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STRATEGIES FOR DEVELOPMENT:

LESSONS FROM AID'S FIRST 25 YEARS

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INTRODUCTION

In the second half of the 20th century, a dramatic new relationship emerged between the richer and poorer nations of the world. With strong leadership from the United States, the industrially developed countries of the West made a conscious decision to help their poorer neighbors. For the first time in human history, sovereign nations voluntarily transferred enormous wealth--roughly $1 trillion since World War II--for the fundementally unselfish motive of alleviating poverty. Indeed, as the Development Committee of the World Bank recently noted:

> "For all its flaws, the aid revolution has been one of the great innovations of the second half of the twentieth century. In an increasingly interdependent global economy that is deeply fragmented politically, the practice of development assistance has raised the norms of international conduct....Collectively, aid donors and aid recipients have succeeded substantially in pursuing their declared purpose of promoting development. Growth has been accelerated. Poverty has been alleviated. The quality of life has been improved. In the process we have learned how to make future development assistance still more effective." Development Committee 1985:25-26).

The Agency for Internacional Development (AID) was established in 1961 to carry out U.S. economic assistance throughout the developing world. Despite occassional

disappointments, despite the persistance of chronic problems, and despite the emergence of new crises, this has been a quarter century of remarkable social and economic progress. The litany is by now familiar: since 1961 life expectancy in the developing world has increased by 20%, literacy has increased by 33%, per capita income has increased by 50%, primary school enrollment has tripled (AID 1986:4), and birth rates have declined 16% (Yinger et al. 1983:3).

AID, of course, has been only one element in this development process. While AID once provided the bulk of development assistance, and is still the single largest bilateral donor, the primary responsiblity for achieving development lies with developing countries themselves. But AID has played an important role. In Africa, AID has been at the forefront of the fight again famine, averting at least 20 million deaths in the last five years alone (Pielemeyer 1986:1). In Latin America and the Caribbean, AID has helped avoid economic collapse and reverse economic decline. In Asia, AID has increased food production and reduced population growth. In the Near East, AID has enhanced regional stability and decreased infant mortality. Throughout the world:

> "By opening the door of economic opportunity, we have helped many nations turn from dependence to self-reliance...We have shared the spirit of our dreams, the fruit of our knowledge and the wealth of our farms with the world...We have helped to bring about breakthroughs in

agriculture...We have supported a revolution in health care...We have built schools, health care facilities and other institutions to enable nations to marshal their human potential and economic resources...We Americans have made a difference. We have extended a hand to encourage nations to break the bonds of poverty..."

(President Ronald Reagan; Frontlines, December 13, 1986)

AID's aim is nothing less than "a world in which economic growth and development are self-sustaining and the extremes of poverty have been eliminated" (AID 1985:iii). For today, no less than 25 years ago:

"There exists...a historic opportunity for a major economic assistance effort...to move ...the less-developed nations into self-sustained economic growth. We must say to the less-developed nations, if they are willing to undertake necessary internal reform and self-help--and to other industrialized nations, if they are willing to undertake a much greater effort on a much broader scale--that we intend...to achieve a decisive turn-around in the fate of the less developed world, looking toward the ultimate day when all nations can be self-reliant and when foreign aid will no longer be needed."

John F. Kennedy, Message to the Congress of United States, March 22, 1961)

While AID's committment to this ultimate development goal has never wavered, AID's strategy for achieving development has varied over time. In part, this variation reflects changes in the broader foreign policy interests that American development assistance also serves. In part, it reflects changes in the domestic politics of aid, the shifting interplay of interests and compromises through which development assistance is funded. In part, it reflects changes in AID's bureaucratic setting--the emerging rules, regulations, organizations, and professional cultures through which development assistance is administered.

But AID's development strategy has also progressively evolved, based on the knowledge accumulated through 25 years of development experience. AID has, in other words, learned a great deal about how development works and about how to make development work better.

TWENTY-FIVE YEARS OF DEVELOPMENT PROGRESS

The past quarter century has been an era of remarkable technical change. In 1961, space was a "new frontier," communications satelites were science fiction pipedreams, and news took days, even weeks, to circle the globe. Twenty-five years ago computers occupied entire rooms, transistor radios were the hottest products, commercial jets were novelties, and molecular biology had barely been discovered. Many of the things we now take for granted--microcomputers and digital watches, fiber optics and genetically engineered vaciines--were unimaginable just a quarter century ago.

The past quarter century has also been an era of remarkable social, political, and economic ferment. In 1961, the American civil rights movement was still in its infancy, the women's movement was just being born, the environment engendered little concern, and energy supply was not yet in crisis. Overseas, the colonial era was drawing to a close and dozens of newly independent nations were taking their place on the world scene. Their citizens, like others throughout the developing world, sought an escape from poverty and yearned for a new era of social and economic progress.

Progress has, in fact, been achieved. When AID was created 25 years ago, the developing world was a much poorer place. In 1961, per capita GNP for the 76 countries currently receiving AID assistance (excluding more successful aid "graduates") was

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* * AID GRADUATES * *

AID's ultimate goal is to create a world in which concessional assistance--and AID itself--have become unnecessary. While the day "when all nations can be self-reliant" remains far off, several countries have "graduated" from AID assistance and now compete on a more or less equal footing in the world economy.

During the past 25 years countries from every region of the world--Korea, Taiwan, Brazil, Columbia, Venezeula, Mexico, and Nigeria--have all become AID graduates. Many have become "newly industrialized countries," exporting a variety of sophisticated manufactured goods. The United States today buys commuter airplanes from Brazil, automobiles from Korea, computers from Taiwan, and high-fashion apparel from Malaysia and Singapore. At the same time, developing countries have also become major importers of American products. By the end of the 1970's, for example, developing countries purchased for 40% of American exports. By 1986 they accounted for half of the United States top 20 trading partners (Sewell & Contee 1987: 1017-1018). Now a number of other countries--Thailand, India, Indonesia, and Costa Rica, among others--have achieved middle income status and AID is developing new policies to assist their eventual graduation.

(Source: PPC/CDIE, Economic and Social Data Base)

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$87; by 1982 it was $439 (current dollars). Infant mortality declined from 149 per thousand in 1961 to 97 per thousand in 1985. Life expectancy at birth rose from 44 years to 55 years (Goddard 1986). Individual success stories abound: Korea, devasted by war in the 1950's, had become an emerging industrial power (and an AID graduate) by the 1980's. India, an agricultural basket case importing 10 to 12 million tons of grain annually in the early 1960's, had stockpiled a grain surplus two decades later.

Progress, however, has neither as steady nor as rapid as desired. Particularly in the last turbulent decade, growth has slowed and the course of development has become hazardous. Per capita income in much of Africa and Latin America today is no higher than it was in the 1970's (World Bank 1985:1). Population growth continues unchecked in much of the Middle-east and Africa. Per capita food production has actually fallen in many parts of the world. Squeezed between foreign debts and declining exports, many governments can no longer afford to maintain the basic services, institutions, and infrastructure that they so laboriously constructed. These represent persistent development problems that AID must continue to address.

Persistent Development Problems

In 1985 AID prepared the Blueprint for Development, a strategic plan intended to guide the Agency's future activities. This plan reaffirmed the Agency's committment "to helping developing countries in their efforts to meet basic human needs," but noted that:

> In the long run, it is economic growth that will produce an era of plenty where basic needs are met. Increasing the opportunities available to the poor by expanding the base of such opportunities is fundamental to overcoming and reversing cycles of hunger, disease, and lack of education. Broad based economic growth with increased employment and higher agricultural production...serves as the backdrop for sustained development.

Within this framework, the Blueprint identified five persistent development problems for AID's priority attention, as well as specific targets that AID would seek to achieve in alleviating these problems in each assisted country:

-- Economic Growth: Attain an annual real rate of growth of per capita income of not less than 2%.

-- Hunger: Achieve the United Nations Food and Agriculture Organization (FAO) critical level of caloric intake for at least 90% of the population. Reduce the percentage of children under age five who suffer from chronic and severe undernourishment to less than 20%.

-- Disease and Early Death: Reduce infant mortality to less than 75/1,000 live births; for children 1-4, reduce mortality to less than 10/1,000; for the population as a whole, achieve a life expectancy at birth of 60 years.

-- Illiteracy and Lack of Education: Increase primary school enrollment to 90% for boys and girls, with 70% of the age group completing at least four years of schooling; provide skills training compatible with development requirements; achieve adult literacy of 50% for both men and women.

-- Unmanageable Population Pressure: Enable access for at least 80% of couples to a wide range of acceptable voluntary family planning services.

The Blueprint emphasizes that "these are minimum standards--challenging for some AID recepients, already achieved by others." These are also problems that AID has been addressing for some time, and which have had a major influence on the evolution of AID's broader development strategy.

Economic Growth

Economic growth is central to economic development, the "process by which an economy is transformed from one which is dominantly rural and agricultural to one that is dominantly urban, industrial, and service in composition ...[with]... increased societal wealth, equity, and stability" (Mellor 1986:67). The fundemental thesis of post-World War II development assistance has been that external aid could help developing countries launch, broaden, and accelerate such "a course of dynamic economic and social transformation, ultimately sustainable without prolonged dependence on concessional aid" (OECD 1985:11). The main precedent was the sustained growth that had transformed the economies of Europe and North America during the 19th century industrial revolution.

Developing countries, however, faced major obstacles. Economic conditions in the latter half of the 20th century differed dramatically from those a century before. At the very least, newly developing countries would have to compete with established industrial powers. Many developing countries lacked a cultural context--equivalent to the West's "protestant ethic"--conducive to growth. Others had their energy and resources sapped through a long history of colonialism. Throughout the developing world, the availability of modern medical technology was producing rapid increases in population, necessitating an even faster rate of economic progress.

Pessimism was easy:

> "After all, the industrialized nations, in their long period of economic growth had managed to increase per capita income by only about 2 percent a year [Kuznets 1967]. There was no reason to expect that the underdeveloped countries, many of which had experienced no growth for millenia, would do any better." (Morawetz 1977:12)

Given their rapid rates of population increase, the economies of developing countries would have to grow nearly twice as as fast as industrializing countries had in the preceding century in order to attain per capita growth rates of 2% a year (OECD 1985:12). As a result, most economists twenty-five years ago viewed any nation with an "increase in income per head of 2 per cent per annum or more" as a "high-growth country" (Rosenstein-Rodan 1961).

In fact, economic growth in developing countries has substantially exceeded expectations. Average overall economic growth during the development decade' of the 1960's was more than 6.2% annually, substantially exceeding the United Nations' seemingly optimistic 5% target. Even during the more turbulent 1970's, annual economic growth in the developing world averaged more than 5%. Between 1950 and 1975, the per capita GNP of all developing countries increased at an average rate of 3.4% per year, "faster than either the developing countries or the

Following the military coup of 1961, Korea shifted to a policy of export promotion supported by consolidated and centralized institutions of political and economic power. Donor support was diversified. Foreign investment was encouraged. Export targets were rigorously set and meticulously enforced. Growth of Korean GNP, exports, overseas construction earnings, and manufacturing capacity soared. Although income distribution initially worsened, the creation of urban employment in manufacturing, followed by later subsidies and development in agriculture, eventually lowered the percentage of the population in poverty from 40 to 10 percent.

While the importance of foreign aid to Korean development diminished over time, Korea has remained an effective user of concessional assistance, at least since the 1960's. Donor support has been generally consistent with Korean Government policies and priorities. Policy advice has been faithfully followed when it has supported the broad course already charted by the Korean government.

Korea does not provide a simple development model for emulation. Korea's ethnic homogeneity, linguistic unity, social and cultural patterns, and geopolitical importance, are nearly unique. But Korea does demonstrates just how rapidly economic progress can unfold, even in the poorest or circumstances.

(Sources: AID Evaluation Special Study No. 42, FOREIGN AID AND THE DEVELOPMENT OF THE REPUBLIC OF KOREA: THE EFFECTIVENESS OF CONCESSIONAL ASSISTANCE; October 1985.

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* * FOREIGN AID AND THE DEVELOPMENT OF KOREA * *

The economic performance of the Republic of Korea is a remarkable development success story. Korea emerged from World War II and the Korean War economically devastated, lacking industry and resources, a military and economic ward of its principal donor, the United States. However, within a generation per capita income had risen from less than $100 to more than $1500 per year. Between 1960 and 1978, economic growth averaged 6.9 percent and industrial growth averaged 17 percent each year. By 1975, Korea had graduated from concessional assistance. By 1986, it had become one of the most successful of the newly industrializing countries, a major exporter of high technology products to the American market.

For almost two decades, the United States was the major supporter of Korea's government and economy, providing a total of about $13 billion in military and economic assistance through 1975. Prior to 1961, economic growth remained modest and Korea relied almost completely on donor support for its basic survival, receiving food and consumption goods, raw materials, and military assistance. The government pursued a policy of import substitution, seeking to maximize foreign assistance and maintaining unrealistic foreign exchange rates that effectively discouraged exports. Still, though mired in abject poverty, the Korean people shared a remarkably equal distribution of assets--in part because of successful land reform initiated by the United States.

developed nations had grown in any comparable period." (Morawetz 1977:12). Even the low income developing countries sustained an average per capita growth rate of more than 2.8% per year between 1965 and 1984 (World Bank 1986:180).

However, this overall success conceals a wide range of experience, an enormous resevoir of continuing poverty, and an increasing disparity between richer and poorer developing countries. Between 1965 and 1984, for example, while the per capita GNP of 59 middle income developing countries grew at an average annual rate of 3.1%, 34 low income economies (excluding China and India) grew at an annual rate of only 0.9% (World Bank 1986:180). Per capita GNP in Sub-Saharan Africa actually declined between 1965 and 1984 at an average annual rate of -0.1%. In 1961, annual GNP per capita for low income developing countries (excluding China) averaged $200 (in constant 1981 dollars) compared to $1,280 for upper middle developing countries. By 1982, the gap had widened substantially, with annual GNP per capita for low income developing countries averaging only $290 compared to $2,670 for upper middle income developing countries (OECD 1985:265).

These figures also conceal great diversity--and substantial success--in economic performance among countries and regions. For example, while 19 AID-assisted countries (29%) had negative annual per capita GNP growth rates during the difficult period between 1973 and 1983, 27 countries (42%) exceeded AID's 2% per year goal. In Asia and the Near East 12 countries (67%)

exceeded the Blueprint goal (half had growth in excess of 4% per year), while the remaining 6 countries (33%) all maintained positive growth. Performance in Africa was more disheartening, with 14 countries (42%) showing negative growth between 1973 and 1983, but even in Africa 10 countries (30%) had annual growth in per capita GNP exceeding 2% per year. Latin American and Carribean also showed a wide range of performance with 5 countries (36%) experiencing per capita GNP growth of more than 2% per year, 4 countries (29%) with positive growth rates between 0 and 2%, and 5 countries (36%) experiencing declines. (see Table 1)

Economic conditions have become more difficult for developing countries during the past decade. As the World Bank has noted:

TABLE 1

GNP PER CAPITA GROWTH RATES (1973-1983)*

(Number of Countries in GNP Growth Catgories by Region)

GNP Growth Rate	Region AFR	ANE	LAC	Totals
|2%	10 (30%)	12 (67%)	5 (36%)	27 (42%)
0-2%	9 (27%)	6 (33%)	4 (29%)	19 (29%)
0%	14 (42%)	0	5 (36%)	19 (29%)
Totals	33 (100%)	18 (100%)	14 (100%)	65 (100%)

*Countries currently receiving AID assistance for which data is available (excluding Europe).

Source: ESDB

"For developing countries, the first half of the 1980's was a period of adjustment to a rapidly changing world economy...Declining per capita incomes, which had until the early 1980's occurred mostly in sub-Saharan Africa, became more widespread, especially in Central America. Yet those developing countries that maintained macroeconomic stability and implemented policies to make the best of the changing world economy have emerged with strong growth rates and bright prospects." (World Bank 1986:2)

During the last five years, AID has made a major effort to help developing implement the policy and institutional changes necessary for growth. While AID's contribution has been tailored to specific country circumstances, it has generally included policy dialogue, balance of payments support, and an effort to improve the policy analysis capabilities of indigenousinstitutions. Significant progress has already been made in the Dominican Republic, Cost Rica, Ecuador, Zambia, Zaire, Bangladesh, and Israel (Pielmeyer 1986:3) In Latin America, for example, the ratio of government expenditure to GDP has begun falling in AID-assisted countries, while continuing to rise in other countries. In Africa, "16 countries have reduced government expenditures and budget deficits, 10 have devalued their currencies, and 15 are in the process of privatizing government-owned enterprises."

Hunger

The spector of starvation in a world of food abundance remains one of the most devastating aspects of poverty:

> "Insufficient food supplies and inadequate diets are principal concerns in most developing nations. Over 800 million people or about one-seventh of the world's population are malnourished. Half of the world's hungry are children." (AID 1986:14)

Hunger is both a cause and a consequence of poverty. Poor people are hungry, first of all, because they are poor--they lack sufficient money to purchase the food they need. Undernourishment, in turn, produces apathy and disease, sapping the energy of its victims, particularly the young. AID provides food for the hungry not only for humanitarian motives, but because food is a necessary resource for economic progress. AID also provides extensive support for agriculture, both to increase food production and because agricultural development can increase employment and incomes.Agriculture, especially food production, is the basic industry in most developing countries:

> "Agriculture's share of GDP in low-income countries is typically between 30 and 40 per cent. Over 50 per cent of the labour force is employed in agriculture. Agricultural exports frequently provide more than 50 per cent of foreign exchange earnings." (OECD 1985:211)

Yet agriculture has not received a proportionate share of resources and "most developing countries allocate only 10-20 per cent of investment to agricultural development." (OECD 1985:211). Even more important, many developing countries pursue agricultural policies that inadvertently discourage farmers from producing. As a result, despite impressive technological breakthroughs, the record of agricultural performance has been mixed.

On the positive side, overall agricultural production in developing countries has grown steadily, increasing an average of 2.4% annually during the 1960's and 3.0% annually between 1971 and 1984. Indeed, during the past 25 years, agricultural production has increased faster in the developing world than in the industrialized West. Much of this growth resulted from the so called "green revolution," the development and spread of high-yielding varieties of wheat and rice, particularly in Asia. Since 1971 agricultural production in Asia has increased at an average annual rate of 3.6%. Thus far, however, the green revolution has bypassed most of Africa. Agricultural production in Africa has grown only 1.2% annually since 1971, and nearly all of this growth reflects increases in the acreage under cultivation. (World Bank 1982:42)

On the negative side, population growth has absorbed most of the increase in production. Moreover, food consumption, fueled by imports, has grown faster than food production. (World Bank 1986:7) The situation is worst in Africa, where population

growth has continually exceeded the growth in food production and where per capita food consumption has actually declined. In Africa, "production per capita has recently been at least 20 percent below the level of the early 1970's." (OECD 1985:212) "Today each person in the region has on average considerably less access to food than was the case ten years ago and average dietary standards have fallen below nutritional requirements.

"These regional averages do mask substantial progress and a great deal of variation among countries. Even in Africa, five of the countries currently receiving AID assistance (23%) had average annual agricultural growth rates in excess of 3% between 1973 and 1983--at least equal to population growth. (see Table 2) By 1982, 18 African countries (69%) already exceeded the Blueprint goal with per capita caloric intake at least 90% of the FAO standard. More than 90% of the countries in the LAC and ANE regions exceeded this goal. (see Table 3) Between 1970 and 1982, per capita caloric intake increased in 11 (42%) African countries, 8 (72%) Latin American countries, and 10 (84%) Asia and Near East Countries. (see Table 4)Still, the problem of hunger remains critical. Between 1970 and 1982, per capita caloric intake declined in 15 of the AID-assisted African countries (58%). Particularly countries in other regions--Haiti, Jamaica, and Bangladesh--also experienced declines. AID continues to address the problems of hunger both through agricultural development projects and food assistance and through a broader focus on agricultural policy change and the development of improved agricultural technologies.

Even in Africa, progress is being made. The number of countries that AID classified as having "poor" agricultural policies declined from 52% in 1980 to 12% in 1985. (Pielmeyer 1986:7). Many of these policy changes were made in direct response to AID initiatives.

TABLE 2

REAL AGRICULTURAL GROWTH RATES (1973-1983)*
(Number of Countries in Agricultural Growth Catgories by Region)

AG Growth Rate	Region AFR	ANE	LAC	Totals
3%	5 (23%)	7 (54%)	2 (18%)	14 (30%)
0-3%	15 (68%)	6 (46%)	8 (73%)	29 (63%)
0%	2 (9%)	0 (0%)	1 (9%)	3 (7%)
Totals	22 (100%)	13 (100%)	11 (100%)	46 (100%)

*Includes countries currently receiving AID assistance for which data is available (excluding Europe).

Source: ESDB

TABLE 3

PER CAPITA CALORIC INTAKE AS % OF FAO MINIMUM (1982)*
(Number of Countries in Caloric Intake Catgories by Region)

% FAO Min	Region AFR	ANE	LAC	Totals
90%	18 (69%)	11 (92%)	10 (91%)	39 (80%)
80-90%	3 (12%)	1 (8%)	1 (9%)	5 (10%)
80%	5 (19%)	0 (0%)	0 (0%)	5 (10%)
Totals	26 (100%)	12 (100%)	11 (100%)	49 (100%)

*Includes countries currently receiving AID assistance for which data is available (excluding Europe).

Source: ESDB

TABLE 4

INCREASES IN PER CAPITA CALORIC INTAKE (1970-1982)
(Number of Countries in Calorie Increase Catgories by Region)

% Incr	Region			
	AFR	ANE	LAC	Totals
15%	7 (27%)	8 (67%)	5 (45%)	20 (41%)
0%-5%	4 (15%)	2 (17%)	3 (27%)	9 (18%)
0%15	2 (58%)	3 (17%)	20 (27%)	(41%)
Totals	26 (100%)	12 (100%)	11 (100%)	49 (100%)

*Includes all current AID recipients for which data is available (excluding Europe).

Source: ESDB

AID also strongly emphasizes agricultural research as an essential basis for agricultural progress. AID provides extensive support for national research and extensions activities and provides 25% of the funding for the worldwide network of International Agricultural Research Centers. These centers have already played a central role in stimulating the green revolution in Asia. While Africa's diverse crops, rainfed agriculture, and erratic climate pose a different challenge, technological breakthroughs, such as drought resistance sorghum and high yielding beans, already promise to boost agricultural production. Food aid, which provides an immediate answer to the human problem of hunger, is probably AID's most visible program. Since 1954, Food for Peace (P.L. 480) has provided more than 303 billion tons of food worth almost 37 billion dollars to poor people around the world. (AID 1986:11) The United States historically has provided the bulk of world food aid and remains, by far, the single largest donor. AID has played a particularly prominent role in providing emergency food assistance. In FY 1985, for example, AID responded quickly to the deepening African famine, providing more than 3 million metric tons of food worth $1.2 billion in a single year:

> "Without exageration one can state that as many as 20 million people in Africa are alive today because the United States provided the right type of emergency food assistance, when it was needed, and in sufficient amount to reverse starvation and malnourishment." (Pielmeyer 1986:5)

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* THE U.S. RESPONSE TO THE AFRICAN FAMINE, 1984-1986 *

Although AID and its predecessor agencies have responded to a number of famine emergencies in Africa over the years, the 1984-1986 African drought was by far the most serious of this century. Harvests in 1984-1985 were below average in more than a score of countries, many of which were having their fourth or more consecutive years of drought. Lives were threatened, herds were decimated, and the environment was degraded. Africa experienced its most severe food crisis in recorded history.

Americans responded to the crisis quickly and generously. Public and private initiatives provided more than three million tons of food shipments for Africa--about half of all the food aid sent. The U.S. Government alone contributed more than $2 billion in food, supplies, transportation, and personnel. Ultimately, millions of lives were saved.

Two PPC/CDIE studies documented the lessons learned in combating the 1984-1986 famine and concluded that

- The U.S. successfully provided food to the hungy in part because it identified effective channels--including private voluntary organizations (PVO's), the private sector, and regional/local governments--for distributing massive amounts of food.

- Targeting individuals, households, and areas in need of food increased the impact and cost effectiveness of emergency food assistance.

- Food-for-work and other specialized feeding programs enabled beneficiaries to be reached more regularly with needed food. General distribution worked well in many areas, but required careful monitoring. Monetization of emergency food assistance through commercial markets was a key component of impact in urban areas.

- A lack of key information contributed to untimely responses to the drought. Without adequate and accurate baseline data, early warnings, needs assessments, targeting information, and impact assessments, neither the host governments nor donors were willing to act decisively.

As a result of this experience, AID is now working closely with developing countries throughout Africa to establish a comprehensive Famine Early Warning System that will provide information for more effective emergency food assistance in the future.

Sources: AID Program Evaluation Reports No. 16 and No. 17, THE U.S. RESPONSE TO THE AFRICAN FAMINE, 1984-1986: VOLUME I and VOLUME II; April 1987.

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Food aid not only alleviates hunger, but can also contribute more broadly to development:

> "A major focus of AID's efforts has been to maximize the development impact of P.L 480 assistance. As part of P.L. 480 Title I agreements, recipient countries agree to take certain self-help measures (usually agricultural policy reforms) which will lead to their increased ability to feed their own people." (Pielmeyer 1986:8).

In addition, local currency generated by the sale of food provided under P.L. 480 Title I is used to finance critical development projects, while most of the food provided under P.L. 480 Title II and Title III directly supports development activities such as Food for Work, Maternal and Child Feeding, and School Feeding programs.

Disease and Early Death

Improvements in health, particularly reductions in disease and early death, are probably the most important results of development for participants themselves. Just as important, improvements in health can have a significant impact on economic growth: "Health has long been recognized as a requirment for attaining higher productivity and income in industry [and] reducing chronic infection and malnutrition...has been found to be an important means of increasing agricultural productivity."

Yet, despite "the continued prevalence of debilitating tropical diseases...of far greater importance are health problems directly related to underdevelopment itself." (OECD 1985:228-229).

During the past twenty-five years, developing countries have made remarkable progress in improving the health of their populations. Between 1965 and 1984, for example, male life expectancy at birth increased from 44 to 50 years in low income developing countries (excluding India and China) and from 51 to 59 years in middle income developing countries (World Bank 1986:232). During the same period, infant mortality in the low income developing countries declined from 147 to 114 per thousand. With China and India included, low income developing countries already exceed Blueprint goals with a life expectancy of more than 60 years and an infant mortality rate below 75 per 1,000.

Similar progress--though from different starting points--has been made in every world region. Between 1970 and 1985 life expectancy at birth increased from 44.5 to 50.8 years (6.3 years) in Africa, from 47.9 to 55.6 years (7.7 years) in Asia, from 54.9 to 61.4 years (6.5 years) in the Near East, and from 54.9 to 59.9 years (5 years) in Latin America and the Caribbean. During the same period, infant mortality declined from 142.7 to 108.1 (24%) in Africa, from 132.6 to 99.5 (25%) in Asia, from 125.7 to 81.7 (35%) in the Near East, and from 105.2 to 72.0 (32%) in Latin America and the Caribbean (ESDB 1986)

The performance of individual countries, however, has been more variable. By 1985, life expectancy already exceeded 60 years in six AID-assisted Africans countries (16%), but was less than 50 years in 20 other African countries (53%). In Asia and the Near East, 8 AID-assisted countries had life expectances exceeding 60 years in 1985, while 4 (20%) countries still had life expectancies under 50 years. In Latin America and the Caribbean, on the other hand, 80 per cent of the countries already exceeded a 60 year life expectancy by 1985. (see Table 5)

Infant mortality figures also vary widely among countries and are sharply skewed by region. In Africa, for example, 23 countries (62%) had infant mortality rates of more than 100 per thousand in 1985, while only 7 countries (19%) had infant mortality rates below the Blueprint target of 75 per 1,000. In Asia and the Near East, 8 countries (42%) had infant mortality rates under 75 per 1,000, but in 8 other countries infant mortality still exceeded 100 per thousand. In Latin America and the Caribbean, on the other hand, infant mortality was already below AID's target in more than 70% of the AID-assisted countries. (see Table 6)

Still, even the most successful developing countries remain far below industrial nation health norms, and

"the majority of people in most developing countries remain in poor health. For those at the lowest income levels, health conditions are abysmal. In many countries life expectancy does not exceed 50 years, one-third or more of infants die before the age of five, and millions of adults suffer from chronic, debilitating diseases." (Lieberson 1986:1)

TABLE 5

LIFE EXPECTANCY AT BIRTH (1985)*
(Number of Countries in Life Expectancy Catgori_s by Region)

	Life Expt	Region AFR	ANE	LAC	Totals
	60	6 (16%)	8 (40%)	12 (80%)	26 (35%)
	50-60	12 (32%)	8 (40%)	3 (20%)	23 (31%)
	50	20 (53%)	4 (20%)	0 (0%)	24 (32%)
Totals	38	20 (100%)	15 (100%)	73 (100%)	(100%)

*Includes all current AID recipients for which data is available (excluding Europe).

Source: ESDB

TABLE 6

INFANT MORTALITY RATES (1985)*
(Number of Countries in Infant Mortality Catgories by Region)

	Infant Mort	Region AFR	ANE	LAC	Totals
	|75	7 (19%)	8 (42%)	10 (71%)	25 (36%)
	75-100	7 (19%)	3 (17%)	2 (14%)	12 (17%)
	|100	23 (62%)	8 (42%)	2 (14%)	33 (47%)
Totals		37 (100%)	19 (100%)	14 (100%)	70 (100%)

*Includes all current AID recipients for which data is available (excluding Europe).

Source: ESDB

AID has been a leader in health care and child survival for the past 25 years, building hospitals and clinics, training practitioners, and pioneering primary and preventive health care services. But the world's health problems are vast, and AID's efforts have been selectively focused in areas where it can make the most difference. Many developing countries, for example, simply cannot afford to publicly fund the kind of health care system they want. AID's recent health priorities have therefore included efforts to enhance the susustainability of health care programs through a variety of private sector, fee for service, and self-help activities.

Another major AID emphasis has been child survival, focusing "on a limited number of manageable and proven technologies that promise sustained and direct health benefits for infants and children." (AID 1986:18) Promising technologies include oral rehydration therapy, immunization, birth spacing, and improved maternal nutrition practices. Recently, for example, AID has worked closely with UNICEF, providing the bulk of donor support for the development and dissemination of Oral Rehydration Therapy (ORT) to reduce infant mortality due to diarrhea:

"Results are already impressive. Between 1983-85, the number of countries with national diarrheal disease control programs has doubled. Today more than 95% of the developing world's population live in countries with these programs...[and]... access to oral rehydration solution...has increased from 6% to almost 33%... In Egypt...the infant mortality rate has declined in project areas from 113 per 1,000 in 1981 to 66 per 1,000 in 1985." (Pielmeyer 1986:10-11)

AID also continues to support biomedical research, primarily on the control of tropical diseases. Since 1974, for example, AID has been a major donor in an international effort to reduce onchocerciasis (river blindness) in the Volta River Basin in Africa. This effort has already prevented an estimated 27,000 cases of blindness, has reduced the prevalance of infection nearly by half, and has returned valuable land to production (Godiksen 1986). Even more promising, AID's 30 year, $1 biilion dollar investment in research on malaria--a disease that kills as many as a million children a year in Africa alone--has yielded two protoype vaccines that are ready for human trials. AID is also supporting the development of new vaccines to fight measles, whooping cough, typhoid, cholera and rotavirus.

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* THE ONCHOCERCIASIS CONTROL PROGRAM IN WEST AFRICA *

Onchocerciasis, or river blindness, is a parasitic disease transmitted to humans by the bite of infected female blackflies. Endemic in much of West Africa, the disease can cause extreme disability and eventual blindness. Of ten million people in the originial project area in Ghana, Mali, Burkina Faso, Niger, Togo, Benin, and Ivory coast, one million were estimated to be infected by onchoceriasis, 100,000 with seious eye lesions or blindness.

The Onchocerciasis Control Program (OCP) is a multi-donor effort to check the disease through aerial spraying, regular monitoring, and research and training. AID has been the largest single contributor to the program, providing 13.7% of the $168 million budget during the program's first two phases (1974-1985). OCP aims at control, not eradiction. To prevent resurgence of the blackfly population, national and community-level capacities to maintain disease control must be developed. Phase III of the program (1986-1991) will expand coverage to four additional countries and develop low-cost technologies for maintaining control efforts.

An AID evaluation team visited the seven original OCP countries in August 1985. The team concluded that the program has had a striking affect on health and well-being in West Africa. An epidemiological study of 142 villages, for example, showed

dramatic decreases in infection. An estimated 27,000 cases of blindness were prevented in Burkina Faso alone. By interrupting the transmission of onchocerciasis over large areas of West Africa, the program has opened 15 million hectares of tillable land in former onchocerciasis-endemic areas to cultivation and has created significant opportunities for increased agricultural production and economic growth.

The OCP experience underlines the need for patience, flexibility, and long-term committment in complex disease-control programs. More than a decade of experimentation was required to develop an appropriate intervention strategy and several additional years were needed to obtain host government approval and donor financing. OCP's effectiveness was enhanced by its multilaterial framework, by contracting out highly specialized project components (such as aircraft operations), and by relying on recognized international structures (e.g. the World Health Organization and the World Bank) for implementation.

OCP now faces a major challenge in maintaining and expanding control activities. This will require continued research and monitoring, the development of lower cost control technologies, expanded training, and the integration of program activities within health delivery systems at the national, regional, and community levels.

(Source: AID Project Impact Evaluation Report No. 63; IMPACT REVIEW OF THE ONCHOCERCIASIS CONTROL PROGRAM; December 1986.)

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Illiteracy and Lack of Education

Numerous studies have shown that successful economic development requires investments in much more than physical infrastructure, plants, and equipment:

> "The development of human resources (or 'human capital') is vital to the growth of overall productivity and the efficient use of physical capital. While the accumulation of physical capital resources is essential to economic growth, it is the people who shape and energize a nation's development. Nations which have failed to understand this fact, or have ignored it, have seen even the most ambitious economic development efforts frustrated...." (AID 1982:1)

People, in other words, must have basic educational skills and technical knowledge to participate fully in development. The poor, themselves, are well aware of this fact, and education is usally among their top priorities.

During the past 25 years, the availability of basic education has increased dramatically in developing countries and primary school enrollment has more than tripled. (AID 1982:2). Even more significant, primary school enrollment ratios (the number of children attending primary school as a percentage of the primary school age group) have increased sharply. Between 1965 and 1983, for example, primary school enrollment ratios for low income developing countries (excluding China and India) rose

from 44% to 74% (World Bank 1986:236); among low-income countries in Sub-saharan Africa the ratio rose even faster, from 37% to 76%. During the same period, enrollment ratios in middle income developing countries increased from 64% to 105% (figures can exceed 100% when older children attend primary school). Progress has been achieved in every region. Between 1970 and 1983, enrollment ratios increased from 54.9% to 73.2% among AID-assised countries in Africa, from 71.1 to 79.4% in Asia, from 82.5% to 89.1% in the Near East, and from 87.4% to 96.3% in Latin America and the Carribean (ESDB 1986).

Despite this general progress, some countries still lag far behind. While 14 AID-assisted countries in Africa (42%) already exceeded a 90% enrollment ratio by 1982, another 18 countries (56%) had enrollment ratios below 80%. In Asia and the Near East 9 countries (47%) exceeded a 90% enrollment ratio, while 8 countries (42%) had enrollment ratios below 80%. Even in Latin America and the Caribbean, 3 countries (20%) still had enrollment ratios below 80% in 1982. (see Table 7)

TABLE 7

PRIMARY SCHOOL ENROLLMENT RATIOS (1983)*
(Number of Countries in Enrollment Ratio Catgories by Region)

Enrlmnt Ratio	Region AFR	ANE	LAC	Totals
190	14 (42%)	9 (47%)	10 (67%)	33 (49%)
80-90	1 (3%)	2 (11%)	2 (13%)	5 (7%)
80	18 (56%)	8 (42%)	3 (20%)	29 (43%)
Totals (100%)	33 (100%)	19 (100%)	15 (100%)	67

Includes all current AID recipients for which data is available (excluding Europe).

Source: ESDB

The educational needs of the developing world remain enormous:

> "Some 600 million adults in developing nations cannot read or do basic calculations. Only three-fifths of school-age children enter primary school, and only half will stay in school long enough to acquire even rudimentary skills...the ratio of physicians, teachers and other trained persons to a growing population is strikingly low." (AID 1986:20)

Educational opportunities are also badly distributed, with limited access for women and for the rural poor. Educational quality is dismal, and schools often lack essential equipment, materials, and trained teachers (AID 1982:2).

AID's education program "emphasizes primary education for children, non-formal education in life skills for adults, and advanced training for development program managers, scientists, and professional personnel." (AID 1986:2) AID's recent projects have concentrated on relatively few countries, particularly those where the need is greatest. Given the enormous costs involved in building and maintaining educational systems, AID has increasingly emphasized efforts to help host governments improve educational planning and financing. Other activities have included the construction of schools and classrooms, the training of teachers, and the development of new educational technologies. AID has also expanded participant training

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* * AID'S EXPERIENCE IN EDUCATION * *

Evaluations of twelve completed education projects in Asia, Africa, Latin America, and the Near East clearly demonstrated the AID's profound and continuing impact on educational development. These projects constructed and equipped facilities extending educational access to hundreds of thousands of people in remote and poverty-stricken areas. The projects trained thousands of professionals, including many who became prominent educational policy-makers. Most importantly, these projects helped to create local, national, and regional educational institutions that have proven remarkable durable and surprisingly influential.

AID has made an especially significant contribution in equalizing access to education through improved educational services to the rural poor. In Nepal, for example, AID assistance helped raise female enrollment ratios from 5 percent to 30 percent. AID has also had considerable success in training professionals and in strengthening educational institutions.

The evaluations show that the enduring effects of education projects may not be apparent for many years. For example, despite disruptive political and social forces, including civil war and the division of the Northern Region into separate states, the Nigerian Institute of Education was able to slowly

continue curriculum reform efforts begun under the Northern Nigeria Education project in the 1960's. Today, the Institute has emerged as an influential force in Nigerian teacher training and continues to reflect the educational philosophies first introduced through the project.

AID's education projects have also achieved modest, but tangible, spread effects. Techniques used to teach communication skills to rural adults in Ecuador, for example, not only spread to other sites in Ecuador but also to Ghana, Guatemala, Swaziland, Thailand, and Indonesia. In Thailand, after project completion the Mobile Trade Training School Program was incorporated into a much larger Life-long Education Center effort reaching 50,000 Thais each year.

Despite these successes, AID's education initiatives face a number of unresolved issues. Education planners must continuely examine how projects relate to wider economic contexts, particularly the needs of the workplace and requirements for economic growth. Similarly, projects must ensure the sustainability of educational improvements, particularly through increased local participation in educational planning and finance. Most importantly, AID must not only increase the quantity of educational services but also enhance educational quality through revised curriculua, improved technologies, and cost-effective administrative reforms.

(Source: AID Program Evaluation Report No. 12, AID AND EDUCATION: A SECTOR REPORT ON LESSONS LEARNED; August 1984.)

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programs, through which nearly a quarter million people have already received advanced technical and managerial training in the United States.

Unmanageable Population Pressure

Economic growth in the industrializing West was accompanied by a demographic transition--a period during which birth rates remained high, mortality declined, and populations grew rapidly, before fertility dropped. It is not surprising, therefore, that many developing countries have viewed population growth as a positive element in economic development. Indeed,

> "When population issues were first addressed at the 1974 World Population Conference in Bucharest, there appeared to be a deep schism between the proponents of 'population' [control] and of 'development' objectives, as though these were mutually incompatible. Ten years later, at a second World Population Conference in Mexico City, thinking about the population aspects of development had advanced significantly. In particular, there is now...a general recognition that population and development policies are not alternatives, but mutually complementary." (OECD 1985:231)

Certainly, rapid population growth is not, by itself, incompatible with development. But the availability of modern medical technology and improvements in public health have

dramatically reduced mortality throughout the developing world, while birth rates have remained extremely high and population has increased rapidly. In several countries, rapid population growth has resulted in declining per capita production and has greatly complicated the delivery of essential services. The problem is not simply one of population, but of unmanageable population pressure.

Within the past 25 years, particularly in the past decade, overall fertility in the developing world has begun to decline. Between 1965 and 1984, crude birth rates in low-income developing countries (excluding China and India) dropped from 46 live births per thousand to 42. Among middle income developing countries, crude birth rates dropped from 42 to 33 during the same period. Among low-income developing countries in Sub-Saharan Africa, however, crude birth rates remained unchanged at a high 47 per thousand. With a continuing fall in mortality, the rate of population growth actually increased in Sub-Saharan Africa, from 2.7% per year between 1965 and 1973 to 2.9% per year between 1973 and 1983. (World Bank 1986:228-230)Among AID-assisted countries in Africa, crude birth rates actually rose slightly between 1970 and 1985, from 48.2 to 48.5. During the same period, crude birth rates dropped from 42.2 to 34.3 among AID-assisted countries in Asia, from 40.0 to 33.7 in the Near East and from 37.6 to 31.5 in Latin America and the Caribbean (ESDB 1986). In 1985, only 4 African countries (10%) had birth rates below 40 per thousand, compared with 10

Asian countries (56%), and 13 Latin American and Caribbean countries (87%) (see Table 8). These differences in fertility are clearly reflected in differences in contraceptive prevalence: according to the most recent available data, only 4 African countries (18%) had contraceptive prelancy rates above 25%, compared with 9 Asian and Near Eastern countries (60%) and 10 Latin American and Caribbean countries (83%) (see Table 9).

TABLE 8

CRUDE BIRTH RATES (1985)*
(Number of Countries in Birth Rate Catgories by Region)

Birth Rate	Region AFR	ANE	LAC	Totals
30	2 (5%)	4 (22%)	5 (33%)	11 (15%)
30-40	2 (5%)	6 (33%)	8 (53%)	16 (23%)
40	34 (89%)	8 (44%)	2 (13%)	44 (62%)
Totals	38 (100%)	18 (100%)	15 (100%)	71 (100%)

*Includes all current AID recipients for which data is available (excluding Europe).

Source: ESDB

TABLE 9

CONTRACEPTIVE PREVALENCE RATES (Most Recent Year)*
(Number of Countries in Prevalence Catgories by Region)

Prevlnce Rate	Region AFR	ANE	LAC	Totals
|50%	2 (9%)	3 (20%)	3 (25%)	8 (16%)
25%-50%	2 (9%)	6 (40%)	7 (58%)	15 (31%)
25%	18 (82%)	6 (40%)	2 (17%)	26 (53%)
Totals	22 (100%)	15 (100%)	12 (100%)	49 (100%)

*Includes all current AID recipients for which data is available (excluding Europe).

Source: ESDB

During the past 25 years, AID has pioneered the development of innovative population programs that enhance the well-being of families and expand the availability and use of voluntary family planning services. AID's activities have included research to develop more effective family planning methods, assistance in developing family planning institutions, training for family planning staff, procurement of family planning commodities, and improvements in the distribution of family planning materials.

The results have sometimes been spectacular. Since the beginning of AID's population project in Zimbabwe, for example, the number of contraceptive users has increased dramatically from 50,000 in 1982 to an estimated 400,000 in 1985. In Indonesia, AID's population programs have helped increase contraceptive prevalence from 4% in 1972 to 61% in 1984, with a dramatic drop in birth rates from 41 per 1,000 in 1970 to 28 per 1,000 in 1985.

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* * FAMILY PLANNING PROGRAM EFFECTIVENESS * *

Between 1968 and 1979, AID provided $43.2 million in grants and $14.3 in loans to the Indonesian National Family Planning Program. During these years, contraceptive use in Indonesia increased dramatically and fertility declined far more rapidly than predicted. Respected authorities have characterized program achievements on Javi and Bali as a "success story probably unrivaled in family planning history." AID's role as a major element in program success is widely acknowledged.

These program achievements are especially remarkable given Indonesia's (1979) per capita income of only $180 per year, an infant mortality rate over 100 per 1,000 live births, 50 percent illiteracy among adult women, and the presence of a of Islamic and other intensely religious and tradition-minded groups. A major contributor in this success was the Indonesian government's unambiguous committment to fertility reduction as part of its development policy. Just as important, Indonesia was able to develop effective administrative capabilities to deliver services tailored to indigenous village organization, leaders, and cultural values.

AID effectively supported these efforts by providing the right financial and technical resources at the right time. AID Washington delegated authority for virtually all program decisions to the mission. The mission assigned high priority to

population activities and assigned a sufficient number of technically competent and culturally sensitive staff. The Mission's population office developed effective mechanisms to move resources quickly and efficiently to rural areas.

A 1979 AID study synthesized available material on family planning program effectiveness in a range of countries. Three broad sets of country conditions were identified as crucial to family planning program success: political commitment, administrative capability, and socioeconomic and cultural acceptability. The study concluded that family planning programs should

- o. adopt country-specific approaches with realistic long-term goals based on individual country conditions;
- o take advantage of country-specific conditions that present special opportunities;
- o provide variety and flexibility in program services to adapt to individual and family needs; and
- o work with local governments and instititutions to support decentralized family planning efforts; and

Sources: AID Program Evaluation Report No 1; FAMILY PLANNING PROGRAM EFFECTIVENESS; December 1979 and AID Program Evaluation Report No. 2; AID'S ROLE IN INDONESIAN FAMILY PLANNING: December 1979.

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THE EVOLUTION OF AID'S DEVELOPMENT STRATEGY

The interrelated themes of economic growth and poverty alleviation have been central to AID's development strategy since the Agency's founding. Over time, however, AID's emphasis on each of these themes and its understanding of how they are interrelated has shifted in response to changing development theories, growing experience, and external pressures. During the 1960's, AID's primary concern was with creating the productive capital, physical infrastructure, and basic institutions that would lead to a self-sustaining economic "takeoff" and a broad improvement in the conditions of life. By 1973, Congress had mandated "New Directions" aimed at insuring that economic growth met the basic human needs of the developing world's poor majority. By the 1980's, AID had realized that "growth with equity" not only required physical investments and a concern for poverty, but also a policy and institutional structure conducive to economic progress.

Building Infrastructure for Growth (1961-1972)

The dominant view of development theorists in the 1950's and 1960's "equated industrialization with modernization" and believed that "capital and labor were...more productive in industry" (Mellor 1986:71). Economic development would be furthered, according to this view, if underemployed labor could be moved from agriculture to industry. Other requirements for

development were capital investments to initiate the industrial "takeoff", essential public infrastructure, trained manpower, and, possibly, improvements in agricultural productivity to free labor for the industrial workplace (see, for example, Rostow 1960).

AID's development strategy in the 1960's largely reflected these views. Extensive programs of technical assistance and training built basic national institutions and provided a core of skilled manpower. Major investments in industrial development and in transportion, power, and communications provided essential physical infrastructure. With its largely rural orientation, AID also invested in agriculture, particularly in the development of research, extension, and educational institutions. Many of these investments are still paying off today.

In retrospect, the industrial investment approach to development proved unsatisfactory. "In practice, industrialization became highly capital-intensive, with little employment growth and consequently little growth in demand for food." (Mellor 1986:71-72) Developing country policies favoring industrial investment and urban services undermined agricultural production and spurred migration to the cities. More radical "import-substitution" approaches proved even more problematic, resulting in unprofitable capital intensive factories, decreased employment growth, skewed incomes, and decelerating growth (Mellor 1986:72).

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* STRENGTHENING CAPACITIES FOR AGRICULTURAL RESEARCH *

AID and its predecessors have supported agricultural research in developing countries for more than 30 years. Most of these projects represent long-term investments aimed at improving the capabilities of national and regional research institutions. AID's current Food and Agricultural Development Policy reaffirms the Agency's commitment to improving human and institutional capabilities for generating, adapting, and applying improved science and technology for agricultural development.

In 1983, AID completed a series of eight evaluations examining the long-term impact of agricultural research projects. The studies found that AID has had considerable success in training research professionals and in establishing and expanding research facilities. In Nepal, for example, AID trained 600 researchers, built and expanded five research stations, and created a functioning research system. In Thailand, AID provided advanced training for 118 senior scientists.

Improved technologies resulting from AID projects were successfully adopted by farmers in Tunisia, Korea, and Kenya, yielding substantial increases in agricultural production. In Tunisia farmers adopted several new varieties of wheat, reasulting in an overall production increase of more than 5.3 million metric tons from 1971 through 1981 and an increase in per capita production from 104 kilograms to 160 kilograms. In

Kenya the widespread adoption of hybrid maize resulted in a capability for self-sufficiency in maize production. In Korea, the development and spread of high-yielding rice produced self-sufficiency by 1975.

Training was the most successful component in nearly all of the projects examined, but retaining trainees and sustaining their reseach institutions proved more problematic. In general, the effectiveness and sustainability of research depended on the host governments commitment to and support for research institutions. Much of the Korea project's success, for example, reflected the high priority accorded research and extension by the Korean government.

The Impact Evaluations demonstrated that successful agricultural research projects require government commitment and support; a farmer orientation; coordination among research, extension, and agricultural service institutions; and the involvement of participants ranging from farmers to politicians and private firms. But the evaluations also showed that technological solutions alone cannot solve agricultural problems that have political, economic, and social dimensions. The utilization of research findings depends, above all, on the existence of a favorable policy environment that enables farmers to obtain real benefits from farming improvements.

(Source: AID Program Evaluation Report No. 10; STRENGTHENING THE AGRICULTURAL RESEARCH CAPACITY OF THE LESS DEVELOPED COUNTRIES: September 1983)

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New Directions and Basic Human Needs (1973-1980)

Robert McNamara's presidential address to the World Bank in 1973 reflected a growing consensus that the development strategies of the 1960's had done too little in alleviating poverty. Economic growth rates were slower than expected. Per capita food production was stagnant. Unemployment and underemployment were rising. Prospects and services for the bulk of the rural poor were improving little, if at all.

By 1973, the U.S. Congress had mandated "New Directions" for AID, refocusing foreign assistance on the basic needs of the developing world's largely bypassed poor majority. AID's goal was to achieve "growth with equity," increasing the incomes and improving the quality of life of the rural poor. AID's strategy included improving access by the poor to productive resources; increasing investment in sectors and techniques capable of absorbing the poor's abundant unskilled labor; and expanding basic health, nutrition, family planning, and education services to enhance the poor's longterm productive capacity and employment potential.

Agricultural development was central to this strategy. Poverty, after all, remained a predominantly rural phenomena and development theorists increasingly recognized the willingness of the poor to modernize traditional farming. The development of new seeds and the increasing availability of fertilizer, credit,

and other inputs promised substantial increases in agricultural productivity. Agriculture, moreover, was labor intensive, and most of the poor were already farmers.

Direct assistance was seen as the best way to reach the poor (AID/AFR 1986:11). Some projects provided services for specific poor populations, including "integrated rural development" schemes. Other projects supported broader service delivery systems. Over time, increasing emphasis was placed on targeting--reaching the "poorest of the poor"--and on providing a wide range of services to stimulate a broad process of social progress. At its extreme, the "basic human needs approach" emphasized "social welfare functions" that focused more on redistributing wealth than on generating it (Mellor 1986:73). AID's resources, however, were vastly insufficient to alleviate poverty directly. Although many of the Agency's projects were intended to be pilots and demonstrations, it soon became apparent that host governments were unable to replicate or sustain them. Most projects relied on inefficient public institutions, had inadequate budgets, had too few trained staff, and faced a variety of policy constraints. "Although these projects may have been of assistance to the direct beneficiaries, the structural impediments seriously undercut their ability to have any lasting effect" (AID/AFR 1986:11).

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* AID'S EXPERIENCE WITH INTEGRATED RURAL DEVELOPMENT *

During the 1970's, AID and other development donors enthusiastically embraced integrated rural development (IRD) as a means of reaching poor and isolated populations that were little touched by more traditional development efforts. The IRD approach involved four basic premises: (1) that the rural poor faced multiple and multidimensional constraints to development which required multipronged and coordinated intervention efforts; (2) that health, nutrition, and public education were not merely social welfare expenditures, but long-term development investments; (3) that special programs were needed to reach the most disadvantaged and isolated of the poor, who had benefited little from broader economic 'trickle-down'; and (4) that participation by beneficiaries was essential to creating sustainable, long-term growth.

Although integrated rural development projects represented a growing portion of AID's portfolio by the late 1970's, experience with such project was less favorable than expected. While agricultural production and rural incomes rose in many IRD projects (particularly in Asia and South America), most lacked appropriate technical packages for small-scale agriculture and most primarily benefited well-to-do farmers. IRD projects had little impact on national income or food self-sufficiency objectives. While social service components--particularly health, housing, education, and potable water--did benefit the

poor, such services had little immediate effect on the rural economy. They were also the first components to be dropped in the face of financial and administrative problems.

The wide range of services promised by IRD projects did prove very difficult to implement effectively. Local project implementation units were relatively powerless at coordinating services from central ministries that remained narrowly focused on parochial responsibilities. Most importantly, the level of services promised by most IRD projects was far beyond what local communities, or host governments, could afford to sustain.

While individual projects combining multiple activities across several sectors are now considered inappropriate, the integrated rural development appraoch has continuing relevance. Many AID initiatives still address the development needs of particular impoverished communities or regions. More generally, successful economic growth still requires overcoming multiple social and economic barriers to development. However, AID's IRD experience suggests that this range of policy, technical, social, and economic constraints can best be addressed through a series of distinct and manageable project activities which together constitute an integrated rural development strategy.

(Source: AID Program Evaluation Report No. 19, AID'S EXPERIENCE WITH INTEGRATED RURAL DEVELOPMENT PROJECTS; July 1987)

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Restructuring for Growth (1981-1986)

By the 1980's, AID recognized that direct assistance, however worthy, was at best only a partial solution to the problems of poverty. The Agency therefore reaffirmed its committment to stimulating a broadly based process of economic growth. AID's current development strategy emphasizes growth in employment and income for the poor through a science-led revitalization of agriculture and a consequent expansion of domestic markets. It emphasizes the stabilization of currencies and finance through increases in export-oriented production and trade. It emphasizes the provision of essential human services, but at prices that the poor can afford to pay and in ways that host governments can afford to maintain. In particular, it emphasizes changes in recipient country policies and institutions.

To achieve these aims, AID relies on four basic mechanisms--policy reform, technology transfer, institution building, and private sector development--that individually have long been part of the development repetoire. AID supports policy changes to reform inappropriate subsidies, price and wage controls, overvalued exchange rates, interest rate ceilings, ineffective social programs, and inefficient public bureaucracies. AID supports scientific progress--both in the U.S. and abroad--to develop and transfer new technologies essential to increasing productivity, improving well-being, and stimulating economic growth. AID supports the development of

more effective institutions that can enhance democratic participation and provide better training and services. AID supports private sector growth, the primary engine of economic expansion, and encourages the privatization of state-owned enterprises.

AID's emphasis on these "four pillars" involves a renewed and coordinated effort to stimulate fundemental structural changes necessary for economic progress. One aspect of AID's new strategy has been a shift from individual development projects to larger development programs. This non-project assistance supports broad institution building, economic stablization, and commodity import goals, and typically requires specific policy reforms on the part of recipients. Such non-project assistance also serves other, non-developmental ends, cementing political alliances and quickly obligating large amounts of funds in the face of staff shortages.

Problem-Specific Development Strategies

Within the framework of its broad development strategy, AID has developed numerous specific approachs to address particular development problems. Our focus here, however, is restricted to the priority problems identified in AID's strategic plan.

Economic Growth:

AID's strategy for stimulating economic growth is central to, and in many ways inseparable from, AID's broader development approach. In the 1960's, AID believed that the technological basis for growth could be easily transfered. All that developing countries needed, in this view, was technical assistance and investments in infrastructure and industry. The private sector had an important role to play, but within a framework of capital intensive, export-oriented production. Agricultural was primarily viewed as a source of labor for the industrial sector.

As the failings of capital intensive industrialization became apparent in the 1970's, AID's economic growth strategy shifted. Less emphasis was placed on attaining overall economic progress, while more emphasis was placed on ensuring economic progress for the most needy. Agriculture, the primary employer of the poor, took on a new importance. Numerous projects sought to enhance the productivity and incomes of small farmers by increasing their access to resources, inputs, and services--often through regionally focused integrated rural development efforts. Other non-agricultural projects sought increased opportunities for the landless poor and for the growing urban population.

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* * REVITALIZING THE PRIVATE SECTOR * *

During the 1960's and 1970's, many developing countries discouraged or ignored the private sector in favor of public sector investment. Since 1980, however, AID has re-emphasized private sector initiatives as a dynamic force in economic growth. AID's program has focused on major constraints to private sector development: government policies and activities that inhibit commercial growth and economic conditions (included limited availability of capital) that impede private sector performance. This has involved (1) policy dialogue with LDC governments; (2) assistance to selected private enterprises; (3) assistance to intermediary institutions that deliver credit, marketing, and other services to private enterprises; and (4) mobilization of financial and technical resources for LDC firms from the U.S. private sector.

A 1985 synthesis of AID's private sector experience demonstrated that AID supported policy reform and project assistance successfully promoted private sector development in many countries, including Thailand, Indonesia, Tunisia, Ecuador, and the Philippines. AID effectively encouraged the growth of small-scale agricultural production and agroindustries, small and medium-scale urban and industrial enterprises, and private sector housing and social services, particularly in health, education, and family planning.

The growth of Thailand's seed industry provides a good illustration of private sector participation in government development programs. In Thailand, six government seed centers developed improved varieties of corn and rice which were then distributed through private sector firms. Five private companies--joint ventures with international seed firms--propagated the improved varieties and distributed them through a network of merchants. The establishment of the seed centers and commercialization of the seed industry was accomplished with $9.8 million of AID assistance through two projects over a nine year period.

The projects' success depended on the availability of improved varieties of commercially viable, disease resistant seed. This, in turn, required sustained support and funding for applied seed research by the Thai government. But successful commercialization of the seed industry also depended on policies which encouraged private sector involvement. Initial attempts to market new seed through a government body failed and measures to involve the private sector in marketing were subsequently adopted. This included the formation of a trade association, "the Seed Club," to facilitate communication betweeen entrepreneurs and the government and the establishment of joint ventures between Thai and foreign investors that received tax holidays and were allowed to repatriate profits. As a result, major U.S. firms--Cargill, Pacific Seed, Funk, and Pioneer Hi-Bred--all established Thai branches to process and market hybrid seed.

Another aspect of AID's private sector initiative has been expanded assistance to small scale enterprises (SSE's). In the United States, small businesses have been one of the most dynamic elements in economic growth--responsible for most job and wealth creation. A 1987 study of five micro-enterprise projects in Burkina Faso, Brazil, Honduras, the Domincan Republic, and Peru concluded that AID assistance to small scale enterprises has substantially stimulated private sector development, while also benefiting the poor.

The study found that the internal rate of return (IRR) on credit and training provided by small scale enterprise projects was quite high--over 100 percent in four of the five cases. Much of this high rate of return reflected indirect benefits resulting from purchases of raw materials and products by assisted firms. All of the projects employed interediaries--four private voluntary organizations and one commercial bank--to provide technical assistance and loans to micro-enterprises. Although none of these intermediaries proved fully viable financially (because of too high default and too low interest rates), the study concluded that small scale enterprise projects were among the most successful foreign aid programs.

(Sources: AID Program Evaluation Report No. 14, A REVIEW OF AID'S EXPERIENCE IN PRIVATE SECTOR DEVELOPMENT, April 1985; AID Evaluation Special Study Report No. 23, PRIVATE SECTOR DEVELOPMENT IN THE THAI SEED INDUSTRY, June 1985; and Aid Evaluation Sepcial Study No. 28, SEARCHING FOR BENEFITS--SMALL-SCALE ENTERPRISES, March 1987.)

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By the 1980's, AID was again focusing on broader economic growth, with an emphasis on policy reforms, export-oriented production, and private sector development. Now, however, increases in agricultural productivity, spurred by scientific advances, were expected to play a crucial role in generating income and employment. The poor would be full participants in the mobilization of rural resources.

Hunger:

AID's approach to the problem of hunger has always been multidimensional. Hunger is first of all a humanitarian concern, and starvation can be averted directly through the donation of food. Hunger is also an economic problem, since most of the hungry are too poor to afford food, and hunger is an agricultural problem, since most of the world's poor still produce the bulk of their own needs.These different aspects of hunger have all been reflected in AID's development strategy. AID's initial concern was primarily with developing more effective procedures for getting food to the hungry. Under the "New Directions" mandate, however, food was increasingly seen as a development tool that could provide incentives for a variety of health, education, and community service activities. More recently, AID has focused on how to provide essential food without diminishing wider incentives for agricultural production.AID's view of the role of agriculture in alleviating

hunger has also shifted. During the 1970's, for example, most agriculture projects emphasized improvements in the production, storage, and marketing of food crops. More recent projects have emphasized agriculture as a generator of employment and income, and not necessarily food production.

Disease and Early Death:

AID's early health activities were characterized by large, centrally funded, "categorical" programs. (see Buzzard 1986:7-17) These programs often involved several countries and usually focused on specific health problems. Large projects were started in disease control, water and waste, health education and training, and population. AID also made major contributions to planning and expanding national health services and health bureaucracies.

In the 1970's, consistent with the "new directions" mandate, AID's emphasis shifted from large health infrastructure projects to smaller, locally based activities. "The standard model...was the integrated, community-based primary health care (PHC) program offering simple curative and preventive services through a network of community health workers." Buzzard 1986:8) AID also provided extensive technical assistance to help developing countries formulate national health plans based on the primary health care model.

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* * SUSTAINING HEALTH PROGRAM BENEFITS * *

A recent evaluation--the first in a series of country studies--applied a "systems framework" to examine factors contributing to the long-term sustainability of health programs in Honduras. The evaluation considered all of the health projects supported by AID and its predecessors in Honduras since U.S. funding was initiated in the 1940's. Sustainability was defined as the continuation and effective utilization of project outputs after U.S. funding was terminated.

Six health programs were examined extensively: malaria eradication, rural water systems, family planning, nutrition, rural penetration, and the current Health Sector I project. Each of these programs was related to its Honduran historical context and analyzed in terms of nine design and implementation factors hypothesized to affect sustainability.

Although findings derive from a single country, and remain preliminary, five factors were found to be significantly associated with health project sustainability: national commitment to project goals; project negotiations that reflect mutual respect for AID and host country concerns; integrated (horizontal or matrix) institutional organization; donor coordination that supports compatible and mutually reinforcing initiatives; and effectiveness in alleviating health problems addressed.

However, sustainability proved situationally complex and there were significant exceptions to each finding. While two of three poorly sustained programs (family planning and nutrition) had low priority from the Honduran government, one high priority program (malaria) was also poorly sustained. Although two of the three vertically organized projects (family planning and malaria) were unsustained, one (rural water) continued successfully after support was withdrawn. While two of the least effective projects (family planning and nutrition) were poorly sustained, one of the most effective projects (malaria) was also unsustained.

Neither the amount or coherence of technical assistance nor the type or extent of training was found to contribute to sustainability. Similarly, while community participation may have enhanced project effectiveness, participation itself proved the most difficult project component to sustain.

Most surprising was the lack of relationship between project financing--the amount of funding, central payment of salaries, or cost recovery arrangements-- and sustainabilty. This may simply reflect Honduras' high overall level of dependence on foreign funding for health programs. Financing, in other words, was irrelevant because so much foreign assistance is available. This situation is neither sustainable in the long-term nor characteristic of most developing countries.

(Source: Draft AID Program Evaluation Report, SUSTAINABILITY OF U.S. SUPPORTED HEALTH PROGRAMS IN HONDURAS; February 1987.)

By the 1980's, it had become apparent that "few developing countries have the resources, personnel and political commitment to maintain such programs." (Buzzard 1986:8) Thus, while AID's health policy still endorses the primary health care approach, the recent emphasis has been on providing more focused services, developing new funding mechanisms, and improving program sustainability.

These changes reflect a broader shift in AID's strategy during the 1980's in favor of specific health interventions aimed at reducing disease and increasing child survival. This also involves a return to large, centrally funded, categorical projects, but with a sharper focus on a limited number of new health technologies that promise large and immediate benefits.

Illiteracy and Lack of Education:

Twenty-five years ago, only a small fraction of the population in most developing countries had access to primary education, and in many newly independent nations public education was virtually non-existent. AID's first priority, therefore, was to build and expand basic educational institutions. AID provided assistance ranging from techical support for national education ministries to bricks and mortar for the construction of local schools. In particular, AID

emphasized the creation of training programs for teachers, the production and distribution of textbooks, and the planning and organization of educational systems.

During the 1970's, AID increasingly sought to expand educational opportunities for the rural poor and to ensure that education was relevant to the poor's needs. Education was more closely linked to economic development goals, and non-formal, vocational, and agricultural education components were included in rural development projects. Efforts to develop new distance teaching technologies were also expanded.

In the 1980's, AID's has refocused attention on traditional primary education and basic literacy. Recognizing that educational resources are limited, and that the bulk come from developing countries themselves, AID has placed the highest emphasis on increasing the efficiency and effectiveness with which educational resources are used. One of the most important approaches involves decentralizing responsibility and increasing local involvement in educational financing and planning. AID also continues to emphasize vocational and technical training, particularly in countries that already have high levels of access to basic schooling.

Unmanageable Population Pressure:

AID has long been a leader among donor agencies in programs to combat unmanageable population pressure. AID has pioneered fundemental demographic and population policy studies; funded a wide range of biomedical research; trained innumerable doctors, nurses, and para-professionals; and developed and supported key private population organizations. AID has also played a major role in procuring and distributing contraceptive commodities worldwide.

As in other sectors, AID's early priorities included the development of basic population services and institutions. Unlike other sectors, many developing countries required substantial convincing that they needed a population policy or program at all. As a result, policy dialogue and planning, supported by demographic studies and policy research, has been a key component AID's population strategy from the beginning. After gaining authority to procure and distribute contraceptive commodities in 1967, AID placed a high priority on establishing a centralized system to provide cheap, uniform, and high quality contraceptives worldwide.

During the 1960's and early 1970's, most family planning services were provided by doctors, hospitals, and medical clinics. By the mid-1970's, spurred by the "new directions" mandate, AID sought to distribute family planning services more widely through para-professionals, village health workers, and

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* * THE SOCIAL MARKETING OF CONTRACEPTIVES * *

Contraceptive social marketing (CSM) has proven a cost-effective method of increasing contraceptive use in developing countries. A recent AID study estimated that in 1984 CSM programs provided more than five million couple-years of contraceptive coverage in twelve countries. In Egypt, Bangladesh, Nepal, Colombia, and Jamaica between 20 and 50 percent of all contraceptive users are served by CSM programs.

CSM programs usually include three elements: (1) the creation of an implementing agency with commercial marketing and management skills; (2) the sale of low-cost (generally subsidized) contraceptives through commercial distribution and retail systems; and (3) the promotion of contraceptive products through market research and advertizing campaigns aimed at satisfying consumers' needs and preferences. Generally, CSM programs promote over-the-counter birth control products, such as condoms, oral contraceptives, and foaming tablets.

CSM programs are cost-effective, but not yet self-sufficient. After several years of sales, most programs had net operating costs ranging from $0 to $4 per couple year of protection. Some CSM programs (Colombia, Mexico, Jamaica, Thailand, and Sri Lanka) generated sufficient revenue to cover all operating expenses, but still required continuing donor subsidies for commodity purchases.

CSM programs have been implemented by a wide range of organizations. Although government operated programs have tended to suffer from management problems, semiautonomous organizations (under the oversight of a policy board with government representation) have worked quite well. Private sector models also appear promising in settings where the private sector is sufficiently developed.

Private firms have played an important subsidiary role in commercial distribution and marketing when commercial systems were well-established and firms interested in marketing CSM products could be identified (Jamaica, India, and the Caribbean). CSM programs have also used government or quasi-government distributors, in-house sales forces, medical representatives, and village distributors.

Although CSM programs appear to have increased contraceptive use among lower-income populations, limited market research in several countries indicates that beneficiaries are generally poor, but not the poorest individuals. Most CSM users live in urban or semiurban areas. Several programs used in-house sales staff to enhance distribution in rural areas, but costs were high and rural populations sometimes proved very difficult to reach. Ultimately, the objective of achieving widespread contraceptive coverage in poor, rural areas may conflict with the object of achieving financial self-sufficiency.

(Source: AID Evaluation Special Study No. 40, AID'S EXPERIENCE WITH CONTRACEPTIVE SOCIAL MARKETING; December 1986.)

primary health care facilities. By the late 1970's, AID began experimenting with more cost-effective techniques, including social marketing programs involving mass media campaigns and private sector distribution and advertizing.

In the 1980's, AID became increasingly sensitive to the moral dimensions of family planning. AID's population strategy emphasized "enhancing the well-being of families" through "voluntary family planning programs that provide a wide range of choices in family planning methods, including natural family planning." (AID 1986:22)

Underlying Tensions and External Pressures

The evolution of AID's development strategy has not only reflected increased experience and knowledge, but also underlying tensions between the Agency's development objectives and other, non-developmental factors.

Balancing Growth with Equity:

One of the most fundemental tensions in AID's development strategy involves the nature of development goals themselves: Is AID's primary purpose facilitating economic growth and increasing overall wealth? Or is it improving the well-being of

the poor and ensuring that the fruits of growth are equitably distributed? Closely related is the question of "top down" versus "bottom up" development: Should AID concentrate on building national institutions, training skilled workers, and creating lead industries as part of a long term development process? Or should AID emphasize increased opportunities and access to resources from which the poor will more immediately benefit?If the ultimate goal is economic progress, the answer is "both," and the dichotomy is false.

If the ultimate goal is some broader form of social or political empowerment--as many more radical critics of foreign aid would have it--the answer is more complicated. In any case, there is ample room to debate the optimum mix of growth with equity and the extent to which the maximization of growth should be tempered by humanitarian concerns for the alleviation of suffering.

Humanitarian Concerns:

AID is first and foremost a development agency. But one of the major reasons that AID is in the development business is to improve the well-being of the vast majority of the world's people who remain in a state of dire poverty. Many of the Agency's programs--disaster assistance, famine relief, food aid, and disease control--have fundementally humanitarian motives. Indeed, one of the Agency's continuing concerns is ensuring that

such programs are implemented in developmentally constructive ways. The issue is complicated by the fact that the Agency's strongest public support revolves around humanitarian concerns, such as, emergency aid for the African famine.

The Domestic Politics of Development:

Beyond the question of popular support, the domestic politics of development involve numerous interest groups that have varying stakes in AID's development strategy. American farmers, for example, may support Food for Peace since it provides a market for their harvasts, but they are also concerned that AID's agricultural development initiatives will create new sources of foreign competition. American manufacturers want to sell their products abroad, but do not want to encourage foreign exporters. Agricultural cooperatives, land grant universities, private consulting firms, and others all have their foreign aid lobbyests on Capitol Hill. Sometimes these U.S. interests work at cross-currents. AID's support for textile manufacturing in one country, for example, was supported by U.S. textile machinery firms but opposed by U.S. textile manufacturers (North 1985:11). Often U.S. and host country interests clash, for example when expatriate advisors displace indigeneous consultants.

The Foreign Policy Context of Development:

American foreign aid is an intrinsic part of American foreign policy, and the pursuit of broader foreign policy interests has a major affect on AID's development activities. "There are innumerable examples where aid programs have been started or stopped; aid levels raised or lowered in response to a clash or convergence of foreign policy interests" (North 1985:8). The issue can be as straight-forward as the response to a personal affront, as happened with former President Carter in Zimbawbee; or as complicated as negotiating the quid pro quo for U.S. military bases.

During the 1950's and 1960's security assistance and the need to contain totalitarianism were major elements in foreign aid programming. Today, "foreign policy has reemerged as the major objective in the 1980's, [though] wi , development as an integral part." Economic support funds, for example, that are used to promote political and economic stability, can also provide a basis for negotiating broader policy reforms to facilitate economic growth.

Some critics have argued that American foreign-aid priorities have shifted too far, and that "Washington, once a key source of development assistance, now stresses military rather than humanitarian help." (Time 1986) Arguments about the appropriate balance between foreign policy and development concerns in foreign aid will doubtlessly always continue. The challenge is to make these goals as mutually reinforcing as possible.

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* * SECURITY AND DEVELOPMENT IN THAILAND * *

The United States has provided foreign assistance to the Government of Thailand without interruption for nearly two generations. The primary motivation for this continuing support has been an unwavering U.S. foreign policy committment to the security of Thailand in its broadest dimensions. This committment has also produced a continuing tension in U.S. assistance between a concern for Thailand's security and a concern for Thailand's economic development.

Seurity considerations have been paramount in the U.S. foreign aid program in Thailand since its inception. They have derived from fears of invasion from the People's Republic of China, regional security concerns after the French defeat at Dien Bien Fu, deteriorating conditions in Laos, the need for a base of action in the Vietnam war, the Vietnamese invasion of Cambodia, and communist insurgency in Thailand itself. In 1969, AID estimated that 75 percent of its program in Thailand represented counter-insurgency activities. In 1973, the AID Mission Director characterized the program as ranging from "security with development aspects" to "development with security aspects," and estimated that 54 percent of the program was primarily security.

While some AID initiatives (such as $1.1 million for military uniforms and equipment purchases) focused solely on security, many projects aimed at increasing security in poorer and more remote regions improved economic opportunities in those regions as well. The AID supported "Friendship Highway" ($20 million) to the Northeast and East-West Highway ($14.6 million) through the north-central region were conceived as essential security links, but also opened up large sections of the country to improved communications and development. Similarly, although AID's $63.6 million Acclerated Rural Development program (ARD) sought to increase government control over remote and ethnically diverse region, ARD's innovative program of feeder roads, potable water systems, and other services has provided major economic benefits over the longer terms.

The tension between development and security has unresolved implications: Could more effective development programs have been initiated without a security motivation? Were investments uneccessary or excessive in purely developmental terms? Did security concerns contribute to overcentralization and over-militarization? Whatever the answer, in Thailand at least security and development proved compatible objectives.

(Source: AID Evaluation Occasional Paper No. 6, THE ROLE OF EXTERNAL ASSISTANCE IN THE ECONOMIC DEVELOPMENT AND PLANNING OF THAILAND; January 1986)

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To some, however,

> The largest U.S.-aid recipients last year were Israel ($3 billion) and Egypt ($2 billion), and more than half of that assistance was in the form of weapons and other defense hardware." (Time 1986)

The Bureaucracy of Development:

Whatever AID's strategy, its activities are greatly influenced by the bureaucracy that administers them. One major factor is the:

> "labyrinth of statutes, regulations and procedures that seems at times to be conceived in Catch-22. The complexities of the administrative system reflect in large measure the tension beteen demands for certainty and risk reduction on one hand and environments of uncertainty and high risk in the developing country on the other. Many of these rules and regulations have little or no relation to development objectives." (North 1985:12)

* * EVALUATION FOR MANAGEMENT DECISION-MAKING * *

The primary purpose of AID's monitoring and evaluation system is to help managers make better decisions based on more adequate information about the use and results of development assistance. From a management perspective, monitoring and evaluation are an integral part of program and project design, implementation, and planning. Monitoring and evaluation systems must therefore be able to meet the information requirments of a variety of managers at different organization levels within AID and its counterparts.

To meet its internal mangement information needs, AID distinguishs between monitoring and evaluation in terms of the type and timing of information required. Monitoring relies on routinely collected information to determine that development assistance is used according to plans and regulations and that interim results reflect initial or revised objectives ("ongoing evaluation"). Particularly at the project level, monitoring is used to adjust or redesign activities, raise issues for resolution by more senior managers, or indicate the need for more comprehensive evaluation. Evaluation, on the other hand, uses selective information about programs or projects to inform managers about key issues--relevance, effectiveness, efficiency, impact, sustainability, etc.--before major decisions are made. Because the information needed for monitoring is also often essential for evaluation, these two management activities are closely related.

At the project level, monitoring and ongoing evaluation provides information that helps managers determine what changes are needed to improve project performance. Interim and final project evaluations provide additional information about progress toward longer-term objectives, broader programming issues, and lessons learned.

At the program level, information from specific projects, multiproject evaluations, special studies, and other relevant sources is used to periodically assess progress towards broader program goals. Such assessments inform program planning and sector strategy development, while also helping missions meet accountability requirements.

AID's diverse information needs require a variety of monitoring and evaluation approaches. While the approach chosen must reflect situational constraints, such as the availability of human and financial resources and the level of host country capabilities, the primary determinants of monitoring and evaluation activities are the management questions that must be answered.

(Source: AID Program Design and Evaluation Methodology Report No. 7, AID EVALUATION HANDBOOK; April 1987)

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The result is a byzantine, and often perfunctory, system of paperwork checks and balances. The successful AID administrator quickly learns how to work this "project cycle," tailoring the voluminous paperwork to make his or her projects acceptable. Obligating funds is both the fundemental bureaucratic imperative and the primary basis for career advancement. AID officers have little incentive to conduct rigorous background research or cope with complicated flexible designs, if blueprints from the past are available. AID officers are also rarely penalized if projects fail. By the time the project is evaluated, if it is evaluated at all, the original designer will have long since been reassigned.

Coping with Change

Development would be easier if developing countries were stationary rather than moving targets. But, as we have seen, the developing world is very different today than it was 25 years ago. Many of these changes have significantly affected AID's development strategy.

The Growth of the Public Sector:

Twenty-five years ago, the public sector in most developing countries was small and weak, and AID placed major emphasis on building basic national institutions. Today, these public bureaucracies may remain inefficient and ineffective, but they

are also powerful and all encompassing. For a variety of reasons--cultural background, colonial history, political faddism, and even the advice of some donors--most developing countries have placed great faith in the ability of public bureaucracies to guide and control economic growth.

The results, for the most part, have been abysmal and the limitations of central planning have been all too well demonstrated. Economic misallocations abound. Subsidized state-run firms and bloated bureaucracies drain public treasuries. Ill-conceived development schemes dot the landscape. Private entrepreneurs have been squeezed out.

As a result, AID's current priorities have shifted towards freeing the marketplace, reforming inappropriate policies, privatizing what should be private, and rebuilding a private sector to energize economic growth. The danger is in moving too far, and emasculating those institutions and services that should naturally remain in the public domain.

The Proliferation of Donors:

> "Thirty-five years ago, the United States was the only nation offering economic assistance as a national policy. Today, virtually all developed nations--and some that are still developing--maintain aid programs." (AID 1986:13)

In 1961, moreover, the multilateral donors were in their infancy; today their activities often overshadow bilateral assistance.

While this proliferation of donors has greatly increased the resources available for development, it has also increased the problems in doing development effectively. In some countries dozens of donors are competing for projects--more than the host county can effectively implement or can afford to maintain. In other countries, the patchwork quilt of projects funded by different donors hinders rather than helps development. Improved donor coordination has become a growing priority.

The Problem of Debt:

Although some developing countries have been squeezed between too much foreign debt and too little foreign exchange in the past, the massive loans of the 1970's combined with the economic recession of the early 1980's to create an unprecedented debt problem. As a result, an increasing portion of AID's assistance has been targeted to provide short term relief and economic stabilization for political allies. At the same time, the scale of these resource transfers has sometimes provided a new opportunities for policy dialogue and economic restructuring.

Energy and the Environment:

In 1961, Rachel Carsons published Silent Spring, a devastating critique of chemical agriculture, and the modern environmental movement was born. In 1973, OPEC embargoed oil, and the energy crisis arrived fullblown. By the mid-1970's, concerns about energy and the environment were having a major affect on AID's strategy and programming.

Today, environmental impact statements and alternative energy projects have become routine and the aura of crisis has disapated. AID's development strategy reflects a more mature understanding about the necessity of avoiding e[illegible]nmental degradation and maintaining the resources essentia[illegible]o future development progress.

Changing Social and Cultural Contexts:

The past twenty-five years have seen dramatic social and cultural changes that have profoundly affected AID's development strategy. In the early 1960's, AID dealt with a wave of anti-Western posturing in many newly independent developing nations. In the early 1970's, AID coped with turbulent domestic politics and a too-close association with the military and security aspects of Vietnam. In the 1980's, AID faces a resurgence of Moslem fundementalism and an increasing threat of terrorism abroad. New, currently unexpected, problems will undoubtedly surface in the future.

The Fact of Development:

The developing world has not simply changed during the past twenty-five years, but has made enormous social and economic progress. The fact of development has created both new opportunities and new problems. Irrigation projects are now more concerned with operation and maintenance than with new construction. Transportation projects focus on secondary and tertiary roads rather than primary highways. Institution building projects seek to decentralize power and authority rather than create new national bureaucracies. Agriculture projects emphasize applied research, rather than building basic research capabilities. Policy reforms seek to curb the excesses of institutions that AID once helped create. Whatever future development holds, the continuing fact of development will be a major element as new development strategies that emerge.

LEARNING FROM EXPERIENCE

What then has AID learned from twenty-five years of development experience?

- We have learned, first and foremost, that development is possible. We have seen recipient countries move from extreme poverty to vigorous economic growth. And we know that AID's assistance can speed up the development process.

- We have gained a much deeper understanding of how development works. We are aware of the pervasive impact of international economic trends and of the limitations of capital intensive industrialization. We have reaffirmed the essential role of agriculture within a broadly based process of employment and income growth. And, we understand the cenral contribution of scientific progress to improvements in productivity.

- We understand the critical importance of developing country policies in facilitating economic growth and recognize AID's role in encouraging appropriate policy changes. We understand the efficiency of market forces in allocating investment decisions and the effectiveness of private enterprise in generating new wealth.

- We are more aware of the limitations of central planning and the inefficiencies of public management. We recognize the value of decentralization and the the importance of local participation and responsibility. Where reliance on public bureaucracies is appropriate, we encourage management improvements and institutional reforms.

- We understand the need for a comprehensive development strategy and the limitations of relying on a single development tool. We realize that development is a multidimensional process and that constraints--social, economic, and technical--must be eased simultaneously [illegible] progress to occur. We recognize that policy [illegible], technical assistance, institutional [illegible]ment, agricultural and industrial investment, and direct action all have their place, depending on local circumstances.

- We recognize that development takes time and that decades may pass before some investments, for example in agricultural research, fully bear fruit. We are aware that some projects require more time than others, and that artificial limits on project duration can seriously undermine project effectiveness.

- Perhaps most importantly, we better appreciate the constancy of change and the need to adjust development strategies to new conditions and emerging opportunities. We recognize the need for flexibility and are aware that the directions of change--the next oil shock, recession, or cultural transformation--cannot be fully anticipated. We understand that the most pressing problem today may not be the most critical challenge tomorrow.

AID, though, faces one challenge that will always be with us--the challenge of learning from experience and applying what we have learned to improve development practice. This requires a system "to capture the findings of experience,"..."to package the information in a form that is usable by the program designer and policymaker,"...and to make that information "easily accessible and available when required." (North 1985:11-12) This system is an essential part of the technology of development, for as Peter Drucker has noted "the productivity of knowledge has already become the key to productivity, competitive strength and economic achievement." (quoted in North 1985:13) This is also a key lesson from our development experience.

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