- (c) 1,275 (a)	-- (c) 1,600 (a)	1,819 (c) 3,525 (a)	5,344
TOTALS	108	42,971	36,018	32,807 (c) 3,021 (a)	26,635 (c) 5,128 (a)	20,865 (c) 6,308 (a)	159,296 (c) 14,457 (a)	173,753
COMBINED (c & a)	108	42,971	36,018	35,828	31,763	27,173	173,753	

c= Projects Active in FY 1973
a= Projects Anticipated Between FY 1973-75
Source: Tables Prepared by Regional Bureaus and TAB
Date: December 8, 1972

TABLE VI

BUREAU FOR TECHNICAL ASSISTANCE:
PAST (FY 1971 - FY 1972) AND PROJECTED (FY 1973 - FY 1975) OBLIGATIONS
FOR GTS PROJECTS IN EDUCATION, BY OFFICE
(In Thousands of Dollars)

Bureau for Technical Assistance Offices	FY 1971	FY 1972	FY 1973	FY 1974	FY 1975	TOTALS 2/
Education and Human Resources	1,050	679	740 1/	1,275 1/	1,600 1/	5,344
Agriculture	478	475	527	511	535	2,526
Development Administration	334	112	237	451	238	1,372
Urban Development	0	0	0	10	0	10
Science and Technology	143	123	49	0	0	315
Health	76	137	18	95	95	421
Nutrition	0	76	27	260	40	403
TOTALS	2,081	1,602	1,598	2,602	2,508	10,391

1/ Total proposed. 2/ Includes actual obligations for FY 1971 and FY 1972 and estimated obligations for FY 1973, FY 1974, and FY 1975.
Source: Tables prepared by TAB offices. Date: December 8, 1972.

TABLE VII
Bureau for Population and Humanitarian Assistance: Obligations for Education Components, FY 1971-1975[1/]
(In Thousands of Dollars)

ELEMENTS OF PHA BUREAU INCLUDED	NUMBER OF PROJECTS	1971	1972	1973	1974	1975	TOTALS[2/]
Regional Divisions							
Africa	22	5,279	2,094	3,165	4,871	2,737	18,146
Asia	12	2,377	2,533	2,074	1,047	0	8,031
Latin America	17	5,584	6,758	5,066	3,520	2,819	23,747
Foreign Disaster Relief	1	29	55	65	65	65	279
Manpower & Institutions	11	4,232	1,444	5,631	4,873	3,722	19,902
Information, Education & Communications	10	3,228	3,239	1,708	3,531	7,100	18,806
Family Planning Services	10	4,392	6,067	9,859	10,070	10,700	41,088
Population Research	7	420	760	250	900	140	2,470
Demographic & Economic Analysis	3	737	1,417	2,845	2,752	3,168	10,919
Private & Voluntary Cooperation	2	3,785	3,860	3,863	3,918	4,155	19,541
TOTALS	95	30,063	28,187	34,526	35,547	34,606	162,929

1/ Estimated by examination of each individual project.
2/ Includes actual obligations for FY 1971 and FY 1972; estimated obligations for FY 1973, FY 1974 and FY 1975.
Source: Tables Prepared by Bureau for PHA

Date: December 8, 1972

TABLE VIII

OBLIGATIONS FOR ACTIVE TECHNICAL ASSISTANCE PROJECTS IN EDUCATION BY REGIONAL BUREAU BY EDUCATION SUB-SECTOR, FY 1971-FY 1975
(In Thousands of Dollars)

REGION	Technical Education	Vocational Agricultural Education	Home Economics Education	Elementary Education	Secondary Education	Professional and Higher Education	Fundamental Adult & Community Education	Educational Administration	All Other Education	Tech'l Support Educa-tion	TOTALS 1/
AFRICA											
FY 1971	1,283	-	-	-	611	6,058	-	965	2,880	220	12,017
FY 1972	2,335	-	-	-	275	6,442	-	1,171	1,825	287	12,335
FY 1973 (Est.)	2,193	-	-	-	-	5,750	-	1,005	443	92	9,483
FY 1974 (Est.)	1,827	-	-	-	-	5,861	-	877	1,063	62	9,690
FY 1975 (Est.)	885	-	-	-	-	4,495	-	540	400	-	6,320
SUB-TOTALS 1/	8,523	-	-	-	886	28,606	-	4,558	6,611	661	49,845
ASIA											
FY 1971	463	-	-	-	-	3,833	-	519	2,599	-	7,414
FY 1972	194	-	-	-	-	2,127	-	341	2,993	-	5,655
FY 1973 (Est.)	-	-	-	-	-	1,863	-	-	2,309	-	4,172
FY 1974 (Est.)	-	-	-	-	-	1,500	-	-	2,172	-	3,672
FY 1975 (Est.)	-	-	-	-	-	1,310	-	-	2,210	-	3,920
SUB-TOTALS 1/	657	-	-	-	-	11,033	-	860	12,283	-	24,833

Source: Tables prepared by Regional Bureaus
Date: December 8, 1972

1/ Includes actual obligations for FY 1971 and FY 1972; estimated obligations for FY 1973, FY 1974 and FY 1975.

TABLE VIII (Continued)

REGION	Technical Education	Vocational Agricultural Education	Home Economics Education	Elementary Education	Secondary Education	Professional and Higher Education	Fundamental Adult & Community Education	Educational Administration	All Other Education	Tech'l Support Education	TOTALS[1/]
LATIN AMERICA											
FY 1971	-	-	-	-	-	3,303	352	1,064	6,305	-	11,024
FY 1972	-	-	-	-	-	2,609	294	878	5,604	-	9,385
FY 1973 (Est.)	-	-	-	-	-	2,717	225	1,054	5,536	-	9,532
FY 1974 (Est.)	-	-	-	-	-	676	200	1,118	4,141	-	6,135
FY 1975 (Est.)	-	-	-	-	-	418	200	800	3,347	-	4,765
SUB-TOTALS[1/]	-	-	-	-	-	9,723	1,271	4,914	24,933	-	40,841
SUPPORTING ASSISTANCE											
FY 1971	1,780	-	-	637	435	3,318	-	-	4,437	870	11,477
FY 1972	340	-	-	282	48	2,436	-	-	4,355	492	7,953
FY 1973 (Est.)	242	-	-	150	-	2,259	-	-	6,588	291	9,530
FY 1974 (Est.)	-	-	-	1,300	-	1,270	-	-	4,280	288	7,138
FY 1975 (Est.)	-	-	-	1,000	-	337	-	-	4,427	96	5,860
SUB-TOTALS[1/]	2,362	-	-	3,369	483	9,620	-	-	24,087	2,037	41,958
ALL REGIONS: GRAND TOTAL[1/]	11,542	-	-	3,369	1,369	58,982	1,271	10,332	67,914	2,698	157,477

TABLE IX

Percentage Distribution Of Obligations For Education Sub-Sectors, By Region: FY 1960-70 and FY 1971-75 1/

	ASIA		AFRICA		LATIN AMERICA		VN	SA	ALL REGIONS	
Education Sub-Sectors 2/	1960-70	1971-75	1960-70	1971-75	1960-70	1971-75	1960-70	1971-75	1960-70	1971-75
Technical Education	12	3	14	17	7	0	17	6	10	7
Voc'l, Agric'l. Education	1	0	4	0	1	0	1	0	2	0
Home Economic Education	1	0	0	0	0	0	0	0	*	0
Elementary Education	4	0	8	0	19	0	16	8	10	2
Secondary Education	3	0	12	2	10	0	16	1	8	1
Professional & Higher Education	46	44	34	58	19	24	15	23	39	37
Fundamental Adult & Community Education	2	0	0	0	1	3	1	0	1	1
Education Administration	1	3	4	9	4	13	0	0	2	7
Other Education (Misc.)	30	50	24	14	39	60	34	62	29	45

* Less than 1 per cent.
1/ Sources: PPC/OPR W-253 (6-30-70)
Tables prepared by Regional Bureaus (12-8-72)
2/ Includes Grants, mixed (grants and loans), and project loans. Does not include Sector Loans or U.S.-owned local currency.

TABLE X
TOTAL ALLOCATIONS FOR EDUCATION ACTIVITIES, FY 1971 - FY 1975
(In Thousands of Dollars)

Category	FY 1971	FY 1972	FY 1973	FY 1974	FY 1975	TOTAL
Loans:						
Actual Disbursements	54,983	24,113				
Estimated Disbursements			64,477	82,795	80,184	306,552
Education Sector Technical Assistance:						
Actual Obligations	41,932	35,328				
Estimated Obligations			32,717	26,635	20,465	157,077
Non-Education Sectors Technical Assistance:						
Actual Obligations	39,046	37,010				
Estimated Obligations			40,567	41,820	36,657	195,100
Bureau for Population & Humanitarian Assistance:						
Actual Obligations	30,063	28,187				
Estimated Obligations			34,526	35,547	34,606	162,929
Bureau for Technical Assistance:						
Actual Obligations	2,081	1,602				
Estimated Obligations			1,598	2,602	2,508	10,391
Totals:						
Actual	168,105	126,240				
Estimated			173,885	189,399	174,420	832,049

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TO - AIDTO CIRCULAR A- 275

FROM - AID/W
E.O. 11652: N/A

SUBJECT - Program Guidance on Implementing AID's Strategy for the Education and Human Resources Sector

REFERENCE - AIDTO Circular A-988, dated September 4, 1973

FOR MISSION DIRECTORS

INTRODUCTION AND SUMMARY

The purpose of this airgram is to expand on the program and policy implications of the recently distributed Education Sector Statement taking account of the revised mandate for the Agency provided by the new authorization legislation. It is directed to Mission management and program/economic/loan staffs (who should read at least through this introduction and summary), as well as education officers; it raises a series of broad questions for consideration at the earliest stages of sectoral and project planning. Although the budget and project review process will draw on this program guidance, it is not intended to add additional requirements or obstacles to project preparation, but to assist the Agency-wide effort to reorient its programs to focus on selected problems in areas relevant to the quality of life of the poor.

The "Sector Statement on Education," (which the Administrator issued and sent to the field under cover of the referenced message) provides a review of AID experience in the sector and sets forth four areas of emphasis for future programs - education economics and analysis, non-formal education, educational technology and, on a more selective basis, higher education. None of the four is entirely unfamiliar to AID, nor are they panaceas for the education problems of LDCs.

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PAGE 1 OF 14 PAGES

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The basic objective of Agency policy - and thus of the Agency's education policy - is to improve the quality of life of lower income groups, particularly those in rural areas who have to date often been largely excluded from sharing in the benefits of development. A comprehensive approach to human resource development is required in which sector and project activities are devised to focus on important development problems of relevance to the lower income groups. Accordingly, a major thrust of the Agency's strategy in education is to encourage programs which utilize the four A.I.D. education program emphases as innovative tools to better the lives of these target groups. In focusing on development problems rather than only on problems internal to education systems, substantial efforts will be required to build in well designed and comprehensive evaluation components addressing external efficiency (i.e., how relevant the outputs of educational programs are to the priority development needs of the nation).

Following is a brief (and thus necessarily oversimplified) summary of the subsequent sections on the four emphasis areas:

The key theme in the emphasis area of Education Economics and Analysis is to highlight the need for analyzing educational requirements and proposed education activities in terms of the human resource and development problems they are meant to address, rather than focusing only on improving the internal efficiency of education systems.

The scope for sector or subsector analyses and assessments need not be limited to areas where we are encouraging follow-up projects, but should stimulate a broader human resource and development perspective in the examination of alternative education investments.

This emphasis area is a critical pivot around which the success of the overall policy of experimentation and innovation in the other three areas turns. Analysis and evaluation should not be one-time "before" and "after" looks at an activity but should be a continuing part of on-going sectoral activities, contributing to the continuing process of decision-making in the human resources area.

The emphasis on Non-Formal Education highlights the need for well-designed experimental projects which explore alternative forms of "learning systems" to deal directly and effectively with priority problems of national and human resource development. Projects in this area should be targeted to reach low-income groups with information and skills relevant to all aspects of fuller human resource utilization, including employment needs and possibilities and health and nutritional status particularly in the context of rural development.

The theme of the emphasis area of Educational Technology is similarly the encouragement of well-designed projects which examine alternative approaches to human resource development. The focus is (1) on improvement in the learning process itself and (2) on ways to provide learning opportunities for more people in LDCs. Once priority development problems

and related learning needs are identified, countries should be encouraged to examine various technology combinations to lower per unit costs and improve learning effectiveness.

Technology should be understood in a broad sense as various combinations of technical inputs designed to achieve a given output. This interpretation would allow for the implementation of projects suggested by analyses where, for example, a project might utilize a "technology" entailing a more efficient size, spacing or time use for schools. In addition use of communications media may be justified as cost-effective but will require careful analysis of cost factors, particularly when the basic communications system (e.g., radio or TV) is not already substantially in place or when large scale hardware inputs are projected. Broad needs exist for research and experimentation with applications of radio-assisted instruction, innovative forms of printed material, behavioral principles of learning and environment, as well as research aimed at improving the efficiency of existing technology through, for example, changes in scheduling, language of instruction, etc. Project planners must take care to make explicit the development problems being addressed and carefully design programs and evaluation components linked to the solution of those problems.

The discussion of Higher Education indicates that assistance should be concentrated on improving the linkage of universities to development problems, particularly those relating to other joint LDC-AID program priorities. It is true that many universities still have major need for internal academic institutional development and substantive competence in basic academic disciplines which will of course influence the quality of the university's development efforts. However, AID has chosen to narrow its emphasis in higher education in view of (1) the heavier investment in the past in higher education in relation to other education sub-sectors; (2) the past tendency of LDC universities to relate their academic expertise insufficiently to their country's applied development problems; and (3) questions of high unit costs, cost-effectiveness and income distribution.

All of these emphases overlap. They should serve as guides in constructing innovative AID human resource programs which focus on important development problems. Thus, rather than serving as exclusive or even coordinated entry points for programming, the emphasis areas should serve as tools to address the central questions on which AID is trying to focus: identifying how priority development needs can be addressed by the extension, improvement and development of learning opportunities; and how more useful learning opportunities can be made widely available to LDC populations, reaching the poorest groups at costs LDCs can afford.

As indicated in the Sector Statement, a great deal of research and experimentation remains to be done. The central feature of AID's education strategy is to identify important development problems and work with LDC governments in

large- and small-scale approaches using various technologies in formal and non-formal settings to find improvements and alternatives to the present pattern of human resource development investment which are both financially and technically feasible and socially and economically desirable. Attention to the factors which determine the replicability of these efforts is critical if this process, including LDC experimentation, is to indeed be a process of knowledge-building and problem solving.

Although the examination of alternatives is a fundamental aspect of this policy, it is recognized that there may be serious difficulties in broadening the scope of analysis as far as would be desirable in implementing major policy changes indicated by the analysis. Marginal changes in the right direction may sometimes be the best that can be accomplished. The critical factor is judgement on a case by case basis of whether marginal change will likely lead to more dramatic and comprehensive changes. This will often depend on the extent to which a government is conscious of the need for more change and will be responsive over time to the impact and potential of a broader scope for human resource development activities. A proposal for AID assistance which will lead to only marginal changes in a strategy which does not adequately address, or which exacerbates, major development problems will receive lower funding priority on this account, and, in severe cases, may be rejected.

This strategy of concentrating on innovation is not meant to consign AID activities in the education emphasis area to "small money" or technical assistance projects only. Sector loans, which may permit larger scale activities and innovations in the priority areas, should also be considered.

Sector loans can include elements of relatively high-cost capital expenditures where fully justified in terms of affordable recurrent and per capita costs. In view of Congress's mandate to the Agency to increase the proportion of funding going into the major AID priority areas, AID certainly does not seek to minimize the size of education sector activities in relation to other elements of Mission programs, particularly those outside of priority areas. As an indication of the magnitude of funds the Agency is likely to have available for well-justified projects, it should be noted that Congress appropriated $89,000,000 for education and human resources in FY 1974.

Within the field of education, the projects that are in line with these guidelines will receive program and budget priority. As DAPs are developed, we urge careful attention to the emphasis areas and to host government interest in possible project proposals in these areas. Activities outside the four priority areas are not prohibited, but will not share in the general funding priority accorded to these four areas. In addition, questions will be raised in the review process where proposed projects conflict with Agency experience on cost-effectiveness or priority (e.g., if proposals were made for large-scale expansion of secondary vocational education, serious questions would be raised on cost-effectiveness in relationship to other types of formal education and to other less formal and/or traditional approaches to skills training).

A.I.D.'s narrowing of focus on a few key problem areas within education necessarily means that we will not be heavily involved in many education problems with which government are, and should be, concerned. As the legislative history of the new AID authorization bill makes clear, working in a collaborative style need not be inconsistent with focusing AID's comparatively small resource inputs on a few key problem areas. For example, when a private foundation or assistance agency chooses to limit its program priorities to a few specific subsectors or problems, it is not considered uncollaborative for not working in other areas. In most LDCs there should be substantial areas of overlap between host governments' highest priorities in education and those of A.I.D.

AID will continue work within formal education systems and on internal efficiency problems of education. The emphasis areas of both Education Economics and Analysis and Educational Technology apply to both formal and non-formal systems, and relate to questions of internal efficiency as well as external efficiency. What this guidance seeks to emphasize is the need to look first at the broad development (with emphasis on employment, income distribution, family planning, and other needs of lower income groups) impact of proposed education activities, before focusing on questions of the internal efficiency of the proposed activity in meeting educational objectives. We would then turn to questions of what the House Committee on Appropriations referred to as ways to increase "the relevance of formal educational systems to development problems through curriculum reform, better teaching materials, and improved teacher training." To take an example, the equity-related goal of spreading basic educational opportunities to the children of the rural poor may in some countries (e.g., Korea) best be addressed by continuing expansion of, and improvement in the quality and relevance of, the formal primary school system. In most countries achievement of this goal, given financial constraints, will require extensive use of non-formal education to supplement the formal educational system.

This guidance is necessarily general, to accommodate the very wide variety of country situations to which it must be applied. Its purpose is to outline Agency policy for education assistance in terms of broad but fairly well-defined program guidelines and policies for activities focusing on a few key problem areas. To supplement this program guidance, TA/EHR will soon be providing further technical guidance and assistance to the field in the form of research results, seminars, etc. In addition, some bureaus may provide additional guidance for regional and country-specific efforts to implement this policy.* A number of compendia of existing experience with educational innovations have already been disseminated by TA/EHR for Mission and LDC use and others will become available. Expertise in the emphasis areas is also available to respond to field requests for assistance, and more will be assembled as experience indicates the need.

*The Africa Bureau has already suggested directions for a new strategy for education programs in Africa in a paper by Princeton Lyman (AFR/DS) sent to Missions under cover of AIDTO CIRCULAR A-246, dated March 23, 1974.

1. EMPHASIS AREA: EDUCATION ECONOMICS AND ANALYSIS

Primary concern in this area is to improve, through analysis, decision-making capacity as it relates to the identification and solution of educational problems and more broadly the relation of educational problems and the educational system to development.

A few Missions may be afforded the opportunity of improving analysis for education by directly assisting in the development or improvement of an educational planning unit within a ministry, region, university, etc. In such cases Missions may wish to develop a project to train analysts, conduct research, develop linkages to other government and private planning and educational activities, etc. The Turkey Mission, for example, undertook a 5-6 year project of this type.

Alternatively, Missions may have opportunities to help with the development or application of some specific planning methodologies or other tools (e.g., an LDC wants to identify better the costs of specific components of their education program, or the incidence of benefits, or methods of reducing costs, or the array of financing alternatives from which it might draw).

Most Missions, however, will probably be limited to treating the improvement of analysis indirectly, that is, through requests to assist particular education activities (e.g., non-formal curriculum development, regional expansion and reform of an elementary school system via a sector loan, etc.). In such cases, Missions should view each project request from two points of view. The first as an opportunity to help the host government improve its decisions concerning the design and execution of the education project requested. The second, as a demonstration point, for revealing the potential of the application of improved analysis and decision making.

Whatever may be the background, once a host government and Mission have decided to cooperate in the area of analysis, it is desirable for both parties to reach a detailed understanding on the purposes of the analysis, its parameters, and the principal questions which the study will ask. Such agreement is the key to a successful analysis and will permit the study to proceed as collaboratively as possible. It can help to avoid a common fate of external studies - lack of LDC use.

Educational planning is and should be a process internal to national needs, institutions and capacity and must take account of the fundamental political imperatives and constraints under which ministries must operate. Ideally there will be a continuing interplay between high level decision makers and technicians and analysts not only in the implementation of a given program, but also in the process of identifying cost-effective and equitable programs and targets for the education system. Thus, goals and programs which may appear initially desirable from a political viewpoint (e.g., accelerating expansion of secondary schools and universities) may be clarified by the analyst as conflicting with other goals of decision makers (e.g., reducing

educated unemployment or maximizing the spread of education to rural areas). In such analysis of tradeoffs expert assistance can be most valuable. Because these questions are hard and sensitive anywhere, and LDC resources are very limited compared to educational aspirations, the analytical work requires skills and sensitivities well attuned to LDC situations.

Some of the fundamental questions to be considered in education (or human resource) analyses are suggested by the Sector Statement:

(1) What are the relative efficiencies and costs of existing and alternative education efforts to best serve the country's development purposes?

(2) What is the quality and relevance of schools and other educational institutions to a developing society?

(3) What are the costs and benefits of alternative human resource programs that will best complement other efforts to overcome development problems (such as employment generation, family planning or the role of women)?

(4) What level and type of education should be given priority in terms of social and economic needs?

(5) Who, by geography (urban, rural, backward regions, etc.), socio-economic class, sex, etc., has access to learning opportunities at various levels both formal and non-formal?

(6) What groups bear the burden of paying for the costs of education at various levels?

(7) What level of educational investment can the country afford and what policies are suggested within these financial constraints?

(8) What is the orientation of the formal education system; is it appropriate to perceptions of development needs?

(9) How do the educational opportunities at various levels relate to problems of employment and income distribution?

(10) If a pilot project is planned and appears to be the most cost-effective and development-relevant alternative, could it be financed from local resources if extended to the nationwide target population?

It is recognized that there are significant limitations in methodologies for answering these questions. The inclusion and weight of these difficult questions as integral parts of broad analyses and of the development of individual projects is not meant to impede our assistance efforts by imposing unrealistic analytical burdens on host countries and ourselves. Most of these questions will have to be answered on the basis of qualitative analysis, often

on the basis of rather sketchy information. Yet questions of this type are too important to be ignored. It is important to determine what the key substantive questions are for a given situation and to answer them as best as one can.

Situations may well arise where the kind of broad gauge sectoral analysis we seek to encourage will lead to some recommendations outside of AID's priority areas in education, as well as others within them. Although there may have been situations in the past where it was felt that any AID discussion of a particular problem area necessarily carried a commitment to provide assistance in that area, we hope that Missions will be able to make broad use of the tool of education sector analysis without having to limit it to those areas in which AID plans to provide subsequent assistance. Where sector analysis yields recommendations outside AID's priority areas, other donors may be able to provide assistance to supplement the LDC's own efforts. As in other sectors, coordination with planning and operational assistance by other donors, both within AID priority areas and outside them is highly desirable.

It is expected that Missions will require assistance from AID/Washington or from intermediaries in their efforts to help LDCs develop the capacity to provide such analytical underpinnings for assistance requests. Missions should begin now to detail such needs so that the AID/W analytical support program can be based on Mission and host government requests.

AID has assisted governments to conduct assessments and analyses of education, e.g., in Korea, Colombia, and Jamaica. The extent to which assessments to date have addressed development as well as strictly educational problems has varied. The Education Office of TAB is now in the process of distilling these and similar experiences (e.g., Ethiopia) for dissemination to field Missions. TAB has also received from some of its contractors reports on education sector analyses which will be distributed shortly.

Nothing presented here concerning broader gauge sector analysis should detract from the need to carry out other simpler analyses. Sound analysis is required as a basis for any program or project.

In sum, the basic objective is improved analysis of all types for the education sector and its subsectors. Mission should not become involved in a large number of small projects, but rather should encourage efforts to institutionalize the ability to carry out this kind of analysis.

With respect to the economics of education, in new projects and programs we want to see greater attention given to alternative solutions with emphasis on the attendant costs implications. U.S. assistance in education must not put us in a position of endorsing activities that lead to increases in either unit costs or total program costs beyond manageable levels.

Further, we would like to help LDCs discover and make use of alternative ways, other than national budget funding, of raising money for educational activities.

For example, a number of LDCs have been experimenting with student loan schemes and business-industry taxes. A certain amount of sharing of experience with such approaches has been effected, but more is needed. Although some efforts such as payroll taxes must be scrutinized carefully with respect to consequent distortions in the price and demand for labor, Missions should encourage LDC planners to give attention to alternative funding approaches.

The major points of the discussion above do not apply only to education analysis projects per se but to the analysis that goes into projects in higher education, educational technology and any other areas of education.

2. EMPHASIS AREA: NON-FORMAL EDUCATION

In developing an awareness of non-formal education as an integral part of a country's total learning system, AID wants especially to encourage well-evaluated experiments in non-formal education which are closely related to the broader solution of major development problems - for example, the inability of many small farmers to acquire new technology; lack of knowledge about basic hygiene and child nutrition on the part of poor, rural parents; inadequate awareness of the potential advantages of smaller families or child spacing and of family planning services. AID also wishes to encourage experiments in learning the "3 Rs" and other basic functional knowledge using cost-effective systems outside the graded school system, thereby spreading the opportunities for such learning more widely and to relatively disadvantaged groups.

It should not be assumed that any given rural non-formal education activity will benefit poorer rural groups, even where the activity design clearly has that potential. Education activities, like activities in other sectors, must be viewed in the context of the local socio-economic situation in which they are being applied. Just as there is a danger that dominant economic and political groups (e.g., larger farmers) will appropriate the benefits of credit, fertilizer and other agriculture programs, so rural non-formal education could well result in emphasizing the more sophisticated training and information needs of larger farmers, rather than the more basic needs of smaller farmers. Projects should explicitly address who the desired target groups are, how they are expected to be reached, and what problems (if any) can be expected from local power structures.

Although a few better off LDCs have already achieved or are well on the road to achieving universal primary education, it is clear that most LDCs do not have the financial resources available to achieve this goal, or even approach it, for many years. In addition there are many human resource problems of lower-income groups, particularly problems of literacy and skills training for adults, which cannot efficiently be addressed by the formal education system, at least as presently constituted. Many countries are either already supporting non-formal programs addressed to these problems or have specific plans to do so. For example, mobile trades training units in Thailand teach practical skills in rural areas. Farmer training centers have been organized in Korea. The 4-H movement has been especially productive in the Philippines.

Ethiopia is planning to use the services of the Coptic Church to develop village "practicums." The Comilla project encouraged increased agricultural productivity in Bangladesh through village cooperatives. The French have long had their programs of "animation rurale" in francophone Africa. Ecuador is experimenting with simulation games and other techniques to make the campesino more aware of his environment and the means by which he can improve it. This is not, of course, to say that all the above examples were cost-effective or widely replicable. AID is interested in helping LDCs evaluate the cost-effectiveness of addressing rural education through these and other innovative non-formal means.

In supporting pilot projects, Missions should consider carefully the issue of project replicability as well as project relevance. A project, experimental or otherwise, can be narrowly successful if carried out with superior leadership and generous financing. However, the success of the project may not insure broader replicability if it is conducted far out of line with the human and financial resources which might be forthcoming in another environmental or national setting.

When supporting innovative projects ways should be developed to economize overhead during the experimental stage so that overhead at the replication phase is not beyond the resources available for a wider effort. We see danger in the tendency of some non-formal education programs to proliferate professional coordinators and teachers. Obviously, the greater the required size and quality of management overhead, the greater the cost and the less likelihood of replication, given the scarcity of management and teaching skills in most LDCs. To reduce high overhead, planning might consider utilizing technologies such as radio or programmed instruction and techniques which are within currently achievable resource constraints such as the use of peer teachers or para-professionals.

Finally, the success of a project should be measured against the goals and objectives which were originally built into the project including the broader development goals which are being addressed. One might include measurement of actual crop yields over time for those farmers participating in a project which provides relevant information to determine if, in fact, lack of relevant information impedes the small farmer's acquisition of new technology.

Outreach is also an important aspect of a project. Ideally a non-formal experimental program should yield knowledge of the mix of resources, technology and program emphases which will result in the widest distribution of benefits.

The small farmer problem is only one of the many development problems which suggests non-formal education solutions. For example, Missions may find that a productive line of inquiry would be non-formal training in industrial and service skills (including e.g., incentives to industry for on-the-job training) as an alternative to formal secondary vocational schools. The latter have generally not proven to be cost-effective.

3. EMPHASIS AREA: EDUCATIONAL TECHNOLOGY

Taken broadly, educational technology addresses both the systematic design and delivery of learning experiences. As indicated in the Education Sector Strategy, the importance of this area lies in "making the learning process more effective and accessible, whether in formal or non-formal programs of education."

AID's interest in this area rests on the perception that programs using educational technology, including perhaps the innovative use of a range of media, can help address educational problems of availability, relevance, cost and effectiveness by improving the cost-effectiveness of formal education systems or through providing learning opportunities in non-formal modes. The focus of application would be (1) to increase efficiency by improving learning effectiveness and extending outreach, (2) to lower per unit cost, (3) to help implement curriculum reform and teacher retraining, and (4) to facilitate programs in other development areas. When communication systems using modern media are or will shortly be in place, it may be possible to extend these systems at relatively low marginal cost for additional programming in a number of development sectors. Thus, educational technology systems may be designed to serve as important elements of agricultural extension, family planning, health and rural development programs.

Technological innovations, however, address primarily problems related to internal efficiency of the educational process. The value of improved means for learning, and of assistance in establishing them, depends on the value of the developmental purpose they are to serve and the actual impact on those purposes (i.e., external efficiency). Therefore, as stressed in the discussion of the emphasis area dealing with planning, projects should reflect prior LDC clarity on educational purposes and should make every effort to assess the relation of innovations to actual achievement of the purposes by application of appropriate measurements.

Educational technology encompasses a wide spectrum because it concerns both the development of the actual content of the instructional programs and the operation of the instructional process, as well as the hardware involved in various delivery systems, e.g., radio, television, audio tapes, and innovative forms of printed material. Educational technology is by no means limited to activities involving sophisticated hardware or media. Thus the focus of educational technology projects can vary from a teacher training course by radio to a methodology for developing a non-formal education program addressing lack of information about nutrition and family planning. The program learning methodologies used in these diverse projects show promise of wide applicability to other development programs where the learning of new behavior patterns is a requisite, as in many agricultural and nutrition programs.

Some important work is already underway in a number of LDCs, though on a limited scale. Over thirty countries around the world are using newly designed educational technology to extend their school facilities and services including several countries which have embarked on extensive, large-scale reforms of their educational systems based upon innovations in educational technology (e.g., El Salvador and Korea). These projects have begun to demonstrate the importance of integrating new hardware delivery systems, improvements in instructional content and basic organizational changes. In addition to applications within the formal system, non-formal education efforts are underway or are being planned involving, for example, the systematic use of radio and other low cost media for delivering agricultural information and education in Guatemala and Ethiopia. A number of questions remain unanswered about the cost-effectiveness and benefit incidence of some of the programs now operating. Experience to date of actual application in LDCs has shown that, whereas new technology may improve academic performance, it often increases costs as well. Powerful means of extending outreach - television is the best example - have yet to demonstrate that they can also lower unit costs. In each case it is necessary to consider not the sophistication of the technology alone, but rather the cost-effectiveness of the whole system embodying the technology.

Successful programs in this area must be carefully designed to take account of major variables. A programmed instruction radio system, for example, may increase educational outreach to rural areas, but the programmer must also directly address non-technological questions regarding the relevance of the content to rural people and their problems.

As with non-formal education, it is critically important that programs utilizing new educational technology be explicitly related to predetermined and fully examined assumptions regarding priority local and national needs. Perhaps one of the greatest impacts of technological innovation is the inherent incentive to open up educational planning, experimentation and development to a rigorous and systematic examination of alternatives.

More field experience of both an operational and pilot type is essential if the full potential of educational technology is to be realized. Moreover, it is clear that projects in this field raise a host of complex questions. The TAB Education Office has marshalled highly qualified resources to undertake cooperative planning with LDCs, required for the development of innovative projects in this area. Missions may request them through Regional Bureaus.

4. HIGHER EDUCATION

Future assistance to higher education will be different in form from that so far provided. It will require rigorous justification in light of growing evidence of critical cost, equity and employment problems. As the sector statement indicates, the earlier scale and emphasis to higher education

assistance must give way to more selective, low-cost programs which offer efficient opportunities for addressing important national development needs, particularly in the Agency's priority areas relating to the quality of life of the poor.

The Sector Statement counsels AID to move away from assisting the "internal development" of higher education institutions in the LDCs and move toward helping these institutions provide "effective, problem-oriented service to their societies." Higher education institution-building is not an end in itself; rather the proper end of our assistance programs in this area should be the solution of important development problems. Obviously LDC universities have a vital role in arriving at these solutions. Our assistance should be selective and should help them play that role better.

We do not underestimate the difficulty in achieving this reorientation. Within any university there are strong pressures which favor departmental autonomy rather then interdepartmental cooperation in teaching and research; which promote international standards of excellence per se rather than concentrate on local development problems; and which encourage elitism and, at least implicitly, income maldistribution rather than equitable participation of all classes and groups.

Pilot projects can assist in the reorientation of our assistance to LDC higher education. They can promote selectivity. They can target more closely on assisting universities to mount programs addressed to meeting specific development problems. Thus, a given pilot effort would not simply strengthen, for example, the academic capabilities of an agronomy department but would assist the university to work with the Agriculture Ministry and/or other relevant educational and agricultural institutions on a joint basis to address a particular problem or set of problems, e.g., agricultural planning or dryland farming. Such projects might not only bring together teachers and researchers from several university departments, but might involve and activate interchanges between the university and the agriculture ministry, planning boards, etc., including in-service training for ministry people working in the area.

The involvement of U.S. advisors and training in the U.S. should be determined by the degree to which the university's work on a particular development problem requires such involvement. Missions should seek ways to provide direct grants to LDC universities, enabling them to finance all or part of development-related programs of community service, teaching and research.

One assistance technique may be some form of "topping-off" grant for the budget of the joint activities, where the cooperating organizations have enough self-interest and capability to finance a large part of the costs as normal charges to their budget, but find it particularly difficult to muster funds for certain parts of the program (e.g., travel, some research components, salary differentials or out-of-pocket costs of foreign participants). This could provide an incentive for mobilization of resources by the participating

organizations. It would also be much simpler to administer than standard technical assistance contracts. In evaluating requests for assistance in higher education, special attention should be given to the question, "How and in what manner will AID support assist the university to contribute to a better understanding and possible solution of such basic development problems as undernourishment, poverty and inequality?" In the same vein, Missions should consider whether the university has a plan for contributing in these sectors over the next ten years or so and how it is proceeding to implement such a plan.

Additional criteria Missions may wish to use in considering giving assistance to LDC universities include:

-- Commitment from national or regional leadership to the university's role as a key instrument in the development process.

-- Evidence of initiative and genuine commitment to solving problems of national development on the part of key faculty members and university administration.

-- Commitment to building or reinforcing core strength and leadership in such basic fields as agriculture, economics and social sciences, public health, natural sciences, education, and administration; commitment to experimenting with innovative applications to local and national development efforts, and the extent of university links with relevant government programs and ministries.

-- The application of existing knowledge to problem solving, whenever possible through multidisciplinary approaches, with research, teaching and extension programs being used to serve the pressing needs of the community.

-- Links to public and private action agencies including other universities, whether local, national, or international involved in addressing development problems -- and evidence of a willingness to cooperate and draw on each others' strengths.

-- The prospect of continuing or increasing support from national and international funding sources for development-oriented activities of the university.

-- Effective and promising relationships between the university and other sectors and levels of education.

Although this airgram is intended as Agency policy guidance for programming in the human resource development area, the fact that a large element of experimentation is encouraged emphasizes the importance of a continuing dialogue and exchange between Missions and AID/W if effective action programs are to be developed. We would therefore appreciate Mission comment on the substantive issues raised in the airgram and on relevant experiments/experiences in their countries of which we may not be aware.

AIRGRAM

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TO - AIDTO CIRCULAR A 703

E.O. 11652: N/A

FROM - AID/W

DATE SENT
XXXXXX10-17-7

SUBJECT - Draft Framework for Developing Program Submissions in Human Resource Development

REFERENCE - AIDTO Circular A-275, 4/2/74, Program Guidance on Implementing AID's Strategy for the Education and Human Resources Sector

AIDTO Circular A-988, 9/4/73, The AID Education Program Strategy

AIDTO Circular A-448, 6/22/74, FY 1976 Program Budget Submission Guidance

AIDTO Circular A-461, 4/21/73, Program Planning for FY 1975 and Beyond

AIDTO Circular A-543, 4/15/72, Development Assistance Planning Guidance - FY 1974

AIDTO Circular A-1583, 11/18/72, Agency Approaches to Sector Analysis

ATTN.: PROGRAM, CAPITAL DEVELOPMENT AND EDUCATION OFFICERS

I. INTRODUCTION

This draft, prepared by the Program and Policy Coordination Bureau and the Inter-Bureau Coordinating Committee for Education, is intended as an aid in developing and presenting for funding activities in Education and Human Resource Development.

Its purpose is to emphasize and detail the main thrust of the recent Education Guidelines (AIDTO CIRC A-275, 4/2/74) i.e., the exigency of a broader context for the identification and selection of education or

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AFR/DS, E. Martin (draft) SA/TD, E. Green (draft)
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PAGE 1 OF PAGES 26

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learning needs, together with increased substantive attention to the relationship of education and human resource problems to achievement of development, employment and distributional goals of the society.

In view of the current, urgent need for a program development framework in the human resources area, we are sending the current document to Missions in draft in hopes that some may find all or portions of it useful in their current DAP and sector assessment work. We are not requiring its current use, but we do request Mission cooperation in furnishing comments and suggestions which will make possible the refinement and improvement of the format. Since this assessment format stresses the intersectoral nature of developmental problems, the participation in the review and use of the format of as many Mission staff in relevant fields as possible would be desirable (e.g., program, agriculture, health, population, education).

It is intended that the revised format will provide a minimum list of questions to be addressed in DAPs, sector assessments and project documents and that these same questions will be raised in the AID/W review process. It is also recognized that the degree of sophistication in the response will vary according to (1) the nature of the question being addressed and (2) data availabilities and analytical capacities in the Mission and host country.

We hope the format will also:

1. facilitate program identification and consistency with AID policy mandates;
2. provide a better basis for relating long term planning (i.e., Development Assistance Programs (DAP) and Education Sector Assessments) to short term planning (i.e., projects);
3. serve as a basis for the design of program evaluation;
4. identify the need for improvements in analytical and decision making processes;
5. provide a mechanism for identifying AID research needs and priorities;
6. specify the activities of professional resources necessary to implement projects in this area.

DAP I

A. CHARACTERIZATION OF DEVELOPMENT GOALS AND PROBLEMS

1. Specification of Development Goals (e.g., rural development)
2. Identification of Obstacles to Achievement of Sector Goals (e.g., lack of basic learning skills - literacy and numeracy - in rural population, which precludes achievement of sector goals of increasing small farmer productivity)

3. Priority Ordering of Major Problems
4. Identification of Human Resource Development Needs Derived From Characterization of Priority Development Problems

DAP II (Sector Assessment)

B. PROFILE AND ANALYSIS OF THE LEARNING SYSTEMS

1. Descriptive Profile of Learning Systems
   a. Formal Schools
   b. Private Formal Schools
   c. Other Government
   d. Other Private

2. Analytical Review of the Profile
   a. Costs and finance
   b. Structure of Costs and Potential for Improvement in Internal Effficiency
   c. Equity Impact of Current Structure (by levels and types of participants)
   d. Role of Education in Other Sectors

C. EXTERNAL EFFICIENCIES OF LEARNING SYSTEMS

1. Relation of Output to Priority Development Needs
2. Identification of Human Resource Development Gaps

D. REVIEW OF ALTERNATIVE BASES FOR PROGRAM IDENTIFICATION

1. Clarification of Learning Problems
2. Activities of Other Agencies
3. Assigning Priorities to Solutions of Learning Problems

E. PROJECT DOCUMENTATION

Use of Revised Log Frame

In addition to the response to each of items A through E, Missions would be requested to provide:

- specification of analytical method used i.e., how the question was answered: (This would vary considerably from description of an analytical technique to solely judgmental responses);
- some estimate of the reliability of answers given the analytical procedures used.

Specifications of method and reliability are included to provide an appropriate context for the clarification of practical, country-specific

constraints (e.g., availability of data and expertise) under which the AID program must operate. In executing the instrument, Missions should:

- answer all questions;
- provide as much analytical rigor as possible;
- collaborate to the extent possible with the host government;

In forwarding your comments to Washington, it would be desirable to address the following points:

1. the extent the format meets the intended objectives (1-6 on page 2)
2. the utility of the questions for relating educational activities to satisfaction of priority developmental needs.

   Are there other questions you feel are more critical to the process? Please specify.
3. the value of specifying method and reliability of assessment data
4. the manpower necessary to execute the instruments given:
   a) time constraints
   b) host country expertise (governmental and non-governmental)
   c) Mission personnel
   d) availability of existing country, international or other donor data and studies.
5. Specified additional requirements:
   a) AID/W resources (contractors, grantees or AID personnel)
   b) Other

We recognize that the relative emphasis of this document on deriving education needs from development goals and problems in other sectors and in the economy and society as a whole rather than starting with goals and problems defined only in terms of the education sector itself may be a new approach for some missions and host country governments. This emphasis is manifested in various ways throughout the format: in the initial characterization of development goals and problems, in the examples employed, and in the section on external factors of learning systems. The emphasis is deliberate and reflects the growing concern in the development community that scarce resources invested in education be employed as effectively as possible to contribute to the development goals articulated by the host country and presumably shared by cooperating donor agencies. In education as in other sectors, whether they be agriculture, health or population, these goals transcend the sector itself and involve objectives like productivity, income, employment and equitable sharing of costs and benefits. In education, of course, related objectives, such as improved civic participation in the society, will usually be included.

A parallel emphasis of the format is on the multi-sectoral nature of learning effort and activity in all countries. A substantial amount of such activity is channelled through institutions and agents formally located in other sectors (e.g., agriculture, health, industry, etc.). An education sector assessment intended to improve the effectiveness of resources allocated to education must examine significant learning effort wherever it takes place.

These relative emphases should, not, however, bias the use of the format. For example, an assessment which addressed the questions raised in the format could very legitimately conclude that extending or improving the efficiency or utilization of the formal primary education system should have highest priority for A.I.D. or a host government in a given country.

One of the most important objectives of the format would have been served, however, if in reaching this particular conclusion, questions were raised about (1) financial constraints and trade-offs (including relative cost-effectiveness), (2) relationship to priority development goals and problems and (3) the equity with which the costs and benefits of the system impact on income or socio-economic groups, and means formulated to assist the system in ways which addressed these problems. Similarly, the assessment process might conclude that extension and/or experimentation in some aspects of "non-formal" education had highest priority. But the assessment should have also raised the same questions about costs, relationship to priority development goals and equity. While doubts have been raised in some quarters about the inherent capability of "formal" or "non-formal" systems to satisfy adequately the above criteria, it is by no means clear in a given country that, for example, non-formal approaches will always be superior or that efforts to improve the performance of the formal system will not be more cost-effective. Nor, of course, need the approaches be mutually exclusive in the context of overall education strategy.

We are currently field-testing this format in two countries and have received an initial favorable reaction (Peru and Panama). We look for opportunities in other countries where education sector assessments are planned in order to determine the degree to which the instrument is helpful. After receiving your comments and suggestions, we will try to refine the format and send it to you by January, 1975, for further use. In order to develop a revised instrument within a reasonable time, may we have your comments by 15 November 1974.

II. FRAMEWORK FOR ASSESSING HRD ACTIVITIES

AID Sector Strategy in education (Ref. AIDTO CIRC A-988, Oct. 73) notes that a large share of funds allocated to education is being deployed through sectors other than education, e.g., agriculture, health, population, nutrition, etc. Efficient resource allocation to human resource development requires a consideration of 'education' development which is nationwide in character and multi-purpose in scope (i.e., serving social, political and cultural objectives as well as economic).

All societies have programs serving these functions. They are conducted through formal, non-formal and informal delivery systems. Consideration of these several functions is essential to assure a rational basis for selecting Mission sectors of concentration (which may or may not deal with Human Resource Development directly). It is always necessary to remember that education plays both a direct and indirect role in development.

For the purposes of this guideline the indirect contribution of education is taken as the role that education plays in contributing to other sector activities, e.g., agriculture, health etc. The direct role is understood as the way education itself is or should contribute to economic and social development, i.e., providing fundamental skills and knowledge that enable the population to effectively participate in society in general and the economy. These specific learning activities produce doctors or para-medicals by a variety of means and thereby contribute to the success of activities in the health sector for example. The same learning system(s) may also be performing the essential function of equipping a general or target population to accept and use the services provided. Similar examples could be cited which would focus on the utility of basic learning to broader social, political, and cultural goals.

It may be useful to very generally characterize education's direct role as longer term, formal and preparatory or 'preventative' i.e., forming basic skills and knowledge fundamental to broad societal goals. The indirect role, by comparison, may be loosely associated with shorter-term skill training, non-formal modes and is generally 'curative'; i.e., filling specific manpower or knowledge gaps in the society.

This paper seeks to clarify the importance and necessity of consideration of these two learning functions within the context of basic DAP as well as the specific Education Assessment. To the extent that any of the following questions are not treated in an existing DAP, they should be treated as the first elements of the Assessment, i.e., DAP II.

A. CHARACTERIZATION OF DEVELOPMENT GOALS AND PROBLEMS

Substantive guidance on the DAP and broad Agency goals and priorities is contained in all referenced documents. The most specific guidance for DAPs is still Annex A - DAP Content and Building Process - of

Aidto-A-461. Section A below expands on the basic DAP guidelines by providing specific issues in the examination of human resource development and education.

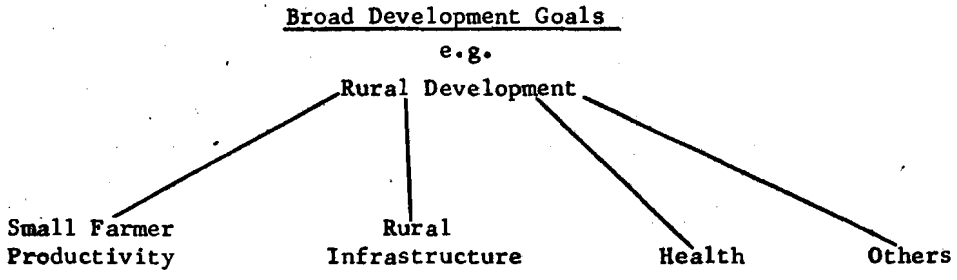
1. Specification of Development Goals

What is required here is a brief but concise statement of broad policy objectives including a time frame and projected areas of concentration by sectors. Particular attention should be given to the relationship of country goals to AID priority areas of rural development, equity (particularly low income groups and women) and employment. Although it is recognized that in most cases these goals will be general, attempts should be made to identify those goals which are in fact demonstrated by government policies, programs and funding levels.

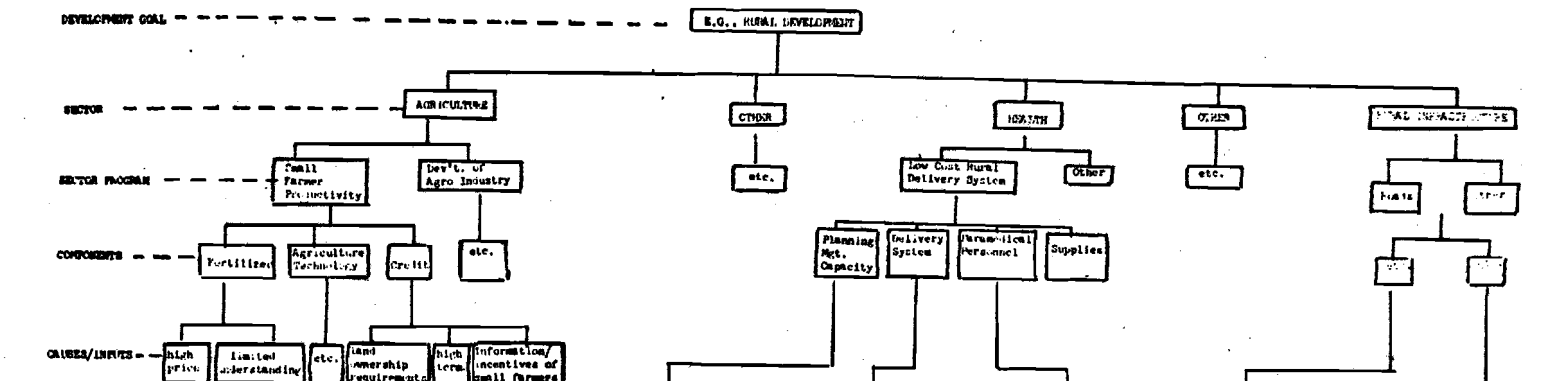
The human resource development goals which serve development directly should be reviewed and result in a specific statement or statements of what the target population is supposed to do or know to effectively contribute to and benefit from social and economic development. A format for ordering this information is provided in the matrix in the following page. The learning needs as required by specific sectors or development programs are not as readily obtainable and therefore must be derived from an examination of other sector goals.

For clarity we will develop a schematic example of how one might proceed from a broad development goal to derive the indirect requirements for a learning system(s).

We will use the example of rural development as a broad development goal. It will, of course, have many program components: e.g.



LEARNING NEEDS (KNOWLEDGE AND SKILLS) OF DEVELOPMENT PROGRAMS



(1) e.g., small farmers (2) e.g., extension workers

HUMAN RESOURCE REQUIREMENTS OF BROAD SOCIAL, POLITICAL & ECONOMIC GOALS

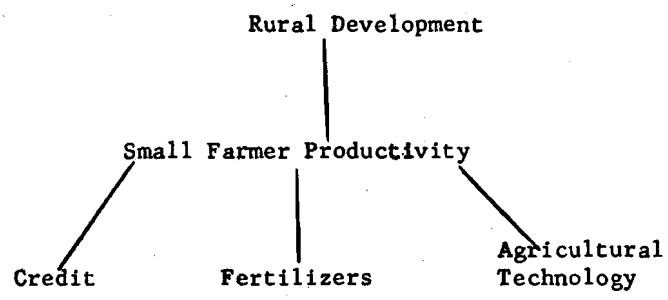
Societal Goals / Education Implications	Political Participation		Literacy/ Numeracy		Other Adaptive Learning Skills		Cultural Cohesion		Other	
	Target Pop(1)	Intermed Pop (2)	T/P	I/P	T/P	I/P	T/P	I/P	T/P	I/P
What type of Education is Required?										
Approximate Number of People to be Served										
Geographic Location or Populations to be Served										
When will Services be Required A. Initation B. Duration										

(1) E.G. Primary School are Group 7-14. (2) E.G. Teachers.

2. Identification of Tasks for the Achievement of Sector Goals

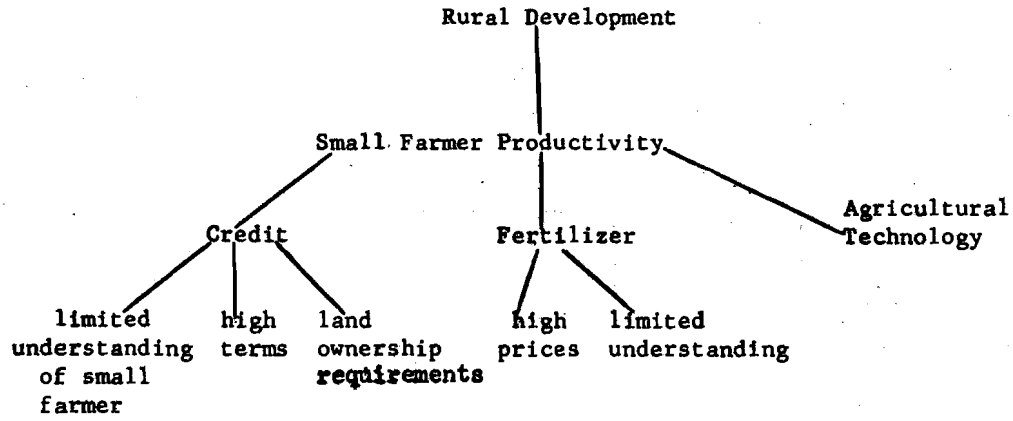
These general problems should each be broken down to a sufficient level of specificity to permit the missing or inadequate elements to be identified.

In our specific example of small farmer productivity, one might specify the need for credit, fertilizers and agricultural technology. Schematically we will develop the small farmer productivity example, although, of course, each sector program subdivision would be developed along similar lines.



3. Priority Characterization of Major Problems

This step would further examine the components and their causes in order to outline a rough sequence for dealing with them. The outline might now look like this:



Before any general program target can be drawn from this outline, one would need to clarify sequential interdependencies, i.e., what components must be in place before others can make an effective contribution. Thus in the absence of roads and markets, credit, fertilizer or technology inputs may be ineffective, if not inappropriate. Similarly, but at a lower level, it would make little sense to develop an informational system knowing that credit terms were unaffordable by the target population.

Again, similarly, but ata higher level, the entire rural development program might be inappropriate without knowing the broader willingness and capacity of rural populations to accept and use services to be provided.

4. Identification of Human Resource Development Needs for Realization of Priority Development Goals

The task, at this stage, is to specify what the indirect or derived learning requirements are for the achievement of sector goals.

The matrices on p. 8 and 9 are presented for illustrative purposes and are not intended to suggest a particular format for ordering or reporting information. They are meant to highlight the importance of a thorough examination of national goals in order to derive a characterization of the learning and educational requirements of the nation.

An important feature of both matrices is the distinction between an ultimate target population and an intermediary population. The ultimate target population are those for whom the services are being provided, e.g., small farmers. The intermediary population are those who must be trained or are available to deliver what is required to the small farmer, e.g., extension agents. This is required because the learning needs of these two populations, while complementary will differ. The inclusion of information on the intermediary population, of course, assumes a given delivery system; e.g., in calculating teachers required for expanding the literacy of children one might assume the use of primary school and a student/teacher ratio. Similarly, estimates of agricultural extensionists (with skills in credit, fertilizers, etc.) assumes a type of program (e.g., co-ops with X number of members and perhaps not a radio supplemented informational system). Your investigation at this stage should be viewed as a necessary but preliminary first-cut subject to refinement after Sections B, C, D and E have been dealt with. They will further validate the capacity, efficiency and limitations inherent in the assumed approaches.

B. PROFILE AND ANALYSIS OF THE LEARNING SYSTEMS

1. Descriptive Profile of Learning Activities

The purpose of this step is to provide a reasonably clear understanding of where the learning systems are now - whom they are reaching, what they are costing, and who is paying for them. While this step may appear to be limited to a static description, it is important to remember that education, direct or indirect, is constantly changing and being changed. The dynamic nature of education requires periodic, if not constant, description and analysis. This outline is not meant to endorse or encourage laborious and time consuming efforts to complete each cell. Outside data sources, e.g., UNESCO, IBRD, should be used whenever possible. The kind and amount of information produced here should permit one to relate the supply side (learning) to the demand side (learning requirements of priority development goals). With time and manpower constraints, greater priority should be given by Missions to analyzing the data available. The matrix which follows here may be useful. It is, however, offered for illustrative purposes and is subject to rearrangement.

The Learning Structure/Profile

	A. Formal Schools						B. Private Schools					C. Other Government						D. Other Private				
	Pre-School	Primary	Middle	Secondary	Tech	Higher	Pre-School	Primary	Middle	Secondary	Other	Agr. Extension	Health/Nutr/Ed	Technical (outside MinEd)	Adult Literacy	Others		In-Plant	Training	Church	Study Foreign	Other
1. Coverage Nos. entering & completing for all areas where available % of age relevant pop. (a) distribution of income groups (b) distribution of location (rural/urban) (c) distribution of sex																						
2. Costs per student costs (avg. daily attendance) per graduate costs																						
3. Learning/Output Measures Performance measures (relative to learning object.) e.g. literacy professional exams skills, etc.																						
4. Nature of Learning Establishment (a) no. of trainers (b) quality of trainers (c) no. of administrators (d) trainer/pupil ratio																						

2. Analytical Review of Profile

(a) Costs and Finance

1) existing unit costs (capital and recurrent)

2) projected total unit costs (based on population)

3) size of existing educational budget (capital and recurrent)

4) education budget (a) % of total national budget
(b) portions of other sector budgets allocated to education

5) comparison of 2-(projected unit costs) with 3 & 4-(implications for growth of education budget at current costs)

6) current and projected sources of private support (real and monetary)

(a) individual
(b) institutional

7) adjustments for inflation of costs

(b) Structure of Costs/Potential for Improvements in Internal Efficiency

	Amount	% Educational Budget by levels
1) Teachers		
(a) Salaries		
(b) Training		
2) Instructional Technology		
(a) Materials - books		
(b) Other		
(c) Narrative Description - costs and efficiency of development, production, distribution and revision		
3) Management		
(a) Administrators		
(b) Support Staff - professional		
(c) Support Staff - Non-professional		
4) Equipment		
5) Capital Costs/Construction plant		

	Amount	% Educational Budget by levels
6) Repeaters and Wastage (use UNESCO guidelines and data)		
(a) by grade and type		
(b) instructional years to produce a graduate		
(c) instructional cost years to produce a graduate		
(d) narrative		

(c) Equity Impact of Current Structure (by levels and type)

1) public and private costs

2) relative share of national and education budget to rural areas

3) access and output by income groups (rural/urban)

4) access limitations by language of instruction

5) sex discrimination

(d) Narrative - Role of Education in Other Sectors as perceived by Ministry of Education, general population, other Ministries and Private Enterprise

C. EXTERNAL FACTORS OF LEARNING SYSTEMS

To determine the relationship of what is coming out of the systems to the priority needs for specific kinds and levels of skills, knowledge, etc., relating to rural living, examine the following: (1) where are the current educational products going and to what extent is the current output at various levels serving priority needs? (2) where gaps exist, what are the causes? Are they internal or external to the education system?

1. Relationship of Output to Priority Development Needs

The effort here is to examine specific bottlenecks to the development of efficient human resources.

Examine the output of the existing learning systems to determine how they are serving society. E.g., is the level and type of learning appropriate to the society, particularly rural poor? Are there important employment and unemployment problems associated with various levels and types of learning? Are there underemployment problems inherent in the structure of the learning system - e.g., are more agronomists than extension workers being produced? Is there an undesirable rural-urban shift related to system biases? One could identify problems of this kind through

the use of tracer studies, establishment surveys, discussion with profile groups, analysis of employment and unemployment data.

If human resource needs were identified as important bottlenecks in the solution of development problems in the sectors of, for example, agriculture and health, a review of the potential of the existing learning systems to meet those specific needs is now required.

Important educational needs are likely to have been identified in several sectors. Depending on the time frame projected for servicing those needs, overlaps will vary considerably. Thus short term requirements for middle level health manpower may require specific kinds of skill training programs. On the other hand, given a broader time frame, needs for rural basic skills and attitudes plus educational efforts in agriculture, health, nutrition, family planning, etc., may in the aggregate suggest a single comprehensive program focusing on rural populations.

Overlapping social and economic goals should be considered when reviewing the external efficiency of existing learning programs, particularly primary education. Although little relationship may be demonstrated between 1-5 years of basic schooling and economic productivity, other externalities or benefits may occur. One would evaluate what evidence there is to support assumptions that educational attainment has major effects on, for example, health practices, nutrition practices, family planning behavior, political integration, or other high priority development goals.

2. Identification of Human Resource Development Gaps

The task now is to identify in what ways learning is or is not serving development needs. Shortcomings may be attributed to causes within the learning systems (e.g., irrelevant curriculum) and/or causes external to it (e.g., wage structure). This is one of the most critical stages in the review. Its intent is to elicit a close examination of the causes - internal and external - of an inefficient educational system. The approach is similar to that described in Section A where we tried to examine general bottlenecks across sectors.

The effort here is to examine more specific bottlenecks to efficient human resource production and utilization:

Production - refers to numbers of people exposed to certain types and levels of learning for the achievement of certain social or economic purposes, e.g., school teachers, agronomists, extension workers, basic rural skills, MCH training functions, etc.

Utilization - refers to the application of the knowledge and/or skills and the work or life situation for which the training was given, e.g., teachers produced to assist rural education who end up teaching in urban areas or working in banks are not being efficiently utilized. The needs for which they were trained will remain unfilled even though some other part of the country or economy may benefit.

The distinction will be critical in the examination of most every human resource problem. The output of rural primary schools or agriculture universities may not be effectively utilized by the economy. Improvements in the internal efficiency or type of training may not, however, be an useful or appropriate input if major distortions in the labor markets are the primary cause of poor utilization.

It is very important to remember that such a situation should not necessarily preclude a learning program; rather by specifying all the bottlenecks (government policies, cultural factors, etc.) a sounder judgement can be made of the real potential of improvements on the learning/supply side. Where external factors predominate, educational inputs could still be justified, but only if assurances were made that someone (the government or other donors) was planning to tackle those problems.

Some of the possible causes of inefficient utilization of learning systems' output are listed below:

(a) Non-Educational factors and policies affecting the efficient utilization of learning output (labor supply)

(1) Differentials in Wage Rates

- Are there differentials between urban and rural areas for individuals possessing the same academic background?
- Are there significant development consequences, e.g., migration?
- Are there differentials in wage structures between occupations which divert those with knowledge of use in priority areas to other endeavors; e.g., math teachers working in banks?

(2) Tax Policies

- Are there tax policies which shape the size and nature of economic activities within sectors? E.g., favoring estate agriculture or export industries.

(3) Price Distortions

- Are there policies of capital subsidies or labor taxes which skew the demand for labor by encouraging capital intensive production methods?

(4) Are there social, ethnic and cultural factors which skew the supply and demand for labor in various sectors? E.g., are there minority, linguistic or cultural groups denied access?

(5) Migration Trends and Policies

Are there migration policies (or lack of them) which permit, if not encourage, the draining of needed human resources away from high priority areas? Are those migrating over-trained or is there a lack of effective demand for their skills?

(b) Internal Causes

A significant and common reason for the inefficient utilization of learning systems' output is the poor fit between the kind of knowledge needed for economic and social participation in key development sectors and the substantive content of learning.

- Is there a fundamental urban bias to learning content?
- Is the structure and content of the learning system geared solely to those going on to further studies or is it designed to serve the many leaving the educational mainstream to enter life or the labor market?
  - role of examinations; use selective criteria; entering and leaving?
- If there are weaknesses in the curriculum or content, what is the relative importance of management and planning, research, technology, etc.?

D. Review of Alternatives/Basis for Program Identification

1. Clarification of Learning Problems

The preceding sections allow one to clarify the nature and size of the apparent learning problems. Specifically, the review of causes of the poor performance of education/learning output in meeting priority development needs permits one to ascertain whether the human resource problems are ones of utilization, production, or both. Human resource policies should deal with two essential components:

(a) the production of human beings to participate in social, economic and political life of the society, and

(b) the effective utilization of those trained human resources.

- Utilization

One should have determined whether the learning systems are producing the numbers and kinds of people required and whether or not they are in fact participating in key social and economic development areas. Section A would have identified significant shortages of doctors or rural extension agents. Section B might have evidenced that appropriate numbers are being produced. Section C, however, might reveal that for wage or other reasons, those trained for the priority areas are not entering them; e.g., doctors might be emigrating or all concentrating in urban private practice. Teachers may be entering other fields, particularly, private industry. Rural extension agents might be concentrating in white collar ministry jobs in the capital. Those who have been provided basic knowledge for rural life may be unemployed, urban slum dwellers. In such cases the solution of the human resource problem is not one of production, but rather utilization. In such cases a further educational input focusing solely on the production of individuals would not be justified. The nature of utilization problems usually necessitates policy changes by the host government.

- Production

Alternatively, your analysis may reveal that there are real human resource shortages in the priority areas, i.e., the numbers requiring certain levels and types of knowledge or training are not being produced.

While the provision of the instructional input would hopefully be primarily a production problem, provision should only be considered after one has assured that effective utilization processes are or will be established. For example, middle level agricultural support manpower may not be produced in adequate quantity. Many trained are not entering the profession. Before one could justify an activity to either improve the quality of such training or the volume of output, several searching questions are required to identify the causes of the drainage of this skilled force to other fields; for example:

- Is it lack of effective demand for their services?
- Is it the lack of amenities associated with rural service? - Are the graduates predominantly city people or elite? - Is that the main reason rural service is so undesirable or is it that the level of training or requirements for it so high as to exclude participation by large rural populations who never reach the secondary level?
- Is there a notable shortage in secondary school places thus attracting students with no interest in agriculture into the school for use as an alternative route for further education?
- Is it demonstrable that the quality of educational output affects

the ability of the graduates to get and hold productive jobs in the priority areas?

This is essentially an important exercise in clarifying some of the causes of the general problem, i.e., the utilization aspects of a production problem.

In all such cases, one should attempt to ascertain the extent to which the size, cost and time for a production solution could be reduced by actions to improve utilization.

More generally, production problems can be characterized in terms of coverage or relevance or a combination of both.

1. Coverage Solution

Coverage solutions would be required where one had ascertained that what is being taught (Section B) is appropriate (Section C) for the learning needs in priority development areas (Section A), but that not enough people were being provided that knowledge.

2. Relevance Solution

Relevance solutions would be required where one had ascertained that what is being taught (Section B) is <u>not</u> appropriate (Section C) for the learning needs of priority development areas (Section A) although the number of persons being served is adequate.

Operational reality suggests that few solutions will be entirely coverage or relevance. In all likelihood, both will require attention. We separate coverage and relevance here for purposes of clarity and because the activities required to deal with coverage and/or relevance are likely to be significantly different.

C. Coverage and Relevance: Solution Requirements

At this juncture one should know the nature of human resource problems for social and economic priority sectors.

For example, the following needs might have been identified in Section A and examined in Sections B and C:

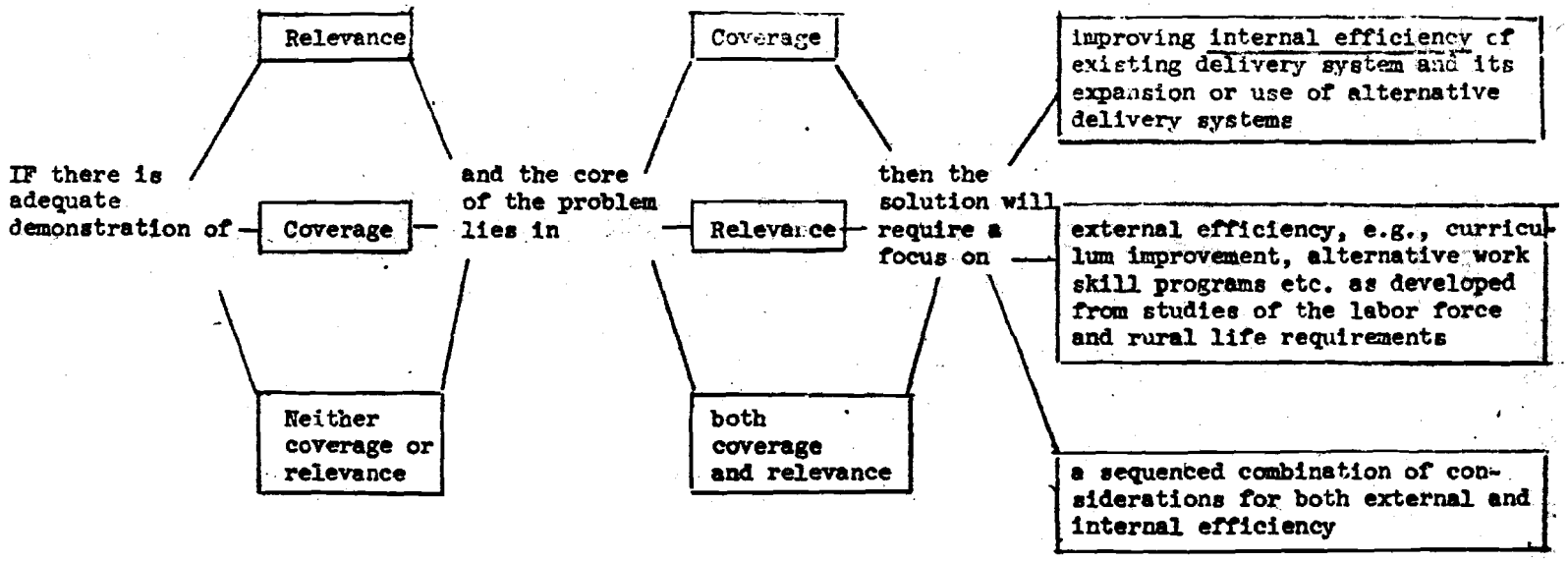
1.) agriculture extensionists:

-- training good, but not enough people being trained -- solution increase coverage.

2.) paramedical personnel:

-- adequate coverage (i.e., numbers being trained), but inappropriate

THE NATURE OF THE LEARNING PROBLEMS AND CHARACTER OF SOLUTIONS



type and level of knowledge being imparted -- solution improve curriculum relevance.

3.) basic rural skills (for 7-14 age group):

-- not reaching enough people and what is being taught has no perceivable utility for their work or lives -- solution increase coverage while improving relevance of curriculum being offered.

Of course, the coverage or relevance solution indicated must be tested against cost considerations. If increasing coverage, for example, using the current delivery system is intolerable then alternative delivery systems should be explored.

These ideas may be clearer when viewed schematically as in the following chart. Having worked through the outline, one should have before him a variety of learning needs/inputs to which specific solutions can be applied.

2. Activities of Other Agencies

Before assigning priorities for AID action, it is now necessary to identify the existing or planned activities of the government and external assistance agencies (e.g., IBRD, UNESCO).

With respect to the problems you have characterized through this exercise, activities of other donors should be quantitatively and qualitatively assessed. It would be imprecise to merely report that UNICEF is involved in rural education (e.g., school construction) when your analysis has demonstrated that the critical problems lie more specifically in high unit costs, in existing facilities, poor relevance and administration as well as inadequate facilities.

3. Assigning Priorities to Solutions of Learning Problems

A set of suggested criteria, which essentially summarizes the entire assessment process as outlined above, should be useful for making choices and presenting your submissions:

a) What are the human resource needs of priority development problems?

b) (1). Where is most of the education budget going? (e.g., formal schools, teachers salaries)

(2). Within that system or level, what are the major utilization problems? What are the critical production problems? Are they coverage or relevance problems?

(3). Can priority development problems' human resources needs be served with inputs at this level?

The Learning Structure/Profile

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Nature of Learning Establishment (a) no. of trainers (b) quality of trainers (c) no. of administrators (d) trainer/pupil ratio																						

PROJECT DESIGN FRAMEWORK
LOGICAL FRAMEWORK

I	II	III	IV	V	VI	VII
Alternatives	Project Title & Number NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS a. Indicators of Progress Toward Planned Targets - Benefits	b. Indicators of Benefit Incidence - Target Groups Which Participate in the Production or Consumption of Benefits.	MEANS OF VERIFICATION	Life of Program From FY _____ to FY _____ Total U.S. Funding _____ Date Prepared: _____ IMPORTANT ASSUMPTIONS	Means of Verifying Indicators
	Program or Sector Goal: The broader objectives to which this project contributes:	Measures of Goal Achievement 1	Measures of Benefit Incidence - Goal Level		Assumptions About Linkage Between Project Purpose and Program Sector Goal	
	Project Purpose	Conditions that will indicate purpose has been achieved: End of project status. Base 75 76 77 7	Indicators of Benefit Incidence Expected at End of Project		Assumptions About Linkage Between Outputs and Project Purpose	
	Outputs	Magnitude of Outputs 1	Indicators of Benefit Incidence Expected at Output Level		Assumptions About Linkage Between Inputs and Outputs	
	Inputs	Implementation Target (Type and Quantity) V1				

(4). What would be the impact of such inputs on

- equity?
- employment?
- development?

c) (1). What are some of the alternative solutions to the problems as suggested in b) above?

(2). Do mechanisms exist which might be cost effectively expanded?

(3). Are there other alternatives which might be devised and tested?

(4). What would impact be on

- equity?
- employment?
- development?

d) Which problems/needs are or will be addressed by other agencies?

e) Provision of criteria for AID inputs

(1). Alignment of Country and AID goals

(2). Cost-Effectiveness

(3). Piloting new or innovative learning approaches

E. Project Design and Appraisal

The fifth and final step is project design. Having completed the previous sections, users have in hand the necessary information to feed the logical framework: i.e.,

1. Sector Goal
2. Project Purpose
3. Required Outputs
4. Objectively Verifiable Indicators
   - Measures of Goal Achievement
   - Measures of Benefit Incidence at Goal Level
5. Means of Verification
6. Important Assumptions
7. Means of Verifying Assumptions

Below is a modified version of the logframe which is appropriate for

These tasks would all be facilitated by the method indicated herein calling for specification of how critical questions were answered as well as the reliability of the response. Assumptions should be made as explicit as possible and should be stated in operational terms. This may permit the planner to take steps calculated to reduce uncertainty, increase control and, where possible, move the assumption within the scope of the project design.

Our intent here, is once again to be illustrative. We are by no means encouraging Missions to begin utilizing the modified logframe without further instruction. We rather seek to emphasize that the assessment proceeding along the lines suggested in A through D above will directly facilitate a comprehensive justification of the project.

III. Conclusion

We believe that the procedures outlined above will serve both Mission and AID/W purposes in designing and implementing programs in the human resources area. It is our intention to produce, after receiving Mission comments, a revised assessment format which will indicate questions to be addressed in human resources program and project submissions. We hope, accordingly, that Missions will provide timely, thoughtful and candid comments. In a complex, developing field like sector assessment, no framework can ever be final and we expect that the current instrument will be refined periodically as we gain experience.

The format has been reviewed with one of the several Mission which are currently undertaking education assessments. The findings in this first review suggest that execution of the instrument is well within the capacity of most Missions with minimal outside assistance (local, AID/W and contract).

KISSINGER

ATTACHMENTS

ATTACHMENTS

Send to: LIST P

SUPPLEMENT F - Sector
Guidance - Other

the expanded purposes of this exercise. Following are explanations of the column revisions:

Column I

Presentation of alternative project purposes considered for meeting a given sector goal.

- This should be available when Section D above is completed.

Columns III and IV

Columns 3 and 4 are designed to distinguish between the nature of the benefits created by the project (i.e., increased output of learning or skill services) and the benefit incidence (i.e., the numbers in the target population who will receive the learning or skill training). The groups to whom the benefits are intended to accrue (target groups) should be identified by income, geographic, or other relevant socio-economic descriptors.

Column III

In addition Column 3 is designed to encourage greater specificity of targets.

It should facilitate the comparison of inputs/costs during any period with corresponding indicators of outputs/benefits.

Column IV

Column 4 recognizes that planning assumptions directly influence the viability of a causative linkage rather than the target itself. The split-level arrangement of Columns 5 and 6 accommodates this relationship.

Column VII

This provides an added column for clarifying and elaborating the assumptions (external factors and circumstances) which affect the causative linkages Entries in this column can be used to:

(a) verify the validity of the assumption,

(b) weigh the importance or criticality of the assumption,

(c) assess changes in the status of the assumption,

(d) suggest actions which could increase the probability that the assumption would be realized, and/or

(e) specify the need for further study of the assumption.

PD-51
January 12, 1973

GUIDANCE STATEMENT ON SELECTED ASPECTS OF SCIENCE AND TECHNOLOGY

This Policy Determination describes an A.I.D. program to assist developing countries with selected aspects of technological transfer and adaptation. It focuses on --

.. Helping LDCs develop national policies and institutions that will permit better technological choices, particularly in industry.

.. Natural resources assessment and management.

.. Reducing public investment costs.

DISTRIBUTION:
A.I.D. List M, Position 9
A.I.D. List B-6, Position 9
A.I.D. List B-4, Position 5
A.I.D. List C-2

Address questions concerning this Policy Determination to TA/OST.

POLICY DETERMINATION

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT

File as:	TRANS. MEMO NO.	EFFECTIVE DATE	PAGE NO.
AID HANDBOOK 2, Sup F	2:6	January 12, 1973	

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PD-51
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GUIDANCE STATEMENT ON SELECTED ASPECTS OF SCIENCE AND TECHNOLOGY

Introduction

This statement describes an AID program to assist developing countries with selected aspects of the problem of technological transfer and adaptation. It focuses on: (a) helping LDCs develop national policies and institutions which permit developing countries to make better technological choices, particularly in industry; (b) natural resources assessment and management; and (c) reducing public investment costs.

This program is designed as a supplement to AID's priority programs in Agriculture, Population and Health, Education, etc. The statement does not define AID's science and technology strategy in these priority areas. This will be addressed separately, but by focusing on the general problem of improving LDC abilities to make technological choices, this program is relevant to AID efforts in agriculture, population and other priority fields. Moreover, many of the technologies considered have multiple applications in these fields.

Background

Experience has demonstrated that comparatively little U. S. technology can be transferred to LDCs without significant adaptation. The LDCs are aware of the need for technologies which fit their factor endowments and absorptive capacities. Stress is being placed on innovation to develop more appropriate technologies and on devising policies and institutions which permit developing countries to make better technological choices.

The problem of technological choice is growing in significance as unemployment and urbanization increase in the developing countries. Urban populations will increase by about 50 percent in the 1970s. At the start of the decade, they were 54 percent of the population in Latin America, 38 percent in East Asia, 22 percent in Africa, and 14 percent in South Asia. As these shifts proceed, the need for policies and technologies which increase productive employment in the urban industrial and service sectors as well as in the rural sector will grow.

AID's use of U. S. science and technology has generally followed the main lines of its program. Extensive use has been made of American science and technology in agriculture, health, and family planning. Substantial programs of research and development in these areas have been launched by the Agency. Similarly, AID has drawn on U. S. talent in the social

sciences and on engineering firms concerned with construction of economic infrastructure. However, relatively limited use has been made of U. S. capabilities in other biological and engineering sciences and in the physical sciences.

It is essential for AID to continue to strengthen the application of science and technology in its major programs.

But it is also important for AID to have a small program focused on the general problem of technological choice -- how LDCs can best adapt and utilize foreign technologies and encourage indigenous technological development. AID should also take advantage of selected opportunities for application of U. S. scientific and technological strengths outside its main areas of concentration.

This statement describes an AID program to assist LDCs with selected aspects of technological transfer and adaptation. The selection of activities reflects almost three years of Agency experimentation and analysis, as well as widespread consultations within AID and with many experts and development administrators of the developing countries, U. S. institutions, and other assistance agencies. Experience in these areas is still quite limited, and the focus of efforts will be kept under periodic review and amended as experience suggests.

Concentration Areas

The first emphasis of this science and technology program will be on policy and institutional development -- helping LDCs build their capabilities for using science and technology more effectively in support of development. There will also be smaller programs in natural resource assessment and management, and reducing public investment costs. AID will support LDC initiatives where they are strongly supported locally.

(1) Science and Technology Institutional Development: AID will focus on helping the LDCs in three areas:

-- Developing institutions for formulating national science and technology policies, priorities, and organizational responsibilities and for implementing decisions in this field.

-- Encouraging more effective orientation of LDC university science and engineering programs to development needs.

-- Strengthening the capabilities of LDC industrial service institutions to assist local industries in selecting, adapting, and using technologies suited to their circumstances, with special attention to support of small-scale industry.

This program reflects a need for national institutions that are effective in pursuing two related purposes. One purpose is to stimulate the efficient development of scientific and technological capabilities which meet national development requirements. The other purpose is to stimulate more effective use of existing scientific and technological capabilities in support of economic and social development.

While selection of technologies is largely a matter for private entrepreneurs, LDC technological institutions can play an important role through their influence on macro-economic policies of the Government, advice to entrepreneurs on availability of alternative technologies, and supporting services to industry. Included in these services is the network of industrial research, extension, and standards institutes throughout the LDCs. Generally, AID will sponsor collaboration between U. S. and LDC technological institutes that work with private industry. Particular attention will be paid to stimulating commercially viable small scale industry, which tends to use more labor and less capital per unit of output.

(2) Other Programs: In addition to science and technology infrastructure, AID will also undertake two smaller activities under this program.

(a) Natural Resource Assessment and Management: Improved LDC capabilities for assessing the location and nature of their natural resources and for determining how these resources can best be developed is of great importance for development. This includes extractive resources such as minerals and clays and the renewable resources of water, soil, and forests. Attention will be given to faster, cheaper, and more effective techniques for identifying and appraising natural resources, as well as to improved techniques for managing natural resource development such as integrated land use planning, conservation of renewable resources, and pollution abatement and control. Particular attention will be paid to opportunities to advance knowledge of means for environmental protection.

AID's role in this field will be one of an agent or broker between the developing countries and U. S. experts, such as the organizations involved in the Earth Resources Technology Satellite (ERTS) program, and will avoid politically sensitive areas of commercial contracting to develop these resources.

(b) Reducing Public Investment Costs: AID will also explore, on a selective basis, technological innovations that can greatly reduce the costs of economic infrastructure activities that are heavy users of LDC public funds, such as public works, housing, transportation, communications, and energy development. Success here could release public revenues that could be applied to other development needs. Priority will be given to those activities which relate directly to the quality of life for the mass of the population such as water and sewage for low-income areas, low-income housing, and rural development.

Program Leadership

The Office of Science and Technology in the Technical Assistance Bureau (TAB/OST), in collaboration with the Office of Engineering and other central offices as appropriate, is responsible for Agency policy guidance and technical leadership in the areas identified above. It will:

-- identify and help mobilize the technical inputs needed for appropriate analysis, design, and implementation of Regional and Mission projects in these sub-sectors and for closely related types of science and technology activity;

-- coordinate and focus the use of Agency resources in research, institutional grants, and pilot programs to identify and establish innovative approaches to major problems impeding LDC development in these sub-sectors, manage the interregional components of such composite efforts, and provide technical advisory services to Regions and Missions on desirable linkages and content for related activities in their programs;

-- mobilize, in collaboration with the Regional Bureaus, sufficient consultants and contractors from the most qualified elements of the U. S. science and technology community, to provide the services needed by the Agency in this sphere of activity; and

-- provide technical liaison with interested international organizations and assist Regional Bureaus in providing such liaison for regional organizations, seeking more effective use of U. S. talent and experience by these organizations.

TAB/OST will give full consideration to Mission and Regional Bureau views regarding the timing and content of proposed field visits under this activity. Recognizing that limitations on Missions' staffing frequently make it difficult for them to arrange, participate in, monitor, or guide such contacts, the central staff and its intermediaries are expected to make their own arrangements for consultation when necessary. Missions are to be kept fully informed of proposed visits, asked to provide any advice they wish regarding the timing and content of the visit and to participate if they desire, and informed of the outcomes of consultations. Care is needed to assure that such visits are not used to distort LDC priorities or stimulate LDC requests for assistance that cannot be accommodated within the budget projections of the Mission, Regional Bureau, or Technical Assistance Bureau.

Approved: John A. Hannah
John A. Hannah

1-12-73
Date

POLICY DETERMINATION

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT

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PD-54
June 15, 1973

GUIDANCE STATEMENT ON URBAN DEVELOPMENT

The Administrator has signed the attached statement on AID's policies in the field of urban development (Attachment A). The policy statement is based on a staff paper entitled "Urban Growth and Development as a Component of Agency Policy and Programs," which is also attached. (See Attachment B.)

This paper is part of a series of policy papers which are under preparation, as stated in AID Circular A-50 (1/16/73).

Attachments:
A--Guidance Statement on Urban Development
B--Urban Growth and Development as a Component of Agency Policy and Programs

Address questions about this Policy Determination to TA/UD.

Address questions about this policy determination to:

Attachment A to
PD-54

GUIDANCE STATEMENT ON URBAN DEVELOPMENT

Introduction

The Administrator's Advisory Council recently has discussed urban development program policy. This was based on staff papers developed through a long process of consultations, study, and analysis, involving field surveys in 19 developing countries and both informal and organized discussions with a large number of LDC personnel, U.S. experts, Agency personnel, and involved persons from developed countries and other assistance agencies. *

This statement provides interim guidance for Agency action in this field. It recognizes the development opportunities found in urban development, the need to give more systematic recognition to urban development as an integral part of national development, and the need to gain increased understanding of the complexities of urban problems, all with due regard to Agency program priorities. The guidance will need continuing reexamination over the next few years, as we learn more about needs and opportunities for focusing on the expanding urban dimensions of LDC development.

Background

AID has made sizeable investments in urban development, particularly in Latin America. While our knowledge of urban development processes is limited, it is growing. Meanwhile, competing demands for funds in agriculture, education, population, health, nutrition, and other fields are putting a heavy strain on Agency resources. Tight budget prospects deepen this problem.

Nevertheless, we must recognize certain facts.

- A large and growing proportion of LDC people are in urban areas. This situation often makes it easier to reach them effectively in pursuit of priority development goals such as employment, health, education, and family planning. Urbanization is a major dimension of development, affecting both rural and urban areas, that can not be separated out or ignored by LDC's as they strive for better lives for their peoples.

- The developing countries, AID, and other donors continue to make heavy investments in urban areas, without an adequate knowledge

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* The findings of this reconnaissance and study process are contained in Attachment B.

base or analytical guidance on the effects of alternative investments and policies, in the urban context, on their array of development goals. These investments will rise rapidly, regardless of the involvement of AID capital assistance.

There may well be an increasing number of situations in which LDC's are particularly interested in AID assistance in urban contexts. LDC's correctly see the United States as having relevant technical talents.

A further factor is that some other major assistance agencies have also been rethinking their role in this field. They have recognized the foregoing facts and the desirability of collaborative efforts.

Program Conclusions

Weighing these needs and opportunities along with the constraints on AID's pursuit of additional urban development activities at this time leads to the following conclusions:

(1) As a major development agency, AID needs to keep abreast of the urban dimensions of the development process in LDC's and to look ahead to the implications of their growing urbanization for LDC development programs and policies. Thus, we should continue to build on the good start already made in establishing our base of understanding.

(2) Country programs should continue to provide capital and technical assistance and investment guarantees for urban development, selectively, where cooperating country interest and support is strong and where the activities are comparatively potent means of improving the quality of life. This would include pursuit of opportunities to advance priority Agency goals by developing population, health, nutrition, and education programs aimed at the urban poor. In order to get the best results from these and other development efforts, we should support efforts to improve the systematic analysis of their interaction with the other factors affecting urbanization.

(3) As Agency resources permit, a modest set of R&D and interregional services activities should be supported to:

- increase the awareness and understanding of LDC decision-makers on urban problems;

- improve the quantity, quality, and accessibility of information available to LDC's on urban development;

. expand the availability of skilled manpower in LDC's to guide the process of urban development.

R&D efforts should to the maximum extent possible take into account the need of LDC's for pragmatic practical solutions to pressing urban problems. The efforts should be geared to the solution of these immediate problems and have a high transfer value.

(4) We should encourage other assistance organizations to become more active in this field, as feasible, including private voluntary organizations. For this purpose and to strengthen the impact of AID's other efforts, we should foster building of collaborative networks of R&D and experience sharing among LDC organizations working on urban development and selected U.S. and third-country organizations best able to contribute to their efforts.

Action Responsibilities

The division of responsibilities within AID applying to urban development should continue, as described in the attached Tables (Attachment B).

Approved: John A. Hannah
John A. Hannah

6-15-73
Date

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(The detailed Annexes are not being distributed with this Policy Determination but are available on request from the Office of Urban Development, Bureau for Technical Assistance.)

Attachment B to
PD-54

URBAN GROWTH AND DEVELOPMENT

AS A COMPONENT OF AGENCY POLICY AND PROGRAMS

February 12, 1973

Office of Urban Development
Bureau for Technical Assistance
AGENCY FOR INTERNATIONAL DEVELOPMENT
U.S. Department of State
Washington, D.C. 20523

Attachment B to
PD-54

URBAN GROWTH AND DEVELOPMENT

AS A COMPONENT OF AGENCY POLICY AND PROGRAM

Introduction

Global urban population has quadrupled during the last 50 years. The urban population of developed regions has increased by a factor of 2.75 compared with 6.75 for the less developed regions. Current U.N. projections indicate total population of the less developed regions from 1920-2000 will quadruple, while the urban population will grow by a factor of 20. The variations in level of urban population growth between geographic regions is considerable as Table I illustrates.

Variations between countries within regions also are significant; for example, in Africa, Ethiopia is 7% urban while Nigeria is 23%, and Morocco is 35% urban.

About one-half of the rapid urban growth stems from the unprecedented rural to urban migration during the post World War II period. This phenomenon is the consequence of the industralization/ modernization process taking place in most LDC's and shows no signs of abating.

The other half of the rapid urban growth has resulted from the factors related to a worldwide population explosion. The urban population base was already large and the high rates of increase produced even larger growth rates.

Such urban growth was not projected by demographers. Much about the process is not known and little attention has been given to its relationship to national development even though the urban growth has exerted large demands on limited resources of LDC's.

Attachment B to
PD-54

Table I

Urban Population Growth Rates by Region, 1950-1970
(Percent)

	Urban Portion of National Population			Urban Growth Rate	
	1950	1960	1970	1950-60	1960-70
World	28	33	34	3.4	3.2
Latin America	40	47	54	4.6	4.4
Africa	13	18	22	4.7	4.7
South Asia	12	13	14	3.3	4.4
East Asia	19	29	38	5.5	4.1

Source: FOCUS ON URBAN DEVELOPMENT: PERCEPTIONS, PROBLEMS, APPROACHES, NEEDS -- A Potential Role for U.S. Technical Assistance. A monograph prepared by the Office of Urban Development, Bureau for Technical Assistance (TA/UD), Agency for International Development (Washington, D.C., April 1972), pp. 205-209.

Urban development can be viewed as a process encompassing the physical growth of the city, the concentration, stimulation, and amount of economic activity, the attitudes of its inhabitants, the adaptation of its institutions, and the relationship of the urban center to the region and the nation. To the extent a city's vital functions fail or its developmental potential is impared, its positive impact on regional or national development will be lessened.

The city's linkages with a region, with other cities, and with the national economy determine the influence it exerts beyond its own boundaries. The magnitude of the city's influence depends on many factors which in turn are subject to control and direction by national policies and influence the allocation of resources.

Urbanization has usually been considered mainly in terms of the individual problems which accompany it; e.g., inadequate housing, lack of water and sewerage, unemployment, congestion, environmental degradation and social dislocation. However, this perception is limited; the very nature, problems, and advantages of urbanization are so complex that they demand careful and considerable attention. The perception of the process must be understood in its broadest terms and not in its separate parts. An attack on the separate parts of the urban problem leads to fragmented and spasmodic solutions. For example, resources allocated to build houses alone will not meet the needs and demands of the people who live in the houses.

The Perception of Urban Development

Although there are some disagreements on terms, urban development can usefully be perceived as a sector. A sector has been defined flexibly for AID programming purposes as a set of activities that are "either sufficiently homogeneous or closely enough interrelated and linked to warrant special identification and treatment in analysis and in the allocation of resources."1/ Sector analysis, defined as "a study of the principal factors governing development of the sector for the purpose of identifying manageable, integrated projects and policies with payoff," can be applied to urban development and provide methodology to perceive and plan program options for the broadly defined urban sector.1/ Thus, it is convenient to use the sector terminology to refer to activities specifically focusing on the urbanization process, even though urbanization considerations are a dimension of most other sectors in which AID is active.

The United States has been slow to respond to the phenomenon of its own urban growth. Scholars too have been slow to recognize and examine the implications of urbanization. With few notable exceptions, social scientists and physical planners have not anticipated the urban problems that exist in both advanced and developing countries. Only in recent years has the urban issue appeared with any regularity and depth in the development literature and the state-of-the-art is still in its infancy. Within this atmosphere, U.S. urban initiatives in foreign assistance efforts have been inconsistent and sporadic.

A further major contributing factor for the lack of focus on urban development in AID's efforts was its preoccupation with rural

1/ AIDTO Circ. A-1583

interests in developing countries. This was not necessarily an irrational concentration. During the 1950's and 60's the concern with major food shortages in many LDC's made it necessary to direct much of the Agency's assistance to the areas responsible for increasing food production. This need still exists.

Recent Developments

Meanwhile, there has been a movement in the developing countries to establish their own urban priorities and policy requirements. References to urban problems and urban strategies have been noted for the first time in the latest 5-year development plans of a number of countries.

The Agency reform program has established goals of reducing poverty and unemployment, improving income distribution, and controlling population. All can be influenced significantly by policies which reflect the urban dimensions of development, thereby exploiting the special features of concentration and accessibility in cities. For example:

Poverty - A major facet of the urbanization process is integration of the rural poor who have migrated to the city and into the modern sector. This process has been and can be influenced positively.

The urban poor are a more accessible target group for specific policies and programs than the rural poor.

The urban poor, especially recent migrants, often possess characteristics essential to development. They came to the city under conditions of risk, seeking opportunity and change.

Unemployment - New employment is a principal product of the city. The dimensions and nature of urban unemployment are ascertainable. The close proximity of a tangible problem and potential solutions is an asset to be exploited.

Population - Urban populations are younger and hence more fertile as a group than rural populations. They also are less conservative, more susceptible to rising expectations, more literate and educated, and subjected to lower death rates than rural populations. They are an obvious, concentrated, and accessible target for intensive population study and programming.

Income Distribution	-	Guiding the development of cities can help bring about a more even regional income distribution. The stimulation of selected cities to help develop and integrate lagging and/or isolated regions is just one example.
Rural Development	-	Urban centers, large and small, influence the course of development in rural areas. They stimulate crop diversification, increased productivity, and commercialization of Agriculture by providing cash markets for agricultural goods. They provide a source of agricultural inputs for agricultural improvement and a source of supply of other agricultural commodities that permits geographic agricultural specialization. Urban centers can absorb some of the surplus rural population which in turn stimulates rural-urban exchanges--the flow of ideas, money, and goods. All of these attributes can be exploited more effectively if integrated into conscious policy.

During the past 2 years, several international donor agencies--e.g., the Ford Foundation, International Bank for Reconstruction and Development, and AID--have been rethinking their previous efforts in urban development, seeking new directions, and assessing the problems and resources for solving them. In response to the Agency's concern for policy and program guidance, the Office of Urban Development of the Bureau for Technical Assistance (TA/UD) has been engaged in a deliberate, "bottom up" process of identifying urban problems in developing countries, the approaches and resources employed to address the problems in these and other countries, and a possible role for external assistance. Many descriptive and analytical documents and working papers have been prepared, the major one being a widely circulated monograph entitled "Focus on Urban Development: Perceptions, Problems, Approaches, and Needs--A Potential Role for U.S. Foreign Assistance."

The process has involved a literature review, field surveys and visits in 19 developing countries, consultations with a host of U.S. experts, government officials, and Agency personnel, consultations with other donors, and an Agency Urban Development Workshop involving U.S. AID and AID/W representatives. The considered judgments of nearly 500 knowledgeable people in developing and developed countries have helped to select and to develop the content of this paper and the proposed Agency policy guidelines that will follow.

PROBLEMS OF URBAN DEVELOPMENT IN DEVELOPING COUNTRIES

through the sporadic and disjointed approaches which have been employed in the United States and elsewhere. Therefore, a lack of success has led to frustration, discouragement, disillusionment, and a curtailment of effort.

The following delineation of urban problems is an attempt to present their characteristics as they are perceived and manifested in developing countries. The purpose is not to reinforce the negative perception of the urban situation. On the contrary, it is hoped that succeeding sections of the paper will reveal ways in which urban problems are being addressed and might be approached more effectively. (A more detailed description of urban problems is in the Annex.)

Focus Defined

The notion that the city plays a positive role in regional and national development was reinforced repeatedly during the various phases of the TA/UD study. Despite positive evidence, the relationships between urban and national development often are misunderstood. More information is required at all levels, especially at leadership levels.

The focus of the TA/UD study was not the city per se. The concern was more with the day-to-day functioning of the city and its linkages to overall national development. The city is seen as absorbing, organizing, and employing resources (inputs) which improve conditions within the city and enhance the city's developmental impact on its region or nation. The city is seen also as producing goods and services (outputs) for regional and national development.

Two distinct and interacting categories of problems were revealed--namely, problems of the condition and day-to-day functioning of the urban environment and problems of the system of inputs for national urban development.

Functional Problems

Included in the set of day-to-day operational problems are rapid urban growth, attitudes and perceptions of recent arrivals, employment, housing, infrastructural facilities and services, and pollution. Of this first category, the most fundamental is the universal problem of rapid urban growth which can intensify all of the other problems within the urban environment.

The problems of the condition and day-to-day functioning of the urban environment are most acute in the larger cities. These problems have developed at such a rate and on such a scale that they are out of reach of existing resources and short-run solutions. This is true especially of urban unemployment, housing, and infrastructure. These problems are discussed further in the Annex.

Problems of the System

At the heart of the second category of problems are the nine major factors in the urban development process -- namely, perception and leadership, national urban development policy, legal framework, institutions, manpower, information (including research), planning, financial resources, and administrative capacity. These factors appeared to be the principal ones in the system of elements for national urban development.

Further analysis indicated that some of the problems of urban development are a function of the internal weaknesses and inadequacies of these factors or their absence altogether. The analysis revealed also that these factors seldom were comprehended as being interdependent when applied to urban development. The need for their coordination, orchestration, and integration through urban and national development policies was not perceived, generally speaking.

The problem of trying to deal with all nine factors led to a recognition that the linkages between them were not of equal strength or importance. Some of the factors are greater constraints in the urban development process than others. For example, perception and leadership, manpower, and information are the principal determinants, affecting all of the others, and of these the perception and leadership factor is the most serious constraint. At the other extreme, planning is the most conspicuous example of an input which is heavily dependent on or constrained by the others.

The fact that these nine factors are parts of a system suggests that piecemeal or narrowly conceived approaches to urban development will be much less effective than approaches that reflect serious consideration of the system and its linkages and interdependencies. (Additional information on this area can be found in Annex I, summarized in the table at the end on "Suggested Linkages Among the Factors in Urban Development.")

APPROACHES AND RESOURCES FOR URBAN DEVELOPMENT IN DEVELOPING COUNTRIES

Some constructive work is underway in the developing countries and elsewhere to meet pressing urban development needs, despite a general sluggishness on the part of many governments and international aid agencies to include urban assistance activities in their developmental framework. Many innovative approaches are being tried and standard mechanisms are being applied successfully, sometimes in imaginative ways.

There is also a small group of well qualified, perceptive, dedicated, and hard-working professionals in many developing countries. They are responsible for many of the positive results in urban development efforts and they constitute a valuable and vital human resource for planning, designing, and implementing future activities.

Urban problems have been perceived in terms of specific physical needs such as housing, water, sewerage, transport, and power. As a result this approach represents the major way urban problems have been dealt with and the way in which the bulk of resources have been allocated. The approach has been characterized by a failure to coordinate projects and programs addressed individually to these physical needs.

Urban planning also has been approached in several ways. The predominant physical planning with its narrowly perceived approach has been mentioned above. There are a few instances of integrated, multidisciplinary approaches to metropolitan planning. Most of the important new developments are taking place at the national and regional levels where most of the skilled manpower and some of the major constraints to an improvement of planning at the local level are located. (A fuller description of these approached is in the Annex.)

Institutional Resources

The quality and quantity of available resources for urban development vary from country to country and at the national, subnational, and municipal levels of government. If it achieves recognition at the national government level, urban development usually is coupled with and is subordinate to housing. Little is known about the place of urban development in subnational structures. These are special development corporations at the regional or state level which usually are responsible for developing a satellite town, a new town, or a growth center in a regional or area development scheme.

There are many planning and housing and urban development departments at the municipal level of government. Special authorities also are used for public service and metropolitan development programs.

The proliferation of department and special authorities at several levels of government is accompanied by weak coordinating mechanisms, if they exist at all.

With few exceptions the most available and least used of nongovernmental resources in the developing countries are the universities. On the one hand political leaders and bureaucrats are reluctant to exploit these resources; on the other hand, university officials and professors resist becoming involved. The gap is being bridged in some countries; however, the universities do not yet provide much training for urban development specialists.

Other nongovernmental resources, very thin in developing countries, include municipal associations, professional societies, and church councils. Independent research efforts, seminars, and conferences provide additional resources, some of which are supported by bilateral and international assistance.

AGENCY EXPERIENCE IN URBAN DEVELOPMENT

Urban and urban-related activities are not new to the Agency. An analysis of AID and predecessor agency involvement in this field from FY 1949 through FY 1971 indicates 154 technical assistance and 115 capital assistance grant and loan projects which addressed urban development problems in some form. In addition, there have been 640 capital assistance projects whose effect on urban development is believed to have been considerable. The nature of urban development in cutting across other sectors is such that many of the Agency's investments in both capital and technical assistance impact on urban centers and influence urban development, either directly or indirectly.

Underlying this rather broad spectrum of involvement is the fact that most of this activity has been ad hoc in nature. No framework has been provided or employed to take stock of the urban impact of these projects. Project activities generally have reflected subsectoral considerations, such as housing, various physical facilities and services, and public administration. No clear linkages are evident between projects.

In 1965 some attempt was made to address this shortcoming. The U.S. Urban Development Committee of the International Cooperation Year made a number of recommendations to the President concerning international urban problems. They were, in part, the basis for establishing the United Nations Center for Housing, Building, and Planning, and adoption of fledgling urban development guidelines within AID in 1966. (See M.O. 1612.83.1 - Urban Development and Housing Policy.) The guidelines gave recognition to investment in housing as a function of national economic development, to urban centers as loci of progress and stability, and to planning as a necessary precursor of assistance

to urban development. As a policy and operational guidelines for the Agency, however, they had relatively little impact except in the Latin American region, traditionally in the vanguard of Agency initiatives in urban development.

Technical Assistance

The Agency's low level of commitment overall is suggested by the fact that only 1.5% of total investments in technical assistance activities over the period examined (1949-1971) were in areas broadly defined as addressing urban development. Of this, more than 60% of the Agency's urban technical assistance investments have been made in Latin America (see Table II). Table III indicates the broad categories of activities considered, and shows the Agency's preoccupation with housing and planning. Urban education is also a dominant theme, but less meaningfully in this context as it includes all technical assistance projects explicitly directed at the improvement of educational institutions or facilities in urban areas.

Table II

Total AID Technical Assistance Urban Development Projects, 1949 - 1971: Expenditure by Region

Region	No. of Countries	No. of Projects	Expenditures ($000)	Expenditures % of Total
Latin America	18	74	$40,385	60.6
Africa	11	25	10,080	15.1
Near East/S. Asia	11	29	9,561	14.3
East Asia	6	21	4,740	7.1
Nonregional	-	5	1,904	2.9
Total	46	154	$66,670	100.0

Table III

Total AID Technical Assistance Urban Development Projects, 1949 - 1971: Expenditure by Project Category

Category	Expenditures ($000)	% Total
Urban Education	$16,447	24.7
Housing	13,747	20.6
Planning	9,206	13.8
Urban/Community Development	6,965	10.5
Urban Transport	5,086	7.6
Urban Services	4,483	6.7
Municipal Administration	2,573	3.9
Other	8,163	12.2
Total	$66,670	100.0

Sources: Stephen W. Cooley, A.I.D. TECHNICAL ASSISTANCE FOR URBAN DEVELOPMENT: A Study of Agency Experience, 1949-1970 (Washington, D.C., June 1971), pp. 4 and 21; and Mariko Fukuda, A.I.D. TECHNICAL ASSISTANCE FOR URBAN DEVELOPMENT: Experience and Trends During Fiscal Year 1971 (Washington, D.C., November 1972), pp. 2 and 10. These reports were prepared for the Office of Urban Development, Bureau for Technical Assistance, Agency for International Development.

Capital Assistance

A review of AID capital assistance projects reveals a substantial Agency investment influencing the urbanization and urban development processes. More than $407 million have been allocated to 115 grant and loan projects during the period of FY 1949 through FY 1971. Most of this investment has gone into housing and project support for housing exclusive of the Housing Investment Guaranty loans, potable

water systems, and environmental sanitation. Only a small fraction was used for intercity highways and urban transit and traffic engineering. The breakdown is given in Table IV.

The capital assistance expenditures for urban development follow the pattern noted earlier for technical assistance -- namely, that 69% of the total Agency urban capital assistance investments have been made in Latin America (Table VII).

It is much more difficult to identify and assess the impact of other capital assistance projects on urban development. It would appear, however, that more than 640 projects costing nearly $4 billion have had varying and significant influence. Table V summarizes total Agency data on power and communications, highway, railway, manufacturing and processing, and other categories, all of which in this analysis are assumed to have an impact on cities. The expenditures of Tables IV and V represent 67.5% of the total Agency expenditures and obligations in capital assistance during FY 1949 through FY 1971. The comparable amount for technical assistance is only 1.5%. Illustrative of this imbalance is the NESA Region which has obligated more than $1.8 billion for capital projects influencing urban development (Table VI) and less than $10.0 million for technical assistance in this area (Table VII).

Table VI gives a regional presentation of the totals in Table V. Table VII shows the combined capital and technical assistance figures for urban development projects by region.

Table IV

AID Capital Assistance Grants and Loans for Urban Development, FY 1949 - FY 1971: Total Number of Projects and Expenditures and Obligations by Category*

Category	Number of Projects	Expenditures and Obligations ($000)	% of Total
Housing	46	205,333	50.2
Urban Potable Water	13	79,457	20.0
Environmental Sanitation	44	77,764	19.0
Intercity Highways	8	28,892	7.0
Project Support for Housing	2	13,698	3.3
Urban Transit and Traffic Engineering	2	2,306	0.5
Total	115	407,450	100.0

Source: Compiled by Eric Chetwynd from "Capital Assistance Completed Projects (W 253)," Office of the Controller (Washington, D.C., Agency for International Development, June 30, 1971).

*These figures and those in subsequent tables combine expenditures (taken from W 253 report of "Capital Assistance Completed Projects") and obligations (taken from W 253 report of ongoing "Capital Assistance Projects"). Figures for Viet-Nam are not included because of the special nature of many of the capital projects undertaken there.

Table V

AID Capital Assistance Grants and Loans Influencing Urban Development, FY 1949 - FY 1971: Total Number of Projects and Expenditures and Obligations by Category

Category	No. of Projects	Expenditures and Obligations ($000)	% of Total
Power and Communications	169	1,416,421	35.6
Highways	132	754,998	19.0
Railways	51	588,371	14.8
Manufacturing and Processing	125	505,509	12.7
Development Banking and Investment Credit	59	312,945	7.9
Air Transport	59	170,732	4.3
Port Facilities and Harbor Improvement	21	81,224	2.0
Engineering and Construction	19	82,648	2.0
Communications	13	67,544	1.7
Total	647	3,980,386	100.0

Source: Chetwynd, ibid.

Table VI

AID Capital Assistance Grants and Loans Influencing Urban Development During FY 1949 - FY 1971: Number of Projects and Expenditures and Obligations by Region

Region	No. of Projects	Expenditures and Obligations ($000)	% of Total
Near East and South Asia	180	1,853,212	46.6
Latin America	130	825,663	20.7
East Asia	212	783,089	19.7
Africa*	125	518,422	13.0
Total	647	3,980,386	100.0

*Includes Europe (Iceland, Spain, and Yugoslavia)

Source: Chetwynd, ibid.

Table VII

Total AID Capital and Technical Assistance Urban Development Projects, 1949 - 1971: Amount by Region

Region	No. Projects			Amount ($000)		
	Cap.	Tech.	Total	Capital	Technical	Total
Latin America	58	74	132	284,141	40,385	324,526
Africa*	30	25	55	86,419	10,080	96,499
Near East/S. Asia	9	29	38	18,574	9,561	28,135
East Asia	18	21	39	18,316	4,740	23,056
Nonregional	-	5	5	--	1,904	1,904
Total	115	154	269	407,450	66,670	474,120

*For capital assistance, Africa and Europe (Iceland, Spain, and Yugoslavia).

Source: Chetwynd, ibid. and Cooley, and Fukuda, op. cit.

Housing Investment Guaranty Program

AID capital investment in housing through the Housing Investment Guaranty (HIG) program has been substantial. The program was started in the Latin America Bureau and initiated by Congress in 1963 with guaranty authority of $10 million. Since then the program has become global and the authority expanded to $780 million, of which some $472 million has been committed ($50 million to Africa, $85 million to Asia, and $337 million to Latin America). The focus has been on long-term housing credit, housing demonstration projects, and support to local housing investment and savings institutions.

The HIG program is being studied currently by an Agency task force in an attempt to integrate it more closely with the Agency's overall developmental objectives. The effort will culminate in a proposed Agency shelter strategy. Housing is such an integral component of urban development that the Agency should make every effort to insure coordination of its urban development and shelter strategies.

Current Activities

With increased international interest in urban development, AID's programming has begun recently to take a more positive and integrated approach in this field. Once again the initiatives have been concentrated almost exclusively in Latin America. The most notable example is the Colombia Urban Sector Loan. This loan, now in its second phase, provides for a $67 million input into the Colombian Government's urban/regional sector development program, an effort which is national in scope and is keyed directly to achievement of major national development objectives, such as regional integration (economic and demographic decentralization), employment generation, and income distribution. The Mission has been involved heavily in the Colombian urban/regional sector analysis, a pioneering effort for the Agency.

Similar themes have emerged in recent small loans and technical assistance projects for Ecuador, Paraguay, Panama, and Honduras. The emphasis is on stimulation of secondary or interior cities (poles of development) in order to retard migration to major centers and to promote hinterland development. In Bolivia the focus is on development of a newly created National Urban Development Service.

Other Missions, such as Brazil and Kenya, are giving serious consideration to potential initiatives in urban development. Guatemala

is an example of a Mission experimenting with development of new sources of employment and provision of social services for rural-urban migrants. In Viet-Nam, the U.S. AID Mission's new Thu Thiem development project is an example of innovation in planning for comprehensive urban area development.

A new trend is reflected in these recent activities, although their number is still modest and their geographic distribution unbalanced. Most are pioneering efforts and the need for recognition and guidance by Agency policy has been expressed frequently by those responsible for them.

Organizational Setting

There is no current organizational focal point for urban development in the Agency; there are several Bureaus and Offices with responsibilities in this area.

The Office of Housing in the Bureau for Program and Management Services (SER/H) is responsible for administering the large HIG program. In addition, it provides services for other housing needs requested by the Regional Bureaus.

The Office of Engineering (SER/ENGR) established a small urban planning unit in 1971 to review and help coordinate separate infrastructural and building projects in urban centers. Policy guidelines are being explored. In addition, that unit has initiated a pilot study of labor-intensive construction technologies for housing and supporting infrastructure.

The Office of Science and Technology (OST) of the Bureau for Technical Assistance (TA) has been developing resources for technical applications of science and technology to some aspects of urban development, particularly industry. This is an element of OST's 211(d) grants to Cornell and M.I.T. Low cost construction material R&D is also underway.

In the Regional Bureaus, Latin America and Supporting Assistance have backstop units in urban development. Latin America Bureau's Housing, Industry and Urban Development Division is situated in the Office of Development Resources. It is responsible for technical and operational backstopping of urban development programs in the region. The focus of the unit has been on institutional development for housing finance, pilot projects for low-income housing, urban planning,

and more recently on urban sector backstopping and innovations in urban development programming. Many of the Latin America field Missions have specific units or offices designated to handle urban development and housing affairs, including the Regional Offices in Guatemala and Argentina.

The Bureau for Supporting Assistance (SA) has a backstop officer for urban, environmental, and aviation affairs in its Office of Capital and Commercial Development, who services Viet-Nam and the other SA countries. U.S. AID/Viet-Nam is the only Mission outside Latin America with a special unit for urban development affairs; it is now the responsibility of CORDS.

The principal Agency overview of urban development has been provided by the two-man Office of Urban Development (TA/UD), augmented by short-term use of some supplemental resources. Since late 1970, it has carried out a comprehensive reconnaissance and analysis of worldwide urban development situations and LDC needs, of resources actually and potentially available throughout the world to address these needs, and of views on how best to proceed in the field. It has also responded to Bureau and Mission requests for technical backstopping. It has worked with the aforementioned units in the Agency in a sector analysis of urban development and in developing proposed policy and program guidelines. There also has been considerable communication among these Agency units and coordination with other donors during the past 2 years, in light of the recent heightened interest in urban development on the part of several donors.

URBAN DEVELOPMENT PROGRAMS OF OTHER DONORS

Only in recent years has the attention of international aid agencies been drawn to urban development. Hence, their contributions to solving urban problems in developing countries have tended to be occasional, scattered, and piecemeal. A brief overview is provided by Table VIII.

Multilateral Assistance

The United Nations Development Program (UNDP) has the greatest commitment in this area in terms of number of projects and countries assisted. There are currently more than 80 active projects in 60 different developing countries. In addition, the United Nations is supporting some regional training and research centers and the major research project on regional development and growth poles by the United Nations Research Institute for Social Development in Geneva. The U.N. Center for Housing, Building, and Planning is the U.N. focal point for urban programs.

The IBRD published its Urbanization Sector Working Paper in June 1972 -- the culmination of approximately 2 years of analysis. Among other findings it was discovered that already $13 billion (or 75%) of bank lending to developing countries has been "directly urban-related" -- that is, mainly for electric supply and interurban transport. The Bank has identified urban transportation, land use, and housing as the three emphases in its program for 1972-1976, consisting of $700 million for some 40 projects in nearly 30 different cities. In research, the Bank will concentrate on matters of operational significance related to the activities above.

The OAS has a relatively active new urban program in Latin America. Its policy for technical assistance to urban development has three emphasis; in order of priority they are: promotion and development of national urban development strategies, assistance to local level metropolitan planning and administration, and overcoming bottlenecks in the construction industry. Six multidisciplinary regional urban development field teams are stationed permanently at various points throughout Latin America to implement this strategy and to service the region.

The Inter-American Development Bank (IDB) has been concerned with urbanization in Latin America since the inception of the Bank's operations in 1960. Experimenting with various means of integrating and combining capital and technical assistance has resulted in several organizational and policy changes, the latest of which was begun only recently. Traditionally, the IDB has invested about 20% of its loans (approximately $900 million) in water, sewerage, and housing. In addition, IDB has sponsored and cosponsored conferences and workshops.

Bilateral Assistance

Bilateral technical assistance is not of great consequence in urban development, with the exception of what is given by the United States in Latin America, Japan in Asia, and France and Great Britain in Africa. Japan's current involvement is limited mainly to master plan development for specific urban physical facilities. France and Great Britain are involved principally in town and regional planning in their former colonies. Other countries involved in one or more projects are the Netherlands, Denmark, and Sweden (primarily housing research and training), and West Germany (city and regional planning and transportation studies).

The Ford Foundation is nearing publication of an internal study which is similar to the ones which the IBRD and AID have just completed. The Foundation's traditional and occasional involvement in this field has been support of selected research and small pilot projects, some institutional support, fellowships for training abroad, and a number of independent studies. The one exception is the Foundation's substantial and continuing involvement with the Calcutta Planning Project and the Calcutta Metropolitan Planning Organization.

The Peace Corps has had an extensive technical assistance involvement worldwide with more than 300 volunteers working in various aspects of municipal development. It is not known how much these programs have been affected by the recent and significant organizational changes.

The substantial capital assistance for investments in or influencing urban areas is dominated by major donors. According to crude U.N. figures for 1968-1969, the United States, France, and the United Kingdon (in that order) contributed almost all of the total of more than $300 million committed for bilateral programs in housing, building, and planning.

The Stockholm Conference

The recently concluded United Nations Conference on the Human Environment declared that "a point has been reached in history when we must shape our actions throughout the world with a more prudent care for their environmental consequences..." The Conference went on to recommend that "all development assistance agencies...give high priority to requests of governments for assistance in the planning of human settlements..."

Collaboration and Cooperation

The foregoing inventory, while incomplete, indicates that important programmatic changes are taking place and external assistance for urban development is increasing. The emphasis seems to be on the need for better utilization of the substantial capital assistance resources which already are being employed, rather than additional capital resources. There is much evidence also of the need and the opportunity for collaboration and cooperation to bring harmony to policies and investments in this field.

During their recent studies of urban development, the representatives of the various donor agencies maintained close contact,

especially those who were engaged in similar studies. The exchange of information and critiquing of one another's findings have become well established. In fact, some of this interagency exchange has been organized informally; occasional meetings are called by the U.N. Center for Housing, Building, and Planning for interested donors.

Most aid donors have acknowledged the need for additional assistance in and innovative approaches to the problem areas of perception and and leadership, manpower, and information and stressed the desirability of greater cooperation and coordination among donors. More specifically, the U.N. Center for Housing, Building, and Planning has expressed a desire to collaborate in research efforts. IBRD officials recognize the need for additional technical assistance to support their more capital assistance-oriented efforts in housing, land-use, and transportation. The OAS is seeking ways of using more creatively and effectively its resources for urban development, including its six regional field teams, in cooperation with other resources. Ford Foundation officials also have expressed a desire to combine the strengths of that organization with those of other aid agencies to advance the state-of-the-art and to strengthen and make more accessible the limited pool of expertise in urban development.

These agencies not only have had experience in this field, but also all of them quite recently have taken a fresh look at what they should be doing to address more effectively the urban aspects of national development. It would seem that this combination of factors (experience, timing, and desire) provides a very special opportunity for a high degree of meaningful cooperation and coordination at the policy, program, and project levels.

Table VIII

International Assistance for Urban Development:
By Donor and Project Category

Category	UNDP	IBRD	OAS	IDB	Corps	Fndn	France	UK	Japan	Other
Capital Assistance										
1. Housing		X		X			X	X		
2. Water				X			X	X		
3. Sewerage				X			X	X		
4. Transportation		X					X	X		
5. Power		X					X	X		
Technical Assistance										
1. Instit. Building			X			X				
2. Training	X		X			X				X
3. Info/Research	X		X	X	X	X				X
4. Planning	X	X	X		X		X	X	X	X
5. Administration	X		X		X					
6. Surveys	X									
7. Bldg. Industry			X							
8. Housing	X		X	X						

Source: FOCUS ON URBAN DEVELOPMENT..., op. cit., pp. 156-159.

ISSUES AND RECOMMENDATIONS

On the basis of the foregoing analysis of the problems of rapid urban growth and development, the Agency's experience in dealing with them, and other approaches and resources which are being applied to addressing these problems, the Agency should:

(1) Give official recognition to urban development as an integral part of national development and subsequent wide publication of such a policy decision.

(2) Examine current Agency capital and technical aid efforts related to urban development to emphasize the Agency's new sectoral approach to development assistance.

(3) Focus on three problem areas -- perception and leadership, information, and manpower -- in order to give direction to the implementation of the new policy on urban development; in so doing, it should complement what the Agency, other donors, and the developing countries are doing already in this field.

(4) Seek to increase, largely through centrally funded research and development efforts, knowledge about the urban development process.

(5) Commit sufficient resources to support efforts which are designed to improve Agency and developing country capability to exploit the development potential in the processes of urbanization and urban development.

Enhancing Current Efforts

Agency programming is a process initiated in the field, usually with the benefit of AID/W policy direction and support. Substantial activities are supported already by some of the Latin America Missions while urban development problems and opportunities are still at a very low threshold of perception in many of the countries receiving AID assistance. The primary objective of the recommended policy direction and of the specific activities proposed for its implementation is improvement of field Mission programs and of AID/W support to them. More specifically, they are designed to assist Missions in dealing with cooperating-country needs and proposals in urban development by

(1) supporting and enhancing ongoing activities, (2) encouraging consideration of meaningful projects in countries where urban development activities and problems are coming to the fore, and (3) providing accessibility to information and a framework for analyzing and monitoring activities in those countries not yet ready for explicit urban-development programming.

Principal requirements in programs sponsored by Missions and Regional Bureaus in urban development are timely access to qualified outside expertise, access to information on operational and state-of-the-art problems, knowledge of U.S. and LDC institutions with expertise in these areas, and mechanisms for understanding the problems under consideration. There is also a need for the skills and approaches required for country analysis of urban development in a sectoral context. Above all, there is need for Agency backing and guidance for initiation of these new activities. All of these requirements are addressed in the policy, priorities, and activities being proposed.

Providing these and related urban development services will strengthen the capabilities of Agency central technical offices to provide support in their fields of specialization. For example, their operational and backstopping responsibilities will be strengthened by a concerted Agency policy in urban development and specific activities geared to operating on perception and leadership, manpower, and information as defined in this paper. Projects which examine the U.S. experience in urban development, Agency investments impacting on urban development, and land-use approaches will be particularly valuable to the operational activities of the Office of Housing and the general backstopping responsibilities of the Office of Engineering. The Office of Population, heretofore not mentioned in this context, will be aided by those elements of the proposed program that would support study, and promote recognition, of the variety of consequences for urban centers of rapid population growth and migration and the spatial distribution of population.

The most telling effect of the proposed policy and activities, if implemented, would be to orchestrate and bring more focus to Agency activities in urban development, thus exploiting more fully the role of the city in national development and contributing to the achievement of Agency objectives.

New Points of Intervention

In addition to supporting ongoing and new efforts at the level of country Missions and Regional Bureaus, it is recommended that the

Agency focus on the three factors in the urban development process having the most influence, not only on the functions of the urban environment, but also on the linkages in national development. They are: perception and leadership, manpower, and information. (See "Problems of the System," p. 9, ff.)

It is recognized that the degree of constraint varies from country to country. For example, in some countries perception and leadership at the national level no longer poses the major obstacle; in others, it should be the starting point for country and Mission programming. Nevertheless, according to the analysis, these three factors are serious constraints in the urban development process in many developing countries.

The most serious constraint is perception and leadership. This refers to perceptions and attitudes on the part of leaders and resource allocators at all levels in developing countries. It includes sensitivity to urban problems, awareness of the city as a complex subsystem within the national environment, understanding of the essential interactions between the city and its hinterland (metropolitan or region) and other cities, and a comprehension of the vital role of leadership in addressing the problems of urban development.

Manpower, the second problem area, refers to a cadre of skilled professionals and paraprofessionals in developing countries which understands the basic factors and linkages in urban development and the role of the several professions and disciplines (such as planning, law, administration, finance, and others).

The third problem area, information, is the substance from which other factors (especially the two factors mentioned above) derive much of their sustenance. It includes basic information on urban conditions, problems, and resources in developing countries, access to the literature (case studies and comparative analyses as well as conventional wisdom) and to the results of practical experience and technological breakthroughs, and the institutional capacity to use what is available and to produce and share additional data.

For these new points of intervention there will be activities involving research and development. The starting points are:

(a) An introspective analysis of relevant aspects of the Agency's experience to determine if appropriate sector analysis and project guidelines can be developed to take into account and exploit the urban impact of AID activities. This is recommended as a topic for an early Spring review.

(b) An analytical accounting of U.S. domestic experience in urban development with relevance for developing countries. The purpose is to help sensitize decision-makers in LDC's to the positive and negative aspects of the U.S. experience and to the range of policy options open to them.

(c) Development research on practical and adaptable approaches to land use analysis and planning -- a basic element in the planning process and a powerful tool in urban development.

(d) Promotion of a U.S. consortium of research, manpower, and information resources for international urban development through linked 211(d) grants to several institutions. These in turn would be linked with leading LDC institutions in joint research, training, and other colloborative activities, with heavy emphasis on practical problem solving. This consortium will become an important and leading U.S. node of a now infant international network of urban development resources.

(e) Fostering of institutional capacity in developing countries for sector analysis and problem solving in urban development. This activity will focus on specific urban development institutions in developing countries to promote their growth and strengthen network linkages.

(f) Helping to overcome the lack of established channels for systematic development and exchange of experience, information, and research in urban development by promoting an international consultative mechanism for network development.

Initial concentration on the three new areas -- perception and leadership, manpower, and information -- necessarily requires long-term developmental activities. However, they must be complemented and sustained by other activities which in the shortrun will address pressing operational problems. The new activities outlined above contain elements of both approaches. (More details of these activities are in Annex III.)

The proposed activities also have a very close identification with the new programming approaches which are part of the Agency reform. A collaborative, "bottom up" style has been used in the very formulation of the activities and is emphasized in the proposed steps of implementation. The suggested division of labor in AID (Table IX) seeks to reflect and to project this style. The location and use of a broader range of resources, including American private groups, have only to be continued and expanded from a substantial beginning during the sector analysis.

All of the activities are designed to contribute significantly to the development of a network of information, institutions, and other resources which can be used to seek solutions to urban-development problems. A broad international network is envisioned, and there have been already some encouraging attempts among donor organizations to find ways of sharing development assistance responsibilities and coordinating assistance efforts in urban development.

Table IX

Suggested Division of Labor in AID/W for Urban Development*

Regional Bureaus	Office of Engineering	Office of Housing	Office of Population	P P C	T A Bureau
1. Backstopping existing programs. 2. Sector analysis in cooperation with central resources offices. 3. Program planning. 4. Development of linkages with other program efforts.	1. Engineering and construction aspects of development. 2. Feasibility studies and project review. 3. Recruitment of engineering and construction resources on request.	1. Administration of Housing Investment Guaranty Program. 2. Financing other housing and related urban infrastructure. 3. Technical assistance in housing and shelter sector analysis. 4. Recruitment of housing and housing finance resources on request.	1. Implementation of population policy. 2. Demographic research. 3. Migration studies.	1. Guidance for sector analysis. 2. Coordination of urban development activities with new areas of Agency concern such as employment and income distribution. 3. Management of efforts to develop analytical guidelines on the urban impact of Agency investments.	1. Leadership in developing awareness and an integrative focus in the Agency. 2. Leadership in urban development research, including sector analysis methodology. 3. Development of resource capability via a. in-house training and recruitment, b. talent banking, c. centers of excellence, d. developing-country institutions. 4. Technical assistance backstopping for sector analysis and project design. 5. Overall Agency relations and representation with international agencies and timely liaison with appropriate units in the Agency.

*NOTE: This breakdown is intended to be illustrative, not comprehensive or exclusive. Several of the listed responsibilities are shared by more than one Agency unit. Underlying the Agency's policy and program for urban development is a conscious effort to relate them operationally to other Agency policies and programs, and to involve appropriate units within and outside the Agency in their implementation. For example, the areas of concentration are related closely to key problem areas, such as multipurpose health-delivery systems, environmental sanitation, local-action capability, management of operational services, nonformal education, and tailoring and diffusion of industrial technologies to fit developing-country needs. They also are linked closely with the new emphasis on employment and equitable distribution of income.

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TO - AIDTO CIRCULAR A 461

FROM - AID/W

SUBJECT - AID Strategy for Technical Assistance in the Energy Area

REFERENCE -

For Mission Directors from Farrar, AA/TA.

I. Summary: The AAC has reviewed the AID/W interbureau paper STRATEGY FOR AID ACTION ON ENERGY and has delineated a number of policies and actions in energy areas relevant to AID interests. Comments and inputs from the missions are invited on the elements of the AID strategy and their significance for AID's programs in the host countries. Several specific questions are posed below to assist AID/W in the formulation of program activities for FY 76, FY 77, and beyond.

II. Background: The continuing energy crisis has focused attention on the role of energy and energy intensive inputs in the development process. As a part of AID efforts to better understand the impact of greatly increased energy costs on AID priority programs and the possible alternatives to conventional energy sources for non-urban situations, AID/W has supported several studies and conferences over the past year. These include:

An Overview of Alternative Energy Sources for LDCs - Arthur D. Little

Expert Panel on Energy Policies and Programs for LDCs - National Academy of Sciences (No report)

A Survey of the Possible Use of Windpower in Thailand and the Philippines - U. of Massachusetts

Methane as an Energy Resource for Developing Countries - National Academy of Sciences (Report in preparation)

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DRAFTED BY	OFFICE	PHONE NO.	DATE	APPROVED BY:
C.A. Stone:aes	TA/OST	27971	7/10/75	7/30/75 Curtis Farrar, AA/TA

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Alternative Energy Sources for Developing Countries - National Academy of Sciences (Report in preparation)

Interrelationships of Energy and LDC Rural Development - OST Annual Conference - Georgia Tech (Report in preparation)

These inputs together with interbureau discussions and the AAC review have highlighted the country-specific and even location-specific nature of energy needs. The impact of incremental additions of energy in rural areas on food production, employment and quality of life are not well established but non-metropolitan institutions appear needed if such additions are to be successfully made. Detailed analyses, embodying the net energy concept for inputs and outputs, of current energy usage are important to a clear understanding of possible positive courses for intervention. Technological energy options exist but economic and communication barriers constrain their utility for the poor majority.

The AID/W paper Strategy for AID Action on Energy is attached together with the minutes of the AAC review meeting. Three papers from the Georgia Tech conference are also attached for further background. The NAS reports will become available later this year.

III. Action Requested:

We plan to undertake in a selected small number of countries a study of their energy programs and the impact of energy constraints on development. The field missions are requested to provide situation reports and recommendations which will assist AID/W in selecting priority areas and countries to be studied. Answers to the following questions will also be helpful to AID/W in structuring follow-on activities.

A. Is energy proving to be or likely to be a serious constraint to priority AID programs? If so, in which sector(s) and in what form is the constraint manifested?

B. Does the host government need and wish technical assistance in energy assessment, planning, conservation or management? In non-petroleum energy resource assessment? In energy technology?

C. What local institutional capability exists to deal with energy technologies and incremental energy sources or usage for the rural poor?

D. Do you perceive a need for specialized training for LDC personnel in energy subjects?

E. To what extent, if any, are other donors providing assistance to the host country in energy related areas?

F. If an in-depth study of energy needs and constraints were undertaken in your country, what scope and priorities would you recommend?

Replies by 15 September, 1975 are essential to timely program planning.

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CONTINUATION

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IV. Follow-on Activities:

AID/W is currently contacting other donor agencies to ascertain their current and planned activities in energy areas; training, technical assistance, resource assessment, planning and management, conservation, etc. Your answers to question E above will assist this survey. A report will be issued and made available to the missions. Energy project concepts are being developed and appropriate PIDs will be circulated to missions on the basis of response to this airgram.

Information and documentation on energy topics will be provided by AID/W from time to time. Requests for specific information are welcomed.

INGERSOLL

Enclosures:
1. Strategy for AID Action on Energy
2. Minutes of the AAC Review Meeting dtd 6/12/75
3. Energy and Rural Development by Roger Revelle
4. Food: Role of Energy in Providing Food by Ernest T. Smerdon
5. The Implementation of Rural Energy Programs by T.A. Lawand

SEND TO: LIST P

See list of info addressees attached.

TAB A

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STRATEGY FOR AID ACTION ON ENERGY

I. Introduction

The macroeconomic impact of the energy crisis on AID recipients and other developing countries has been covered in other AID policy documents. These conclude generally that the AID program cannot finance deficits caused by increased petroleum prices, they also spell out the ways in which the present economic status of countries affects their eligibility for concessional assistance.

This paper deals with the other ways in which the changed cost of energy affects AID programs, and with the implications for AID of Secretary Kissinger's pledge at the UN Special Assembly in Spring, 1974, to make available to the LDC's the results of energy research and development in the United States.

It is explicitly assumed that the relative cost of energy has been permanently and substantially increased by recent events, and that long term structural adjustments are necessary.

II. Nature of the Problem

The energy crisis affects LDC development prospects in many ways: It implies a deterioration in terms of trade and attendant losses in real income for most LDCs. It results in many instances in increased requirements for foreign financing due to the large increases in the costs of imports. The higher cost of energy will also affect the feasibility of development projects and require adjustment in internal development strategies in light of the higher cost of energy in general and oil in particular. The economic effects of the energy crisis upon LDCs vary

widely. While most LDCs are oil importers and would have to undertake some kind of adjustment in response to the energy situation, the adjustment is likely to be more difficult in the so-called Most Severely Affected countries, because their economies are less flexible and their short-term financing problems more intractable.

To minimize the imminent and serious shortage of food, LDCs must find new ways to increase their own production. The use of additional energy to increase the productivity of human and animal labor, to preserve food, and to distribute food more equitable has become a necessity rather than an option.

There is a high degree of correlation between the use of inanimate energy and development. Whether energy usage is cause or effect, it seems clear that the demand for energy will inevitably increase with the development of LDCs. There is a need for additional investment in energy generation using conventional and non-conventional technologies. The investment required to achieve major energy substitution and increasing energy supplies for LDCs is large but there is no alternative if development aims are to be achieved.

The LDCs, imitating the developed countries, have relied largely on central energy generating systems and, in the case of thermally generated power, they have generally utilized petroleum as the primary fuel. Alternative energy sources exist but some are not well known and many have been neglected because the pre-1973 price structure made their exploitation uneconomical. Higher costs of petroleum make alternative energy sources relatively less costly. Hydro-electric projects discarded

because of cost-benefit ratios in the past, for example, may now be much more attractive. However, in the short term the possibilities for substitution for petroleum are limited. There is a need for (a) resource exploration, (b) detailed assessment of energy use and future needs, and (c) technical and economic feasibility studies to identify alternative energy sources which can be exploited with existing technologies.

Higher oil costs also necessitate a new look at means of increasing the efficiency with which energy can be utilized in LDCs. Increased efficiency involves both improved utilization and energy generation as well as conservation. It must be recognized however, that there are limits to the conservation which can be achieved without reducing production because typically 80% of commercial energy used in LDCs is in transportation and other directly productive activities.

In the longer term, there is a need to find new alternative energy technologies by adapting and applying research and development findings to LDC needs. The major new research efforts in the US and other developed countries do not address LDC needs directly and, without extensive adaptation, are not likely to produce much that will help the LDCs.

Higher energy costs affect the feasibility of a variety of projects in the AID emphasis sectors, particularly agriculture and rural development. Some of these effects are fairly straight forward, such as the increased costs of energy to the projects themselves, or to the substaining of project operation. The same applies to program inputs such as fertilizer which have high energy costs. There are also more complex implications: for example, the higher costs of transportation may have an important

impact on the spatial aspects of rural development programs, such as locations for marketing and agro-business centers. Highly labor intensive methods of farming or processing may now be more competitive than previously, thus making it easier to choose such methods. While probably less significant, similar considerations apply in Education and Health.

The poor majority, who are the center of AID concern, use relatively little energy, and are less affected by the change in energy costs than the wealthier members of developing country society. The cost of providing energy for increments in productivity and welfare among the poor has increased, but it is not clear how critical this constraint will actually be. The role of energy in moving a poor rural community forward is not well understood at present.

We do know that several technologies exist which have limited commercial prospect in the U..S. or other developed countries but which could be adapted for those rural populations which presently do not have sufficient energy resources to achieve primary standards of living, increase their food production or enhance their health and education. Such small energy sources can provide power for irrigation, pumping, crop drying, cooking, tilling, sterilizing, and small scale electricity generation. These applications will have little if any impact on global energy demand but they offer opportunities for prompt action to improve the quality of life of large numbers of the poor. Small hydroelectric generators, solar powered water pumps, bioconversion of wastes and vegetation, windmills, pyrolysis of wood and vegetation are examples of technologies which either can be transferred to the LDC environment with

little modification or which, with redesign and adaptation, may be rendered technically applicable to the LDC setting. In some of these cases, further development of the technologies is required. In all cases it is necessary to look at economic feasibility and even more important to make sure that the application is truly responsive to a development problem.

Research and development on energy sources and conversion techniques are more active all over the world than ever before. Most, but not all, of the effort is directed toward rich country problems. There are as yet no clearly preferable directions for research and development that show promise of early breakthroughs for the LDCs.

The framework for domestic research and development on energy over the coming decade will be Project Independence. The report on Project Independence is 1/ "an evaluation of the Nation's energy problem: ... The Study provides the analytical and factual basis for focusing debate on the difficult choices and tradeoffs, and selecting a national energy policy." The research portion of Project Independence is broadly divided into two parts: short-range (possible impact by 1985) and post Project Independence (1985 and beyond). The short range objectives are to: 1) Increase the domestic supply of liquids and gases (oil, natural gas, oil shale, synthetic fuels from coal), 2) Shift demands from oil and gas to coal and uranium, and 3) Improve conservation technologies (transportation, industrial, household and commercial). The long-range possibilities include: 1) Synthetics from coal, 2) In-situ oil shale production, 3) Breeder reactors, 4) Fusion power, 5) Solar conversion, 6) Geothermal, and 7) Long-term efficiency of energy utilization and a shift to electricity.

1/ Project Independence, Federal Energy Administration, Nov. 1974.

This research program is not directed toward LDC needs, and will develop new approaches quite slowly. While these new approaches may be useful to developing countries eventually, adaptation will undoubtedly be necessary.

Many U.S. Government agencies are involved in energy questions, but only a few of them focus any effort on LDC energy problems. Those that have some experience with LDCs on matters related to energy are the Geological Survey (USGS), the Energy Research and Development Administration (ERDA) in its previous form as the AEC, the Department of State (OES and E), and the National Academies of Science and Engineering. Other agencies with programs that could have some bearing are: The National Science Foundation, the Federal Energy Administration (FEA), the Department of Interior, the National Energy Council (NEC), the National Bureau of Standards (NBS), the Environmental Protection Agency (EPA), the Department of Agriculture, the Nuclear Regulation Commission (NRC) and the National Aeronautics and Space Administration (NASA). All of these agencies have limited capacities to devote to overseas concerns, and are heavily engaged on domestic energy matters.

III. AID Response

There are grounds for considering making energy a major field of concentration for AID activities. Energy plays a critical and central role in the development process, and energy problems affect most of the countries with AID programs. The scarcity of fiscal resources, the preoccupation of U.S. technical resources with domestic problems and the high risk, particularly in innovative approaches to energy, argue against such a commitment. Were we to select energy as a concentration area, we

would at present not be able to proceed with an effective program. Hence this option should be set aside.

There is clearly scope, however, for assistance directly on energy problems; the United States is a logical source given its technical expertise. The critical nature of energy problems makes it inadvisable to rule out all forms of assistance. The principal reason for A.I.D.'s interest in energy, however, is the important role energy plays in the concentration sectors, and its potential impact on the lot of the poor majority. In this perspective, the following strategy should be followed:

1. Understanding the Problem

We should undertake a program of study of the role of energy in different types of developing country economies. This should start with the rural sector and focus on the poor, but cannot and should not be confined to that sector. In order to obtain valid results the energy system in a country must be looked at as a whole and considered from a social, economic and cultural as well as technical standpoint. Central to the study would be detailed analysis of a small number of LDC's with different characteristics. The purpose is to understand the energy constraints to progress in the concentration sectors, identify the approaches required to overcome those constraints. As these approaches are identified, programs would be mounted to develop practicable methods that can be applied in the field, as is already being done in the case of fertilizer.

2. Energy Analysis in Program Planning

While recognizing that our capacity to conduct analyses is thin, both substantively and in terms of personnel, we must nevertheless take

energy questions into account in planning all our programs. Guidelines covering preparation of DAPs, Sector Studies and Project Proposals that will assist Missions in focussing on energy questions at each stage of program analysis and presentation are needed. These should include standard assumptions about world energy prices, and guidance on how to seek help in exploring alternative energy source or ways to reduce energy costs. This process may well help identify specific energy related problems that can be factored into the program of study described above.

3. Energy Resource Identification and Evaluation

The private sector is expected to fill the primary role in assisting LDC's to explore and develop oil and gas resources. There remains however, an important need in many countries, particularly MSA's, to improve knowledge of potential energy resources, both conventional and unconventional. The quality of LDC investment decisions depends on an accurate assessment of the extent and characteristics of resources, and likely costs of exploitation in relation to benefits. The resources of the private sector, of the USGS, and of the AID program to use remote sensing for LDC purposes are available as required for technical assistance, but have limited capacities. AID/W should inform the missions of the availability of these resources and the Agency, using either central or mission funding as appropriate, should respond to requests from countries receiving concessional assistance if the request is reasonable and the assistance not available elsewhere.

4. Technical Assistance

LDC skills on energy management, resource utilization, technology selection and implementation are various, but generally limited. Many of

the LDC's face difficult long and short term decisions on such matters as utilization of conventional energy systems, investment in non-conventional energy sources, and the management of their resources. They also need to consider how to mount effective programs of energy conservation. There are a number of possible sources for technical assistance in these matters, but the United States is a major source of the required skills. Moreover, a capacity to provide technical aid in these matters will be important to the success of some programs in the A.I.D. fields of concentration. A.I.D. should therefore make an estimate of requirements for technical advice and training initially required on energy aspects of its fields of concentration, and likely to be requested outside those fields, after taking account of the capacity of non-U.S. sources to respond. A review should be made of mechanisms available to A.I.D. for providing such advice and training, and steps taken to ensure that they are adequate to meet the demand. Assistance under this paragraph and the preceeding one can, of course, be provided on a reimburseable basis as well.

5. Capital Investments

There may be rare cases when an investment in energy systems is seen as an essential prerequisite to achievement of A.I.D. purposes in a country, and is available from no other source. A rural electrification project is a possible example. Energy investments may be considered under normal criteria, but in general, capital for such purposes would be expected to come from multilateral institutions, the private sector, or other donors.

6. Research and Development

While the usual sequence is for problems to be identified and the technical answer then sought, there is a reverse process through which awareness of available or potential technologies makes possible the identification of courses of action that would not otherwise be discovered. It is important, therefore, for A.I.D. Missions to be kept advised of technological developments in the field of energy that are potentially relevant to their program concerns. This will be a two-way process as Missions report on energy experimentation going on within developing countries, and involves work done in other developed countries as well. As Project Independence develops, there may well be progress that should be applied to LDC needs through timely investment in, say, smaller scale applications than are appropriate in this country. A.I.D. should be alert to opportunities of this kind, to piggy back on the main lines of domestic research on energy and to ensure that worthwhile results are appropriately modified and made available for early application in developing countries. A.I.D. therefore needs to stay in close touch with the progress of energy research in this country and elsewhere.

Given the complex nature of the energy problem and the amount of work being done on it in different locations, A.I.D. should explore with other interested agencies, domestic and foreign, the possibility of establishing and information network that would provide data on applications of various technologies, i.e., a continuously updated "state of the art" index. This would be invaluable for research and development and would also serve to help find potential solutions for problems identified in the course of A.I.D. program development. Countries not recipients of A.I.D. programs could benefit from the above on a reimburseable basis.

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D. C. 20523

OFFICE OF
THE ADMINISTRATOR

AAC-72B
June 12, 1975

MEMORANDUM FOR MEMBERS OF THE AAC

FROM: for Donald T. Bliss, Executive Secretary

SUBJECT: Follow-up to AAC Meeting of April 16 -- "Strategy for AID Action on Energy"

Attached for your information and action, as appropriate, is a copy of an Information Memorandum for the Administrator summarizing the results of the AAC meeting of April 16 on Strategy for AID Action on Energy.

Attachment:
As stated

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D. C. 20523

OFFICE OF
THE ADMINISTRATOR

June 12, 1975

INFORMATION MEMORANDUM FOR THE ADMINISTRATOR

THRU: Chairman, AAC

FROM: Donald T. Bliss, Executive Secretary

SUBJECT: Follow-Up on the AAC Meeting of April 16 -- Strategy for AID Action on Energy

The AAC discussion of April 16 focused on what should be AID's response to the energy problems being faced by the LDCs.

A. Should AID undertake some special country studies to improve understanding of LDC energy needs and their influence on overall development. This is distinct from normal analysis in preparing DAPs, project proposals, and sector analyses, wherein Missions should, to the extent they can, take into account energy requirements and constraints when relevant to the development project being examined.

It was agreed that as a first step, Missions will be advised of the proposal to undertake in a select number of LDCs a study of their energy problems and the impact on development. Missions will be asked to provide situation reports and recommendations which would assist AID/W in selecting priority/country study subjects.

As needs are identified, programs can be mounted to test the principles, methods of analysis and solutions and to apply them in other countries, where appropriate. While other development agencies may undertake global assessments of LDC energy requirements, it was agreed that AID could make a special contribution by developing practical technology that can be applied in the field. Missions will be asked to consider inviting LDCs to incorporate the improved energy planning and analysis into country programs.

ACTION: TAB will prepare an airgram to the Missions for transmittal of the AAC energy paper, minutes of the AAC meeting, and specific requests for information.

B. In concert with the solicitation of field comments and suggestions, it was agreed that the following actions would be taken:

1. Coordination with other Financial Institutions

To assure that AID's work will complement, not duplicate, investigations being undertaken by other development agencies, the Agency will investigate studies by UN and other bodies on improving energy generation and utilization in LDCs. In addition to identifying studies which concentrate on energy, AID will attempt to learn about studies on other subjects which appear to have energy-saving or energy-using implications. Better exploitation of consumables, for instance, would result in energy savings and this will be explored.

ACTION: After receipt of inputs from the Missions and Bureaus, and after consultation with international institutions and the private sector, TAB will arrange for selected energy studies in a few (approximately six) countries to examine in-depth the energy constraints to progress.

2. Interagency Coordination

Although AID programs in the energy field may be modest, as spokesman for developing countries, AID must attempt to influence positions on energy matters and actively cultivate support for these positions in USG policy circles. To perform effectively, AID must keep abreast of LDC energy requirements and be prepared to analyze and make known their implications.

ACTION: IDC, in collaboration with TA, PPC, and SER/ENGR, will stay abreast of developments in the energy field to be better able to act effectively as the U.S. spokesman for the LDCs. In addition, they will reconfirm staff capabilities and responsibilities for monitoring and assessing energy conditions impacting on developing countries and prepare issues memoranda for use by USG policymakers who are establishing and negotiating U.S. positions on energy which reflect adequate understanding of LDC energy problems.

C. Energy resource identification and evaluation could affect employment and other LDC development aspects in addition to those of AID priority. Should AID resources be devoted to this activity?

The AAC agreed that an accurate assessment of the extent and characteristics of resources and the probable costs and returns to be realized from exploitation of these resources is essential for sound investment decisions. Having demonstrated the potential of promising technologies for assessment such as remote-sensing, AID may then refer LDCs, desiring to mount operational systems, to the UNDP, IBRD, and other financial institutions. However, AID should properly continue training LDC personnel on request in collecting, interpreting and applying relevant information and continue to respond to requests for resource identification technical assistance, but will not plan to sponsor detailed mineral surveys. AID will also continue to identify and demonstrate development technologies useful to, but not generally exploited by LDCs. An example of such technology is geothermal power.

AID will investigate whether sufficient resources are available from other development institutions to assist LDCs in carrying out resource surveys. If it is found that sufficient resources are unavailable, AID will reconsider its position with regard to the financing of resource identification and evaluation activities.

ACTION: TAB and SER/ENG will check the funds available for resource surveys by other institutions and donors.

D. Requests for technical advice and training in energy subjects outside AID fields of concentration could be significant in number and scope. Should AID limit its response to concentration areas?

Under PD-51, AID sponsors technical training and advisory services for countries interested in assessing national resources and requirements. AID will be prepared to respond to requests for specialized technical assistance which does not duplicate assistance provided by other development agencies. An example would be training in applied uses of solar energy.

AID consultants will be prepared to assist Missions which have questions on energy matters relative to projects proposed or underway in priority areas. If countries ask for U.S. advice on national energy planning, conservation, and management, AID should be prepared to respond. In this connection, Missions should be asked whether countries desire training in energy assessments and planning. If the response is positive, AID should consider what central backstopping and support would be required to respond to such requests. While AID would not be financing the construction of power plants, it would be prepared to assist countries assess energy requirements to do preliminary work on proposals intended for submission to the UNDP and IBRD. It was also agreed that AID would consider other training in the energy field when the need is not met by other sources.

ACTION: TAB, with SER/ENGR and SER/IT.

E. Capital Investments

Except in unusual cases, capital for energy investments would be expected to come from sources other than AID.

F. Research and Development

In view of the major U.S. research effort and long-range potential of Project Independence, the AAC recommends that an issue which the DCC should treat at an early date is whether, how and under what authority applicable findings of research and development undertaken for Project Independence could be extended to developing countries. The question of AID's responses to the pledge by the Secretary of State to provide LDCs access to U.S. energy technology could be treated at the same time.

ACTION: IDC with SER/ENGR and TAB.

NOTE: The attached charts show lending and grant activities by several donors in the electrical power sector for the period 1971 to present. They are not directly pertinent to the AAC discussion as it unfolded, but provide related background and thus are being distributed for your information. Further effort is being devoted to compiling and assessing the international technical assistance community plans and projects for energy, most of which are still embryonic.

Attachments:
As stated

TRANSMITTAL MEMORANDUM CHECKSHEET

FOR HANDBOOK 2 - PROGRAM PLANNING AND BUDGETING

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AGENCY FOR INTERNATIONAL DEVELOPMENT

HANDBOOK TRANSMITTAL MEMORANDUM	DATE October 15, 1984	TRANS. MEMO NO. 2:20

MATERIAL TRANSMITTED:

Handbook 2 - Program Planning and Budgeting

New Handbook Index

The new index is composed of all the entries referring to this Handbook that appear in the current Master Index to the AID Handbooks. As a consequence of being a direct extract from that document, it also provides additional citations to topics that are also covered in other Handbooks.

The indexing reflects the content of this Handbook as of July 1, 1984. An updated version will be produced at the same time as the Master Index is updated.

SUPERSEDES:

Any existing index material in this Handbook.

FILING INSTRUCTIONS:

1. Remove superseded material as indicated under SUPERSEDES.
2. File the attached in their appropriate places.
3. Initial the Transmittal Memorandum Checksheet (in the back of the Handbook binder) beside TM 2:20 .

* * * * * * *

KEEP THIS TRANSMITTAL MEMORANDUM in the front of the Handbook binder; discard TM sheet 2:19.

* * * * * * *

Address questions regarding this index to M/SER/IRM/PE.

KEEP YOUR AID HANDBOOK UP-TO-DATE

INDEX TO THIS HANDBOOK

This index is derived from the Master Index to the AID Handbook series issued under TM HI:2.

The underlying approach to the Master Index is one of unity, with the series of AID Handbooks considered as a single entity in which topics may appear in one, or more than one, of the component volumes.

Each entry in the Master Index that includes a reference to this Handbook is reproduced here in its entirety, thus providing both a guide to this Handbook and useful references to other Handbooks.

The formats for location citations are intended to match their appearance on the Handbook pages. Beyond the standardized Handbook number with its following colon, the citations used in the index reflect the different formats used in the individual Handbooks themselves.

UNDERSTANDING THE CITATIONS

The standard codes and messages that appear throughout the index, and their exceptions, are defined in this section. It is recommended that all users read this section before using the index.

LOCATION CITATIONS

The location citations are grouped in the following pattern:

Handbook number, colon, Chapter number, Paragraph letter, and further breakdown where needed.

The abbreviations such as App. for Appendix; Att. for Attachment; and Sup. for Supplement are also included in the citations wherever necessary.

Special cases and cross reference messages are described on the following page.

An example of the format used is as follows:

AID Financed Export Opportunities 1B:23A2a(3); 15:10C1a(1)

where the term "AID Financed Export Opportunities" is located in Handbook No. 1B, Chapter 23, Section A2a(3); and Handbook 15, Chapter 10, Section C1a(1).

SPECIAL CASES

Although the majority of the location citations follow the pattern described previously, there are these exceptions:

- In some of the Handbooks, a majority of the text is reprinted from the Foreign Affairs Manual (FAM). All FAM citations are marked by a '#' sign before the section number.

- A major portion of Handbook 14 is composed of the Federal Acquisition Regulation (FAR). All citations to this publication are cited as 14:FAR(section number).

- Three Handbook supplements that are basically separate volumes are cited as, 1B: (Procurement Policy), 3A: and 3B: (Project Managers Guidebook).

- In Handbooks which contain both Parts as well as Chapters, the Roman numeral Part number is separated from the Arabic Chapter number by a dash (-). For example: 21:I-2A8, a citation to Chapter 2 of Part I of Handbook 21.

CROSS REFERENCES

These references provide direction for selection of index terms:-

A '<u>see</u>' reference points from an unused term to the one that is used.

'x' is the reverse of <u>see</u> (do not bother to look) and provides a guide to terms that are <u>not</u> used in the index.

'<u>see also</u>' points to terms that are closely related.

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