

Development Assistance to Improve Demographic Trends, Employment, and Political Stability

Poverty, overpopulation, and a lack of hope for the future are serious problems in much of the developing world. They can leave populations vulnerable to catastrophe in the event of drought, flood, or other natural disasters. They can also contribute to a societal tension that, though not necessarily representing a direct threat to the United States or its citizens, can erupt into extreme civil conflict that may move Americans to consider intervention. These conditions may provide breeding grounds for extremist movements, as are evident today in the Middle East. Certain types of aid--notably, those that the Administration describes as promoting sustainable development and providing humanitarian relief--might mitigate some of the raw materials for radicalism and politically motivated violence.

Foreign aid already addresses such needs extensively and has contributed to important historical successes in places such as South Korea, Taiwan, Thailand, and India.¹ But a number of studies suggest that by expanding certain current programs, it could accomplish considerably more. With aid, donor nations can also play constructive roles as allies to domestic political forces favoring sound economic policies in developing countries.² New initiatives might include the following projects and programmatic activities:

- o Limit population growth through family planning;
- o Improve child and maternal health;
- o Provide more general access to quality education, including improved access to education for girls and women;
- o Address acute concerns for the general population, including war injuries, refugee needs, and disaster relief;
- o Promote efficient agriculture that conserves soils and is therefore sustainable; and
- o Provide debt relief for poor countries that otherwise might be too fiscally strapped to pursue the above goals effectively.

Such a targeted approach to a new aid initiative is consistent with the situations of the developing countries today--not all are in need of new help from abroad (see Box 3). A targeted set of aid initiatives is also consistent with the commonly accepted need to refocus the Foreign Assistance Act and improve the management and functioning of the U.S. Agency for International Development.³

Although extensive, the agenda laid out above does not extend to many other goals that, though potentially important, may have less direct relevance to U.S. security as traditionally defined. It excludes debt forgiveness for large middle-income countries,

3. For a description of some of the troubles afflicting certain parts of the aid bureaucracy, see *Report of the Task Force on Foreign Assistance to the Committee on Foreign Affairs, U.S. House of Representatives*, House Document 101-32 (February 1989).

1. See John P. Lewis, *Pro-Poor Aid Conditionality* (Washington, D.C.: Overseas Development Council, 1993), pp. 9-12; World Bank, *World Development Report 1991: The Challenge of Development* (New York: Oxford University Press, 1991), p. 48.

2. Jeffrey Herbst, *U.S. Economic Policy Toward Africa* (New York: Council on Foreign Relations, 1992), pp. 60-62; Robert S. McNamara, *The Post-Cold War World and Its Implications for Military Expenditures in the Developing Countries* (Washington, D.C.: World Bank, 1991), p. 23.

initiatives for higher education, large infrastructure projects, and major efforts to combat global warming or address localized water and air pollution.

The ideas that follow are illustrative, and the budgetary details are rough. Even when workable programs and projects are identified, ways in which they could be expanded--as well as the proper pace for doing so--vary. For such reasons, some of the estimates of increased aid in this chapter are prob-

ably best viewed as upper bounds on what could be usefully employed.

Many countries are likely to have ample use for assistance for at least a decade. Thus, all annual programs envisioned here are assumed to continue for at least the 10-year time frame of the study, and in most cases probably longer. Any one-time costs are annualized over a 10-year period, partly because it is not known when they would be incurred.

Box 3. The "Third World"

For several reasons, it makes little sense to think of all developing countries collectively. Indeed, the expression "Third World," originally coined to denote a geopolitical reality rather than an economic one, probably should be dropped for most usages. Although most of the world's countries still can be thought of as "developing," in comparison with the Western industrial economies, they differ considerably in their typical levels of economic well-being. To the extent that any groupings are meaningful, it is probably more helpful to think in terms of four categories:

- o The very poor countries, including most of Sub-Saharan Africa and some countries in Central America and the Caribbean, which have typical per capita incomes of \$100 to \$1,000. Together, they include slightly over 10 percent of the world's population but generate less than 1 percent of global gross domestic product (GDP). Typically, they rely heavily on foreign aid.
- o The poor countries of Central and South Asia and the Middle East, which have per capita incomes generally around \$350 to \$1,000 or slightly more a year. Together, they represent nearly half of the world's population and 5 percent of its GDP. In some cases, notably India and China, countries in this category may seem little better off than those in the first category. But they appear significantly richer when evaluated by the so-called purchasing-power parity measure, a better indicator of local buying power.

- o The former command economies of the Warsaw Pact--where economies are quite unstable but per capita incomes tend to fall in the \$1,000 to \$4,000 range. Together, they represent about 7 percent of the world's population and are responsible for almost 5 percent of its GDP.
- o The reasonably prosperous countries of East Asia and South America, where per capita incomes tend to range from \$1,000 to about \$10,000. Together, they constitute over 15 percent of global population and produce about 10 percent of GDP.

Over 75 percent of global GDP accrues to the 15 percent of the world's population found in the wealthy countries of North America and Western Europe, as well as in Japan, Australia, and New Zealand.

Some of these generalizations break down in specific instances--for example, oil-producing states in the Middle East, Africa, and Latin America can be considerably better off than their immediate neighbors. A few countries in the East Asia and South America category, such as Singapore, Taiwan, and South Korea, are now considered newly industrialized countries rather than developing countries. More important yet, measures of per capita GDP obscure vast disparities in income within many countries. But categories such as these probably represent more meaningful ways to think of developing countries than what is implied by a single designation such as the Third World.

Today's Budget

By the definitions used in this study, the United States is providing about \$6.8 billion in budget authority in 1994 aimed at promoting development (see Table 13).

Unlike the security assistance budget, which has only a few key elements and several chief foreign beneficiaries, the U.S. budget for overseas development is fairly complex. In the realm of aid to multilateral organizations, two main elements total more than \$2.5 billion in 1993: \$1.2 billion to the United Nations and other international organizations for

Table 13.
U.S. Funding for Development Assistance, 1994
(In billions of dollars of budget authority)

	Funding
Bilateral Project Aid	2.5
P.L. 480 Food Aid ^a	1.4
Refugee Support	0.7
Peace Corps	0.2
Drug War	0.1
Multilateral Banks (IBRD, IDA, other)	1.4
United Nations, Nonsecurity; Other International Organizations	1.2
Receipts and Other	<u>-0.8</u>
Total	6.8

SOURCE: Congressional Budget Office.

NOTE: P.L. = Public Law; IBRD = International Bank for Reconstruction and Development, more commonly known as the World Bank; IDA = International Development Association.

a. Excludes agricultural credits to the former Soviet Union that are included under security-related assistance (see Table 3).

general functions and development activities; and about \$1.4 billion to multilateral development banks, particularly the International Development Association, which focuses on the poorest countries. In addition, U.S. aid for refugees, totaling about \$700 million in 1994, flows partly through the U.N. High Commissioner for Refugees.

Remaining funds mainly support programs of bilateral aid run by the United States and intended to assist specific countries. The Agency for International Development receives about \$2.5 billion for its full panoply of programs relating to health, agriculture, infrastructure, education, energy, and other matters, excluding those in the former Eastern Bloc. About \$1.4 billion is spent on the various titles of the P.L. 480 food program (excluding aid for the former Soviet republics). The remaining funds are slated for the Peace Corps (\$200 million), bilateral aid to help specific countries combat narcotics producers and traffickers (\$100 million), and other small programs, partly balanced out by receipts from old loans.

Foreign donors generally contribute a substantial fraction of funding for development programs, and host governments pay the rest. The United States provides on average about 20 percent of total donor funds to various development programs (see Box 4). This figure is somewhat less than the 25 percent rate at which Washington pays the United Nations for so-called mandatory assessments, based on the U.S. share of the global economy.⁴ This study assumes that the United States would pay 25 percent of the additional donor costs associated with any new aid initiatives of the type discussed in this chapter.

Family Planning

Population continues to grow rapidly and alarmingly in many parts of the developing world--particularly in much of South Asia, the Middle East, Sub-Saha-

4. World Bank, *World Development Report 1993: Investing in Health* (New York: Oxford University Press, 1993), p. 243; International Monetary Fund, *World Economic Outlook: October 1993* (Washington, D.C.: IMF, 1993), p. 124.

Box 4. The Donor and Recipient Communities

The international aid community is multifaceted and can be confusing. The many different arms of foreign aid include a number of official multilateral organizations, beginning with the World Bank; its affiliated International Development Association for the poorest countries; the Asian, African, and Inter-American Development Banks; and the International Monetary Fund--which plays an important, albeit indirect, role in the development process. Multilateral groups involved more at the project level include the United Nations Development Programme, the United Nations Children's Fund (UNICEF), the United Nations Environment Programme, the World Health Organization, the United Nations Educational, Scientific, and Cultural Organization (UNESCO), and the United Nations Food and Agricultural Organization.

A wide array of private voluntary organizations are involved in development, such as CARE, Catholic Relief Services, Save the Children, Oxfam, and many others. On top of these come various national organizations. Examples in the United States include the Agency for International Development, the Peace Corps, and departments within the Centers for Disease Control and Prevention, the Department of Energy, and the National Science Foundation.

Generally, donors have a choice: they can channel funding through bilateral organizations, private voluntary organizations, or multilateral organizations such as the development banks and the International Development Association. Today, more than three-quarters of the roughly \$55 billion in annual official development assistance from the Organization for Economic Cooperation and Development (OECD) is given bilaterally, and the remaining one-quarter is

dispensed multilaterally through United Nations organizations or development banks.

Who are the major donors? By the definition of development assistance used by the OECD, the United States and Japan provided the most dollars in 1991. (As shown in Table 2 on page 8, of the OECD member countries, Denmark, the Netherlands, Norway, and Sweden give the highest shares of their national product.) The United States provided about \$11 billion, or some 20 percent of the global total, and Japan provided 17 percent. France gave 13 percent of the total, Germany 12 percent, Italy 6 percent, the United Kingdom 5 percent, and Canada, the Netherlands, and Sweden 4 percent each. A number of other countries--Australia, Denmark, Norway, Finland, Spain, Austria, Belgium, and Switzerland provided about 1 percent to 2 percent each. Countries outside the OECD, most notably Saudi Arabia, provided some \$5 billion of additional funds.

Where are the major recipients found? Out of the roughly \$55 billion given by OECD countries to developing countries in 1991, the Sub-Saharan Africa region received the most funds--some \$19 billion. About \$13 billion went to the small and medium-sized countries of Asia, about \$10 billion to the Middle East and North Africa, \$7 billion to the Western Hemisphere, and a total of \$5 billion to India and China.¹

1. Alexander R. Love, Chairman, Development Assistance Committee, *Development Cooperation* (Paris: Organization for Economic Cooperation and Development, 1992), pp. 112-115, A-8, A-23, and A-24.

ran Africa, and Central America. When economies are anemic, high rates of population growth can turn slight growth in gross domestic product to zero or even negative growth in per capita income. When environmental and resource bases are eroded by overfarming and overgrazing, growing populations may face massive disaster in the future. The World Bank put it concisely in its annual development report for 1992:

Rapid population growth can exacerbate the mutually reinforcing effects of poverty and environmental damage. The poor are both victims and agents of environmental damage. Because they lack resources and technology, land-hungry farmers resort to cultivating erosion-prone hillsides and moving into tropical forest areas where crop yields on cleared fields usually drop sharply after

just a few years. Poor families often have to meet urgent short-term needs, prompting them to "mine" natural capital through, for example, excessive cutting of trees for firewood and failure to replace soil nutrients.⁵

With growing populations still very common around the world, there is a danger that famine will worsen in the next century. These concerns are serious: even though the global population growth rate has declined to 1.7 percent a year from its peak of 2.1 percent in the late 1960s, the absolute level of population increase remains at a historic high. Today's 5.5 billion people on the Earth could more than double in number by the mid-21st century.⁶ Because most arable land is already being farmed, moreover, substantially higher yields will be necessary to provide adequate food for all people—even if global population is kept near the lower end of the range of plausible projections.

But what, if anything, can be done that is not already being attempted? Fertility rates are still in excess of six children per woman in Africa, and more than four on the Indian subcontinent (see Table 14). Might women with such high birthrates be responding as much to economic incentives as to the absence of convenient and affordable contraceptives or knowledge about viable family planning practices? In situations that characterize many of the poorest parts of the developing world today—where child survival rates remain low, social welfare nets absent, subsistence agriculture prevalent, and other educational and employment opportunities largely lacking—parents may rationally choose to have larger families as a response to economic incentives. Empirical data also cast doubt on the belief that the availability of contraceptives can be a panacea for rapid population growth. The simple

fact of the matter is that, in many cases, people have large families because they want to.

Thus, one can question the enthusiasm with which scarce financial and human resources should be aimed at expanding access to family planning services. It might be more prudent, at least in some countries, to work on changing people's basic incentives to have large families. In this regard, improving agricultural extension services or child health care or educational opportunities may yield as good results for the dollar.

But the fact remains that 320 million couples in the developing world still do not have access to modern birth control.⁷ Moreover, virtually all analyses from the World Bank and elsewhere suggest that a greater availability of birth control would have at least some effect on fertility rates. As a recent World Bank document reviewing 49 studies of the link between contraceptive availability and changes in fertility rates put it:

Conclusions vary about whether people use contraceptives more when they are more accessible—partly because of differences in case studies and partly because of differences in methodologies and measures of access. Generally analysts conclude that access is important, which is important for policy, since increasing access to contraception is the most direct intervention available for increasing the use of contraceptives.⁸

Expanding family planning efforts may also provide indirect benefits. Greater use of condoms can reduce transmission of acquired immune deficiency syndrome (AIDS), which is especially important in Africa where AIDS is decimating some populations.

5. World Bank, *World Development Report 1992: Development and the Environment* (New York: Oxford University Press, 1992), p. 7.

6. World Bank, *World Development Report 1992*, p. 7; John W. Sewell and Peter M. Storm, *Challenges and Priorities in the 1990s: An Alternative U.S. International Affairs Budget, FY 1993* (Washington, D.C.: Overseas Development Council, 1992), p. 20; Sharon L. Camp, "Slowing Population Growth," in Sewell and Storm, *Challenges and Priorities in the 1990s*, p. 48; United Nations Population Fund, *The State of World Population 1990* (New York: UNFPA, 1990), pp. 1-2.

7. Camp, "Slowing Population Growth," p. 50; Shanti R. Conly, J. Joseph Speidel, and Sharon L. Camp, *U.S. Population Assistance: Issues for the 1990s* (Washington, D.C.: Population Crisis Committee, 1991), pp. 4, 34-37.

8. Susan Cochrane and Laura Gibney, "Does Better Access to Contraceptives Increase their Use?" Working Paper Series 728 (World Bank, July 1991).

Illustrating Possible Costs

The United States may decide that its security and other interests would be well served by increasing development assistance aimed at holding down pop-

ulation growth through the expansion of family planning efforts. Illustrating the magnitude of added resources that might be devoted to the problem is fairly straightforward if one uses a supply-oriented analysis. One realistic goal may be to

Table 14.
Population Indicators for Selected Countries

	Population in 1992 (Millions)	Infant Mortality per 1,000	Fertility Rate	Percentage of Adult Literacy in 1990		Percentage of Population Using Family Planning
				Male	Female	
Algeria	26.3	61	4.9	70	46	36
Bangladesh	119.3	108	4.7	47	22	40
Brazil	154.1	57	2.7	83	80	66
Cameroon	12.2	63	5.7	66	43	16
China	1,188.0	27	2.2	84	62	72
Costa Rica	3.2	14	3.1	93	93	70
Cuba	10.8	14	1.9	95	93	70
Egypt	54.8	57	4.1	63	34	48
Ethiopia	53.0	122	7.0	n.a.	n.a.	4
Ghana	16.0	81	6.0	70	51	13
Guatemala	9.7	49	5.4	63	47	23
India	879.5	88	3.9	62	34	43
Indonesia	191.2	65	3.1	84	62	50
Iran	61.6	40	6.0	65	43	n.a.
Japan	124.5	5	1.7	n.a.	n.a.	58
Kenya	25.2	66	6.3	80	59	27
Mali	9.8	159	7.1	41	24	5
Mexico	88.2	35	3.2	90	85	53
Nicaragua	4.0	52	5.0	n.a.	n.a.	27
Nigeria	115.7	96	6.4	62	40	6
Pakistan	124.8	98	6.2	47	21	12
Philippines	65.2	40	3.9	90	90	36
Saudi Arabia	15.9	31	6.4	73	48	n.a.
Somalia	9.2	122	7.0	36	14	n.a.
Sudan	26.7	99	6.0	43	12	9
Syria	13.3	39	6.1	78	51	20
Tanzania	27.8	102	6.8	93	88	10
Thailand	56.1	26	2.2	96	90	66
Turkey	58.4	56	3.5	90	71	63
United States	255.2	8	2.1	n.a.	n.a.	74
Vietnam	69.5	36	3.9	92	84	53

SOURCE: Congressional Budget Office using data from United Nations Population Fund, "The State of World Population 1993" (New York: UNFPA, 1993), pp. 48-53.

NOTE: n.a. = UNFPA data not available.

Table 15.
**U.S. Costs of Illustrative Aid Initiative for Health,
 Basic Human Needs, and Family Planning**
 (In millions of 1994 dollars)

Category of Aid	Average Annual Increases
Family Planning	500 to 600
Child and Maternal Health	1,400
Education	200 to 500
Refugee Support	300
Agriculture	2,000
Bilateral Debt Relief	250 to 450
Commercial Debt Buyback	100 to 200
Multilateral Debt Relief	400 to 750
Total	5,000 to 6,000

SOURCE: Congressional Budget Office.

increase the number of couples using contraceptives from about 50 percent of the developing world's total to at least 60 percent. Using this assumption, demographers estimate that the global population might stabilize below 10 billion around the middle of the next century.

Accomplishing this goal could require \$6 billion to \$7 billion in total additional global funding per year, according to a number of estimates including those of the World Bank and several nongovernmental organizations working on family planning issues. If aid donors paid one-third of the total costs and the United States in turn provided a 25 percent share of the foreign contribution, the added U.S. annual spending would be roughly \$500 million to \$600 million (see Table 15).⁹

9. Carnegie Endowment National Commission, *Changing Our Ways* (Washington, D.C.: Carnegie Endowment, 1992), pp. 41-42; World Bank, *World Development Report 1992*, pp. 26, 173; Camp, "Slowing Population Growth," p. 48.

Who should run family planning programs? There are pros and cons to emphasizing bilateral aid versus multilateral aid. U.S. bilateral programs, with the Agency for International Development's well-developed field offices, help countries that do not have sufficient technical ability or experience. Bilateral programs also give the United States greater influence over how development programs are carried out. But the independence that bilateral programs afford can be a drawback if taken too far. A plethora of independent advice can prove bewildering to recipient governments trying a host of programs. Another potential drawback of the bilateral approach is the common requirement that funds be spent on goods or services from the donor country, whether in regard to contraceptives or to other goods. This common practice, in many cases affecting at least half of a donor's total aid, reduces a program's flexibility and cost-effectiveness.¹⁰

Apart from these broad problems with bilateral aid, there have been serious concerns about AID's focus, management efficiency, and basic competence. Indeed, two reputable organizations, the Overseas Development Council and the Carnegie Endowment, recently published papers highly critical of AID. Thus, for family planning and other types of development work as well, the World Bank, the U.N. Population Fund, and related multilateral programs may be preferable except in situations in which recipient governments need help setting up field offices and other infrastructure.¹¹

Child and Maternal Health

To achieve slower population growth--and thus, it is hoped, economic betterment and political stability--parents must have high confidence that their chil-

10. Alexander R. Love, *Development Cooperation: 1992 Report* (Paris: Organization for Economic Cooperation and Development, 1992), pp. 10-11, 48, A-15.

11. See Sewell and Storm, *Challenges and Priorities in the 1990s*, pp. 43-46; Independent Group on the Future of U.S. Development Cooperation, "Reinventing Foreign Aid" (Overseas Development Council, Washington, D.C., December 1992), p. 20; Carnegie Endowment National Commission, *Changing Our Ways*, p. 31; InterAction, "Steps to Revitalize U.S. Foreign Aid" (InterAction, Washington, D.C., 1993), p. 3; Conly, Speidel, and Camp, *U.S. Population Assistance*, pp. 9-14, 33-45.

dren will survive. Children are often the only source of retirement income for the elderly in developing countries, which generally do not have social security systems. Without good child health and survival rates, parents can be expected to continue having large families as a rational response to the economic incentives they face.

Population indicators corroborate this argument. Among countries that have infant mortality rates exceeding 90 per 1,000 live births, fertility rates exceed 5 births per woman in all cases but one (see Table 14). No perfect correlation exists between lower infant mortality rates and birth rates. But the important examples of China, Egypt, and Mexico show that large countries with reasonably high infant survival rates have also begun to get a handle on their population growth. (The infant survival rate is defined as the fraction of those babies born alive who reach their first birthday.)

The good news is that programs to promote better health can be quite effective. Child health has improved in many parts of the developing world in recent decades. In the words of the 1993 annual report of the United Nations Children's Fund (UNICEF):

Amid all the problems of a world bleeding from continuing wars and environmental wounds, it is nonetheless becoming clear that one of the greatest of all human aspirations is now within reach. Within a decade, it should be possible to bring to an end the age-old evils of child malnutrition, preventable disease, and widespread illiteracy.¹²

The emphasis of new programs to improve health would be on primary care, including outreach programs for remote rural areas through schools and clinics.¹³ The expansion of immunizations over the last decade has been quite substantial and has shown that programs can add substantial numbers of employees and expand quickly and effectively.

Significant improvements are also occurring in eradicating guinea worm, expanding the availability of vitamin A and iodine, and reducing the prevalence of bottlefeeding instead of breastfeeding.¹⁴ But outreach has not yet been as successful in other health-related activities.

There is no guarantee that all governments would go along with pleas that they devote more funding to basic human needs such as those considered here. Donors and a recipient may have legitimate disagreement over development priorities; alternatively, corruption could be so severe that a government might prefer to use funding to pad pockets or solidify its power by buying off potential rivals. In such situations, outside donors may have to limit their activities to the support of nongovernmental organizations working on basic human needs in those countries, in which case total costs could be less than indicated below.

Illustrating Possible Cost Increases

At the 1990 World Summit for Children, UNICEF estimated that the costs of moving toward the goals of immunizing at least 90 percent of children against the six major preventable diseases, reducing widespread illiteracy to negligible proportions, and lowering the rate of child malnutrition by half might be about \$20 billion a year worldwide. If donors provide about one-third of the necessary money, their combined annual contribution would be about \$7 billion. A 1993 conference indicated that progress toward these goals is being made in a number of countries, but that progress is slow in others and that financing is generally insufficient.¹⁵

What would be the costs to the United States if it decided that these programs deserved high priority and made financing available in commensurate fashion? Taking 25 percent of the \$7 billion figure corresponds to about a \$1.75 billion share for the

12. James P. Grant, *The State of the World's Children 1993* (New York: Oxford University Press, 1992), p. 1.

13. For an explanation of the importance of this approach, see World Bank, *World Development Report 1993*, pp. 72-107, 156-160.

14. World Bank, *World Development Report 1990: Poverty* (New York: Oxford University Press, 1990), p. 75; Grant, *The State of the World's Children 1993*, pp. 3-5, 17; James P. Grant, *The State of the World's Children 1994* (New York: Oxford University Press, 1993), pp. 13-19.

15. Grant, *The State of the World's Children 1994*, pp. 11-19.

United States. But of this figure, a certain contribution (roughly \$300 million) would be for education, leaving about \$1.4 billion a year in added U.S. funding for activities focused on improving the health of children in developing countries (see Table 15). A rough breakdown of this total figure is \$800 million to \$900 million a year for water and sanitation, \$250 for immunizations and primary care, and \$200 million for nutrition.¹⁶ The efforts to improve water and sanitation, though undertaken first and foremost for children, would have the salutary effect of improving the health and well-being of many adults as well.

Education

Education is a critical ingredient in economic progress. The World Bank considers insufficient education to be among the chief constraints on industrialization in many developing countries, as well as a major obstacle to sound family planning.¹⁷ According to the World Bank, primary education is particularly important in this regard.

Although considerable strides have been made in improving access to primary education throughout the developing world, problems remain. Large parts of Africa, South Asia, and certain other regions of the world still have sizable numbers of illiterate individuals without access to rudimentary schooling. And even in countries where basic schooling is generally available for men, it may not be available for women to the same degree. As a result, female literacy rates in many developing countries are lower than the rates for men, sometimes by substantial amounts (see Table 14). Without education, women are less apt to understand and use proper family planning techniques, less able to provide good care to their children (and thus to keep them alive and healthy), and less likely to have other opportunities that might be viewed as alterna-

tives to raising large families. Indeed, for all these reasons, economists at the World Bank have argued that improving the education of women is among the most cost-effective ways to reduce global birth-rates.¹⁸

To be sure, these things are easier to calculate budgetarily than to do. In many if not most cultures, the discrepancy between female and male literacy rates reflects the subordination of women's needs in general. Although it may be appropriate for outside countries to use their influence to try to change such discriminatory practices, results will be produced only gradually. In the interim, making more money available may or may not tend to equalize literacy rates.

The same type of argument applies to education in general. Do most developing countries believe that improving education, and especially primary education, is a high priority? If not, they may be unwilling to contribute substantial additional resources to such endeavors. Indeed, as their populations continue to grow quickly, many developing countries need to spend increasingly large fractions of government budgets on schools to maintain the same enrollment rate. Unless they can find sources of funding that make it unnecessary to choose between the basic human needs of their populations and other government programs, they may turn a cold shoulder to outside suggestions for new education initiatives.

Illustrating Possible Cost Increases

According to estimates by Lawrence Summers when he was at the World Bank, redressing these shortcomings--that is, equalizing each country's education rates for boys and girls at primary and secondary levels--might require \$2.4 billion a year. To accomplish the more ambitious goal of improving enrollment rates in poor countries to levels typical of higher-income countries, at least \$5 billion a year

16. United Nations Children's Fund, *Children and Development in the 1990s: A UNICEF Sourcebook on the Occasion of the World Summit for Children* (New York: United Nations, 1990).

17. World Bank, *World Development Report 1987* (New York: Oxford University Press, 1987), p. 7.

18. World Bank, *World Development Report 1990*, pp. 75-82; World Bank, *World Development Report 1991*, pp. 55-58; World Bank, *World Development Report 1993*, pp. 156-160; Lawrence H. Summers, "Investing in All the People," Working Paper Series 905 (World Bank, 1992), pp. 6-7.

might be needed.¹⁹ In all, assuming donors would pay for one-third of total costs and the U.S. share of donor funds would be 25 percent, annual costs to the United States would be at least \$200 million to \$500 million (see Table 15).

Acute Crises

In addition to the general need to improve economic conditions, health, and family planning, in a number of specific crises the scale of human suffering and disruption could be sufficient to have implications for political stability. This stability, in turn, could have bearing on U.S. security in some cases. Strong humanitarian arguments also exist to aid individuals afflicted with these problems. Particularly notable are two specific concerns that might be successfully addressed with new aid initiatives: aiding refugees and displaced persons, and conducting emergency relief operations.²⁰ In the former case, current U.S. funding may not be sufficient for the problems at hand; in the latter, the way in which funding is provided can be highly disruptive to the Department of Defense and thereby slow the aid process.

Refugees and Funding for the U.N. High Commissioner for Refugees

In many cases, the most obvious international consequence of localized war is to create large refugee populations, sometimes reaching several million in size during intense and protracted regional conflicts. In the last decade, civil wars in places such as Afghanistan, Angola, Mozambique, and Cambodia created huge refugee populations--now totaling some 20 million globally, in contrast to 2.5 million in

1970 and 8.2 million in 1980. In addition, about 24 million people are displaced within their own countries. The numbers have continued to grow even in the 1990s.²¹

The international community has not always found enough resources to help these individuals, especially recently. In Bosnia and the Kurdish areas of Iraq, for example, aid has come perilously close to drying up even as the need for it has continued. With the explosion in the number of refugees worldwide, budgets of the major donors have not kept up. In the case of the United States, which is indicative of what other donors have done as well, the average real funding level per refugee slipped by the early 1990s to only about half the annual amount of \$25 given in 1980. Similar declines have occurred in other countries, meaning that combined global funding for refugees has recently been around \$50 per person a year, in contrast to previous levels of around \$100 a person in the period of the mid-1970s through the early 1980s.²²

Without adequate financing for their basic needs, refugees may become unmanageable burdens on countries accepting them. They could then cause disruptions as they sought safety elsewhere. In extreme cases, refugee problems could lead to war between states if countries unwilling to provide temporary haven to displaced persons undertook military operations to eliminate the cause of the exodus.

As long as refugee populations remain at their current large sizes, U.S. funding would need to increase for the United States to support individual refugees at the 1980 real level. The level of increase, assuming that the United States provides 25 percent of needed funds, would be about \$300 million a year.

19. World Bank, *World Development Report 1990*, pp. 77, 87; Summers, "Investing in All the People," pp. 9, 18.

20. Other types of health problems, such as a growing use of tobacco in developing countries, may be amenable to aid initiatives but may be more readily influenced by regulating advertising and taking other legal measures. See World Bank, *World Development Report 1993*, pp. 86-90.

21. Data supplied to CBO by the Office of the U.N. High Commissioner for Refugees in October 1993; Paul Lewis, "Stoked by Ethnic Conflict, Refugee Numbers Swell," *The New York Times*, November 10, 1993, p. A6; Sewell and Storm, *Challenges and Priorities in the 1990s*, p. 32.

22. Data supplied to CBO by the Office of the U.N. High Commissioner for Refugees in October 1993.

Disaster Relief

Sustaining funding levels for emergency relief operations at their new, higher levels may also serve U.S. interests. Humanitarian considerations make it likely that the U.S. government will continue to find some mechanism for alleviating acute suffering caused by war and other tragic events. Aid to refugees can, in some cases, accomplish this goal without necessitating the use of force to change underlying conditions contributing to the tragedy in the first place.

Providing such humanitarian relief may also help to foster goodwill toward the United States by those otherwise inclined to see U.S. foreign policy as self-serving. The better its international image, the less persuasive will be the rallying cries of radicals seeking to stoke anti-U.S. passions in their countries.

In the 1990s, funding for such operations has been quite substantial. Although precise accounting is difficult, large operations have helped the Kurds in Iraq, the Bangladeshis, and recently the Somalis. Some help was also provided to India in the aftermath of its tragic earthquake. Thus, no increase in funding for such operations is discussed in this study.

Agriculture and Grass-Roots Development

Economic progress in developing countries, though not immediately relevant to U.S. security in most cases, can improve the prospects for stable and democratic governments. Such governments, in turn, are more likely to accept and promote the types of peaceful domestic and international environments that can serve U.S. national security interests as well.

What other factors are key ingredients to successful economic development? Clearly, reliable sources of sustenance and income at the rural level are essential to economic well-being and development. The first building block in this process is

agriculture. The past several hundred years of human development attest to the strong correlation between agricultural progress and development. Increases in agricultural productivity are correlated strongly with increases in national wealth and can help a country exploit whatever comparative advantages it may have in this arena. Increased productivity also reduces pressure to clear land and thereby helps preserve forests, soils, and biological diversity.

Not coincidentally, Africa--the only major continent where agricultural efficiency has not improved considerably in the past few decades--is also the only continent that has not displayed general economic progress.²³ Partly because of malnutrition--which contributes to higher child mortality rates--it also has the highest birthrates in the world.²⁴ Thus, there is a natural synergism between efforts aimed directly at promoting economic growth and reducing birthrates on the one hand, and efforts intended to improve the production of food on the other.

Consistent with this view, the Agency for International Development traditionally has devoted about half of its resources to agriculture, and private groups such as the Ford and Rockefeller Foundations have made food production a high priority as well. Together, these groups contributed importantly to the research and agricultural extension efforts that produced improved farming practices and crop strains in Asia in the 1960s--the so-called Green Revolution.

As with most other types of economic activity, the agricultural sector benefits greatly from good macroeconomic and political conditions. According to the World Bank:

An extensive empirical literature confirms that farmers respond very significantly to government policies: when the prospects for farm profits are good, they innovate,

23. Congressional Budget Office, *Agricultural Progress in the Third World and Its Effect on U.S. Farm Exports* (May 1989), pp. xxi-xxvii, 9, 44-45, 53; W. Arthur Lewis, *The Evolution of the International Economic Order* (Princeton, N.J.: Princeton University Press, 1978), pp. 14-20.

24. World Bank, *World Development Report 1991*, p. 61.

adapt technologies, improve existing practices, and increase production.²⁵

Once agriculture gets off and running, broader national economic growth tends to begin--countries no longer rely so much on aid, but more on trade and private capital markets. In addition, they tend to export more and also to import more. Indeed, they even tend to import more food, since they become rich enough to diversify their diets and purchase grains and other goods from the United States and other major agricultural countries. Thus, improving agricultural productivity not only improves global food security but can also help U.S. agricultural interests. Substantial amounts of the recent increases in U.S. food exports have gone to the developing countries. There may also be progress in the drug war--to date a very difficult undertaking--if profitable agricultural market systems can be developed in the Andean countries and elsewhere and provide farmers with better alternatives to narcotics production than they may have now.

Although in the last few decades important improvements in agriculture have taken place in most parts of the world, major challenges remain--especially given the continued rapid growth of the world's population. Perhaps the most glaring is the lack of improvement in African agriculture, together with that continent's loss of arable land and rapid growth in population.²⁶ Similar problems exist, albeit to a lesser extent, in other parts of the world; in addition, problems such as seepage of salt into soils (salinization) have occurred in some parts of Asia and elsewhere where irrigation has been employed widely. As one analyst put it:

Future global food needs are staggering. Under the most optimistic population projections, world population growth will stabilize during the first half of the next century at somewhat less than double the current population. If people in developing coun-

tries consume 50 percent more calories and have a healthier fat and protein intake than currently, food production will need to increase to three times the present per capita level. With some 20 percent less arable land available because of environmental degradation, productivity on the remaining land will have to increase nearly four-fold. This will require major scientific advances and highly intensive agriculture where it is suitable.²⁷

New Initiatives to Promote Agricultural Development

A several-pronged effort to promote grass-roots economic development could include the following elements. These are activities in which aid has been effective in the past and seems capable of further successes:

- o Increased agricultural research and development, focused largely on Africa;
- o Technical training for more agricultural technicians and bureaucrats;
- o Increased irrigation and fertilization for areas not yet benefiting from them (except where this would exacerbate water shortages);
- o Measures to address salinization and other problems in already-irrigated areas, through better drainage and hardier plant varieties and other steps;
- o Efforts to stem erosion caused by deforestation and overcultivation;
- o Better roads, especially in rural areas; and
- o Help to small firms or "microenterprises."

25. *Ibid.*, p. 72.

26. Per Pinstrip-Andersen, "World Food Trends and How They May Be Monitored" (paper prepared for the CGIAR International Centers Week, Washington, D.C., October 25-29, 1993), pp. 39-41.

27. John W. Mellor, "Increasing Developing-Country Agricultural Productivity," in Sewell and Storm, *Challenges and Priorities in the 1990s*, p. 59.

Illustrating Possible Cost Increases

What might be reasonable goals for a major new agricultural initiative, and what would be the corresponding costs to the United States? An estimate by the World Bank in its 1992 annual report carries a price tag of \$20 billion to \$25 billion a year. This range implies a contribution of some \$2 billion from the United States if donors provided roughly one-third of total funding and the United States 25 percent of the donor pool. The World Bank proposal might allocate the money as follows: roads, soil conservation, and afforestation measures would require \$15 billion to \$20 billion; some \$5 billion in additional funding would go toward agricultural and forestry research, surveys intended to map resources and patterns of resource use, and improved agricultural extension services.²⁸

The emphasis on research is consistent with the fact that yield per hectare--and not just the amount of land under cultivation--simply must increase, since potential additions to cropland probably will not be able to provide more than perhaps 25 percent of the expected 100 percent increase in food demands of the globe's population over the next 40 years.²⁹ (And efforts to bring marginal land into cultivation can be dangerous, as witnessed over the past two decades in the Sahel where drought decimated a number of populations.)

This approach might also include modest increases in funding for small business--venture capital and other support for small firms trying to start out or to expand operations. This type of development effort, increased in recent years by the United States, can yield important benefits to small entrepreneurs in rural and urban settings alike and complement the effects of an agricultural initiative. On the order of \$100 million to \$200 million a year might be an appropriate increase in funding levels.³⁰

No discussion of new agricultural initiatives would be balanced, however, without mentioning the very real obstacles and constraints facing development projects in general and agricultural projects in particular. There are, of course, the usual caveats about the need to limit or even sometimes deny funding to corrupt, inefficient, shorthanded, or otherwise preoccupied regimes and bureaucracies. Also, governments may have other ideas about what to do with scarce fiscal resources and foreign exchange, sometimes preferring to develop certain industries rather than simply agriculture.

In addition, the issue of agriculture raises specific concerns. Take, for example, road projects in developing countries. There is little point in putting down gravel or macadam without a long-term commitment to finish a road and then maintain it when necessary, often a challenging job in the types of climates that characterize many developing countries. Thus, funding that might be interrupted at any point, whether by virtue of a change in donor policy or a change in local government policy, is not particularly helpful.

Of course, road building does not guarantee increased production, foreign sales, or anything else. Easier access to markets will lead to economic progress only where farmers have enough land or access to improved technologies and fertilizers that they can expand output--or, more likely, when they can switch to alternative crops that may fetch a good return. To do these things, they must have a certain level of knowledge, as well as confidence that markets will work and provide them with fair prices for their goods. Merchants and others generally will be cautious about investing large sums in trucks and other capital goods until they see that farmers will increase output reliably.

In short, a host of technical and human factors must stay in sync--but keeping them in sync can be

28. World Bank, *World Development Report 1992*, pp. 172-174.

29. Pierre Crosson and Jock R. Anderson, "Resources and Global Food Prospects: Supply and Demand for Cereals to 2030," Technical Paper Number 184 (World Bank, 1992), pp. 15-27, 90, 111.

30. Statement of Edward L. Saiers, Acting Director, Policy Directorate, U.S. Agency for International Development, before the Subcommittee on Economic Policy, Trade and Environment, House

Committee on Foreign Affairs, May 4, 1993, p. 9; John P. Lewis, "Overcoming Poverty Through Rural Nonagricultural Employment," in Sewell and Storm, *Challenges and Priorities in the 1990s*, pp. 55-58; Statement of Lawrence Yanovitch, The Microenterprise Foundation, before the Subcommittee on Economic Policy, Trade, and the Environment, House Committee on Foreign Affairs, May 4, 1993.

difficult unless projects are chosen and developed very carefully. Thus, in agriculture as in other realms of development work, even where needs may be great, gradual progress may be preferable to a frenzy of new, well-intentioned programs.

Debt Forgiveness and Debt Payment Relief

In addition to aid programs focused on specific structural needs of developing countries, there are situations in which aid has a role in easing a difficult economic transition. Without it, moreover, some poor and financially strapped countries may simply be incapable of contributing to development projects in their countries. The aid could ease servicing of foreign debts for a period of time or help provide a temporary social welfare net as countries undertake difficult economic reforms involving austerity measures.

These cases arise most frequently in countries that recently have experienced changes of government or fundamental changes of policy the outside world wishes to support. In large measure, this type of assistance would constitute an inducement to undertake and sustain reforms; it also could ease the difficulties of some of the poorest countries in carrying out reforms. The reforms would include reduced government expenditures for the military and for large construction projects that do not promise substantial economic benefits; they might also lead to reductions in tariffs and lower subsidies to state-supported industry and urban consumers.³¹ Countries undertaking such reforms are more likely to embark on economic growth and political development, and as such may be worthy of support from a Western world that sees such policies in its long-term security and economic interest.

The donor countries must be discriminate in how they use these instruments of policy; otherwise,

demands for resources could snowball. For example, even if debt relief to some poor countries is sensible today, applying broad-based debt forgiveness to the large Latin debtors in ways sometimes envisioned in the 1980s could have cost tens of billions of dollars. As things have turned out, many of those countries moved toward democracy even as they struggled under large debts and now have returned to economic growth. Thus, this type of tool must be used carefully. The following approach is an attempt to balance the need for fiscal prudence with a recognition that some countries truly border on insolvency today.

The Debt Picture in Sub-Saharan Africa. A group of poor countries located primarily in Sub-Saharan Africa bear onerous foreign debts. For the Sub-Saharan region of Africa as a whole, the collective debt of more than \$140 billion (as of 1992) is nearly as large as those countries' combined GDPs. Servicing these debts commonly requires over 20 percent of annual export earnings--sometimes much more. When coupled with low domestic saving rates, these conditions make the prospects for most of Africa's economies quite poor. Under such circumstances, little hope exists for their economies--generally the world's poorest and slowest growing. Debt forgiveness or debt-servicing relief can be very important for countries in such dire economic straits. It is especially critical for poor African countries, which receive little in the way of private capital flows today and are unlikely to anytime soon. By contrast, many medium-income debtors can induce private inflows of capital fairly quickly by adopting certain types of economic policies.

To help these countries finance debt payments, additional loans have been made available by the International Development Association as well as the International Monetary Fund under its Structural Adjustment Facility and Enhanced Structural Adjustment Facility. But without improved economic growth, even concessional loans may do little to ease the basic debt burdens of countries in Sub-Saharan Africa and a few other parts of the world.

More ambitious efforts to reduce the burden of debt probably make sense only when combined with economic reform. One approach showing considerable promise in a number of countries is the World

31. See Joan M. Nelson with Stephanie J. Eglinton, *Encouraging Democracy: What Role for Conditioned Aid?* (Washington, D.C.: Overseas Development Council, 1992), pp. 1-4; Nicole Ball, "Levers for Plowshares: Using Aid to Encourage Military Reform, *Arms Control Today* (November 1992), pp. 11-17; Herbst, *U.S. Economic Policy Toward Africa*, pp. 49-50.

Table 16.
Long-Term Credits of U.S. Government Agencies
to Sub-Saharan African Countries (In millions of dollars)

	Loans Forgiven to Date	Outstanding Loans					Total
		Exim	AID	FMF	P.L. 480	CCC	
Angola	n.a.	32.4	n.a.	n.a.	n.a.	n.a.	32.4
Benin	38.2	n.a.	n.a.	n.a.	n.a.	n.a.	0
Botswana	n.a.	n.a.	19.7	3.3	n.a.	n.a.	23.0
Burkina Faso	2.4	n.a.	n.a.	n.a.	n.a.	n.a.	0
Cameroon	73.5	31.0	n.a.	6.9	n.a.	n.a.	37.9
Central African Republic	n.a.	6.0	n.a.	n.a.	n.a.	n.a.	6.0
Congo	n.a.	11.8	n.a.	n.a.	9.1	n.a.	20.9
Cote d'Ivoire	18.8	137.3	26.4	n.a.	41.3	n.a.	205.0
Ethiopia	n.a.	n.a.	77.4	n.a.	1.1	n.a.	78.5
Gabon	n.a.	55.0	n.a.	6.3	n.a.	n.a.	61.3
Ghana	209.7	n.a.	n.a.	n.a.	n.a.	n.a.	0
Guinea	5.4	8.8	n.a.	n.a.	107.4	n.a.	116.2
Kenya	220.5	57.7	38.7	9.3	n.a.	n.a.	105.7
Liberia	n.a.	6.0	86.0	11.3	91.9	n.a.	195.2
Madagascar	60.6	24.4	n.a.	n.a.	n.a.	n.a.	24.4
Malawi	42.6	n.a.	n.a.	n.a.	n.a.	n.a.	0
Mali	6.8	n.a.	n.a.	n.a.	0.1	n.a.	0.1
Mauritania	n.a.	5.4	n.a.	n.a.	n.a.	n.a.	5.4
Mauritius	n.a.	3.5	n.a.	n.a.	7.2	n.a.	10.7
Mozambique	52.9	43.3	n.a.	n.a.	n.a.	n.a.	43.3
Niger	7.5	6.7	n.a.	4.8	n.a.	n.a.	11.5
Nigeria	79.3	655.4	n.a.	n.a.	n.a.	n.a.	655.4
Senegal	34.5	1.4	4.1	8.6	8.6	n.a.	22.7
Sierra Leone	n.a.	18.5	n.a.	n.a.	62.1	n.a.	80.6
Somalia	n.a.	n.a.	12.1	77.4	146.8	n.a.	236.3
Sudan	n.a.	28.2	10.5	140.4	438.8	61.2	679.1
Swaziland	n.a.	n.a.	9.9	n.a.	n.a.	n.a.	9.9
Tanzania	166.7	24.0	n.a.	n.a.	n.a.	n.a.	24.0
Togo	7.4	n.a.	n.a.	n.a.	n.a.	n.a.	0
Uganda	26.7	1.5	n.a.	n.a.	n.a.	n.a.	1.5
Zaire	59.2	921.8	118.2	168.6	283.7	12.4	1,504.7
Zambia	91.0	130.2	2.8	n.a.	124.1	n.a.	257.1
Zimbabwe	n.a.	n.a.	4.1	n.a.	46.7	n.a.	50.8
Total	1,203.7	2,210.3	409.9	436.9	1,368.9	73.6	4,499.6

SOURCES: Congressional Budget Office based on data from the Agency for International Development, and the Department of Treasury, "Status of Active Foreign Credits" (December 31, 1992), Table VII-1.

NOTE: Exim = Export-Import Bank; AID = Agency for International Development; FMF = foreign military financing; P.L. 480 = Public Law 480 (food assistance programs); CCC = Commodity Credit Corporation; n.a. = not applicable.

Bank's concept of structural adjustment. Structural adjustment programs require curtailing many consumer and industrial subsidies, shrinking most government sectors, and setting realistic exchange rates. Although painful to carry out, these measures can help improve government efficiency and restore healthy incentives to the private sectors in those countries where they are adopted. New U.S. aid initiatives might minimize waste if targeted toward countries that are serious about reform in this way and also might help those countries ease the hardship that such reforms can cause to the poorer strata of society as they are put in place.³²

Bilateral Debt. The debts owed by African countries to other governments have been reduced in recent years by Western governments operating as the Paris Club of creditors. They produced the so-called "Toronto terms" for debt relief that led to the reduction and rescheduling of debt and were followed by the even more concessionary "Trinidad terms" in December 1991. As shown in Table 16, African countries owed about \$4.5 billion to the United States at the end of 1992. If applied to those countries adopting the best economic policies, a policy of reducing this debt further might cost the United States \$250 million to \$450 million a year when averaged over a 10-year period.

Commercial and Multilateral Debt. Were the United States and other donors also to work together to help reformist African governments with their private and multilateral debt, several tens of billions of dollars would be at issue. As of 1992, Sub-Saharan Africa owed a total of about \$28 billion to private creditors (with a market value considerably less than its face value), and about \$45 billion to multilateral institutions such as the International Development Association and World Bank.

Since the private debt has declined substantially in face value, it might be reduced through an approach similar to that devised by President Bush's Treasury Secretary, Nicholas Brady, and applied to several Latin American countries during the previous Administration. Under that plan, commercial banks sold debt back to debtor countries at a discount, using money provided by the international

financial institutions. Alternatively, debtors could exchange their former debt obligations for securities that reduced aggregate debt or debt-service burdens.

A similar approach to buying back this debt at its market value, therefore, could reduce private debt by 60 percent or more. If the United States was to participate in such a debt-buyback scheme and contribute one-quarter of the total funding, it might provide a total of some \$1 billion to \$2 billion in one-time payments to banks.³³ The average annual disbursement, spread over a 10-year period, would be \$100 million to \$200 million.

For African countries, the remaining debt burden of nearly \$45 billion in multilateral debt--requiring annual servicing of nearly \$3 billion a year--could still be onerous. Western governments therefore might choose to provide funds to certain reformist African governments to help them with their annual payments. Each year's debt relief could be contingent on ongoing commitment to economic reform. If the United States was to make a 25 percent contribution, its additional payment over a 10-year period might average \$400 million to \$750 million a year.³⁴

This type of program could include several conditions that the donor countries would expect recipients to meet. It would be important to avoid unrealistic expectations, since these countries face significant economic and political constraints and cannot be expected to work miracles. But it may be desirable to try to employ what leverage is available. Donors might choose to lobby most heavily for a macroeconomic framework that encourages private agriculture and industry without undue protectionism or subsidies for consumers. (It probably would not be wise to focus only on producing the veneer of a democratic election, since that does not ensure good economic policy.) To help do so, donors might require recipients to create, in their own currencies, accounts that would address such needs as infrastructure, fertilizer and irrigation, and basic health care services.

32. See Herbst, *U.S. Economic Policy Toward Africa*.

33. See Paul R. Krugman, "Debt Relief Is Cheap," *Foreign Policy* (Fall 1990), pp. 141-152.

34. For a similar idea, see Carol Lancaster, *African Economic Reform: The External Dimension* (Washington, D.C.: Institute for International Economics, 1991), pp. 20-31, 55-63.