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ROUTING AND RECORD SHEET

SUBJECT: (Optional) Presidential Approval of the Task Force Report on Ending Hunger in Sub-Saharan Africa

FROM: Frederick L. Wettering
NIO for Africa

EXTENSION

NO.

DATE 25 March 1987

TO: (Officer designation, room number, and building)	DATE RECEIVED	DATE FORWARDED	OFFICER'S INITIALS	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
1. ES (FYI)				
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THE DIRECTOR OF
CENTRAL INTELLIGENCE

National Intelligence Council

25 March 1987

MEMORANDUM FOR THE RECORD

FROM: Frederick L. Wettering
NIO for Africa

SUBJECT: Presidential Approval of the Task Force Report on Ending Hunger in Sub-Saharan Africa

REFERENCE: Memo for Task Force Members from Peter Rodman and Michael Driggs, dtd 18 Mar 87, SUBJ: Presidential Approval of the Task Force Report

After coordination with DI/ALA/AF and NIO/Economics, I telephoned our concurrence to Steve Farrar at the NSC. Note that NIO/Econ, myself, and ALA had been involved throughout the evolution of this paper, and I have attended all the working group meetings.

STAT

Frederick L. Wettering

Att: Ref Memo

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THE WHITE HOUSE

WASHINGTON

March 18, 1987

MEMORANDUM FOR TASK FORCE MEMBERS

FROM: Peter W. Rodman PWR
Michael A. Driggs mad

SUBJECT: Presidential Approval of the Task Force Report

The President has approved the Task Force report as submitted. A copy of the report which he reviewed and the White House press release are enclosed for your information.

When we started this project last fall, the task seemed overwhelming. Many of us wondered whether we would be able to cover so many areas in such a short period of time -- and still produce something of benefit. We have. The implementation plan we developed, if followed, will create a structure that will be the framework of U.S. economic policy for Africa for years to come. This could be a true turning point.

If so, it is because of the spirit of commitment and compromise displayed by everyone on the Task Force. We thank you for making this a rewarding and successful enterprise.

The next step to implement the President's decision is to prepare the Executive Order that will empower the new Coordinating Committee for Sub-Saharan Africa. A draft, based directly upon the Task Force report, is also enclosed for your review. Please provide any comments you might have to Steve Farrar, 395-3543, by c.o.b. Wednesday, March 25. Upon receiving your comments, we will send the order to OMB for formal clearance before submitting it to the President.

done
NIO/AF
25 Mar 87

Enclosures

EXECUTIVE ORDER

COORDINATION OF ECONOMIC POLICES FOR SUB-SAHARAN AFRICA

By the authority vested in me as President by the Constitution and statutes of the United States of America, including the Foreign Assistance Act of 1961, as amended, and in order to establish procedures for development of a common long-term goal for all United States economic programs and policies in Sub-Saharan Africa, it is hereby ordered as follows:

Section 1. Establishment of the Coordinating Committee for Sub-Saharan Africa. (a) There is hereby established a Coordinating Committee for Sub-Saharan Africa ("the Committee").

(b) The Committee shall consist of the Administrator of the Agency for International Development, who shall be Chairman; the Assistant Secretary of Treasury for International Affairs, who shall be Co-Chairman; the Assistant Secretary of State for African Affairs; the Undersecretary of Agriculture for International Affairs and Commodity Programs; representatives designated by the Secretaries of Defense and Commerce; and representatives of the Office of Management and Budget, the Central Intelligence Agency, the U.S. Information Agency, the Peace Corps, the Overseas Private Investment Corporation, the United States Trade Representative, the Assistant to the President for National Security Affairs, and the Assistant to the President for Policy Development.

(c) Whenever matters being considered by the Committee may be of interest to Federal agencies not represented on the Committee, the Chairman may invite the head of such agencies to designate representatives to participate in meetings and deliberations of the Committee.

(d) The Chairman of the Committee may establish subcommittees of the Committee and designate chairmen thereof.

(e) The Committee shall operate under the policy direction of the Secretaries of State and the Treasury.

(f) All Executive departments and agencies shall keep the Committee informed in necessary detail as to the policies, programs, and activities relating to the functions of the Committee described in Section 2.

(g) Nothing herein shall be deemed to derogate from the responsibilities of the Secretary of State, the Secretary of the Treasury, or the Secretary of Agriculture, or from responsibilities vested elsewhere by law.

Sec. 2. Functions of the Committee. (a) The Committee shall operate in a manner best deemed appropriate by its Chairman in order to ensure the following:

(1) that all U. S. economic programs and policies for Sub-Saharan Africa are consistent with the goal of ending hunger in the region through economic growth, policy reform, and private sector development;

(2) U.S. economic programs and polices for each country of Sub-Saharan Africa are tailored to the specific needs of that country, consistent with the goal presented in subsection (a)(1) of this Section;

(3) the U.S. is united in its dealings with other donors and potential recipients; and,

(4) the overall level of aid the U.S. offers a country of Sub-Saharan Africa is related to continued performance of that country toward the goal presented in subsection (a)(1) of this Section or willingness to undertake additional economic reform.

(b) The Committee shall draft the annual report to the President required of the Secretaries of State and the Treasury as described in Section 3.

(c) The Committee shall coordinate the preparation annually of a unified budget justification for transmittal to the U.S. Congress. This justification shall encompass all U.S. activities, strategies, and policies for Sub-Saharan Africa.

(d) In addition to coordinating the alignment of U.S. food assistance programs in accordance with the goal presented in subsection 2(a)(1) of this Section, the Committee shall advise the appropriate Federal agencies on the selling of grant-financed food aid in Sub-Saharan markets. The Committee should also consider food aid programs which incorporate incentives for food aid recipients to work on community or individual programs, as well as those which generate local currency for use in development or credit to the the private sector.

(e) The Committee shall advise Federal agencies on means to mobilize expanded humanitarian and business involvement in Africa, both U.S. and international, through an outreach effort with appropriate Federal agencies.

(f) The Committee shall advise Federal agencies on means to expand U.S. business involvement in Sub-Saharan Africa by targeting trade and investment missions, pre-feasibility and feasibility studies, sector and regional analyses, access to credit, and information on trade and investment opportunities in countries undertaking economic reform.

Sec. 3. Annual Report to the President. (a) The Secretary of State and the Secretary of the Treasury shall make a joint report to the President annually on Sub-Saharan Africa.

(b) Contents of the Report. The annual report shall discuss the economic condition of Sub-Saharan Africa and highlight progress being made in the region toward achieving the goal presented in Section 2(a)(1). The annual report shall also affirm whether all U.S. economic programs and policies conform with and support the goal of ending hunger in Sub-Saharan Africa through economic growth and private enterprise development.

THE WHITE HOUSE,

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release March 11, 1987

STATEMENT BY THE ASSISTANT TO THE PRESIDENT
FOR PRESS RELATIONS

Today, the President is announcing an initiative to help end hunger in sub-Saharan Africa by establishing a common long-term goal for all U.S. economic programs and policies in sub-Saharan Africa: to end hunger in the region through economic growth, policy reform, and private sector development. The United States will also seek to promote donor coordination on comprehensive structural adjustment as well as on assistance programs and will continue its efforts to encourage the constructive involvement of the U.S. private sector in promoting African economic growth.

Last May, at the UN General Assembly Special Session on the Critical Economic Situation in Africa, African leaders committed themselves to economic policy reforms designed to unleash the energies of their productive sectors, and requested donors to review the quality of their assistance programs in order to further this goal. The United States intends to respond to the Africans' request. Their commitment to recovery and reform deserves our support. While Africa has recovered from the 1984-85 famine, its economic situation remains precarious and the threat of famine and the reality of poverty continue to cloud Africa's future.

Last September, the President established a White House Task Force to lead an interdepartmental review of U.S. economic policies and programs for sub-Saharan Africa. The Task Force, jointly chaired by the National Security Council staff and the White House Office of Policy Development, included the Departments of State, Treasury, Agriculture, Commerce, and Defense; the Office of Management and Budget, the Agency for International Development, the Central Intelligence Agency, the U.S. Trade Representative, the U.S. Information Agency, the Peace Corps, and the Overseas Private Investment Corporation. The Task Force has completed its work and has recommended a program of action:

MORE

An Implementation Plan

for the President

ENDING HUNGER IN SUB-SAHARAN AFRICA:

The Challenges and Opportunities

INTRODUCTION

In June 1986, you established a goal for all U.S. economic policies and programs for Sub-Saharan Africa: "end hunger in Sub-Saharan Africa through economic growth and private enterprise development by the end of this century." As components of this goal, you directed that the level of aid provided a given country be directly related to its willingness to promote the private sector, that the help of other donors be coordinated toward the same goal, and that the U.S. private sector and public opinion be mobilized.

This report constitutes the implementation plan you requested the National Security Council and the Office of Policy Development to prepare. A National Security Study Directive was issued and an interagency task force, consisting of 15 departments and agencies, developed this plan under a joint NSC-OPD chairmanship.

Your initiative is the first comprehensive, systematic U.S. program for Sub-Saharan Africa which has been designed to focus donor, recipient, and multilateral economic activities on the same goal. In short, there has never before been a program presented to the Congress which -- if adopted by Africans and donors alike -- would give such assurance that the tragic problems of that region might be significantly eased. This report outlines such a program. The Task Force believes that a comprehensive program would be more saleable and popular than any individual proposal.

The goal of the Task Force was to develop a policy structure which would improve the effectiveness of our programs regardless of the level of funds available. Even at current resource levels, the program will enhance the effectiveness of U.S. and other donor assistance and has the potential for saving future expenditures which would be required for relief in the event future famine occurs.

It is important to note that the other donor nations and the African governments in the region tend to judge the seriousness of the American commitment by the level of our funding and not the level of our rhetoric. Today, Sub-Saharan Africa needs both policy reform and more resources, but those resources can be generated in many ways -- from export earnings, foreign investment, foreign aid, or in other ways.

The World Bank projects that the region needs an additional $1.5 billion per year -- other estimates are as high as $4 billion -- beyond the $8 billion now provided in total foreign assistance, if there were no increase in the effectiveness of aid, no increase in exports, and no easing of its debt problem.

All agencies participating in the Task Force agree, however, that just giving Sub-Saharan Africa more food and money without policy changes would cause more harm and human suffering. We believe that foreign assistance can and must be made more effective in stimulating economic growth and income generation among the region's poor. To be effective, any policy focused on growth will require substantial policy reform. Countries undertaking difficult reforms will be able to generate additional resources and use those resources more effectively to speed up the development process.

FINDINGS OF THE TASK FORCE

Finding 1.

Without policy reform, the economic base of many African countries in the region will continue to erode for the foreseeable future, thereby increasing both the risk and the severity of future climatic impacts.

Sub-Saharan Africa is the poorest and least developed region in the world. Its economic problems, however, are not just a result of the region's poor physical endowments but have been exacerbated by government policies which served to stifle, not promote, economic growth. Policy decisions kept exchange rates too high and interest rates too low -- often below the rate of inflation. Government bureaucracy became the vehicle for allocating credit and access to foreign exchange. Trade barriers proliferated. Government pricing policies and marketing boards forced the farmers to subsidize urban populations. In short, government entered virtually every phase of economic activity, foreclosing opportunities for private sector enterprise and growth.

High commodity prices masked the effects of these policies for years. But, when the inevitable price cycle turned downward, the results of these misdirected policies were predictable. Low-income Sub-Saharan Africa invested an average of 19 percent of GDP through the 1970s. Rather than produce growth, as it did elsewhere, investment in the region produced decline. The 1960's growth rate of 3.6 percent fell to 2.3 percent in the 1970s and 0.7 percent in the 1980s. Agriculture was particularly hard hit. Per capita food production fell by 3 percent a year from 1973 onward, while the rest of the world was increasing food output. Finally, exports dropped by 14 percent in real terms at a time when world trade increased 7 percent annually.

The sad truth is that Sub-Saharan African countries as a whole, and low-income nations of the region in particular, are less able to feed themselves today than they were at independence. Indeed, over the past two decades, per capita food production has plummeted by about 20 percent in contrast to Asia and Latin America where per capita food production has been steadily increasing as illustrated in Graph 1. The daily calorie supply in low-income Sub-Saharan African countries as a percentage of requirements was 13 percent below that of all low income countries worldwide before the recent famine.

Map 1 shows that all but 10 countries in the region were existing on less than 100 percent of daily food requirements in pre-famine 1982 even when food aid was included. The actual impact was much worse in rural areas, given the propensity to support urban areas and the poor distribution system in most countries. By comparison, industrial market economies averaged about 133 percent of required daily caloric intake. Even before the famine, some 44 percent of all Africans consumed fewer calories each day than the UN Food and Agricultural Organization thinks necessary to sustain an active working life.

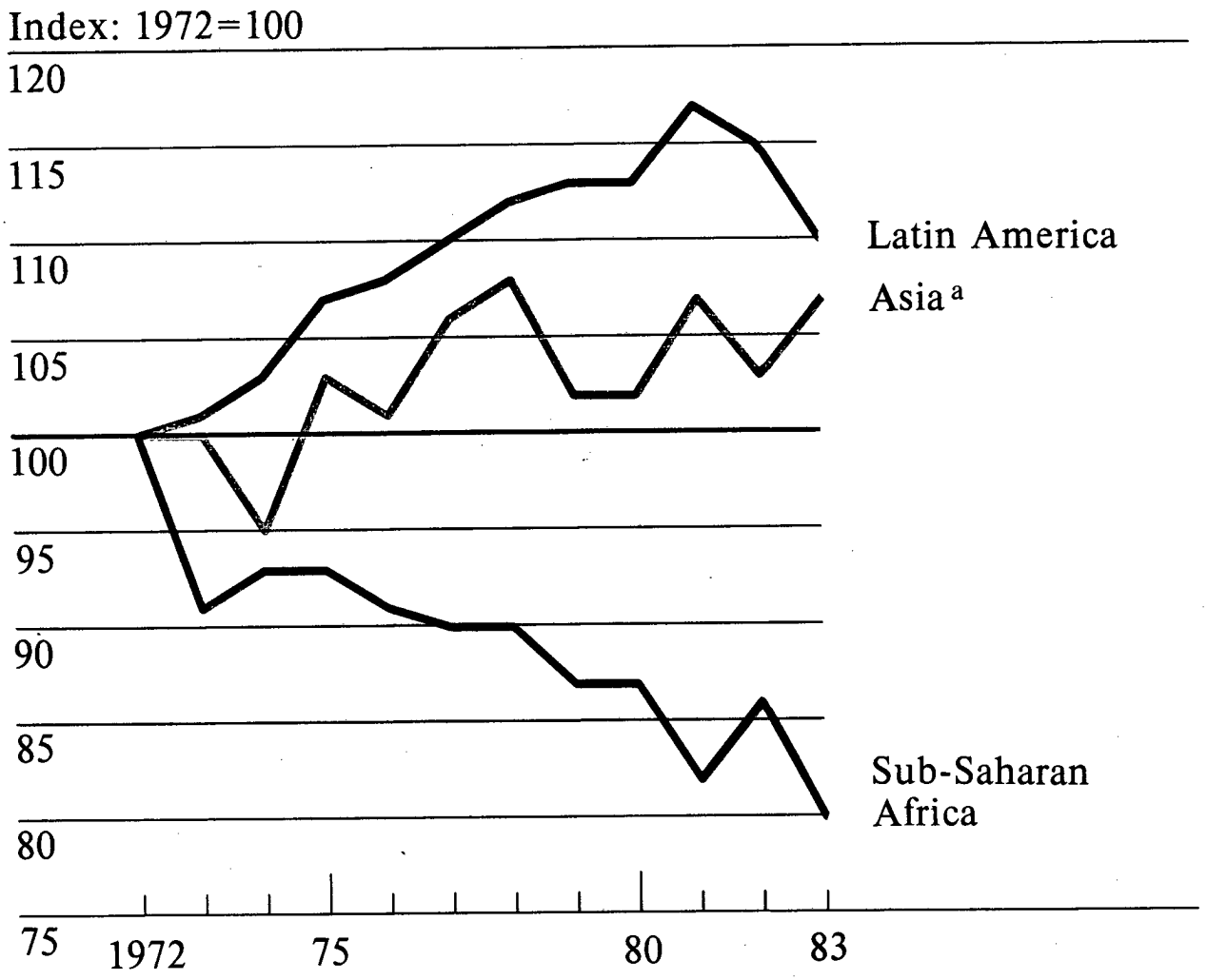
This poor performance, however, has begun to turn around. Improved agricultural policies and incentives, encouraged by the U.S. and the World Bank, have combined with better post-drought weather to improve agricultural production in 1985 and 1986. While data are still incomplete, at least 10 countries show a surplus in coarse grains in 1986. Zambia has increased agricultural output by about 30 percent over the last three years.

Map 2 presents GNP per capita in U.S. dollars in 1984--the year that the most recent famine began. As can be seen, at least 19 countries had per capita GNPs below $300 per year, as compared to an average of $11,060 for all industrial market economies for the same period. However, even these figures understate the actual poverty of rural areas since most of the wealth is concentrated in the cities.

Although solid data are yet to be aggregated, informal indications are that the underlying economic base in Sub-Saharan Africa has weakened since the famine. Indeed, Sub-Saharan African countries will have to do a great deal just to stay in the same place they find themselves in today. At the current population growth rate of 3.2 percent a year, food supply for the region would have to double in less than 22 years and quadruple by the year 2025 just to maintain the current level of food availability and caloric supply.

Even the most optimistic forecasts anticipate a decline in per capita income for the region over the next 10 years. In addition, according to the World Bank, the region's debt burden prior to rescheduling will continue to grow, with most of its

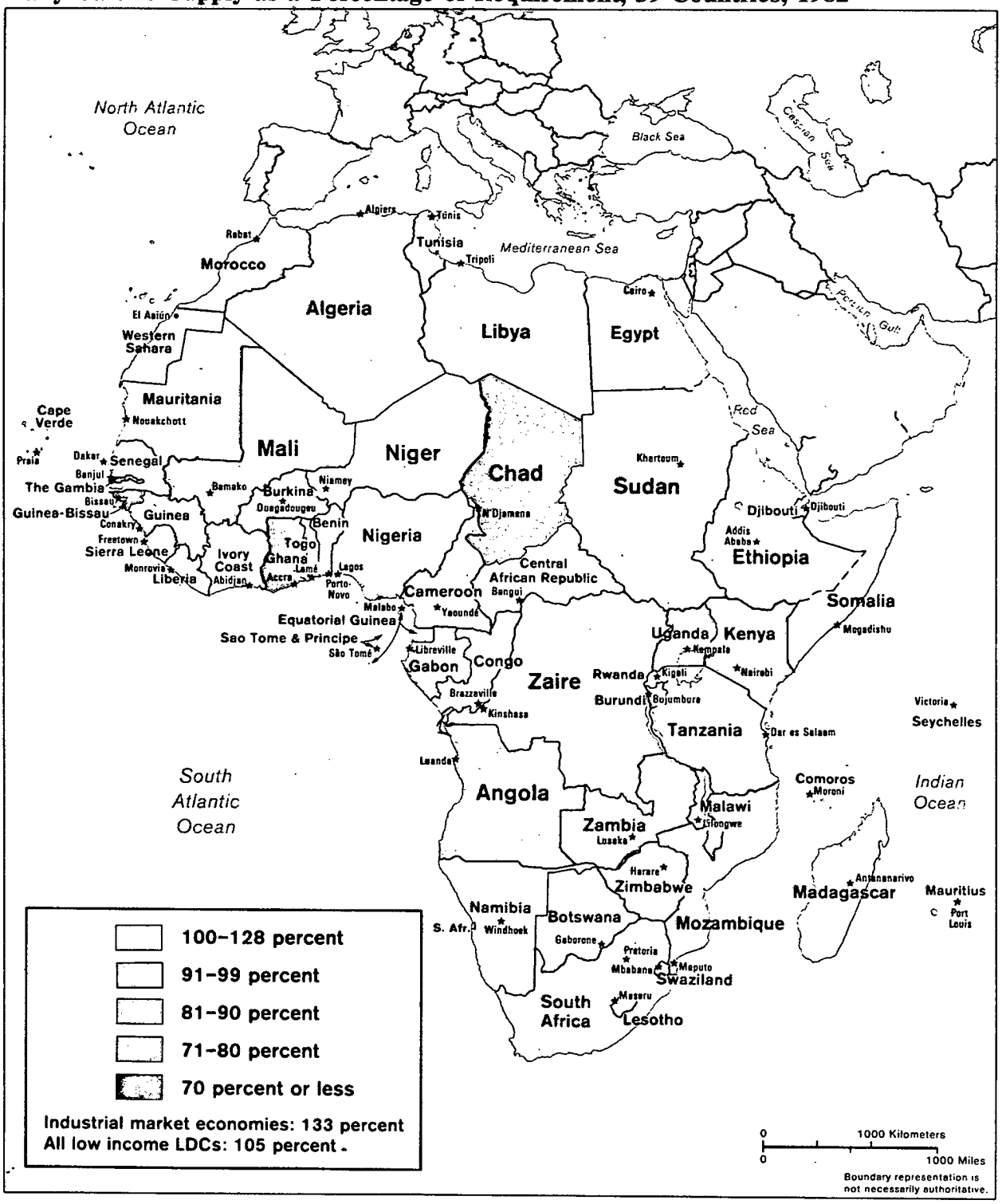
Food Production, Per Capita, 1972-83



a Asia excludes Japan and China

Source: UN Food and Agricultural Organization

Sub-Saharan Africa:
Daily Calorie Supply as a Percentage of Requirement, 39 Countries, 1982



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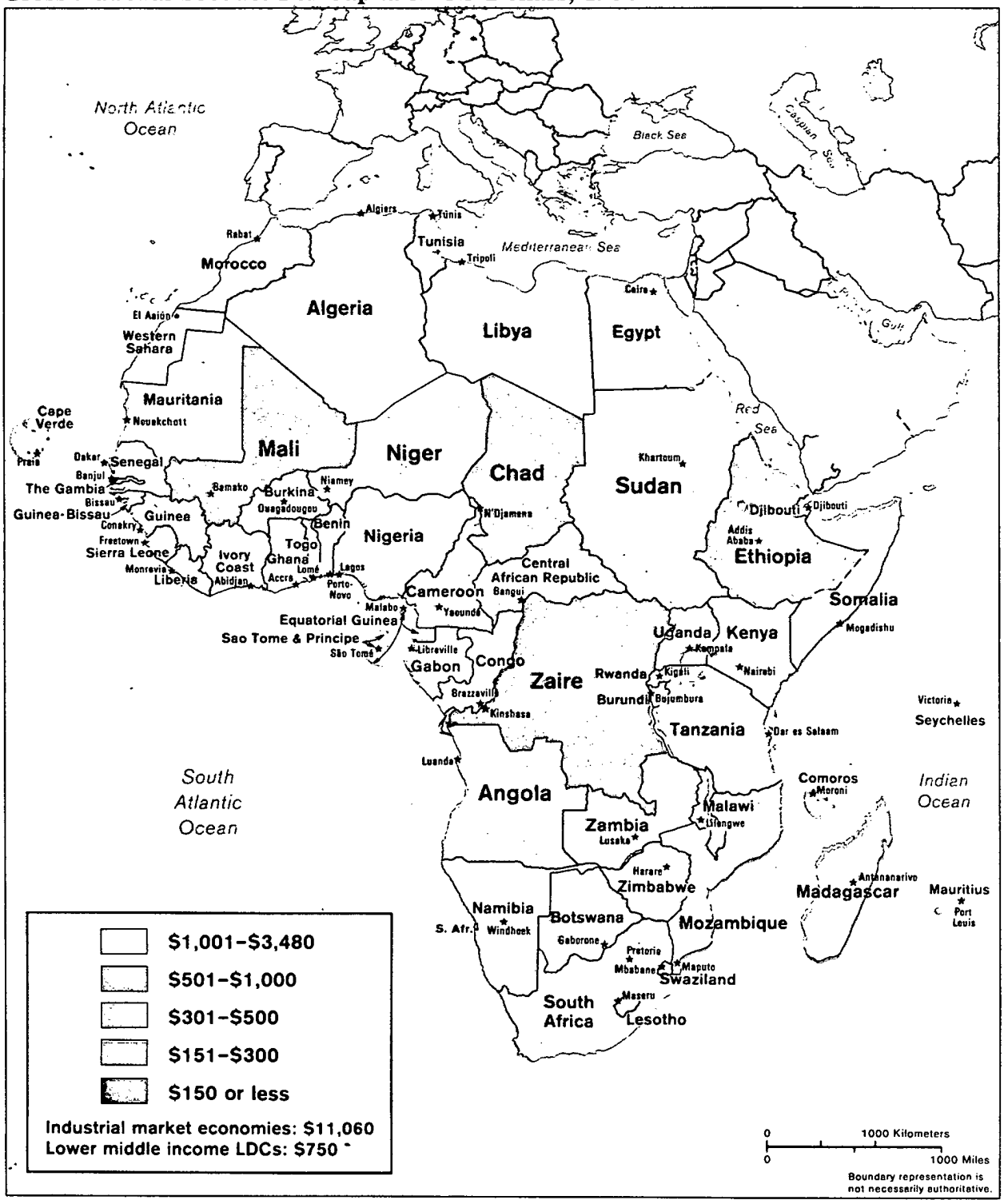
Sub-Saharan Africa:
Gross National Product Per Capita in US Dollars, 1984



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available financing dedicated to stabilizing current arrearages, not promoting growth.

Thus, while the average Sub-Saharan African today has a standard of living which is no better than experienced by his father a generation ago, his children will be worse off in the absence of dramatic change.

Finding 2.

Mere increases in donor assistance will not solve the problem. Blank checks and overly zealous food shipments are neither helpful nor acceptable.

Inadequately conditioned budget support and food aid result in subsidies which reduce the pressure for reform and escalate the need for additional foreign assistance. Thus, mere increases in donor assistance can cause more harm than good, if the effect is only to substitute for rather than to support reform. In fact, inadequately conditioned assistance can create totally dependent states with ever-weakening economies, increasing political instability, and increasing threats to our national security.

Finding 3.

To be effective, any strategy to end hunger in Sub-Saharan Africa must overcome the barriers to investment, growth and intra-regional trade.

The first barrier to economic growth is political. Upon independence, many Sub-Saharan African governments adopted centralist policies in a misguided attempt to gain control of their economies and to redistribute income. They set prices, subordinated economic considerations to ideology, and focused on placating urban populations at the expense of rural areas. This type of political barrier has only just begun to break down throughout Sub-Saharan Africa as governments have begun to adopt reforms based on free-market, private sector prescriptions.

Another political barrier to growth is instability. For many Sub-Saharan African governments, recent economic troubles are only the latest in a line of problems threatening weak governments struggling with the politics of multitribal states, internal dissidents or hostile neighbors, and young, growing, and restless populations. Over the last 20 years, a Sub-Saharan African government has been overthrown on the average of once every six months. Moreover, during this same period, only Mauritius has experienced a change of government through a democratic election. Today, six countries in the region are experiencing active insurgencies, and numerous others have residual dissident groups. In this climate,

the tendency of the typical Sub-Saharan African government is to resist any weakening of central control.

Policy reform implies major shifts in rewards and opportunities throughout an economy. It means new standards of accountability within the public sector. It brings an end to monopolies and the introduction of market disciplines of profit and capital formation. Rapid economic change, particularly if pursued under conditions of continued hardship, can threaten to upset existing political order.

Those countries willing to consider change in spite of the political risks confront very real financial barriers. Scarce foreign exchange is consumed by debt servicing. Paying for past mistakes leaves little to produce economic growth. Without rescheduling, debt service on existing obligations will consume some 40 percent of all export earnings through 1990 for the low-income Sub-Saharan African countries. For seven countries (Sudan, Somalia, Madagascar, Mali, Zambia, Tanzania, and Guinea-Bissau), the debt service burden without rescheduling will be greater than 50 percent of export earnings. Even some countries with a much lower debt service ratio have difficulty meeting their obligations. For both Zaire and Liberia (debt service ratios of 24.1 and 20.8 percent, respectively) servicing past debt consumes more than 50 percent of their national budgets. Proportionally, for these countries, this is a greater challenge than the one confronting either Brazil or Mexico.

The debt burden seems even greater when one realizes that the source of hard currency -- exports -- is a weak base. The simple fact is that Sub-Saharan Africa is heavily dependent on commodity exports to generate foreign exchange for debt servicing. Approximately 87 percent of its total export revenues are generated by commodities such as copper, gold, oil, coffee, and cotton. By comparison, the other low-income countries of the world are able to generate more than 50 percent of their export earnings from manufactured goods. Thus, the region has been especially vulnerable to developments in primary commodity markets. Continued weakness in these markets has translated into a prolonged decline in the overall volume of exports from the region. It has also meant an erosion of profitability in the export sector; average unit value for Sub-Saharan Africa has dropped 18 percent since 1980. Moreover, not only did world commodity markets weaken over the period 1973-1983, but Sub-Saharan Africa as a whole lost ground to other producing nations and regions in fully 19 of 25 major commodities.

Finding 4.

Increasingly, Sub-Saharan African countries are coming to the conclusion that policy reform is the sine qua non for finding new growth and the resiliency to repulse famine.

The desperateness of their economic condition has forced many Sub-Saharan African leaders to seek changes in their economic policies. The U.S., the World Bank, and the IMF have played a major role in this process of economic policy reevaluation both with an expanded analysis of the economic situation, increased dialogue with African policymakers, and a start at redesigning assistance programs. At the U.N. General Assembly Special Session on the Critical Economic Situation in Africa in May 1986, leaders in the region uniformly accepted responsibility for failed economic policies (many for the first time). They committed themselves to reforms designed to promote the growth of the productive private sectors of their economies, especially agricultural development.

These commitments were not made lightly. The price of economic reform can be high in political terms. Gambia, for example, has just begun to streamline its bloated bureaucracy -- by reducing its civil service by 24 percent. Thus, some of the best educated citizens have been dumped without pensions, unemployment insurance, or a private sector to provide jobs. In the U.S. this would equate to about 500,000 federal employees. Zaire, Somalia, and Zambia have taken similarly difficult actions to devalue currency, realign exchange rates, and ease internal price controls and regulations. Austerity measures in Zaire have been so stringent, that it has had negative growth for the last five years. While this report was being written, Zambians were rioting due to a 160 percent increase in the price of corn meal.

The fact that the Sub-Saharan African countries are willing to take such drastic steps is, in many ways, a recognition of what the Administration and the World Bank have been saying and doing for the past six years. The Administration has put into effect the Baker Plan, the African Economic Policy Reform Program, the Food for Progress Program, and, in general, has shifted resources to the better economic performers in Africa to spur reform efforts.

But now the Africans are calling our bet. They have said: we will listen; how serious are you about supporting our commitment to economic reform and growth through the private sector? Will the resources and the resolve to support us be there?

Finding 5.

Before any economic growth strategy can win the lasting commitment of African governments in the region, it must meet four tests:

1. It must sustain and reward performance, while penalizing the lack of it.

2. It must represent a truly long-term commitment from both the donors and Sub-Saharan Africans. It cannot be a short-term fad. It must be a mature development partnership.

3. It must allow the cooperating governments to get through their cash and political crises as austerity measures hit home.

4. Reform must proceed at a pace that, although meaningful, is not politically destabilizing.

Implicit in these four tests is a fifth: the bulk of the donors must speak as one. That is, they must conduct their programs to a common purpose in a common structure.

Finding 6.

The conduct of Western economic assistance to Sub-Saharan Africa cannot meet these tests today. It will not induce growth in the region.

The international system of providing aid to Sub-Saharan Africa has grown significantly since independence. However, this assistance is largely government-to-government aid with little common purpose and often feeble conditionality. By and large, it is not yet equipped to deal with the crisis confronting Sub-Saharan Africa today.

The U.S. program has expanded assistance to the private sector both directly and, most importantly, through pushing for liberalized economic policies that unfetter the private sector. However, there are still too many special interests and concerns reflected in the U.S. program. These markedly reduce our flexibility to respond fully to the rapidly evolving environment in Africa.

In too many cases, we still find support programs whose dominating concerns reflect the needs and capacity of the donor and creditor agencies, rather than the demands of the reform process. To cite only a few examples:

-- Food assistance programs have by and large tended to reflect donor needs and commercial interests with scant attention to their impact on recipient country reform and development programs. As a consequence, real agricultural incentives for production are undercut. In response to this evolving situation, the USG has cut its FY 1987 food aid program in Somalia in half and is looking to substitute commodities which do not compete with Somalia's

newly reinvigorated agricultural sector. Other food donors have been less responsive.

-- Debt management policies have remained focused almost exclusively on short term financial crises, to the exclusion of any consideration of longer term solutions for creditor nations. The unfortunate truth is that for most debtor countries, debt reschedulings remain the only debt management tool, even in cases where it is plain that countries will never be able to retire their debt. Zaire's debt, for instance, has increased substantially, almost entirely as a result of regular repeated reschedulings. For Zambia, Sudan and Somalia, the problem is much the same.

-- Bilateral programs have at times been poorly focused, dominated by short term political considerations, and/or offered on terms and in forms inappropriate to the adjustment efforts underway in these Sub-Saharan African countries. In Sudan and Liberia, for instance, U.S. assistance was offered in support of clearly insubstantial adjustment programs. Similarly, Italian and European Community aid to Ethiopia has tended to substitute for, rather than to support, reform. But, largely with U.S. and World Bank leadership, there are also a growing number of programs, such as in Zambia and Malawi, which have been focused clearly and directly on adjustment and growth efforts.

-- Multilateral institutions have had difficulty in dealing with Sub-Saharan Africa's circumstances. Africa's combination of macroeconomic and structural difficulties cuts across institutional responsibilities. Close collaboration among international financial institutions has, in many cases, just begun in an effective way. Enhanced collaboration is needed if the financial system is not to become a drain on resources in Sub-Saharan Africa, especially in countries such as Sudan, Liberia, Zambia, Zaire, and Ghana.

In other cases, institutional rigidities have blocked effective action. Inflexible budgetary processes, for instance, have often left us and other donors locked into bilateral aid commitments and programs whose justification has been lost or, more often, overtaken by higher priority needs. Functional accounts within the development assistance budget, for instance, are a product of the "basic human needs" strategy of the 1970s. Unfortunately, such a structure is completely inappropriate for the 1980s, undercutting our capacity to deliver timely and appropriate assistance to countries undertaking major policy reforms, even in cases where those reforms are geared to redressing policy abuses which have punished the poor.

Finally, aid coordination has remained a problem. Too often, bilateral and multilateral programs have run at cross purposes. The U.S. has been less guilty of this than other donors. In fact, we have done more over the past five years to promote donor coordination than any other donor. Nevertheless, even in our own programs, incidents have occurred where coordination has broken down. For instance, attempts to privatize food marketing in Kenya failed in part because of poor coordination between the United States, the World Bank, and the IMF. Similarly, in Somalia, efforts to develop an efficient and effective public investment program were frustrated by Italian refusals to adapt their aid programs to the overall context defined by the World Bank.

The consequence of these factors -- inefficient programs, inflexible institutional arrangements, and poor aid coordination -- has been to leave us crippled when facing the multitude of problems in Sub-Saharan Africa today.

Finding 7.

The U.S. bilateral economic policies and programs for Sub-Saharan Africa as currently structured cannot meet your goal, nor induce the necessary changes from other donors in the absence of a commitment to coherent economic principles and more effective delivery of economic assistance.

Over the last six years, this Administration has made great strides in increasing the effectiveness of economic assistance. It has more and more become an investment for growth and not a subsidy of the status quo, especially in Africa. This has built the base which makes a new initiative possible.

In spite of the progress of the last few years, U.S. economic policies and programs, like those of other donors, are still focused on a multiplicity of purposes. Beginning in 1973, U.S. assistance was dominated by a Congressional philosophy of "basic human needs." Yet, when the need was so great, it was too easy to focus only on easing the suffering of the moment. With each need and new fad, another special interest group was formed and yet another program was developed. Many now operate inefficiently with limited coordination between programs or to the national economy. The result has been to limit flexibility in setting or reaching a goal of ending hunger based upon economic growth.

Ironically, the system created in the name of human needs has become self-serving. It is not now responsive to the needs of the Sub-Saharan African people. For the past 15 years, approximately 90 percent of all U.S. assistance to the region went to governments. While this percentage has begun to decline

somewhat in recent years, much more needs to be accomplished to enhance the environment for a stronger private sector.

Finding 8.

Your goal of ending hunger is ambitious but essential.

The Task Force believes that a bold and concerted international effort is needed if we are to have a prospect of ending hunger in Sub-Saharan Africa by the end of this century through economic growth and the development of private enterprise. Ending hunger in this context means an economy sufficiently strong that it can meet the food needs of its citizens through local food production and, as necessary, commercial purchases of food on the world market. An economy which meets this test need never fear a famine.

Qualifications, however, are necessary. Vanquishing the specter of famine in Sub-Saharan Africa will require that:

-- governments in the region actively promote the private sector, ease their control of the economy, and sustain their recent efforts at economic reform;

-- major donors, led by the U.S., place economic growth as their first priority, and focus their efforts toward that end; and

-- we recognize that the fight to end hunger will not be won in every case but, rather, in the overall context of what can be achieved on a regional basis. The condition of individual countries will continue to vary widely with some progressing more rapidly than others.

A Program for Implementing Your Policy Goal

In crafting a comprehensive program to implement your policy goal, the Task Force concluded that only a special effort for Sub-Saharan Africa could capitalize on the opportunity now present and overcome the barriers to growth. The heart of the special effort would be to erect a policy and budget fence around Sub-Saharan Africa for all U.S. assistance programs and activities. Outside the fence, this region would compete on the basis of strategic and budgetary considerations with all claimants. Inside the fence, however, economic growth geared to the elimination of hunger would be the priority and the standard by which all U.S. actions are judged.

The specific proposals discussed below are presented in that context. They are intended to create a special policy for

Sub-Saharan Africa without affecting our policies and programs for any other region of the world. Each of the proposals is designed to contribute to at least one of the four program characteristics we believe necessary to achieve your goal:

1. All U.S. economic policies and programs for Sub-Saharan Africa should be consistent with your goal.

2. The policy, budget, and program structure available to the U.S. for each Sub-Saharan African country should be tailored to the exact needs of that country to optimize achievement of the goal.

3. The level and form of U.S. policies and programs should be directly related to the degree of active policy cooperation from the Sub-Saharan African countries.

4. The U.S. should "speak with one voice" in its dealing with the multilateral organizations, with Sub-Saharan African governments and with other donors on economic issues for the region.

Consistent with these characteristics, the Task Force has developed a comprehensive program designed to have the maximum impact on the other donors and African countries in the region. This program envisions a refocusing of objectives to ensure more effective use of existing resources to reach your goal; it also proposes forthright actions and solutions. It will, however, require recognition that there is a projected continuing resource gap that must be narrowed either through increased exports, debt relief, enhanced aid and investment, or some combination of those factors if we are to achieve growth for the entire region. None of these areas presents easy choices.

A PROGRAM FOR ENDING HUNGER IN SUB-SAHARAN AFRICA

Action 1.

Negotiate through the IMF/IBRD policy process long-term compacts with each Sub-Saharan African country that establishes long-term structural adjustment and reform programs.

These compacts would have a uniform and consistent goal for all donors and recipients: ending hunger in Sub-Saharan Africa by the end of the century through economic growth and private sector development. Essentially, these compacts or agreements would emphasize longer-term cooperation tied to progress toward achieving economic reforms; non-project lending and assistance where possible; reduction of tied aid

requirements among the donors; support for the indigenous private sector (including privatization of government managed corporations and central planning boards); and an explicit understanding that we are not offering to cover expanded public investment programs or to fill all gaps and shortfalls. Moreover, donors would agree to provide technical advice in areas of capital markets and flight, trade promotion, and domestic resource mobilization.

Since Secretary Baker proposed the IMF/IBRD policy framework in Seoul, significant progress has been made toward developing compacts where all donors agree with interested Sub-Saharan African governments on an overarching macroeconomic structural adjustment framework, coordinated through the Bank and Fund, the UNDP, or other appropriate mechanisms, to establish country targets for growth and economic reform. It is important to strengthen this process. Policy Framework Papers and Public Investment Programs would be based on these general agreements, and would provide the operational building blocks for donor cooperation with Sub-Saharan African nations. Existing donor project portfolios would be adjusted to support agreed country strategies. The final report of the United Nations General Assembly special session sets forth such a long-term framework for the African continent as a whole. This effort is remarkably consistent with our vision of where Sub-Saharan Africa development should go at the country level. In this regard, it is encouraging to note that Kenya has already developed a 15-year development framework. Finally, donors must be willing to cut back aid when recipient countries do not meet objectives in these compacts.

Action 2.

Create a separate budgeting account for Sub-Saharan Africa in order to better focus U.S. assistance programs on economic policy reform and private sector development.

As proposed in the 1988 budget, a special Development Fund for Sub-Saharan Africa should be created. It will combine development assistance and growth-related economic support funds under the management responsibility of the Administrator of the Agency for International Development.

Legislation creating this Fund would also eliminate the current functional account breakdowns. This action will provide the flexibility necessary to continue to reward progress in countries which have already embarked upon incentive economic reform programs at considerable political risk, as well as expand these incentives to other countries

willing to undertake such market-oriented prescriptions and approaches. This consolidation will also facilitate the shifting of resources from project-specific assistance to program funding. In addition, it would permit the carry-over of obligational authority from fiscal year to fiscal year. (Legislation would be required.)

Finally, the Administration would present to Congress a single statement that would outline strategies to meet your goal in Sub-Saharan Africa. (Coordination of this report is discussed in Action 7.)

Action 3.

Strengthen multilateral arrangements to address Sub-Saharan Africa's crushing debt burden.

The U.S. should lead an international effort to encourage donors to increase the funds directly associated with the International Monetary Fund's Structural Adjustment Facility (SAF) for the 1986-91 period. Innovative approaches should be actively pursued, including seeking greater contributions from such countries as Japan, Italy, and the Federal Republic of Germany. Additional funds would be used by the IMF and eligible countries to replace the current high-cost, short-term exposure of the IMF in Sub-Saharan Africa. In addition, we should urge that creditor nations of the Paris Club permit the rescheduling of official debt for the region on the basis of IMF Structural Adjustment Facility programs where appropriate.

The United States should also continue to encourage a longer-term, growth-oriented focus on the part of both the International Monetary Fund and the World Bank in the preparation of Policy Framework Papers for African countries. Moreover, we should work with both the IMF and the World Bank to strengthen formal training programs for upgrading debt management capabilities. Such programs should include the provision of technical assistance to develop better accounting and data systems, as well as advice on loan structure, currency exposure, and possible fund raising techniques.

Finally, the Secretary of the Treasury should actively seek solutions to the growing problem of IMF arrearages in Sub-Saharan Africa that will not exclude reform-minded countries in arrears from the international financial system, threaten the financial integrity of the IMF, or compromise funding for growth in Sub-Saharan Africa. All sound solutions to this problem should be explored.

Action 4.

Increase U.S. bilateral efforts to ease Sub-Saharan Africa's debt burden.

U.S. creditor agencies should, within their legislative mandates, seek to reschedule their non-concessional debt at rates no higher than current cost of funds plus administrative costs. The Secretaries of State and Treasury should also explore other ways to alleviate the African debt burden, including possible amendments to the Foreign Assistance Act where appropriate. The U.S. should also encourage the development of secondary markets for Sub-Saharan African debt, with OPIC support as appropriate.

Action 5.

Align U.S. food assistance programs in accordance with your goal.

Food assistance activities for countries with per capita income below $550 per year should be converted to grants for those recipients willing to undertake appropriate economic reform within the framework of a long-term compact. The United States should pay for ocean transportation of food commodities for these same countries to the port of entry where a clear inability to pay exists. The new Coordinating Committee for Sub-Saharan Africa (proposed in Action 7) shall advise appropriate agencies on the selling of grant-financed food aid in local markets. Food commitments should be made on a multi-year basis for countries undertaking economic reform. Appropriate food barter programs such as triangular transactions should be encouraged. U.S. food assistance activities should take place in the context of country-specific development strategies, which would orient individual country programs to the goal of ending hunger in Sub-Saharan Africa. In this regard, the Coordinating Committee should also consider food aid programs which incorporate incentives for food aid recipients to work on community or individual programs, as well as those which generate local currency for use in development or credit to the private sector. (Legislation would be required.)

Action 6.

Promote continued and improved access to world markets for exports from low-income Sub-Saharan Africa to reward good performance.

In anticipation of increased exports from the region as economic policy reform takes hold, the U.S. should work with

other donors to ensure that markets remain open, and that protectionist pressures are not allowed to stymie the process of economic development. In addition, the United States should encourage countries in the region to fully exploit current opportunities under the Generalized System of Preferences. Moreover, the United States should highlight to the U.S. private sector those African countries which provide adequate investor protection. OPIC insurance and financing programs, including the proposed Africa Growth Fund, should be used to support direct investment in Sub-Saharan Africa for those countries which comply with U.S. investment policy principles.

Action 7.

The interagency administrative structure should be strengthened to ensure that all U.S. assistance programs and policies for the region are consistent with your goal, each country has a comprehensive program tailored to its specific needs, the U.S. Government is united in its dealings with other donors and potential recipients, and the overall level of aid we offer is related to a country's continued performance or willingness to undertake additional economic reform.

A formal, high-level coordinating committee should be established within the Executive Branch and be responsible for implemention of your program for the region. Although statutory authorities of agencies would remain unchanged, a strong coordination and monitoring mechanism within the Executive Branch created by Executive order wil assure compliance with your goal over the 13-year implementation period. This new Coordinating Committee for Sub-Saharan Africa should be under the policy direction of the Secretaries of State and Treasury. Senior officials of the Agency for International Development and the Department of the Treasury should serve as Chairman and Co-Chairman, respectively. The Secretaries of State and Treasury should make a joint status report to you annually. This report would highlight progress being made in the region, as well as affirm whether all U.S. economic programs and policies conform with and support the goal of ending hunger in Sub-Saharan Africa through economic growth and private enterprise development. (An Executive Order would be required to assure continuity.)

In addition, any budget proposal designed to have a positive impact on achieving your goal will require much closer coordination among the various agencies in their Congressional presentations. Accordingly, a new committee should coordinate preparation annually of a unified justification for transmittal to the U.S. Congress (as discussed briefly in Action 2). This justification would encompass all Administration activities, strategies, and policies for the region.

Action 8.

Mobilize the U.S. private sector to complement African and donor efforts.

Private voluntary efforts and private business have contributed substantially to humanitarian relief and economic growth in Africa. This private involvement should be encouraged to expand to help meet your goal for Africa. The new Coordinating Committee on Sub-Saharan Africa should be tasked to mobilize expanded humanitarian and business involvement in Africa, both U.S. and international, through an outreach effort with appropriate Federal agencies. The Committee should seek ways to expand U.S. business involvement by targeting trade and investment missions, pre-feasibility and feasibility studies, sector and regional analyses, access to credit, and information on trade and investment opportunities on countries undertaking economic reforms. These programs should be coordinated through the Department of Commerce, the Agency for International Development, the Overseas Private Investment Corporation, the U.S. Trade and Development Program, and the Export-Import Bank.

ASSESSMENT OF THE PROGRAM

The Task Force believes that this program represents the best opportunity to assist countries in Sub-Saharan Africa to end hunger by the end of this century. It is a framework which will offer the greatest inducement to both the countries in the region and the other donors to promote economic growth. Even with optimal implementation of this program, hunger may not be eliminated in every country. Nevertheless, the past performance of several countries attests to the possibility of sustainable economic growth in Sub-Saharan Africa when the economic environment is conducive to such growth. Botswana's economic growth has exceeded 10 percent per year since 1963; growth in Rwanda and Swaziland has exceeded 5 percent per year. Even countries with the most statist traditions have recently demonstrated that liberalization of their economies can have a strong and positive economic impact. Zambia's agricultural production has grown by almost 30 percent in three years after a decade of decline and industry grew by 9 percent last year. The prospect of widescale famine certainly can be eliminated.

The Task Force's implementation plan will position the U.S. to provide effective leadership for the donor community to focus economic policies and programs to more effectively support structural adjustment and economic growth in Africa. The program will provide greater flexibility in the application of resources committed to Africa while providing consistent

criteria: reform, private sector development and economic growth. This is essential to stimulate broad-based growth, without which hunger cannot be overcome. At the same time, focusing our assistance efforts on those countries that are effectively helping themselves will have important demonstration effects in Africa, and here in Washington in the competition for scarce budgetary resources.

Finally, the program is predicated on a long term goal, which can be met only with a consistent commitment of resources. The separate account will help shield Sub-Saharan Africa from the effects of budget cuts imposed by Congress as long as economic growth in Sub-Saharan Africa remains a high priority. Currently, the bulk of funding comes from development assistance funds reserved for low-income countries. Therefore, this treatment does not distort aid funding in support of other U.S. foreign policy objectives.