
THE PEACE, PROSPERITY & DEMOCRACY ACT (PPDA) OF 1994 Executive Summary

The Peace, Prosperity & Democracy Act (PPDA) of 1994 provides a comprehensive overview of all major programs receiving funding within the International Affairs Budget function, and serves as the basic authorization charter for most of these programs. Titles I through V of the bill contain the authorities to carry out foreign assistance programs. Title VI of the bill addresses (but authorizes no funds for) the relationship of diplomacy to the achievement of the objectives of the bill. Title VII contains certain special authorities, limitations on the provision of assistance, and reporting requirements. Titles VIII and IX contain administrative and technical and conforming provisions. The bill repeals the great majority of the Foreign Assistance Act of 1961, except for provisions relating to the former Soviet Union, loan guarantees for Israel, and the Enterprise for the Americas Initiative.

SUSTAINABLE DEVELOPMENT -- TITLE I

Title I of the PPDA authorizes a single appropriation for sustainable development assistance. The title defines "sustainable development" and directs that such assistance be targeted on four interrelated objectives:

- encouraging broad-based economic growth,
- protecting the global environment,
- supporting democratic participation, and
- stabilizing world population growth.

The PPDA emphasizes certain cross-cutting principles necessary to achieve the objectives of this title: the need to enhance popular participation in the planning and implementation of development programs; the need to involve women as agents as well as beneficiaries of change in all aspects of the development process; the need to fully engage nongovernmental organizations and U.S. institutions; the need to manage activities and focus programs so that they that will yield enduring results; and the need to coordinate efforts with other bilateral and multilateral donors.

To carry out the programs in this title, a wide variety of means are authorized, including micro-enterprise and other credit programs. There is specific language in this title explaining the need for assistance for sub-Saharan Africa, however funding would be derived from the single authorization for sustainable development. Since the bill does not contain a separate authorization for the current International Organizations and Programs account, funding for those international organizations that are developmental in nature will be derived from the authorization for title I. Similarly, other titles, depending on their appropriateness, will be the source of other voluntary contributions to international organizations.

BUILDING DEMOCRACY -- TITLE II

Title II of the PPDA recognizes that the fostering of democratic values will often require the provision of assistance in amounts or in a manner that is not normally justified under the other titles of the bill.

A general authority is provided to allow the provision of assistance to countries that have recently emerged or are in the process of emerging as democratic societies; have recently emerged or are emerging from civil strife; or where democratic progress or institutions are threatened. The objective of this program is to facilitate the worldwide trend toward more open and just societies. It can include such activities as:

- election assistance and the promotion and development of democratic institutions,
- assistance to meet economic and humanitarian needs arising from transitions or which threaten to undermine democratic institutions, and
- assistance to meet security challenges that threaten to impede or reverse democratic reforms.

To a limited extent, assistance to military or law enforcement forces can be provided. Assistance may be made available notwithstanding any other provision of law. The bill contains a separate authorization for this general authority. Assistance administered through the Department of Defense would be capped at the level contained in the annual congressional presentation.

A second authorization in this title is for assistance for the former Soviet Union. The existing provisions related to such assistance contained in the Foreign Assistance Act of 1961 have not been repealed. This portion of title II authorizes funds to carry out the democratization and free market purposes of assistance to the NIS.

The third authorization contained in this title is for assistance for Central and Eastern Europe. After a general statement of policy, the bill authorizes appropriations to carry out SEED actions as that term is defined in the current SEED Act of 1989.

PROMOTING PEACE -- TITLE III

Title III of the PPDA recognizes that in the wake of the Cold War serious threats persist to the security and interests of the United States. These threats range from regional and internal conflicts to transnational problems of narcotics trafficking, terrorism, and other international criminal activity. This title addresses these issues.

CHAPTER 1 -- PEACEKEEPING AND RELATED PROGRAMS

Chapter 1 of this title authorizes contributions for assessed peacekeeping activities and for voluntary peacekeeping activities. The President is provided with the authority to transfer funds between these two accounts. In addition, in the event of an unforeseen emergency, the President is authorized to

draw down articles and services in an amount not to exceed \$100 million in any fiscal year, from the inventory and resources of any agency of the U.S. Government.

CHAPTER 2 -- NONPROLIFERATION AND DISARMAMENT FUND

Chapter 2 of this title provides an authorization for a Nonproliferation and Disarmament Fund. The Fund would be used, among other things, to support destruction of nuclear, chemical, and biological weapons, to halt the proliferation of such weapons, to increase effectiveness of existing nonproliferation and arms control agreements, and to establish programs for preventing diversion of weapons-related expertise.

CHAPTER 3 -- REGIONAL PEACE, SECURITY AND DEFENSE COOPERATION

Chapter 3 of this title authorizes assistance for the following purposes to:

- support and promote the process of resolving conflict and establishing a just and lasting peace, to contribute to the development of institutions of democratic government, and to meet economic, political and security needs, in the Near East;
- meet immediate threats to international peace and security posed by regional and internal conflicts through bilateral or multilateral collective defense efforts, and to meet other political, economic and humanitarian threats to security; and
- enhance the ability of countries worldwide willing to share the burden of contributing to regional alliances, coalition operations, and other collective security efforts to counter threats to and maintain international peace and security.

A primary consideration in providing such assistance is to shift resources away from the provision of defense articles to economic development purposes. Assistance administered through the Department of Defense would be capped at the level contained in the annual congressional presentation.

CHAPTER 4 -- INTERNATIONAL NARCOTICS TRAFFICKING, TERRORISM AND CRIME PREVENTION

Chapter 4 of this title provides a single authorization for anti-narcotics, anti-crime, and anti-terrorism programs, including activities to enhance the ability of law enforcement and defense personnel to combat international criminal activity, to enhance anti-terrorism skills of foreign law enforcement and defense personnel, and to promote international criminal justice by, among other things, promoting enhanced police investigative techniques, prosecutorial and defense skills, and judicial administration and training. Certain provisions now included in the International Narcotics Control chapter of the FAA are addressed in this chapter of the bill. Assistance administered through the Department of Defense would be capped at the level contained in the annual congressional presentation.

PROVIDING HUMANITARIAN ASSISTANCE -- TITLE IV

This title contains the current statutory authorities for refugee, migration and international disaster assistance. Funds for these programs are separately authorized.

CHAPTER 1 -- REFUGEE ASSISTANCE

Title IV includes authority for the Refugee and Migration Assistance program, including the emergency refugee and migration assistance fund to achieve the following purposes:

- provide assistance on the behalf of refugees and other victims of forced migration,
- contribute to the activities of international organizations who provide refugee assistance, and
- provide assistance to promote the prevention and solutions of refugee and migration problems.

The Migration and Refugee Assistance Act of 1962, under which these programs are currently being operated, is repealed.

CHAPTER 2 -- DISASTER ASSISTANCE

Chapter 2 contains the current statutory authorization for international disaster assistance. In addition, new authority is provided to utilize a portion of disaster assistance funding for rapid response for reconstruction and institutional-building needs arising from disasters.

PROMOTING GROWTH THROUGH TRADE AND INVESTMENT -- TITLE V

CHAPTER 1 -- OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC)

Chapter 1 of this title authorizes the investment insurance, financing, and other programs of the Overseas Private Investment Corporation. Funds for OPIC programs are separately authorized.

The management and administrative authorities and requirements pertaining to OPIC are contained in title VIII of the bill.

CHAPTER 2 -- TRADE AND DEVELOPMENT AGENCY

Chapter 2 of this title continues the Trade and Development Agency as a separate agency under the foreign policy guidance of the Secretary of State. TDA authorities are the same as under current law. Management and administrative authorities and requirements pertaining to TDA are contained in title VIII of the bill.

ADVANCING DIPLOMACY -- TITLE VI

Title VI of the PPDA consists of a statement of findings regarding the relationship between United States diplomatic efforts and the achievement of the objectives contained in the previous five titles of the bill. This title does not authorize any appropriations of funds.

SPECIAL AUTHORITIES, RESTRICTIONS ON ASSISTANCE AND REPORTS -- TITLE VII

CHAPTER 1 -- SPECIAL AUTHORITIES

Chapter 1 of this title contains special authorities that may be exercised in the provision of assistance authorized by the bill. These provisions are, in most instances, modeled on existing provisions of law contained in authorizing or appropriations legislation, but have been modified to provide necessary flexibility in program administration. They include, among other things:

- authority to transfer funds among any of the accounts established in titles II through V of the bill,
- a waiver authority comparable to the current section 614 of the FAA;
- special authority to provide assistance to meet certain unanticipated contingencies or emergencies;
- exemption of assistance provided through nongovernmental organizations from the application of restrictions on assistance to a country;
- exemption of certain programs (e.g., AIDS, child survival activities) from such restrictions unless the restriction specifically prohibits those programs;
- drawdown authorities in the case of unforeseen emergencies and under special circumstance involving refugee or disaster needs or for anti-narcotics, anti-terrorism, or anti-crime purposes.

CHAPTER 2 -- RESTRICTIONS ON ASSISTANCE

Chapter 2 of this title contains certain restrictions on assistance and exceptions to those restrictions. Section 7201 identifies 7 categories of countries, the governments of which may not receive assistance. These are: communist countries, human rights violators, countries that have expropriated U.S. property, a country whose duly-elected head of government was overthrown by military coup or decree, terrorist countries, major illicit drug producing or major drug transit countries for which the President has not made the necessary certification required by the bill, and countries in arrears for more than a year on certain debt obligations owed to the United States Government. This section allows certain exceptions from the prohibition on assistance. Further, this section and other sections in this chapter define what actions trigger the sanctions contained in section 7201.

Other sections in chapter 2 provide restrictions on: funding to coerce any person to practice abortions,

the impact of authorized activities on jobs in the U.S., and countries which engage in nuclear proliferation (ie: the Pressler and Glenn/Symington provisions). This chapter also provides for certification procedures for countries that are considered major illicit drug producing or drug transit countries.

CHAPTER 3 -- REPORTS AND NOTIFICATIONS TO CONGRESS

Chapter 3 of this title contains requirements for the annual human rights and narcotics control reports. In addition, the current requirement to report to the Congress on the country allocation of newly appropriated funds is continued. Provisions regarding congressional presentation documents and congressional notification procedures are included and reflect consultations with Congress.

GENERAL PROVISIONS -- TITLE VIII

This title includes administrative authorities necessary to implement the provisions of the PPDA. It retains, but updates, many of the administrative authorities contained in the current FAA.

CHAPTER 1 -- EXERCISE AND COORDINATION OF FUNCTIONS

Provisions contained in chapter 1 of this title include: specification of the roles of the Secretary of State and the Secretary of Defense, establishment of the United States Agency for International Development as an agency of the United States under the foreign policy guidance and subject to the supervision and direction of the Secretary of State.

CHAPTERS 2, 3 & 4 -- ADMINISTRATIVE AUTHORITIES

Chapter 2 contains provisions regarding allocations of funds among agencies, drawdown limitations, general administrative authorities on the uses of funds. Included in this chapter are certain administrative authorities related to the Department of Defense.

Chapters 3 and 4 contain certain special requirements and includes the requirement for the authorization of funds before they can be obligated or expended, proportional reduction of earmarks under certain circumstances, procurement requirements, authority to use excess property and the authority to transfer excess defense articles, authority to maintain stockpiles outside the United States, and limitations on the value of additions to war reserve stocks.

CHAPTER 5 -- PERSONNEL AND ADMINISTRATIVE EXPENSES

Chapter 5 contains personnel authorities and the authorization of appropriations for USAID operating expenses and for operating expenses of the USAID Office of the Inspector General. The administrative authorities for OPIC and TDA are also included in this chapter.

TECHNICAL AND CONFORMING PROVISIONS -- TITLE IX

This title contains savings provisions, repeals of previously enacted laws, and changes to existing law to conform to the provisions of this bill.

THE PEACE, PROSPERITY & DEMOCRACY ACT (PPDA) OF 1994

Title I -- Promoting Sustainable Development

With the end of the cold war, the United States must redesign its foreign policy tools in a comprehensive, long-term approach to promoting America's national interests. The post cold war environment demands new strategies, programs and policies to meet the development challenges facing the international community.

The United States has a historic opportunity to advance our long-term national interests by addressing the emerging transnational threats to our security: persistent poverty, global environmental degradation, failed states, and rapid population growth. U.S. prosperity and security in the 21st century depend directly on the successful pursuit of sustainable development policies built on an abiding commitment to democracy and free-market principles.

We must forge strong partnerships in these endeavors with other governments, non-governmental organizations and individuals. We must dedicate our efforts only where common development objectives are shared, and where governments are willing to make the hard choices that participatory development sometimes demands.

To forward this agenda, Title I of the Peace, Prosperity & Democracy Act (PPDA) authorizes a single appropriation for sustainable development assistance. The title defines "sustainable development" as broad-based economic growth which protects the environment, enhances human capabilities, upholds democratic values and improves the quality of life of the current generation while preserving that opportunity for future generations. The Act directs that such assistance be targeted on four interrelated objectives:

- encouraging broad-based economic growth;
- protecting the global environment;
- supporting democratic participation; and,
- stabilizing world population growth.

The PPDA emphasizes the crosscutting principles necessary to achieve the objectives of this title: the need to enhance popular participation in the planning and implementation of development programs, the need to involve women and other traditionally disenfranchised groups in economic and social decision-making, the need to coordinate the efforts between non-governmental organizations, multilateral and bilateral donors, and U.S. institutions, and the need to focus on concrete and lasting results.



THE PEACE, PROSPERITY & DEMOCRACY ACT (PPDA) OF 1994

Title I -- Promoting Sustainable Development Encouraging Broad-based Economic Growth

Achieving broad-based economic growth and poverty reduction in developing countries is in everyone's best interest. It contributes to political stability and civil order, and fosters democracy. It creates expanded markets and trade. It contributes to the resolution of global problems such as migration, population growth, food insecurity, and environmental degradation. Successful development cooperation builds the foundation for fruitful cooperation in other areas.

USAID embraces economic growth that is rapid, broad-based, sustainable, environmentally sound, and participatory. USAID promotes sustainable development by enhancing the capacity for growth and by working to remove the obstacles that stand in the way of individual opportunity. USAID is concentrating its efforts in three areas:

- **STRENGTHENING MARKETS:** Healthy market economies are essential. USAID supports efforts to address policy and regulatory impediments; strengthen institutional foundations; improve infrastructures; and undertake other interventions that enhance the contribution and role of markets.
- **EXPANDING ACCESS AND OPPORTUNITY:** USAID pays particular attention to expanding economic opportunities by promoting microenterprises and small businesses; by focusing on appropriate technology, including agricultural technologies appropriate to small farmers; by enhancing food security; and by increasing the access of women to employment, land, capital, and technology.
- **INVESTING IN PEOPLE:** Building human skills and capacities throughout a society is crucial. USAID supports efforts to invest in people through improvements in primary health and education and institutions that facilitate participation, especially by women, and other disadvantaged groups.

USAID's efforts in these three areas are characterized by three interrelated approaches:

- **PARTICIPATION:** USAID programs foster widespread participation, ensuring that efforts to promote economic growth enhance the prosperity of people throughout the productive sector, including microentrepreneurs, small business owners, and members of cooperatives.
- **INSTITUTIONAL DEVELOPMENT:** USAID seeks to strengthen public and private institutions in developing countries so that they can manage their own development process, consistent with the will of their citizens.
- **SUSTAINABILITY:** USAID programs encourage growth based on efficient and responsible use of domestic natural and human resources.



THE PEACE, PROSPERITY & DEMOCRACY ACT (PPDA) OF 1994

Title I -- Promoting Sustainable Development Stabilizing World Population Growth & Protecting Human Health

USAID recognizes that rapid population growth which outstrips the resources and infrastructure of many countries is a major contributor to underdevelopment, political destabilization, and environmental degradation.

In order to address this issue constructively and humanely, the focus of USAID's programs is on promoting the rights of individuals and couples to determine freely and responsibly the number and spacing of their children through family planning and reproductive health services. The moral as well as the practical imperatives of this focus are to direct resources also toward activities which improve individual health, with special attention to child survival and to the prevention of HIV/AIDS. In this way, decisions to have smaller families will be directly supported by the improved security and well-being of individuals and families.

USAID's strategic goals in this area are mutually reinforcing, and will contribute to a cooperative global effort:

- to stabilize the world's population at less than 10 billion by the year 2050, with very low growth thereafter;
- to reduce child mortality rates by one-third over this decade;
- to reduce maternal mortality rates by one-half during this same period; and
- to reduce the rate of new HIV infections by 15 percent.

The core of USAID's programs in this area is the development of self-sustaining, high-quality, voluntary family planning systems and services, including information on family planning methods, distribution of contraceptives, and directly related reproductive health services, especially for women and adolescents. These core programs will be directly linked with child survival, maternal care, and, where appropriate, HIV/AIDS prevention activities. Further, the contribution of basic education for girls and women will receive special attention.



THE PEACE, PROSPERITY & DEMOCRACY ACT (PPDA) OF 1994

Title I -- Promoting Sustainable Development Protecting the Global Environment

Environmental problems threaten world economic growth, political stability, and human welfare. They range from local to global in scale, permeate every aspect of development, and affect everyone on the planet. Global climate change, loss of biological diversity, air and water pollution, degradation of soils, misuse of pesticides, and wasteful or unsafe energy production are just a few of the problems that link us in a common need to achieve environmental security for all nations.

USAID is pursuing two strategic goals:

- Reducing long-term threats to the global environment, particularly loss of biodiversity and climate change; and
- Promoting sustainable economic growth locally, nationally, and regionally by addressing environmental, economic, and developmental practices that impede development and are unsustainable.

GLOBALLY USAID works with key climate change countries to reduce greenhouse gas emission sources, promote renewable and efficient energy and limit deforestation. USAID is also working to preserve biodiversity, with special emphasis on those areas most threatened.

LOCALLY USAID adapts its programs to fit a country's specific problems. At the local level, USAID will:

- seek sustainable ways to use forests, wetlands, coastal zones, coral reefs, other vital ecosystems, and water resources, and
- encourage efficient and sound energy use and production and adequate waste management.

USAID works on regulatory, statutory, enforcement, policy and institutional issues, and social and economic patterns, including the lack of local participation and empowerment, inadequate education, and the need for technical research.

Environmental programs within USAID not only stand on their own merits, but they also are integrated into the other three Agency strategies. USAID also coordinates its global environmental programs with other donors and multilateral interventions to support Agenda 21.



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Title I -- Promoting Sustainable Development Supporting Democratic Participation

The PPDA recognizes the importance of strengthening democratic government as essential for achieving sustainable development. Supporting democratic participation is one of four interdependent objectives identified by the PPDA as contributing to sustainable development.

Democratization is an essential part of sustainable development because it facilitates protection of human rights, informed participation and public sector accountability. USAID's success in the other core areas of sustainable development is inextricably related to democratization and good governance. Repression, exclusion of marginalized groups, human rights abuses, disregard for the rule of law, corruption and autocracy are antithetical to development and the values of the United States.

Democracy's freedoms permit the formation of a wide range of non-governmental organizations throughout society, including community associations, service providers, unions, advocacy groups and religious institutions. These private organizations often stimulate innovation in production and social services, confront corruption, advocate respect for human rights, and promote and defend democratic processes and institutions.

In providing support in the democracy sector, USAID faces a twofold task: helping people make the transition to democracy from authoritarian rule and facilitating the empowerment of individuals and communities in non-democratic societies. Democracies create climates conducive to sustainable development. These latter goals are accomplished not only through democracy programs, but also through economic and social development programs that mandate participation, transparency and accountability.

The types of programs identified in the bill include those that promote:

- respect for human rights and the rule of law;
- an expanding role for non-governmental and citizens' organizations;
- means to enhance citizen access to public information;
- the ability of all citizens to freely choose their leaders;
- the growth of a free and independent media;
- efforts that advance legal, social and economic equality for women, workers and minorities; and,
- principles of tolerance among and within religious and ethnic groups.



THE PEACE, PROSPERITY & DEMOCRACY ACT (PPDA) OF 1994

Sustainable Development and the U.S. National Interest

The PPDA is clearly in the best interest of the people of the United States. It addresses vital economic, security, environmental, social and political concerns. Pursuing a course of sustainable development is but a small investment in the long-term interests and prosperity of this nation. It offers a direct way of dealing with specific threats to our nation and to world stability -- which is the essence of preventative diplomacy.

- **Economics.** The concept of sustainable development embodied in the PPDA aggressively promotes U.S. economic interests. Between 1986 and 1991, U.S. exports to developing countries rose by 108 percent. By the year 2000, four out of five consumers will live in the developing world. Enlarging markets in developing countries and emerging democracies, promoting economic reform, encouraging growth and integration in the global economy all lead to the creation of dynamic markets for U.S. exports. During the 1985 to 1991 period, U.S. exports to USAID-assisted countries classified as policy reformers grew by a whopping 126 percent. As a December 19, 1993, New York Times article commented, "If two billion people get richer and smarter, will they buy more or less of our stuff? To ask the question is to answer it."
- **Security.** The PPDA responds to the reality that, increasingly, the roots of the principal security threats to this nation can be found in the political impact of issues such as rapid population growth, mass migrations, wide spread environmental degradation, lasting civil conflicts, narcotics trafficking, and nuclear proliferation. Every family in the United States spent thousands of dollars fighting the Cold War. The small sum each family spends annually on development assistance is a sound investment in our future prosperity.
- **Diplomacy.** The PPDA serves to advance many of the values most important to the people of the United States. It helps the U.S. to provide people of other nations the tools they need to establish democracies and allow formerly disenfranchised groups -- women, ethnic minorities, rural populations - to gain access to economic and political decision-making. The PPDA upholds the longstanding U.S. tradition of humanitarian assistance -- to children who face starvation, to victims of flood and fire, and to all those who could make the world a better place with just a little help. USAID is working to promote U.S. ideals and advance our foreign policy objectives by reaching out to those nations and peoples who share a commitment to these values and are willing to tackle the challenges of development.

We must not turn our back on the international community where our leadership is so important. To avoid the challenges of sustainable development is to risk incurring tremendous long-term costs to this nation.



THE PEACE, PROSPERITY & DEMOCRACY ACT (PPDA) OF 1994

The PPDA and Areas of Special Concern

A central objective of the PPDA is to streamline legislation governing foreign assistance so that it better conforms to emerging international realities. Accordingly, Title I of the PPDA identifies an overarching objective for USAID, sustainable development, and relates it to supporting goals in environment, population, democracy, and economic growth.

As a result, many programs and issues which receive special attention as stand-alone concerns in current law are not treated as separate funding categories in the PPDA. Rather, programs such as women in development (WID) are built into a comprehensive approach to delivering development assistance and recognized as crosscutting themes in section 1102(c).

This approach addresses development problems through cross-sectoral, results-oriented assistance programs which are both more effective and more accountable.

The ability to implement this integrated approach to sustainable development is one of the fundamental improvements contained in the PPDA. For example, areas of special concern which will be addressed within the framework of the new legislation include:

Reducing population growth depends on the practice of voluntary family planning, which in many places is significantly furthered by improving female education, creating economic opportunity for women, and increasing the survival of existing children. A comprehensive population policy will include family planning, reproductive health and child survival services, nutrition and mutually reinforcing programs aimed at increasing the incentive and ability of people to use the services. This does not mean that education for girls will replace family planning services, but that both should be supported by USAID, sometimes in combination with other donors.

Education, particularly for girls, is an important factor in reducing population growth, improving child survival, preventing AIDS, and increasing economic growth and political participation. Support for education will be part of country programs where the low levels of education are clearly impediments to the achievement of sustainable economic and social development.

Prevention and control of the HIV epidemic depend not only on direct AIDS prevention information and education, but also in many countries on the personal and economic empowerment of women so that they are not forced to resort to prostitution for economic survival or to have unprotected sex with husbands who do not want to use condoms.

Economic growth depends not only on economic policies and markets, but also on healthy, educated and empowered people. At the same time, the poor may remain marginalized from possible economic opportunity unless they are able to obtain adequate education, nutrition and health care.

In order to achieve sustainable development, and to address the global problems of population growth, democracy, environment and economic growth, USAID must have the flexibility to program budget resources in accordance with the unique constellation of conditions in each country.



THE PEACE, PROSPERITY & DEMOCRACY ACT (PPDA) OF 1994

Higher Education Institutions

The broad participation of the universities and other U.S. non-governmental organizations and people will significantly enhance the U.S. foreign assistance effort.

USAID embraces the continuing participation of U.S. colleges and universities in both the economic development programs and in the building of indigenous education systems which can make vital contributions to the achievement of growth and democracy in these countries. This participation will also further the internationalization of the U.S. higher education system, already the strongest in the world, by providing greater opportunities for their faculty and by expanding programs available to their students.

U.S. colleges and universities offer a valuable partnership that will help USAID achieve the sustainable development goals of the Act. This relationship should be a formal, effective and ongoing collaboration, and individuals whose expertise and experience in the needs of developing countries should be regularly consulted for this purpose.

The PPDA provides that:

- Strengthening grants may be made available to research and educational institutions to improve their capacity to develop and carry out economic and social development programs abroad.
- A special, procurement method may be established to limit competition to a selection of institutions of higher education when a project would benefit substantially from the resources and special capabilities of such institutions.
- USAID-financed participants at U.S. colleges and universities do not necessarily have to have their training interrupted if assistance to the government of their country is restricted by provisions of the Act.

Altogether, these provisions of the PPDA simplify and strengthen the long-standing and highly productive relationship between the U.S. higher education system and USAID. The overall framework of the relationship is firmly established in principle, while the operational details are left flexible so that they can be changed in response to new conditions. Thus, the advisory boards and the specialized offices within USAID that have been the institutional mainstays of the university-USAID relationship will now be more effectively structured to meet the challenge of post-Cold War development around the globe through integrated sustainable development programs.



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Private Voluntary Organizations (PVOs) and Nongovernmental Organizations (NGOs)

In the past, many PVOs believed that USAID programs were too often designed and carried out in isolation from each other and from other local development efforts. Many programs have not been sustainable over time, PVOs pointed out, because they have been designed without adequate attention to popular participation and grassroots support, environmental factors, or village-level governance issues.

The PPDA seeks to meet these concerns head-on. The provisions of the Act address these concerns boldly in the following ways:

- The overarching objective of sustainable development provides for the interrelatedness of distinct development objectives, such as protecting human health and encouraging economic growth.
- The PPDA sets forth the principle that "Sustainable development depends for its success on the empowerment of people to make political and economic decisions," and requires that "the local-level perspectives of all participants, especially the rural and urban poor and women" be incorporated "in the identification, design, implementation, and evaluation of projects, programs, and development policies, as well as in the design of country assistance strategies and overall strategic objectives."
- The Act encourages USAID to "establish a formal, effective, and continuing partnership relationship with private voluntary organizations, cooperatives, and credit unions which have experience in working in developing countries."
- The Act includes authorities to use funds to strengthen PVOs to carry out development programs, provides relief from current restrictions by authorizing NGOs to earn interest on USAID funds and use the interest for project purposes, permits assistance through NGOs to countries ineligible for bilateral assistance, and allows funds to be used for development education.



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The PPDA & USAID's Transition Initiative [section 4202(d)]

Two phenomena have marked the post-Cold War world. One is the increase in complex crises, which involve humanitarian disasters coupled with a breakdown in political order and widespread conflict within countries. The other is the rapid transition from authoritarian political systems to democratic ones in Africa, Eastern Europe and elsewhere.

The United States and the world community are well-positioned to respond to humanitarian crises with food and other types of relief. We do not, on the other hand, have the tools necessary to help reestablish political institutions where they have collapsed or to help countries make their often rapid and chaotic transitions to democracy more smoothly and effectively.

USAID's Office of Transition Initiatives (OTI) will have the capacity to undertake on short notice, where appropriate, the following functions:

- to evaluate prospects for potential crises and transitions, with special focus on political change;
- to send teams to assess transition needs;
- to start up programs through NGOs and other organizations capable of:
 - advising on and possibly assisting with demobilization and reintegration of dislocated populations;
 - helping build political institutions, including establishing law and order, developing fundamental legal institutions, supporting the processes of political reconciliation, and providing short-term support to strengthen non-governmental organizations;
- to coordinate and collaborate with other organizations active in these areas, both within the U.S. government and internationally and to provide advice to field staff on services available from USAID Washington and other institutions; and
- to develop plans and mobilize support for reconstruction activities.



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Microenterprise & Other Credit Programs

Access to credit has proven to be a cost-effective tool in fostering sustainable development when borrowers can become credit worthy and where the costs of such credit assistance can be reasonably estimated. Section 1104 authorizes microenterprise and other credit programs.

PPDA provides flexible authorities to establish programs which can adapt to changing needs. USAID believes more restrictive policy guidance would be contrary to the overall reforms the Administration seeks in this new charter legislation.

USAID's **Microenterprise Initiative** demonstrates this Administration's clear commitment to microenterprise development. Administrator Atwood has approved a set of concrete actions:

- USAID plans to forge with our partners a **Microenterprise Charter**. It will make a clear, strong policy statement and a bold commitment to helping poor people gain access to financial and institutional resources. It will commit to increased vigilance in reviewing country strategies to assure such programs become a high Agency priority.
- Future USAID reporting on microenterprises will clearly disaggregate sources of funding and describe how it will strengthen future activities.
- **In addition** to bilateral USAID microenterprise activities, USAID Washington will:
 - Establish an **Innovation Facility** which:
 - provides matching grants for PVOs;
 - offers Guarantees for Micro and Small Enterprises;
 - supports and disseminates learning about experimental activities;
 - leverages multilateral development bank resources;
 - funds start-up activities to encourage field missions to undertake innovative but risky microenterprise programs.
 - Assure quality **technical support** for field missions.
 - Improve **monitoring for performance and impact** on people, economic growth, the creation of jobs, and the sustainability of these efforts.
 - Strengthen its management capacity to oversee and coordinate these efforts and enhance coordination with private voluntary organizations, the Peace Corps and other partners.



THE PEACE, PROSPERITY & DEMOCRACY ACT (PPDA) OF 1994

Title II: Democracy & USAID

An emphasis on increasing the number of democratic governments worldwide is reflected in Title II (Building Democracy) of the PPDA. This title allows the U.S. government to respond effectively to situations where U.S. assistance is important for both geopolitical and moral reasons.

Title II authorizes the expenditure of funds for building democracy in the following category of countries:

- those undergoing dramatic political transitions, as in Eastern Europe and the former Soviet Union;
- those that have graduated from requiring support under the sustainable development title, but where democratic institutions are under attack, such as Colombia or Venezuela; and
- those that are not currently democratic, but where U.S. support can assist human rights and civic organizations, the efforts of democratic activists and the dissemination of non-state controlled information.

Title II is directed toward support for the strengthening of democratic institutions, including freely elected national and local executive and legislative leaders, an independent judiciary and elements of civil society, such as the media, professional associations and labor unions. As part of the effort to strengthen respect for the rule of law and human rights, the title explicitly authorizes U.S. support for military and law enforcement forces. This provision, however, is restricted to purposes of orienting militaries and law enforcement agencies to their respective roles in a democratic society, including respect for human rights, civilian authority, accountability of law enforcement agencies to civil justice institutions and to promote demilitarization.

Title II recognizes the inextricable link between political and economic development. Programs specifically designed to promote economic stability in the context of a direct threat to democratic institutions, therefore, are also authorized by this title.

The transitions under way in Eastern Europe and the former Soviet Union are so dramatic and so critical for world peace and security that they merit specific attention in this title. However, to ensure continuity in U.S. assistance programs to these regions, the title incorporates verbatim the language of the SEED and FREEDOM Support Acts.



THE PEACE, PROSPERITY & DEMOCRACY ACT (PPDA) OF 1994

Democracy Objectives Throughout the PPDA

The emphasis on democracy is reflected in several provisions of the PPDA. The Act authorizes proactive assistance programs. It includes provisions from previous legislation that prohibit assistance to governments that engage in a consistent pattern of gross violations of internationally recognized human rights or in situations where a democratically elected government has been removed from power by coup or other unconstitutional means.

Title I (Sustainable Development) recognizes the critical role that democratic and transparent political institutions play in ensuring sustainable development.

Title II (Building Democracy) authorizes democracy activities in countries that are not eligible for sustainable development support, either because they are at too an advanced stage of economic development or because the government's overall performance record, on both political and economic matters, makes them an inappropriate development partner for USAID.

Title IV (Providing Humanitarian Assistance) authorizes political institution-building activities in countries emerging from a protracted conflict or humanitarian crisis.

Coordination: The PPDA will assist the new interagency working group on democracy, which will be chaired by the Assistant Secretary of State for Democracy, Human Rights and Labor, in coordinating among different U.S. government agencies. The bill designates USAID as responsible for implementing democracy-building activities in sustainable development and humanitarian assistance programs. USAID also will play a role, at the direction of the interagency working group, in implementing and overseeing programs under Title II.

Agencies: The democracy-building activities of other U.S. government agencies, most particularly the U.S. Information Agency, are similarly delineated in the bill. The role of the National Endowment for Democracy (NED) also is clarified, albeit not explicitly, in the context of stressing USAID's primary emphasis on sustainable development. NED programs are particularly useful where USAID is not active and where it is difficult for the U.S. government directly to fund non-governmental activities.

NGOs: Finally, the PPDA recognizes the important contribution of NGOs in implementing development activities. This is particularly important in the democracy sector, where international NGOs have the advantage of flexibility and where the strengthening of domestic NGOs serves the direct goal of supporting democratic development.



THE PEACE, PROSPERITY & DEMOCRACY ACT (PPDA) OF 1994

The PPDA Compared to Current Law

In its report to the House Foreign Affairs Committee, the Hamilton-Gilman task force identified numerous problems with current law:

- obsolete provisions;
- ambiguous provisions;
- too many reporting requirements, restrictions, and earmarks; and,
- too many objectives.

The most often-cited portion of the task force report states that, for USAID programs, there are 33 objectives in the current law, and 75 priorities: "Most, if not all, of these objectives are probably worthy, but they are so numerous that they cannot provide meaningful direction or be effectively implemented."

Submission of the PPDA is a recognition that the current law, based as it is on combatting international communism, no longer provides a valid policy framework for our foreign assistance programs.

The PPDA provides that framework in the form of five interrelated objectives: sustainable development, building democracy, promoting peace, providing humanitarian assistance, and promoting growth through trade and investment. The bill explicitly recognizes that the moral, economic, and security interests of the people of the United States are best served by a community of nations that respects individual human rights and democracy, resolves conflicts peacefully, engages in free and open trade, uses the world's limited natural resources in a sustainable manner, and fundamental human needs.

The PPDA is, in effect, an exercise in preventive diplomacy -- to provide the tools so that the problems of today do not become the crises of tomorrow.

Specifically, the bill addresses the concerns raised in the Hamilton-Gilman report by--

- reducing the number of priority areas for sustainable development programs by focusing on four primary objectives: encouraging broad-based economic growth, protecting the global environment, supporting democratic participation, and stabilizing world population growth;
- repealing obsolete provisions of law;
- repealing unnecessary reporting requirements;
- eliminating earmarks;
- providing authorities that would enhance the administration of foreign assistance programs; and,
- addressing restrictions on assistance in a consistent and comprehensive way.



THE PEACE, PROSPERITY & DEMOCRACY ACT (PPDA) OF 1994

The PPDA & Special Authorities

In the PPDA the Administration has requested several special authorities, or "notwithstanding" provisions, which should be included in legislation designed to meet post-Cold War world challenges. It is possible to categorize most of these special authorities as follows:

AUTHORITIES NEED TO MEET EXIGENT CIRCUMSTANCES

For example, the PPDA retains the existing "notwithstanding" authorities for disaster assistance and refugee and migration assistance. Over the years, both of these programs have benefited from the ability provided by that language to meet humanitarian crises with speed and flexibility. The bill also includes an authority comparable to current law to meet unanticipated contingencies -- expanded to \$100 million from the current \$50 million. This authority has enabled USAID to provide assistance to emergency activities in various countries when circumstances warrant a rapid response.

AUTHORITIES FOR CERTAIN DEVELOPMENTAL PROGRAMS

Congress has for several years recognized that certain kinds of programs--either because of their humanitarian nature (e.g., child survival, assistance for victims of war) or because of their affect on U.S. interests (e.g., assistance to combat global warming, assistance to prevent the spread of AIDS) should not be made subject to the statutory limitations that would apply to other forms of aid. These authorities have been incorporated into the PPDA. Congress has also authorized development aid through non-governmental channels to people in countries whose governments are ineligible for assistance. Comparable authorities are included in the Act.

AUTHORITIES FOR SPECIAL PROGRAMS

The Congress, in both the FREEDOM Support Act and the SEED Act, recognized that the complexities and magnitude of those programs required special authorities. Those programs have not become less complex and, particularly with regard to the NIS, the magnitude of the program has increased significantly beyond the initial authorization of funds contained in the FREEDOM Support Act. Having these authorities has enhanced USAID's ability to provide assistance in a timely way. Similarly, for assistance to those other countries that are newly emerging democracies or which are emerging from civil strife, circumstances also warrant these special authorities.

GENERAL ADMINISTRATIVE

The PPDA contains certain special authorities carried over from current law which deal with program administration. Such authorities allow for the waiver, for example, of certain contracting rules should it be determined that to do so is in the national interest.

We share a common interest with the Congress to have the most effective foreign assistance program possible -- one that addresses the full range of our national interests. USAID views the consultative process, particularly as it pertains to the exercise of special authorities, as important to achieving these results and we fully intend to continue and enhance these collaborative efforts.



THE PEACE, PROSPERITY & DEMOCRACY ACT (PPDA) OF 1994

Trade and Aid

The United States' economic prosperity is inextricably linked to worldwide economic growth and our ability to compete in the global marketplace. In the 1990s most of the growth in demand for U.S. exports is expected to come from countries in the developing world and those in transition to market-oriented economies. Developing nations, with expanding populations and increasingly freer trade policies, represent the fastest growing market for U.S. exports. Between 1986 and 1991 U.S. exports to developing nations rose by 108 percent.

Sustainable economic growth in these economies is crucial to any strategy for promoting U.S. exports. Developing countries account for over a third of all exports and these numbers are likely to rise as a result of the impressive array of economic and social policy reforms planned or under way.

Title I of the PPDA authorizes USAID's sustainable development program. Sustainable development is the U.S. government's primary policy tool for generating economic growth and market-oriented policies in the developing countries -- for promoting trade from the demand side. USAID's programs help build the economic environment and institutional infrastructure necessary for sustainable economic growth and stimulate the demand for U.S. goods and services.

Title V of the PPDA (Promoting Growth through Trade and Investment) provides authorities for programs run by the Export-Import Bank, the Overseas Private Investment Corporation, and the Trade and Development Agency, which focus on the supply side by providing direct support for specific business transactions through loans and guaranties, insurance, and feasibility studies.

As a whole, the PPDA takes advantage of the relationship between the growth-oriented development program and the market-share-enhancing trade finance programs. USAID's programs help countries move up the economic ladder. This opens up opportunities for potential exporters. Then TDA, OPIC, EXIM and Commerce can more effectively direct the programs to ensure that U.S. exporters can compete effectively.

USAID's bilateral assistance program focuses on removing critical institutional and physical infrastructure barriers that constrain economic growth. These programs include:

- Microenterprise and other credit programs;
- Privatizing state-owned enterprise;
- Establishing the rule of law;
- Promoting the growth of the economy and its import capacity;
- Promoting investments in environmental technologies;
- Promoting investments in physical and urban infrastructure; and
- Establishing the framework for capital markets, banking systems, and a vibrant private sector.



THE PEACE, PROSPERITY & DEMOCRACY ACT (PPDA) OF 1994

Coordination of U.S. International Assistance Programs

By providing a framework which seeks authorization of appropriations for major objectives (sustainable development, promoting peace, etc.), the PPDA places a premium on the Administration's ability to coordinate the programs authorized by this bill, as well as to ensure that those programs are coordinated with other international programs not included in this legislation.

First and foremost, the PPDA restates the paramount role of the Secretary of State. Section 8102 states that the Secretary of State shall be responsible for the continuous supervision and general direction of assistance under the bill to the end that all such assistance is effectively integrated and that the foreign policy of the United States is best served.

This statement of the Secretary's responsibilities is comparable to that contained in current law. The Secretary will take the lead in the formulation of budget requests to develop an integrated budget proposal balancing the competing concerns of all programs within the Function 150 (International Affairs) account.

The Administration also recognizes that coordination goes beyond the formulation of budgets. In this regard, we will be examining the need for and structure of an interagency coordination mechanism that is more effective than the little-used Development Coordination Committee that is authorized under current law.



THE PEACE, PROSPERITY & DEMOCRACY ACT (PPDA) OF 1994

The PPDA & Donor Coordination

The United States currently supplies only one out of every 20 dollars spent annually by the international donor community on official development assistance. To achieve sustainable development results the United States must devise consistent and mutually reinforcing programs with other donors. Better donor coordination means that the cost of dealing with global problems is equitably borne by all developed nations, including newly emerging donors.

USAID will achieve better coordination with other donors by working with them at the early stages of program planning. Field missions are learning to work with like-minded donors in analyzing development bottlenecks and devising country assistance strategies.

USAID's long history of development activities, extensive in-country presence and favorable reputation overseas mean that the United States can exercise leadership within the donor community which far outweighs our share of total financial contributions. USAID can exercise leadership to persuade other donors to join us in priority development initiatives and to discourage aid motivated solely by commercial interests which is unlikely to have a favorable development impact.

COORDINATION WITH OTHER BILATERAL DONORS

- **Deepening collaboration with Japan.** USAID is building on its strong ties with the rapidly growing Japanese aid program and is currently working with Japan's Ministry of Foreign Affairs on major new population and AIDS programs, environmental programs in Indonesia and Eastern Europe and a vaccine initiative in the NIS.
- **Strengthening ties with other major donors.** USAID is planning in-depth senior-level consultations with the Canadian, German and French aid agencies.
- **Revitalizing the Development Assistance Committee (DAC).** USAID is working with other donors to revitalize the DAC, making it more action-oriented and focused on results rather inputs.

COORDINATION WITH MULTILATERAL DEVELOPMENT BANKS (MDBs): USAID coordinates efforts with the MDBs in-country as well as in consultative group meetings. USAID officers serve on the negotiating teams on MDB replenishments, ensuring that MDB lending plans are complementary to those of USAID and consistent with each agency's comparative advantage. USAID is working to better harmonize project design and technical assistance capabilities with the MDBs' large health and population loan portfolios. USAID continues to monitor upcoming MDB projects for environmental soundness.

COORDINATION WITH U.N. AGENCIES: USAID is expanding its collaboration with U.N. agencies and seeking to make coordination more systematic by holding joint meetings of the senior staffs of USAID and UNDP both in the field and elsewhere by seconding a senior officer to the UNDP, and by stationing an officer in the U.S. Mission to the U.N.



THE PEACE, PROSPERITY & DEMOCRACY ACT (PPDA) OF 1994

The PPDA, Reinventing Government, the National Performance Review (NPR) & USAID

The introduction of foreign assistance reform legislation is the principal recommendation for streamlining USAID identified by Vice President Gore's National Performance Review (NPR). Indeed, the enactment of the PPDA is necessary in order to "reinvent" USAID and reinvigorate the international assistance program, delivering greater benefits at less cost.

Like the NPR, the PPDA focuses on: policy driven by mission rather than budgets and process; results rather than inputs; and decentralized decision making, thereby promoting local participation and empowerment. The PPDA is organized around broad foreign policy objectives designed to advance the prosperity and security of U.S. citizens: promoting sustainable development, building democracy, promoting peace, providing humanitarian assistance, promoting growth through trade and investment and advancing diplomacy.

PPDA provides a coherent mandate for U.S. development programs in the post cold war era -- a mandate which the NPR review stated was the essential first step in reforming and revitalizing USAID. It identifies four key sustainable development priorities: promoting broad-based economic growth; protecting the global environment; stabilizing world population growth; and supporting democratic participation.

Within this framework of the PPDA, USAID is now acting to implement the recommendations of the NPR. Consistent with the mandate of the NPR, the PPDA will support USAID's efforts to:

- **consolidate and close out overseas missions**, graduating countries that no longer need assistance and concentrating on those whose commitment to democracy and market economies makes them good development partners;
- **reengineer the management of projects and programs**, reducing the time it takes to design projects and increasing accountability for results;
- **overhaul the personnel system** to manage its workforce more efficiently and hold USAID staff accountable for achieving results;
- **rightsized field and Washington staff** to eliminate redundancy and focus on appropriate priorities;
- **reduce micromanagement and excessive reporting** by simplifying procedures and abolishing old reporting systems that focus more on tracking inputs and creating new ones that monitor the achievement of results; and,
- **streamline its administrative process**, simplifying its procurement policies and establishing an innovation fund to strengthen financial and information management services.



THE PEACE, PROSPERITY & DEMOCRACY ACT (PPDA) OF 1994

Accountability, Flexibility & USAID

The PPDA represents a major departure from the old ways of managing our foreign assistance programs. It abandons the preoccupation with inputs and instead substitutes a new emphasis on results. It identifies broad foreign policy objectives, and within these areas elaborates principles that will govern the management of foreign aid.

The PPDA thus gives new meaning to the concept of accountability. It makes the executive branch accountable for its performance in reaching agreed-upon goals. The Act stipulates that assistance programs will establish open and transparent systems to monitor progress toward the achievement of goals.

The Act imposes on our partners in the developing world the obligation to demonstrate real commitment to achieving development goals. It imposes on USAID the obligation to be clear about strategic objectives and benchmarks of progress. If progress is not made, the Act directs that resources be shifted to more productive programs, sectors or countries.

At the same time, the PPDA gives those most directly responsible for achieving these objectives flexible tools to decide how they can most effectively reach these goals. This is essential if we are to hold our development program accountable for results. We cannot ask our aid program to be accountable for results if we do not also give our implementing officers the authority and ability to take risks, learn from failures, and use their best professional judgment in meeting the complex challenges of development.



THE PEACE, PROSPERITY & DEMOCRACY ACT (PPDA) OF 1994

The PPDA: Reform & USAID

The PPDA is an essential element in the Clinton Administration's effort to reshape and revitalize the U.S. Agency for International Development. It will be impossible to reinvent USAID while demanding that it operate according to a tangled set of laws designed to address the challenges of yesterday.

Specifically, the reform bill will help focus and clarify USAID's role in several important ways:

- **FEWER GOALS:** Under current law, USAID pursues 33 separate goals and 75 priority areas. The PPDA contains a simple, clear statement of policy, focusing USAID on a limited number of core objectives which underpin a single overarching goal for the Agency: sustainable development.
- **FEWER ACCOUNTS:** Existing law contains numerous funding sources and earmarks. The PPDA requests funds for four overarching objectives reflecting broadly supported national priorities.
- **CLEARER PROGRAM RESPONSIBILITY:** The PPDA makes it clear that USAID will concentrate on a few principal objectives in pursuit of sustainable development. Responsibility for related programs, such as those specifically designed to support commercial transactions, will be transferred to the departments or agencies having primary responsibility for those functions.
- **REPEALS ESF:** The Economic Support Fund, designed to meet Cold War needs, will be replaced by assistance categories reflecting post-Cold War realities.
- **IMPROVED COORDINATION:** The PPDA mandates better coordination of all assistance programs under the foreign policy direction of the Secretary of State. This will facilitate better coordination of U.S. government programs as well as coordination with multilateral lending institutions, U.N. organizations and other bilateral donors.
- **FEWER RESTRICTIONS:** The PPDA will replace outdated restrictions related to Cold War objectives with categories which reflect current world realities.
- **STREAMLINED ADMINISTRATION:** The PPDA will simplify administrative, procurement and personnel authorities relating to USAID programs -- giving impetus to the Administration's National Performance Review recommendations.



THE PEACE, PROSPERITY & DEMOCRACY ACT (PPDA) OF 1994

USAID Responsibilities and Roles

The Peace, Prosperity & Democracy Act (PPDA) contains five program titles:

- Sustainable Development;
- Building Democracy;
- Promoting Peace;
- Providing Humanitarian Assistance; and
- Promoting Growth through Trade and Investment.

The PPDA does not designate responsibilities for any agency to administer foreign assistance programs. Instead, the various departments and agencies within the Function 150 account will now focus on the achievement of broad U.S. foreign policy goals.

Acting under the foreign policy guidance, supervision and direction of the Secretary of State, the United States Agency for International Development (USAID) is established in the bill, for the first time in law, as an agency of the U.S. government.

An Executive Order implementing the provisions of the PPDA would follow enactment, under which USAID would take the principal role in designing and implementing sustainable development programs and in providing rapid humanitarian assistance in response to natural or manmade disasters.

Moreover, USAID will participate in implementation and policy development of economic programs under the Building Democracy and Promoting Peace titles of the bill.

