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GAO

Briefing Report to the Chairman,
Subcommittee on African Affairs,
Committee on Foreign Relations,
United States Senate

April 1986

FOREIGN AID

Agency for International Development's 1978 and 1986 Programs for Jamaica, Kenya, and Senegal



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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

NATIONAL SECURITY AND
INTERNATIONAL AFFAIRS DIVISION

B-222750

April 15, 1986

The Honorable Nancy Landon Kassebaum
Chairman, Subcommittee on African Affairs
Committee on Foreign Relations
United States Senate

Dear Madam Chairman:

In response to your letter of March 4, 1986, we have obtained information on Agency for International Development (AID) programs in Jamaica, Kenya, and Senegal. Specifically, you asked us to address the following items.

1. How the current mix of projects by functional account and type of project compares with AID's programs in these countries 10 years ago.
2. How much of current total aid is going to recipient governments either directly or indirectly.
3. The content of projects intended to encourage private sector development.
4. The nature of other donors' development efforts and the effectiveness of donor coordination.

After ascertaining the extent of readily available information, we agreed with your office to use fiscal year 1978 as the base year for comparison to focus on item 1 and to provide information on items 2 and 3 to the extent possible. In response to item 4, we provided your office with a copy of our staff study Can More Be Done To Assist Sahelian Governments To Plan And Manage Their Economic Development? (GAO/NSIAD-85-87, Sept. 6, 1985), which contains a significant amount of information on donor coordination.

This letter summarizes our observations. Appendixes I through III present the results of our comparison for each of the three countries.

Overall, the program objectives for Senegal and Kenya do not differ significantly for fiscal years 1978 and 1986. However,

objectives for Jamaica have changed in response to economic problems experienced since the early 1980's. AID's objectives for Senegal are to develop its potential for food self-sufficiency and to maintain economic stability. In Kenya, it promotes economic growth primarily by projects designed to increase food production and reduce population growth. In Jamaica, AID's goals have shifted from extending social and economic benefits to the poorest majority through reduced population growth and increased small farmer production to supporting the government of Jamaica's economic recovery program and promoting private sector growth.

AID's strategy for achieving development objectives appears to have changed significantly in all three countries. First, economic support assistance--which promotes economic or political stability usually through balance-of-payments and budgetary support--and Public Law 480 Title I assistance--which involves concessional sales of U.S. agricultural commodities--became important program elements between fiscal years 1978 and 1986. In fiscal year 1978, AID provided Jamaica with \$11 million in economic support assistance (or security supporting assistance as it was known then) which AID personnel indicated was subject to few, if any, conditions. Neither Kenya nor Senegal received this type of assistance in fiscal year 1978. In contrast, AID is providing Jamaica with \$59.3 million, Kenya with \$14.4 million, and Senegal with \$11.5 million in economic support funds for fiscal year 1986, representing 76, 41, and 38 percent of their total U.S. economic support and development assistance, respectively. A significant point for all three countries is that these funds are stated to be conditional upon agreements with recipient governments to institute specific economic reforms, many of which are aimed at reducing government regulation of the private sector and stimulating its growth. Public Law 480 Title I assistance to these three countries for fiscal year 1986 is significantly greater than for 1978 and is indicated to be conditional on government reforms in the agricultural sector.

The other major change we observed in AID's strategy relates to the planned use of development assistance funds which finance specific projects in agriculture, health, education, and other development sectors. In fiscal year 1978, development assistance projects were concentrated in the agriculture and population planning sectors and generally focused on strengthening recipient governments' planning and research capabilities. In contrast, some fiscal year 1986 development assistance projects are intended to enhance private sector growth. Because some projects are still being planned and we had only limited time to obtain information on ongoing projects, we did not make a complete assessment of the amount of fiscal year 1986 development assistance funds that will be used to strengthen recipient government institutions or cover overhead costs versus amounts

that recipient governments plan to channel to the private sector. However, we identified 2 of 4 fiscal year 1986 projects in Kenya, 2 of 4 in Senegal, and 10 of 16 in Jamaica that included an emphasis on private sector development or support of private voluntary organizations. Descriptions of these projects' objectives are included in appendixes I through III.

For all three countries, AID's proposed fiscal year 1987 programs reflect continuing emphasis on promoting private sector growth through development projects and policy dialogue with recipient governments.

To address the first three items of your request, we reviewed AID congressional presentations for fiscal years 1978 through 1987 to determine the total amounts of assistance provided and to identify projects with actual obligations for fiscal year 1978 and planned for fiscal year 1986. We also held limited discussions with AID officials to determine the status of projects and the extent and nature of project documentation available at AID headquarters. The documentation we reviewed covered planned program summary sheets included in congressional presentations, project identification documents submitted by missions, project papers, and project approval memoranda. The information available for projects in fiscal years 1978 and 1986 varied considerably. We could readily obtain only limited information for some fiscal year 1978 projects and for some fiscal year 1986 projects still in the planning stage.

To satisfy your request that the results of our analysis be available by April 15, we relied on information available at AID headquarters and based our comparisons on AID's stated project plans. We did not verify that AID's objectives were met or that funds were used in accordance with AID's stated plans. We did not obtain official agency comments on this report, but we did discuss the material contained in the appendixes with agency officials and their views have been included where appropriate.

As agreed with your office, we are sending copies of this briefing report to AID, appropriate congressional committees, and other interested parties upon request. If we can be of further assistance in this matter, please contact Mr. Joseph E. Kelley, Associate Director, at 275-5790.

Sincerely yours,



Frank C. Conahan
Director

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JAMAICA
COMPARISON OF AID'S FISCAL YEAR
1978 AND 1986 PROGRAMS

SUMMARY

AID's stated program objectives for Jamaica have changed from 1978 to 1986, reflecting AID's response to the economic dislocation Jamaica has experienced since the early 1980's. In 1978, AID sought to support Jamaican efforts to extend social and economic benefits to the poorest majority by reducing the rate of population growth, revitalizing small farmer agriculture, and increasing long-term employment. For 1986, AID is supporting Jamaica's economic recovery program, which places emphasis on the private sector with equitable sharing of benefits. The proposed fiscal year 1987 program essentially continues the thrust of the 1986 program.

The shift in objectives was accompanied by a sizable increase in economic support funds and development assistance, as shown in table I.1. U.S. assistance also includes Public Law 480 food assistance totaling \$10.5 million in 1978 (\$10.0 million in sales under Title I and \$507,000 in donations under Title II) and \$30.4 million in 1986 (\$30 million under Title I and \$386,000 under Title II).

Table I.1

JAMAICA: Program summary for fiscal years 1978 and 1986

 New obligations for ongoing and proposed projects
 (In thousands of dollars)

| Fiscal year | Total DA/ESF | Economic Support Fund (ESF) | Development Assistance (DA) | | | | | |
|---------------|--------------|-----------------------------|-----------------------------|--------------------|------------|---------|------------------------|--------------------|
| | | | Total DA | Agri., rural nutr. | Pop. plan. | Health | Educ., human res. dev. | Select dev. activ. |
| 1978 (actual) | | | | | | | | |
| Ongoing | \$ 560 | \$ - | \$560 | - | \$560 | - | - | - |
| New | 11,013 | 11,013 | | | | | | |
| Total | \$11,573 | \$11,013 | \$560 | - | \$560 | - | - | - |
| 1986 (est.) | | | | | | | | |
| Ongoing | \$32,641 | \$19,000 | \$13,641 | \$4,000 | \$1,000 | \$2,000 | \$3,041 | \$3,600 |
| New | 45,693 | 40,334 | 5,359 | 720 | 30 | 109 | 650 | 3,850 |
| Total | \$78,334 | \$59,334 | \$19,000 | \$4,720 | \$1,030 | \$2,109 | \$3,691 | \$7,450 |

Source: AID 1980 and 1987 congressional presentations.

AID's fiscal year 1986 program includes an emphasis on policy dialogue as part its strategy to continue Jamaica's economic recovery program. AID stated that economic support balance-of-payments assistance, which comprises 76 percent of total economic support and development assistance, and the Public Law 480 Title I program would be used to stabilize the economy and implement structural reforms to increase production. A central objective of fiscal year 1986 economic support assistance is to promote and attract private foreign and domestic investment. Disbursement of these funds will be conditional on government of Jamaica efforts to implement policy reforms, including

- simplification and acceleration of the investment approval process,
- additional divestment of government-owned productive enterprises,
- easing of regulatory restrictions on export marketing of agricultural products, and
- deregulation of commodity prices.

In contrast, AID personnel indicate that few conditions were attached to the \$11 million in security supporting assistance that comprised 95 percent of the AID program in 1978. The Public Law 480 Title I program contained 13 self-help measures aimed at increasing agricultural production through small farmer agriculture.

The development program for fiscal year 1986 also indicates that many projects support the private sector. For example, 10 of the 16 projects have private sector components or support private voluntary organizations. The relatively small development program in 1978 focused on improving government institutional capabilities.

FISCAL YEAR 1978 PROGRAM

Table I.2 shows that the development program in 1978 was relatively limited, having only two projects.

Table I.2

JAMAICA: 1978 obligations for new and ongoing projects

(In thousands of dollars)

| PROJECT NUMBER AND TITLE | GRANT \LOAN | EST. TOTAL COST | INITIAL YEAR OF OBLIG. | AMOUNT OBLIG. 1978 |
|---|----------------|-----------------------|------------------------------|----------------------------|
| POPULATION PLANNING: | | | | |
| 0041 FAMILY PLANNING SERVICES | G | \$4,846 | 1977 | \$494 |
| EDUCATION & HUMAN RESOURCES: | | | | |
| 0047 MANPOWER PLAN TRNG & EMP | G | 950 | 1978 | 160 |
| TOTAL DEVELOPMENT ACTIVITIES | | | | ----- \$654 ===== |
| SECURITY SUPPORTING ASSISTANCE: | | | | |
| | G | 1,513 | 1978 | \$ 1,513 |
| | L | 9,500 | 1978 | 9,500 |
| TOTAL SECURITY SUPPORTING ASSISTANCE | | | | ----- \$11,013 ===== |
| TOTAL FOR COUNTRY | | | | \$11,667 ===== |

Source: We computed amounts obligated in 1978 from cumulative obligations reported by AID for 1977 and 1978 in its congressional presentations. There is a slight difference between these amounts and the total amounts reported by AID in program summary table I.1. No amount is shown in table I.1 for education and human resources and \$560,000 is shown for population planning rather than the \$494,000 shown above.

The Family Planning Services project was to strengthen family planning institutions to achieve a level of at least 34,000 new acceptors annually through public and private family planning programs. The Manpower Planning, Training, and Employment project was to assist the government to attain the capability to carry out analytical studies of the country's skills needs and to design education and training programs responsive to those needs.

Relatively little documentation was immediately available on the use of the security supporting assistance. Agency personnel said that it was essentially balance-of-payments support with few, if any, conditions.

Expenditures in 1978 on prior-year projects

In addition to projects funded in 1978, expenditures were made on five projects funded from 1973 to 1977 in the following sectors.

- Agriculture: two projects for \$4.6 million.
- Population planning: one project for \$45,000.
- Health: one project for \$93,000.
- Education and human resource development: one project for \$164,000.

FISCAL YEAR 1986 PROGRAM

Table I.3 shows that the proposed projects and related obligations for 1986 cover all sectors, with heavy emphasis on selected development activities. The development program provides new funds for several projects started in prior years and one new start in agriculture (\$500,000), two in education and human resources (\$720,000), and one in selected development activities (\$3,500,000). It also provides program development and support, which is used by the mission for planning and programming.

Table I.3

JAMAICA: 1986 obligations for new and ongoing projects

(In thousands of dollars)

| PROJECT NUMBER AND TITLE | GRANT \LOAN | EST. TOTAL COST | INITIAL YEAR OF OBLIG. | EST. OBLIG. 1986 |
|---|----------------|-----------------------|------------------------------|------------------------|
| AGRICULTURE: | | | | |
| 0123 CROP DIVERSIFICATION | G | \$13,000 | 1985 | \$ 4,000 |
| 0128 AGRIC. RESEARCH | G | 7,000 | 1986 | 500 |
| 9103 PROG. DEV. & SUPPORT | G | | | 220 |
| POPULATION PLANNING: | | | | |
| 0069 POP. & FAM. PLAN. SERVS. | G | 10,711 | 1982 | 1,000 |
| 9104 PROG. DEV. & SUPPORT | G | | | 30 |
| HEALTH: | | | | |
| 0064 HEALTH MANAGEMENT IMPR. | G | 1,017 | 1981 | 2,000 |
| 9108 PROG. DEV. & SUPPORT | G | | | 109 |
| EDUCATION AND HUMAN RESOURCES: | | | | |
| 0083 BASIC SKILLS TRNG. | G | 14,900 | 1983 | 400 |
| 0085 VOLUNTARY SECTOR DEV. | G | 1,621 | 1983 | 221 |
| 0095 BOARD OF REVENUE ASST. | G | 6,000 | 1983 | 1,000 |
| 0106 BROTHER'S BROTHER FNDN. | G | 700 | 1983 | 200 |
| 0126 PRIM. EDU. ASSN. | G | 11,300 | 1985 | 1,000 |
| 0129 MANAGE. SCHOOL IMPROV. | G | 4,000 | 1986 | 500 |
| 0180 COOPERATIVE DEV. & TNG. | G | 720 | 1986 | 220 |
| 9105 PROG. DEV. & SUPPORT | G | | | 150 |
| SELECTED DEVELOPMENT ACTIVITIES: | | | | |
| 0079 TECH. CONSULTATIONS & TNG. | G | 11,900 | 1981 | 3,000 |
| 0067 LOW-COST SHELTER DEV. | G | 1,900 | 1982 | 400 |
| 0091 PRIV. DEVELOPMENT BANK | G | 1,200 | 1984 | 100 |
| 0120 INNER KINGSTON IMPROV. FNDN | G | 15,000 | 1986 | 3,500 |
| 0029 SPECIAL DEV. ACTIVITIES | G | | | 100 |
| 9106 PROG. DEV. & SUPPORT | G | | | 350 |
| TOTAL DEVELOPMENT ACTIVITIES | | | | \$19,000 |
| | | | | ===== |
| ECONOMIC SUPPORT FUND: | | | | |
| 0100 PRODUCTION & EMPLOY. V | G | 34,500 | 1985 | \$19,000 |
| 0111 PRODUCTION & EMPLOY. VI | G | 40,334 | 1986 | 40,334 |
| TOTAL ECONOMIC SUPPORT FUND | | | | \$59,334 |
| | | | | ===== |
| TOTAL FOR COUNTRY | | | | \$78,334 |
| | | | | ===== |

Source: AID 1987 Congressional Presentation.

Descriptions of the 16 development assistance projects indicate that several have private sector focuses.

- Two projects are to meet the short- and long-term training requirements of Jamaica's technical and managerial talent in the private sector.
- One project seeks to redesign the government tax structure to go along with its private sector, export-oriented development program (i.e., encourage savings, discourage imports, and stop subsidizing capital intensive production).
- One agricultural project seeks to develop private agricultural investment by rehabilitating facilities on three underused sugar estates and leasing them to private investors; another project seeks to improve semi-private agricultural research.
- Two development projects seek to assist the government and private sector by (1) supporting the study of structural adjustment, investment promotion, export development, and industrial development and (2) establishing a private sector development financial institution to provide financing and other services to the private sector.
- One project is to build the capacity of the Kingston Urban Development Foundation to develop private sector initiatives.

The following projects include an institutional or private voluntary organization focus.

- Four projects support the government's efforts to provide health, education, and housing assistance.
- One project develops Jamaica's cooperative movement.
- One project supports private voluntary organization efforts to provide appropriate development assistance.
- One project provides public and private institutions with materials and goods solicited from the U.S. corporate community.
- One project supports local self-help development projects.

The economic support assistance is contingent on government of Jamaica efforts to adopt policy and institutional reforms essential to increased production, such as simplifying the investment approval process and continuing support for structural adjustments to enhance the functioning of market mechanisms. (Structural adjustments are policies designed to lead to long-term internal and external balance, such as divestiture of unprofitable public-sector enterprises.) In addition, economic support assistance provides foreign exchange to enable the government of Jamaica to finance imports essential to increased production.

Expenditures in 1986 on prior-year projects

In addition to the projects with new funding, expenditures of \$31.9 million are anticipated in 1986 on 28 projects funded in prior years. These expenditures are as follows.

- Agriculture: ten projects for \$15.3 million.
- Population planning: one project for \$160 thousand.
- Health: two projects for \$1.4 million.
- Education and human resources: six projects for \$4.7 million.
- Selected development activities: seven projects for \$7.4 million.
- Disaster relief: \$10 thousand.
- Economic support fund: \$2.9 million.

PROPOSED FISCAL YEAR 1987 PROGRAM

For 1987, AID proposes \$100 million in economic support funds, \$23 million in development assistance, and \$30 million in Public Law 480 Title I food sales. The economic support grant will provide balance-of-payments assistance and support the government's continuing structural adjustment program. Public Law 480 Title I assistance, providing balance-of-payments support and ensuring adequate food supplies, is to include self-help requirements supporting structural adjustment measures in the agricultural sector. Development assistance is to continue the projects initially funded under prior programs and to begin a new \$10-million hillside agriculture development project with initial funding of \$1.8 million.

KENYA
COMPARISON OF AID'S FISCAL YEAR
1978 AND 1986 PROGRAMS

SUMMARY

Although there is little difference in AID's stated program objectives for fiscal years 1978 and 1986, differences exist in the mix of projects, conditions of assistance, and strategies for achieving U.S. interests. AID's overall objectives for fiscal years 1978 and 1986 were to promote economic growth by increasing rural production, reducing population growth, and achieving equitable and efficient delivery of economic and social services. The two major changes in strategy appear to be (1) the use of economic support funds and Public Law 480 Title I funds in fiscal year 1986 to encourage the government of Kenya to make economic policy reforms and (2) an increasing emphasis on strengthening private enterprises through development assistance projects. AID's proposed fiscal year 1987 program reflects continuing emphasis on these strategies.

Table II.1 illustrates how AID's programming of economic support funds and development assistance resulted in a change to the mix of projects from fiscal year 1978 to 1986. The United States also provided Kenya with Public Law 480 assistance totaling \$774,000 in fiscal year 1978 (under Title II) and \$12.6 million in fiscal year 1986 (\$10 million under Title I and \$2.6 million under Title II).

Table II.1

KENYA: Program summary for fiscal years 1978 and 1986

 New obligations for ongoing and proposed projects
 (In thousands of dollars)

Development Assistance (DA)

| Fiscal year | Total DA/ESF | Economic Support Fund (ESF) | Development Assistance (DA) | | | | | |
|----------------|-----------------|--------------------------------------|-----------------------------|-----------------------------------|---------------|---------|---------------------------------|--------------------------|
| | | | Total DA | Agri., rural dev., nutr. | Pop. plan. | Health | Educ., human res. dev. | Select dev. activ. |
| 1978 (actual) | | | | | | | | |
| Ongoing | \$ 4,329 | - | \$ 4,329 | \$ 2,935 | \$1,004 | \$390 | - | - |
| New | 26,273 | | 26,273 | 26,273 | | | | |
| Total | \$30,602 | - | \$30,602 | \$29,208 | \$1,004 | \$390 | - | - |
| 1986 (est.) | | | | | | | | |
| Ongoing | \$13,492 | \$ - | \$13,492 | \$ 2,670 | \$7,800 | \$2,516 | \$315 | \$191 |
| New | 21,742 | 14,355 | 7,387 | 7,387 | - | - | - | - |
| Total | \$35,234 | \$14,355 | \$20,879 | \$10,057 | \$7,800 | \$2,516 | \$315 | \$191 |

Source: AID 1980 and 1987 congressional presentations. The amounts for 1978 include \$100,000 in foreign disaster assistance.

AID's fiscal year 1986 program includes an emphasis on policy dialogue as a vehicle for encouraging the government of Kenya to adopt structural reforms needed to stimulate economic growth. Policy dialogue is occurring within the framework of AID's economic support and Public Law 480 programs. For example, AID is providing Kenya with \$14.4 million in economic support assistance in fiscal year 1986--about 41 percent of total economic support and development assistance. Disbursement of these funds depends upon the government of Kenya taking steps to

- liberalize regulations governing private sector importing and marketing of fertilizer,
- review its plans for promoting exports, and
- participate in periodic bilateral reviews of its development strategy.

Conditions for the disbursement of \$10 million in Public Law 480 Title I assistance include an agreement that the government of Kenya permit private sector millers to distribute a larger share of imported wheat. The United States did not provide either economic support or Public Law 480 Title I assistance to Kenya in fiscal year 1978.

AID's fiscal year 1986 program also reflects a more diverse strategy for achieving development assistance objectives that emphasizes strengthening the capabilities of private businesses, private voluntary organizations, and government institutions. For the four projects with obligations in fiscal year 1986 (excluding program development and support which is used by the mission for planning and programming), one has a major private sector focus, one is aimed at strengthening private voluntary organizations, and two are aimed at improving government agricultural research institutions. In addition to these projects, 4 of 13 ongoing projects with expenditures but no new obligations in fiscal year 1986 predominantly focus on enhancing private sector growth. In contrast, AID's fiscal year 1978 program was aimed primarily at strengthening government institutions responsible for agricultural research and family planning.

FISCAL YEAR 1978 PROGRAM

In fiscal year 1978, AID obligated funds for the nine development assistance projects shown in table II.2.

Table II.2

KENYA: 1978 obligations for new and ongoing projects

(In thousands of dollars)

| PROJECT NUMBER AND TITLE | GRANT \LOAN | EST. TOTAL COST | INITIAL YEAR OF OBLIG. | AMOUNT OBLIG. 1978 |
|---------------------------------|----------------|-----------------------|------------------------------|--------------------------|
| AGRICULTURE: | | | | |
| 0148 AGRICULTURE CREDIT | G | \$ 2,215 | 1971 | \$ 121 |
| 0157 NAT. RANGE-RANCH DEV. | G | 8,172 | 1973 | 1,072 |
| 0162 RURAL PLANNING | G | 2,649 | 1976 | 700 |
| 0168 RURAL ROADS SYSTEMS | G | 1,748 | 1977 | 500 |
| 0169 AGR. SYS. SUPPORT | G | 26,200 | 1978 | 5,573 |
| | L | 23,600 | 1978 | 20,200 |
| 0184 INC. EMP. INC. PROD. (PVO) | G | 500 | 1978 | 500 |
| POPULATION PLANNING: | | | | |
| 0161 FAMILY PLANNING | G | 2,327 | 1975 | 634 |
| 0165 POP. STUD. & RES. CENTER | G | 1,909 | 1976 | 269 |
| HEALTH: | | | | |
| 0173 RURAL BLINDNESS PREVENTION | G | 390 | 1976 | 27 |
| TOTAL FOR COUNTRY | | | | \$ 29,596 |

Source: We computed amounts obligated in 1978 from cumulative obligations reported by AID for 1977 and 1978 in its congressional presentations. The total of this project listing is about \$1 million less than the amount published by AID in program summary table II.1. About half of this difference appears to be attributable to \$390,000 cumulative obligations for health being included by AID as actual for 1978 (table II.1) rather than \$27,000, which is the difference between cumulative obligations reported for 1977 and 1978. Also, \$100,000 in foreign disaster assistance funds are not included in the above listing. The obligated amounts in this listing were computed by reference to various congressional presentations, and this may cause some variance.

Seven of these projects appear to have been aimed primarily at improving government institutions' capabilities in areas such as agriculture research, public rangeland management, and family planning. For example, the Agricultural Systems Support project, with an estimated cost of \$49.8 million, was intended to provide technical assistance and training to the Ministry of Agriculture and the government's Agricultural Finance Corporation, increase the number of extension workers and research personnel, and improve small holders' access to credit. The objectives of AID's other major projects were as follows.

- Improve the government's Agriculture Finance Corporation's ability to dispense farmer credit in a timely and efficient manner through technical assistance and training.
- Eliminate constraints to livestock production and improve water resources by designing ranch management practices for 35 privately owned ranches and 5 million acres of public rangeland and by providing professional range management personnel.
- Improve the Ministry of Agriculture's capability to design and implement projects intended to increase rural incomes by providing training and technical assistance.
- Expand the network of rural roads, permitting small farmers in isolated rural areas to obtain services and to market surplus production.
- Assist the government of Kenya to establish and administer a 5-year, multi-donor family planning program to reduce the annual population growth rate from 3.3 percent to 3 percent by providing technical assistance, training, and commodities, such as office and medical equipment.
- Create a Kenyan institution at the University of Nairobi capable of performing family planning research and training.

AID also provided private voluntary organizations with development assistance funds for two small projects, one of which was aimed at preventing blindness in rural areas.

AID did not provide Kenya with any economic support funds or Public Law 480 Title I assistance in fiscal year 1978. It did, however, provide Catholic Relief Services--a private voluntary organization--with \$774,000 in Public Law 480 Title II commodities to support a feeding program targeted primarily at mothers and children in need of supplemental nutrition.

Expenditures in 1978 on prior-year projects

Other ongoing projects which were funded in prior fiscal years but which had expenditures in fiscal year 1978 also appear to have been largely oriented toward government institution building. Fiscal year 1978 expenditures for these four projects, which began between 1971 and 1977, totalled \$4.4 million.

FISCAL YEAR 1986 PROGRAM

In contrast, AID's fiscal year 1986 program reflects a more diverse strategy focusing on government institutions, private voluntary agencies, and private profit enterprises. In fiscal year 1986, AID plans to obligate funds for economic support and four development assistance projects--one new project and three which received their initial funding in prior years. Table II.3 is a summary of planned obligations for each of these projects and for program development and support.

Development assistance projects include

- two projects aimed at improving government institutions' agriculture research capability;
- one project to provide a large number of private voluntary organizations with financing for development projects in health, education, family planning, agriculture, and enterprise development; and
- one project aimed at enhancing both the public and private sectors' roles in implementing family planning services; the private sector component will provide clinical training to private sector family planners and subsidize commercial marketing of contraceptives in rural areas.

Economic support funds are to provide balance-of-payments and technical assistance support while the government of Kenya implements policy reforms aimed at promoting economic growth. The funds are to be used to finance Kenya's ongoing private sector fertilizer market development program through import of fertilizer from U.S. sources. The aid is conditional upon the government of Kenya's acceptance of more liberal conditions on the sale of fertilizer by private distributors throughout Kenya and its agreement to participate in periodic meetings with the United States to review progress in economic reform.

Table II.3

KENYA: 1986 obligations for new and ongoing projects

(In thousands of dollars)

| PROJECT NUMBER AND TITLE | GRANT \LOAN | EST. TOTAL COST | INITIAL YEAR OF OBLIG. | EST. OBLIG. 1986 |
|---|----------------|-----------------------|------------------------------|------------------------|
| AGRICULTURE: | | | | |
| 0180 DRYLANDS CROPPING SYS. RES. | G | \$ 4,133 | 1979 | \$ 134 |
| 0236 PVO CO-FINANCING | G | 10,000 | 1985 | 2,000 |
| 0229 AGRICULTURE RES. EDUC. | G | 40,000 | 1986 | 7,387 |
| 0510 PROG. DEV. & SUPPORT | G | | | 536 |
| POPULATION PLANNING: | | | | |
| 0232 FAM. PLAN. SERVS. & SUP. | G | 38,877 | 1985 | 7,800 |
| HEALTH: | | | | |
| 0232 FAM. PLAN. SERVS. & SUP. | G | 4,123 | 1985 | 2,479 |
| 0510 PROG. DEV. & SUPPORT | G | | | 37 |
| EDUCATION AND HUMAN RESOURCES: | | | | |
| 0236 KENYA PVO CO-FINANCING | G | 500 | 1985 | 250 |
| 0510 PROG. DEV. & SUPPORT | G | | | 65 |
| SELECTED DEVELOPMENT ACTIVITIES: | | | | |
| 0510 PROG. DEV. & SUPPORT | G | | | 191 |
| TOTAL DEVELOPMENT ACTIVITIES | | | | \$20,879 |
| ECONOMIC SUPPORT FUND | | | | |
| 0240 STRUCT. ADJUST. PROG.II | G | 60,000 | 1986 | \$14,355 |
| TOTAL FOR COUNTRY | | | | \$35,234 |

Source: AID 1987 Congressional Presentation.

In addition to economic support and development assistance funds, the United States is also providing Kenya with \$12.6 million in Public Law 480 assistance in fiscal year 1986. Under the Title I program, AID will provide the government of Kenya with \$10 million to finance wheat and rice imports. The assistance is conditional upon the government providing the private sector with a greater role in marketing and distributing donor-financed wheat. AID is also providing Catholic Relief Services with \$2.6 million in Title II commodities to continue its feeding program targeted at mothers and children and to assist in drought recovery.

Expenditures in 1986 on prior-year projects

Because AID's current policy encourages greater reliance on the private sector, we also reviewed the purpose of ongoing projects for which there are expenditures totalling \$17.8 million but no obligations in fiscal year 1986. Four of 13 ongoing projects appear to have a major private sector component.

1. Private Sector Housing Guarantee (begun in fiscal year 1984; \$1.1 million estimated total cost, including \$0.5 million estimated fiscal year 1986 expenditures) to stress the use of the private sector to mobilize the savings of low income wage earners; to originate and service building loans; and to develop low-cost housing.
2. Private Sector Family Planning (begun in fiscal year 1983; \$4.5 million estimated total cost, including \$1.5 million estimated fiscal year 1986 expenditures) to help the private sector develop and implement approaches for delivering family planning services.
3. Rural Private Enterprises (begun in fiscal year 1983; \$36 million estimated project cost, including \$5 million estimated fiscal year 1986 expenditures) to channel resources through private financial intermediaries in order to expand production and employment in Kenyan rural private enterprises. It encourages commercial banks to make loans to smaller firms in rural areas and to agribusinesses. It also provides banks with technical assistance in developing loan programs and evaluating loan applicants. Another component of this project provides grants and technical assistance to private voluntary organizations which, in turn, provide assistance and credit to small enterprises in rural areas.
4. Agricultural Management (begun in fiscal year 1985; \$3 million estimated project cost, including \$1 million estimated fiscal year 1986 expenditures) to create a management consulting team that will assess the need for

management changes in agricultural, agro-processing, or agricultural service firms that request assistance. Half of the institutions served will be in the private sector.

PROPOSED FISCAL YEAR 1987 PROGRAM

AID's proposed fiscal year 1987 program reflects a continuing emphasis on using economic support and Public Law 480 Title I funds to encourage the government of Kenya to make economic reforms. It also includes a major new development assistance project focused on the private sector. AID is requesting \$22 million in economic support funds to continue balance-of-payments and budgetary assistance in support of the government of Kenya's economic restructuring program and \$8 million in Public Law 480 Title I funds to finance imports of 62,000 metric tons of wheat and to further strengthen privatization of wheat sales. AID is requesting \$17.8 million for its development assistance program, of which \$7.8 million is for ongoing projects. The program includes one new project, entitled Private Enterprise Development. The purpose of this \$40-million project (\$10 million to be obligated in fiscal year 1987) is to provide private enterprise with assistance in improved technology, capital development, skills development, and marketing. AID expects the project to result in improved technology development and transfer, greater lending for businesses, more effective marketing of Kenya's products, and more trained entrepreneurs and technicians.

SENEGAL
COMPARISON OF AID'S FISCAL YEAR
1978 AND 1986 PROGRAMS

SUMMARY

AID's objective for Senegal has not changed significantly from 1978 to 1986. The major focus remains on agricultural development. Major changes have occurred, however, in AID's strategy in achieving its objective. They include (1) the extensive use of economic support funds and Public Law 480 Title I funds to promote policy change and private sector development and (2) the incorporation of elements of private sector development into development assistance projects. AID's proposed fiscal year 1987 program reflects a continuing emphasis on these strategies.

Table III.1 illustrates the differences between AID's programming of economic support and development assistance funds to achieve the country objectives for the 2 years. The United States also provided Senegal with \$8.9 million in Public Law 480 assistance (\$5.5 million in Title I and \$3.4 million in Title II) in fiscal year 1986 and \$9.4 million in Title II funds in fiscal year 1978.

Table III.1

SENEGAL: Program summary for fiscal years 1978 and 1986

 New obligations for ongoing and proposed projects
 (In thousands of dollars)

Sahel Development Program (SDP)
 allocated to sectors

| Fiscal year | Total SDP/ESF | Economic Support Fund (ESF) | SDP | Agri., rural dev., nutr. | Pop. plan. | Health | Educ., human res. dev. | Select dev. activ. |
|---------------|---------------|-----------------------------|----------|--------------------------|------------|---------|------------------------|--------------------|
| 1978 (actual) | | | | | | | | |
| Ongoing | \$2,500 | - | \$2,500 | \$1,500 | - | \$1,000 | - | - |
| New | 5,300 | | 5,300 | 5,300 | | | | |
| Total | \$7,800 | - | \$7,800 | \$6,800 | - | \$1,000 | - | - |
| 1986 (est.) | | | | | | | | |
| Ongoing | \$ 3,040 | \$ - | \$ 3,040 | \$ 3,040 | - | - | - | - |
| New | 27,444 | 11,484 | 15,960 | 15,960 | | | | |
| Total | \$30,484 | \$11,484 | \$19,000 | \$19,000 | - | - | - | - |

Source: AID 1980 and 1987 congressional presentations. Fiscal year 1978 was the first year of the Sahel Development Program, and ongoing projects were funded in 1978 from development funds. The Sahel Development Program is not shown by functional category in the congressional presentations and has been allocated here for illustrative purposes on the basis of project titles and stated purposes.

AID's fiscal year 1986 strategy emphasizes using the economic support funds and Public Law 480 Title I assistance as essential elements of the ongoing policy reform program. The economic support grant is provided to the government of Senegal to assist in maintaining economic, political, and social stability. The conditionality attached to the grant will require the government to implement specific policy reforms in the agricultural sector and promote measures reducing its involvement and encouraging private sector growth, especially in rice, vegetable, and peanut oil industries. The Public Law 480 Title I program is to supplement the economic support fund through providing cereals for sale in-country, with the proceeds designated for budgetary support. The United States did not provide economic support or Public Law 480 Title I assistance to Senegal in fiscal year 1978.

AID's development assistance program appears to have expanded from 1978 to 1986 by including elements of private sector development in individual projects. Project objectives in fiscal year 1978 included training government personnel, constructing and refurbishing facilities, supporting research, and supplying project related commodities. Projects for fiscal year 1986 include objectives for shifting government responsibility to the private sector. For example, a fiscal year 1978 project was designed specifically for training of Senegal's agricultural extension agency personnel. In fiscal year 1986, two projects have primary objectives for transferring the responsibility of the agency to the private sector.

FISCAL YEAR 1978 PROGRAM

The development of Senegal's potential for food self-sufficiency by participating in cereal production and crop protection projects was the primary goal in 1978. This goal was pursued through a \$7.8 million development assistance program, consisting of four agriculture projects and one health project. Table III.2 lists the project titles and amounts. There was no economic support program in 1978, but there was a \$9.4 million Public Law 480 Title II program.

Table III.2
 SENEGAL: 1978 obligations for new and ongoing projects

(In thousands of dollars)

| PROJECT NUMBER AND TITLE | GRANT \LOAN | EST. TOTAL COST | INITIAL YEAR OF OBLIG. | AMOUNT OBLIG. 1978 |
|---------------------------------|----------------|-----------------------|------------------------------|---------------------------|
| ----- | | | | |
| AGRICULTURE: | | | | |
| 0208 SMALL IRRIGATED PERIMETERS | G | \$ 3,500 | 1977 | \$1,200 |
| 0218 SAED TRAINING | G | 3,700 | 1978 | 1,700 |
| 0205 CASAMANCE REGIONAL DEV. | G | 28,000 | 1978 | 3,600 |
| 0201 CEREALS PRODUCTIONS | G | 3,457 | 1978 | 300 |
| HEALTH: | | | | |
| 0210 RURAL HEALTH SERVICES DEV. | G | 3,438 | 1977 | 1,000 |
| TOTAL FOR COUNTRY | | | | ----- \$7,800 ===== |

Source: We computed amounts obligated in 1978 from cumulative obligations reported by AID for 1977 and 1978 in its congressional presentations.

The overall focus of the agriculture projects was to increase agricultural productivity. Their individual purposes were as follows.

- Increase food production through the development of water resources, increase income and social services to rural areas, and improve human resource capability.
- Introduce farmer-managed irrigated crop production to acquaint farmers with irrigation technologies and demonstrate the economic and technical feasibility of irrigation.
- Train the government's regional development agency personnel in extension work with small farmers.
- Increase agricultural productivity, particularly in cereals, through more intensive farming, strengthening the liaison between research and extension work, and promoting wide participation in development through support of training activities for the government's human development agency.

The health project purpose was to create a network of staffed village health posts supported by local communities and to strengthen a secondary system of health posts supported by the national government.

The Public Law 480 Title II funds were provided to the Catholic Relief Services to support feeding programs in the most densely populated areas.

Expenditures in 1978 on prior-year projects

In addition to the five projects with fiscal year 1978 obligations, one food and nutrition project was ongoing but did not receive new obligations in fiscal year 1978. The project was designed to support a government effort to buy and store locally produced food grain by participation in a program of storage construction and related training. Total expenditures in fiscal year 1978 were \$567,000.

FISCAL YEAR 1986 PROGRAM

AID's overall objective for 1986 is to maintain Senegal's stability. The major challenge facing the Senegalese is severe economic deterioration, particularly in the agricultural sector.

Specifically, the stated development objectives in agriculture are to

- continue government decontrol and promote commerce in the rural production process,
- promote increased production through improved agronomic practices,
- enhance natural resource management to combat accelerated deterioration of soil and forestry resources, and
- increase land under irrigation.

Although no new funding is proposed, the objectives in the health and population areas are to

- increase the rural population's ability to raise per capita food production, and
- decrease population growth to a rate consistent with agricultural and economic realities in Senegal.

The stated objectives of the economic support fund are to

- restructure the regional development agencies involved in cereals production,
- facilitate access of private sector producers, including small and medium size enterprises, to bank credit, and
- adjust the land tenure system to facilitate reforestation.

AID objectives in Senegal are being pursued through \$19 million in development assistance, \$11.5 million in economic support, and \$8.9 million in Public Law 480 food assistance. Table III.3 lists the project titles and amounts for economic support and development assistance.

Table III.3
 SENEGAL: 1986 obligations for new and ongoing projects

(In thousands of dollars)

| PROJECT NUMBER AND TITLE | GRANT \LOAN | EST. TOTAL COST | INITIAL YEAR OF OBLIG. | EST. OBLIG. 1986 |
|--------------------------------|----------------|-----------------------|------------------------------|------------------------|
| AGRICULTURE: | | | | |
| 0270 SMALL PROJECT ASSISTANCE | G | \$ 640 | 1983 | \$ 40 |
| 0280 IRRIGATION & WATER | G | 8,500 | 1985 | 3,000 |
| 0269 AGRIC. PRODUCTION SUPPORT | G | 20,000 | 1986 | 10,460 |
| 0283 REFOREST. & SOIL CONSER. | G | 8,000 | 1986 | 5,500 |
| TOTAL DEVELOPMENT ACTIVITIES | | | | \$19,000 ===== |
| ECONOMIC SUPPORT FUND: | | | | |
| 0288 ECONOMIC SUPPORT FUND IV | G | 11,484 | 1986 | \$11,484 ===== |
| TOTAL FOR COUNTRY | | | | \$30,484 ===== |

Source: AID 1987 Congressional Presentation.

The development assistance projects are focused on agriculture and soil and forestry conservation while also increasing the involvement of the private sector. The purposes of three of the four projects are as follows.

- Increase cereal production by improving the quality and quantity of farm inputs (i.e., seed and fertilizer) through aiding in the transfer of responsibility for providing farm inputs from the public to the private sector.
- Expand and improve village-level irrigated farming through transferring work (i.e., planning, monitoring, and extension work) normally done by the government's development agency to the private sector.
- Introduce a new system of land resource management based upon extensive and intensive tree plantings for improved soil conservation and stabilized productivity in severely stressed agricultural zones.

The economic support fund is to assist the government to maintain economic, political, and social stability while fostering structural and economic reforms needed to remedy the underlying problems of the economy. Proposed conditionality under the grant will require the government to implement specific agricultural policy reform and promote measures which will substantially reduce its involvement in the private sector and encourage private sector growth. Specifically, rice import and distribution and the vegetable and peanut oil industries are targeted for reform.

The \$8.9 million in Public Law 480 assistance is divided between \$5.5 million in Title I and \$3.4 million in Title II funds. The Title I program will supplement the economic support fund project through providing cereals to ease the food shortfall, with sales proceeds to be used for budgetary support. The Title II program will continue at a relatively constant level, with nutritional dietary supplements for over 200,000 mothers and children.

Expenditures in 1986 on prior-year projects

There are an additional 16 ongoing projects not receiving funds in 1986 which started as long ago as fiscal year 1975 for which an estimated \$18.9 million will be disbursed during 1986. Five of these projects, which started since fiscal year 1984, are summarized below.

- Rural Health Services II (begun in fiscal year 1984; \$9.2 million estimated cost, including \$2 million estimated fiscal year 1986 expenditures) continues a previous project designed to establish a village level primary health care system.
- Family Health Services II (begun in fiscal year 1985; \$20 million estimated cost, including \$3 million estimated fiscal year 1986 expenditures) continues a previous project designed to expand health and family planning services from urban areas to rural areas and continues support of the government's policy of decentralization and greater village participation in health services.
- Community Enterprise Development (begun in fiscal year 1984; \$9 million estimated cost, including \$3 million estimated fiscal year 1986 expenditures) uses indigenous as well as international private and voluntary organizations to strengthen village producer groups and small off-farm enterprises through training (including functional literacy) and providing credit.
- Technology Transfer Services (begun in fiscal year 1985; \$5 million estimated cost, including \$1.5 million estimated fiscal year 1986 expenditures) focuses on training, consultant and pilot project activities to introduce new technology and to improve management performance among public and private organizations.
- Agriculture Research II (begun in fiscal year 1984; \$3.6 million estimated cost, including \$1 million estimated fiscal year 1986 expenditures) focuses on developing and strengthening research capabilities in Senegal and increasing regional coordination in the Senegal River Basin.

PROPOSED FISCAL YEAR 1987 PROGRAM

AID's ongoing development strategy for Senegal has attempted to address Senegal's fundamental problems of a complex centralized national system and rapid population growth. The following sections discuss AID's fiscal year 1987 proposed program to address these problems.

Development assistance (project assistance)

AID did not propose new development assistance projects for fiscal year 1987. However, it proposed \$20 million in new

obligations for ongoing projects with initial year of obligation from fiscal year 1983 through 1985. The fiscal year 1987 program includes

- agricultural inputs and distribution focused on increasing private sector inputs and expansion of seed multiplication enterprises - \$9.0 million.
- reforestation and environmental rehabilitation through village tree planting and conservation - \$2.5 million.
- expansion and decentralization of health and family planning services - \$5.8 million.
- application of new technology and management practices leading to increased productions - \$2.6 million.

Economic Support Fund (non-project assistance)

The economic support fund is to provide \$15 million in budgetary support to the government, with initial disbursements tied directly to continued agricultural policy changes favoring the private sector.

Public Law 480 assistance (non-project assistance)

The Public Law 480 Title I program for \$5 million is to continue to reinforce the shift of economic functions from the public to the private sector. The \$2.8 million Title II program will continue at relatively constant levels, with nutritional dietary supplements for over 200,000 mothers and children.

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