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Asia / Near East R4 Wrap-Up



September 1997

Democracy and Governance

ANE R4 Wrap-Up
September 1997

Freedom House
Program Approaches and Trends
Corruption
DG-EG Interface

Freedom House Ratings, 1997

■ Free

Mongolia
Israel *
Philippines

■ Partly Free

Bangladesh
India
Jordan *
Morocco *
Nepal
Sri Lanka

■ Not Free

Cambodia
Egypt
Indonesia
Lebanon
West Bank/Gaza
China *
Vietnam *

* Indicates country without DG strategy

Green type indicates a country which became “more free” from 1996 to 1997

Ratings for all other countries did not change from 1996 to 1997

Program Approaches & Trends: Civil Society and Advocacy

- Activities supporting the participation of key groups in civil society can contribute to changes in policy, improvements in equity, and fundamental changes in the political system.
 - NGOs in Indonesia have helped bring about changes in national-level policy by focusing media attention on important issues.
 - NGOs in Mongolia are a key feature in the sudden growth of a new vibrant civil society.
 - USAID-assisted NGOs in Sri Lanka have worked effectively with local governments on joint projects.

Program Approaches & Trends: Local Governance/Participation

- Local governance and participation are emphasized in a number of countries.
- Missions are striving to have an impact on a national level/nationwide through efforts at local levels.

Program Approaches & Trends: Elections Assistance

- Smooth parliamentary elections with high voter turnout have taken place in Bangladesh.
- Two free, fair, and competitive elections were held in Mongolia, a country not known previously for that kind of electoral politics.

Program Approaches & Trends: Strengthening Effectiveness of Public Sector Institutions

- The Egyptian legislature's access to information needed for effective lawmaking has improved through USAID assistance.

Program Approaches & Trends: Improving Human and Civil Rights

- Assistance to NGOs in Indonesia
contributed to objectives in rule of law and
defending the rights of marginalized groups.

Program Approaches & Trends: Gender

- While all ANE DG programs work to integrate women into advocacy and governance activities, two Missions take innovative, multi-sector approaches to reducing gender gaps

Corruption Continues to Present Asian Governments and USAID with Difficult Challenges

- The Transparency International (TI) “Corruption Perception Index” found six Asian countries among the eleven perceived as having the most corrupt government officials within the 54-country sample.

The DG-EG Interface

- Economic policies of many Asian governments provide ample opportunities for corruption, or they create more incentives for seeking income from engaging in politics than from economic activities. This unfortunate connection between politics and economics is a critical challenge in the region.

Economic Growth

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September 1997

Major Points

ANE Criteria for EG Investments

Key Results

ENV/EG Interdependence

Issue

Proposed ANE EG Plus-Up

Proposed ANE Regional EG Approach

3 Major Points

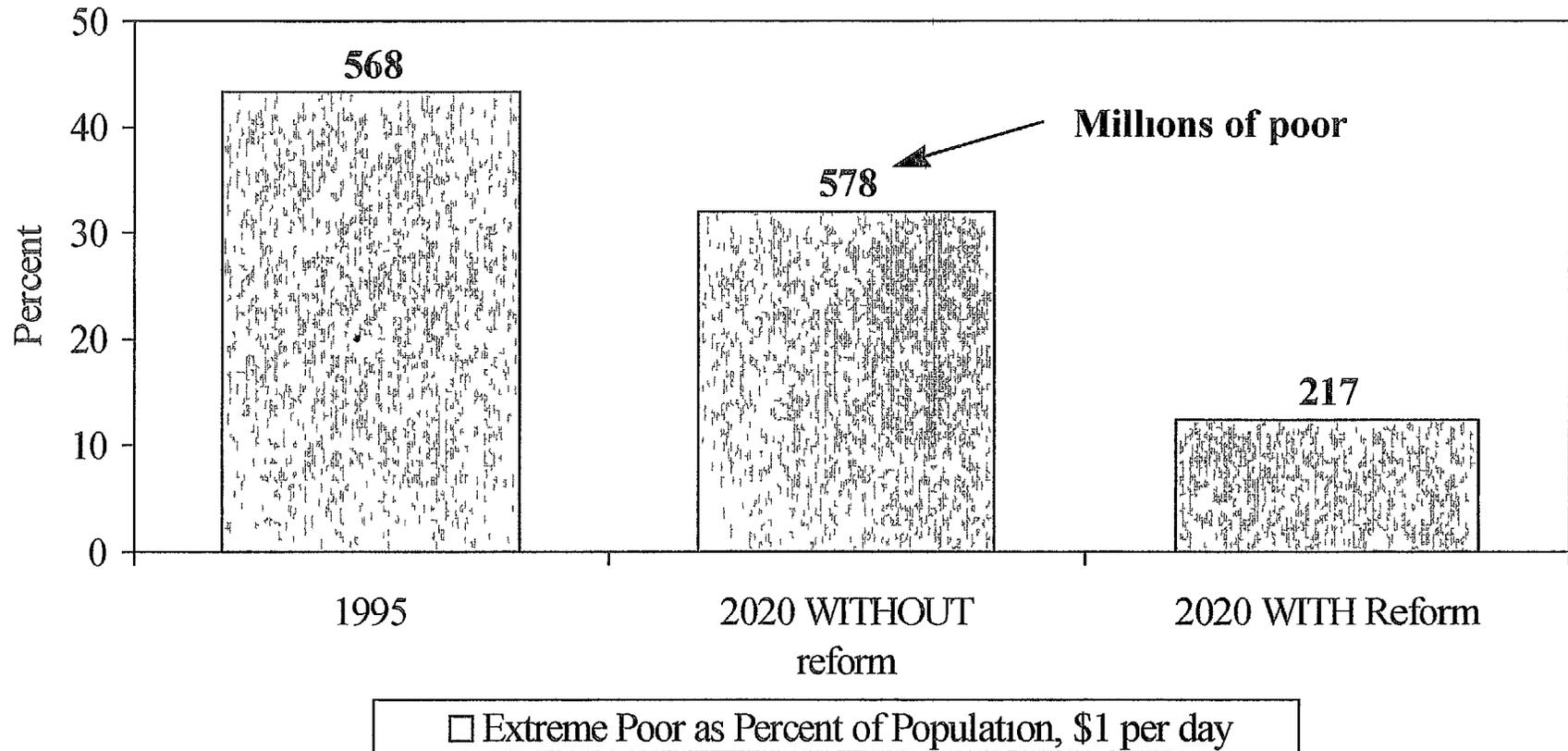
- Continued Strong Results in Trade and Investment Reform, Capital Mobilization and Agriculture/Agribusiness
- Strong ENV and EG Interdependence
- Staff and Funding Resources for Largest Emerging Markets and Poorest Countries are Declining

ANE Criteria for EG Investments

- Contribution to U.S. Foreign Economic Policy
 - in Emerging Markets
 - in Politically Important Countries
- Greatest Need

How to Reduce Poverty: Economic Policy Reform

Indonesia, India, Philippines and Bangladesh



Note 2020 without reform assumes an average annual growth rate of 1% for GNP per capita while 2020 with reform assumes a per capita growth rate of 4.8%

Source USAID, "2020 Visions Creating Tigers, Cutting Poverty and Increasing Trade, 1995-2020"

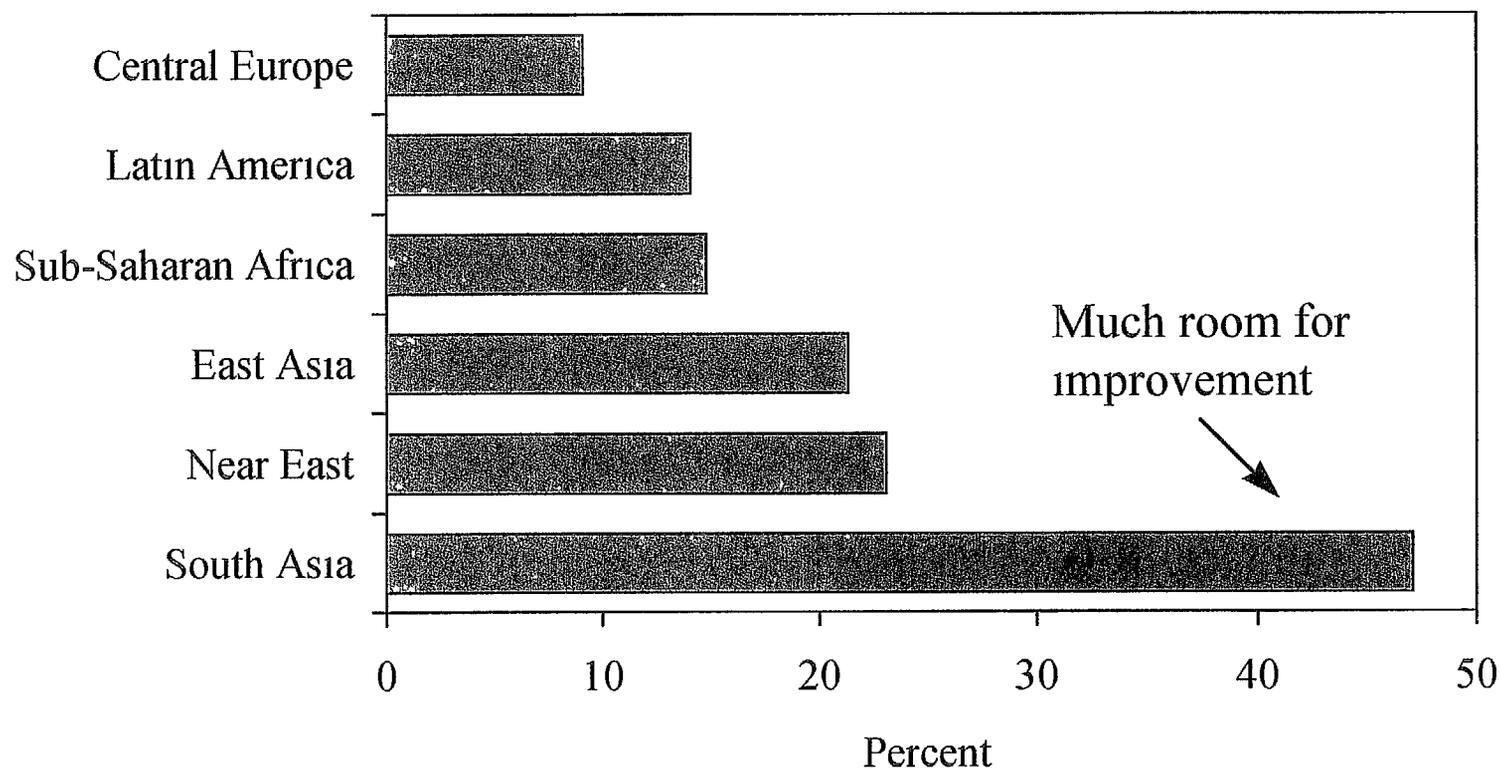
Key Results

- Increased Trade and Investment Opportunities
- Increased Capital Mobilization
- Agricultural Transformation and Increased Rural Incomes
- Increased Integration of Environment and Economic Objectives

USAID-Backed Trade Reforms

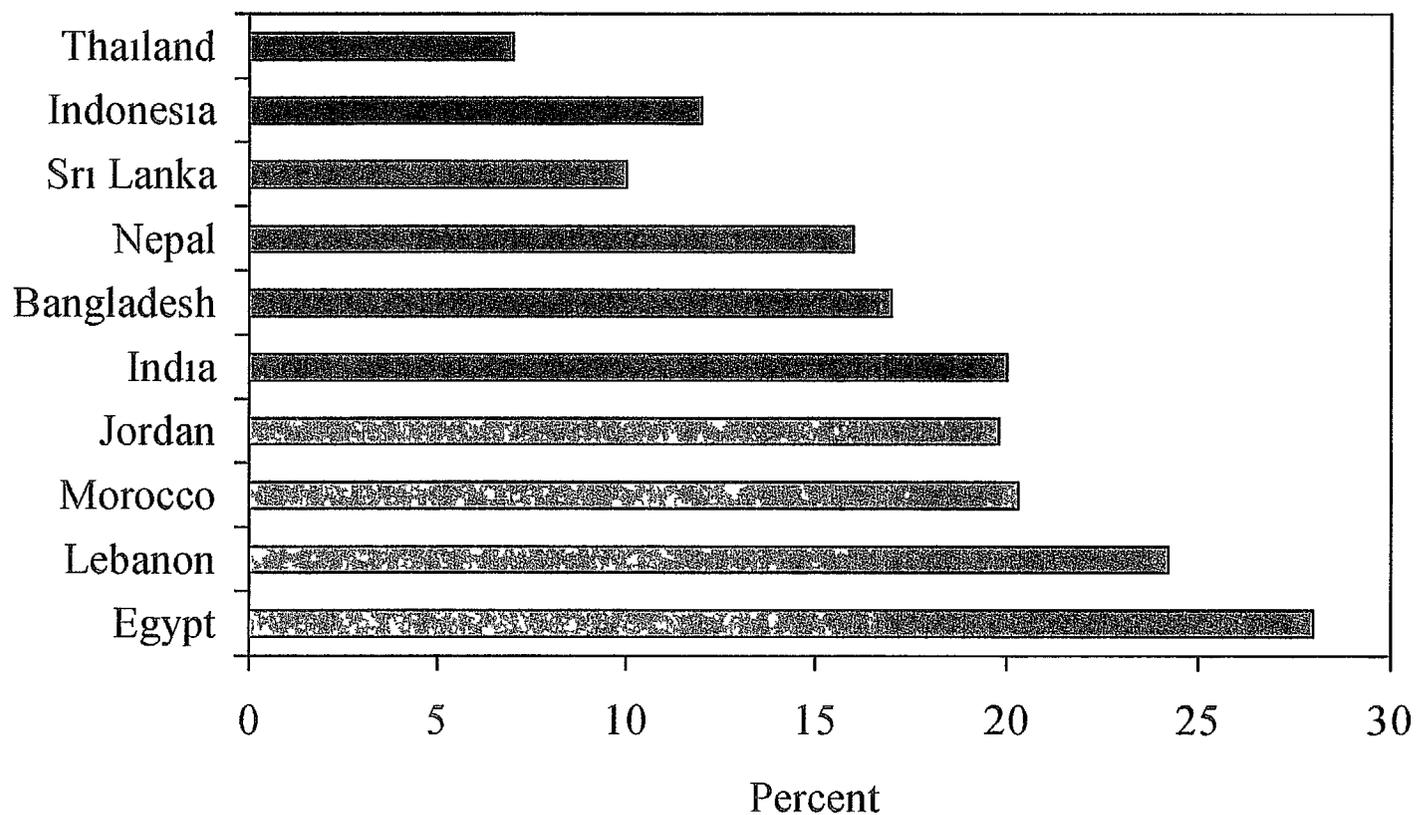
- Reduced Tariffs - The unweighted average tariff rate in Indonesia declined from 14% to 12% in 1996, contributing to an increase in U.S. exports to Indonesia of 16% last year.
 - Labor intensive export manufacturing has increased productive employment for poor people, especially young women
- Increased Openness to the Global Economy - Total trade in the Philippines amounted to 98% of GDP in 1996, up from 80% in 1995.

Weighted Average Tariff Rates by Region



Source IMF reports, World Bank, Havrylyshyn (1996)

Weighted Average Tariff Rates



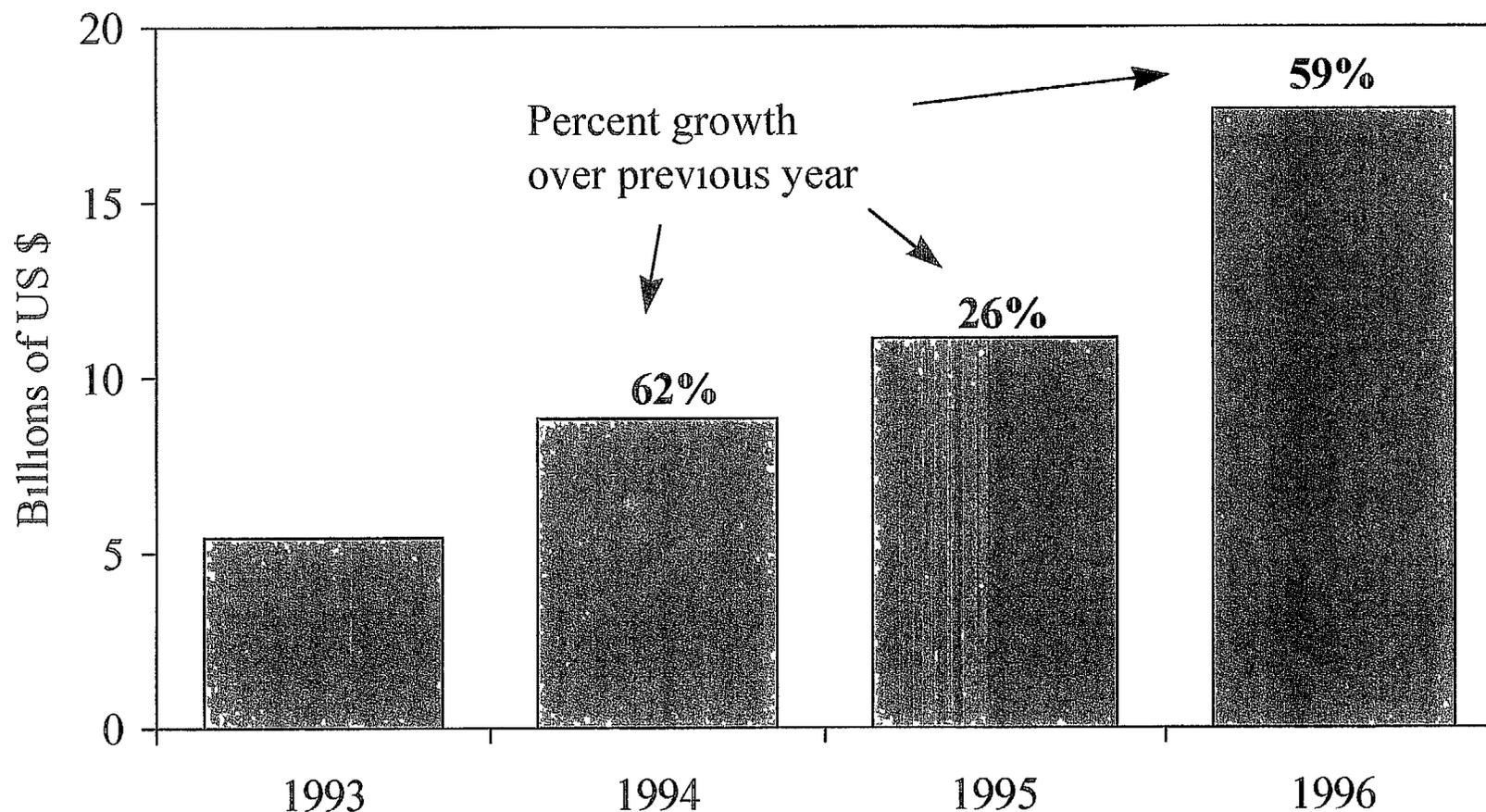
Source IMF reports, World Bank, Havryshyn (1996)

USAID Backed Institutional Reforms to Mobilize Capital:

- Bank restructuring - The Government of Mongolia closed two large banks, created two new institutions, and transferred fixed-term deposits to the new banks, all without causing serious macroeconomic consequences
- Build-Operate-Transfer (BOT) - A BOT program in the Philippines has attracted private capital into infrastructure and helped equalize investment opportunities for U S business. Of the \$8.5 billion in BOT projects awarded or completed, the U S business share is estimated to be \$1.33 billion or 15.6% in 1996. Japan's share is estimated at \$898 million or 10.6%
- Securities Market Reform - Major policy reforms in Sri Lanka an improved government debt securities market and guidelines and procedures for private sector participation in infrastructure projects, strengthening the enabling environment for future private sector investment
- Employment Creation
 - A study of employment created by the expansion of the stock market in Indonesia observed that 44% of jobs went to female workers, compared to a national average of 33% of workers in the formal sector
 - Of the 3,000 jobs created by companies raising new capital on the Sri Lankan stock exchange, 40% were for women

Funds Raised on International Capital Markets

Indonesia, India and Philippines



Source OECD, Financial Statistics Monthly

USAID-Supported Microenterprise

- Increased focus on policy reform to strengthen linkages to formal financial sectors in Jordan, Nepal, Bangladesh, India and Cambodia;
- 100 percent of all borrowers in Nepal, Sri Lanka, Jordan and Cambodia are women;
- Microfinance institutions have achieved 100 percent operational sustainability in the Philippines, Egypt and Sri Lanka;
- ANE is the most competitive region for PRIME funds and poverty lending.

Microfinance Models in ANE

Private Banks

- Hatton in Sri Lanka
- Danamon in Indonesia
- provide direct loans to microenterprise

BRI

- state bank
- 13 million savers, 2 million loan clients

Grameen Trust

- branch banking
- directed at poor
- replicated in Nepal, India and Philippines

Other Models

- Jana Shakthi in Sri Lanka
- Credit Unions
- Sewa Bank in India

Agricultural Transformation

- Horticulture - In India, exports increased 35%; In Nepal, sales increased 90%; In Egypt, grape exports increased 27% in 1996.
- Farms/Fisheries
 - The average increase in income for USAID-assisted Philippine farmers/fishermen is estimated at 160%. Of the principle beneficiaries, an estimated 24% were female, and 19% Muslim or indigenous.
 - Expanded homestead vegetable production increased income by about 10% for over 120,000 families. Homestead fisheries activities have provided up to \$2,000 in additional income per hectare for participating 68,000 households. Almost 75% of all farmers assisted are women.

ENV/EG Interdependence:

- Water Scarcity
- Private Investment in Energy
- Private Investment in Urban Infrastructure
- Industrial Air Pollution

EN/EG Interdependence - Water Scarcity

- Improved management practices in Morocco resulted in a 10% reduction of chromium pollution in the Fes Tannery sector, and a 6% increase in water saving in agricultural target areas.
- Politically-sensitive water tariff reform and technology transfer in Jordan improved water efficiency, and increased agricultural production.

EN/EG Interdependence - Private Investment in Energy

- Hydropower Development - USAID/Nepal played a critical role in leveraging funds including \$138 million for the 60MW Khimti Khola Project and \$250 million for the 144MW Kaligandaki A Project.
- Private Power Generation
 - Due to a simplification of the private investment process in India, private power as a percentage of total power generating capacity increased from 4.4% in 1995 to 5.3% in 1996.
 - USAID provided legal and financial assistance in the Philippines to help privatize the power sector and develop a legal framework for an indigenous natural gas industry.

EN/EG Interdependence - Private Investment in Urban Infrastructure

- Improved Management Practices- Five Indian cities began a process of preparing municipal bonds to finance infrastructure. The city of Ahmedabad received the first municipal credit rating in Asia, an A+.
- Decentralization - Commitment by the Government of Indonesia to decentralize ownership of urban environmental infrastructure led to the recent transfer of water utilities from the central government to local governments. In addition, private sector interest in infrastructure remains high, with active deals now reaching 15 times the number proposed in 1992

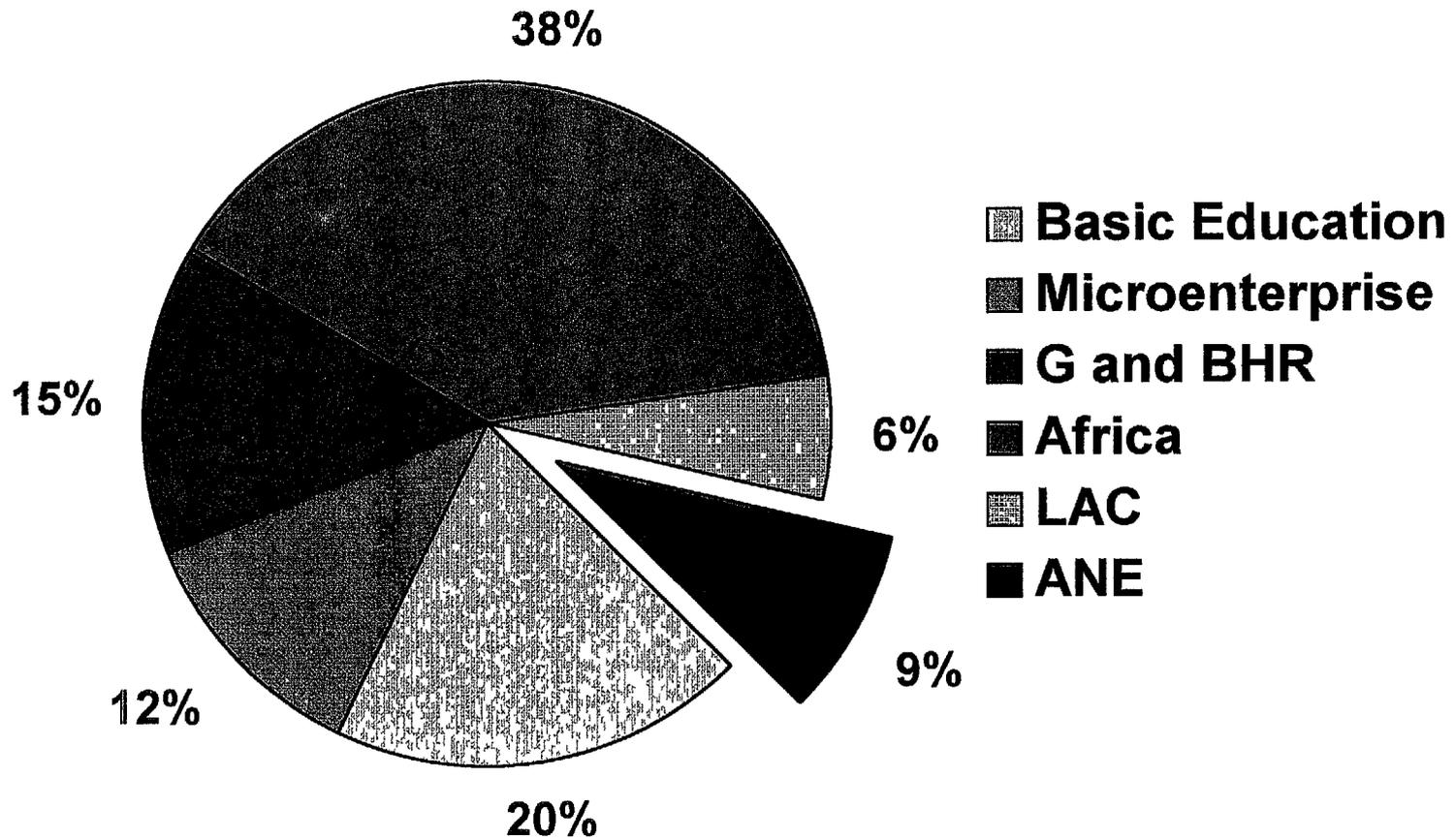
EN/EG Interdependence - Industrial Air Pollution

- 40 companies in Egypt completed industrial pollution audits and industrial pollution prevention technologies are being implemented at 27 plants.
- 74 firms in the Philippines participated in Pollution Management Appraisals and reduced pollution discharge 29%. In 1996, participating industries invested \$2.36 million in pollution abatement equipment.

DA Funding - Of the roughly \$500 million in EG funding for FY 1998:

- Almost 20% goes for basic education, an earmark that has remained stable despite sharp declines in overall EG funding
- Another 12% goes to microenterprise, which has also been relatively protected
- The remaining budgets for G and BHR, which are almost completely earmarked, claim another 15%
- Africa gets most of the remainder - nearly 40% of the total
- The remaining funding available to LAC and ANE for core economic growth activities amounts to only \$31 and \$45 million respectively, around 6% and 9% of the total
- Considering the importance of these regions to U S economic interests, the huge gains that have been realized to date, and the large potential future gains, the above arguably points to a misallocation of resources

EG Funding in FY 1998



Proposed ANE EG Plus-Up: Purpose

- Future funding is inadequate to address U.S. national interest for continuing and participating in the economic growth in Asia. How do we organize and prioritize to remain responsive and relevant in the region?

Proposed ANE EG Plus-Up: Expected Results

- Sustain rapid growth, creating more jobs for Americans through a more open and competitive trading system. (APEC countries of the Philippines, Indonesia and Viet Nam)
- Reduce poverty and increase investment opportunities for American business through capital market development and BOOT mechanisms for infrastructure. (Nepal, India, Philippines, Sri Lanka and Viet Nam)

ANE Bureau Environmental Framework:

■ Expansion of Energy and Urban Environmental Infrastructure

- Levels of suspended particulates are a serious health problem in megacities throughout the ANE region, including Bangkok, Bombay, Cairo, Calcutta, Delhi, Jakarta and Manila (World Resources 1994-95, p. 199).

ANE Environment Strategy: Operational Approach

- Policy Reform
- Institution Building and Public Participation
- Private Sector Involvement
- Demonstration and Replication

Proposed ANE Regional EG Approach: Trade and Investment Policy Reform Activity

■ Presence Countries

- seed money to explore opportunities to pursue reform of trade and investment policy

■ Non-Presence Countries

- work with NGOs and partnerships between U S and non-presence country business associations which influence trade and investment policy
- when and where possible, provide TA to non-presence country governments to promote reform of trade and investment policy

■ Regional Organizations

- ASEAN, APEC - to provide TA that complements and strengthens results achieved at country level

Education

ANE R4 Wrap-Up
September 1997

Trends

Responses

Results

Issues

Trends:

- Increasing awareness of development impact from investing in girls and women
 - economic growth / decreased poverty
 - reduced fertility
 - improved child and maternal health
 - increased agricultural productivity
 - enhanced status of women
- Increased sectoral synergy and integration of USAID programs with host-country strategies

USAID Response:

- Shift from basic to post-literacy, from breadth (broad national focus) to depth (intensive geographic focus) -- Nepal
- Focus on educational quality for equity and effectiveness at primary level -- Cambodia, Egypt, India, Morocco

USAID Response:

- System changes through innovative approaches to primary schooling -- Cambodia, Egypt, India, Morocco
 - community involvement
 - female teachers
 - gender-sensitive curricula
 - interactive methodologies
 - public-private partnerships

USAID Results: Literacy in Nepal

- Increase in adult female literacy rate from 21% in 1991 to estimated 28% in 1996 through direct literacy service delivery as well as work with Ministry of Education
- 100,000 women taught basic literacy and numeracy in 1996 in 56 districts through USAID-supported indigenous NGOs which formed 6,000 literacy groups
- Impact of women's literacy on girls only 4% of girls left school where mothers in literacy programs, compared with 20% where none
- Social changes for women, when literacy combined with economic opportunity and knowledge of legal rights, per preliminary study
 - 8 times more likely to participate in social action,
 - 30% more likely to influence household decisions
- Synergy with other SOs in ag/forestry and PHN encouraged and expected to produce enhanced overall results due to women's literacy

USAID Results in Primary Education: Innovative Models Leveraging Money and Resources

- Increased enrollment of boys and girls in five pilot provinces in Morocco due to USAID-influenced GOM campaign with 100% retention rate in first year of pilot. Model will be replicated by other donors (World Bank, French, EU).
- Enthusiastic response in Cambodia to new open learning styles from initial USAID-funded training for teachers and ministry staff (representing 10% of the system).
- USAID-funded construction of 12 resource centers begun in Cambodia.
- One-room schools opened to communities in evenings for literacy classes as a result of USAID's policy dialogue in Egypt.

USAID Results in Primary Education: Community Participation

- Involvement of Teachers' Union with USAID in India will lead to the design of new gender-sensitive curriculum.
- Building of stakeholder constituency in Morocco stimulated by USAID by involving parents and communities through partnerships.
- 72 local cluster school committees established in Cambodia with USAID assistance, linked to newly created PTAs.

USAID Results in Primary Education: Policy Change

- Government decentralization, encouraged by USAID, led to appropriate local school calendar and revised curriculum in Morocco.
- Maximum age of entry to primary school increased from 8 to 9 years and to middle school from 14 to 18 years, through USAID policy dialogue with the government of Egypt.
- Literacy class graduates now allowed to take 5th grade exam to enter middle school in Egypt, a USAID supported policy change.

Issues:

- Does the new Agency Goal for Education and Training create an unfunded and understaffed mandate?
- What are the impacts of women's literacy on development?
- Do NGO models have sustainability?

Environment

ANE R4 Wrap-Up
September 1997

Framework

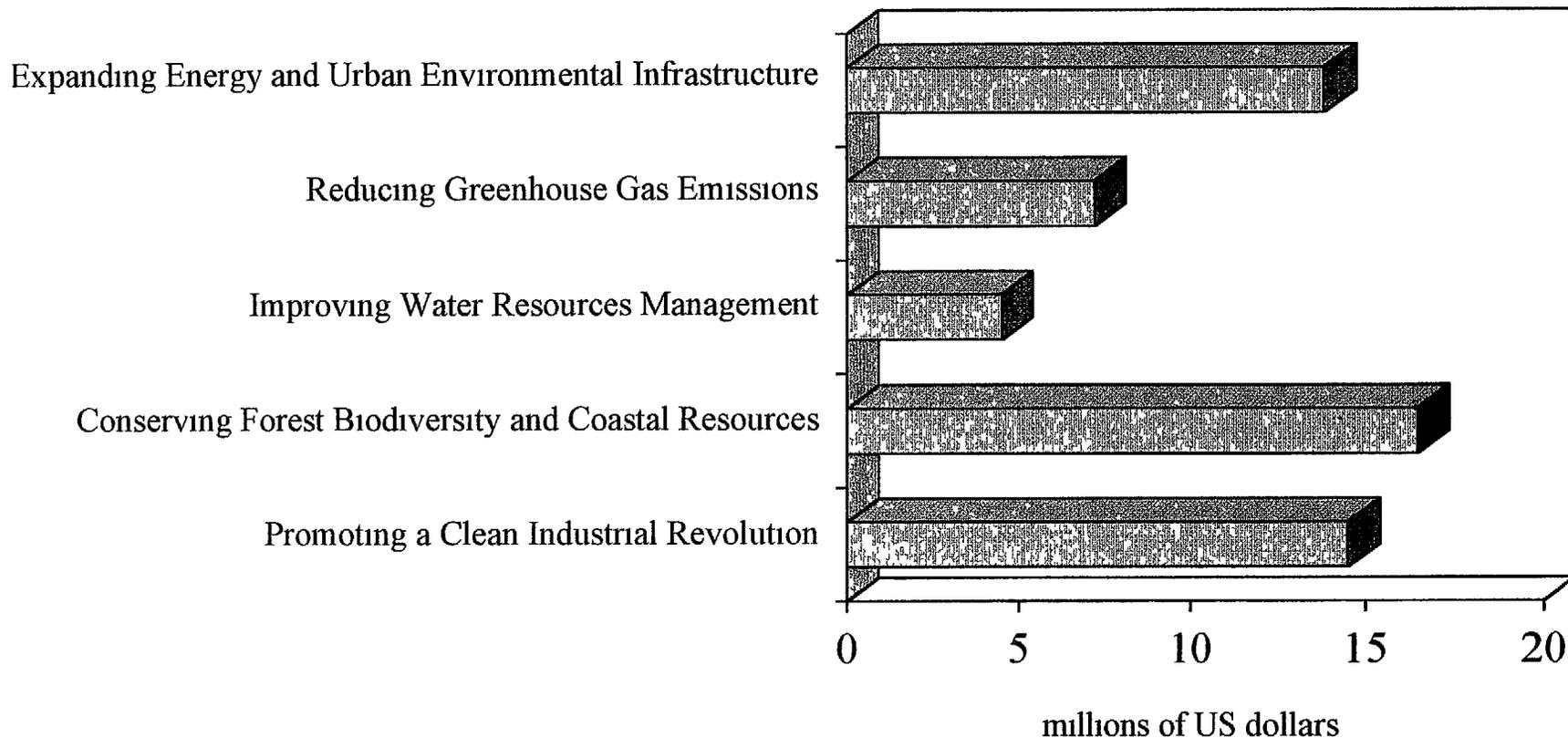
Approach

Results

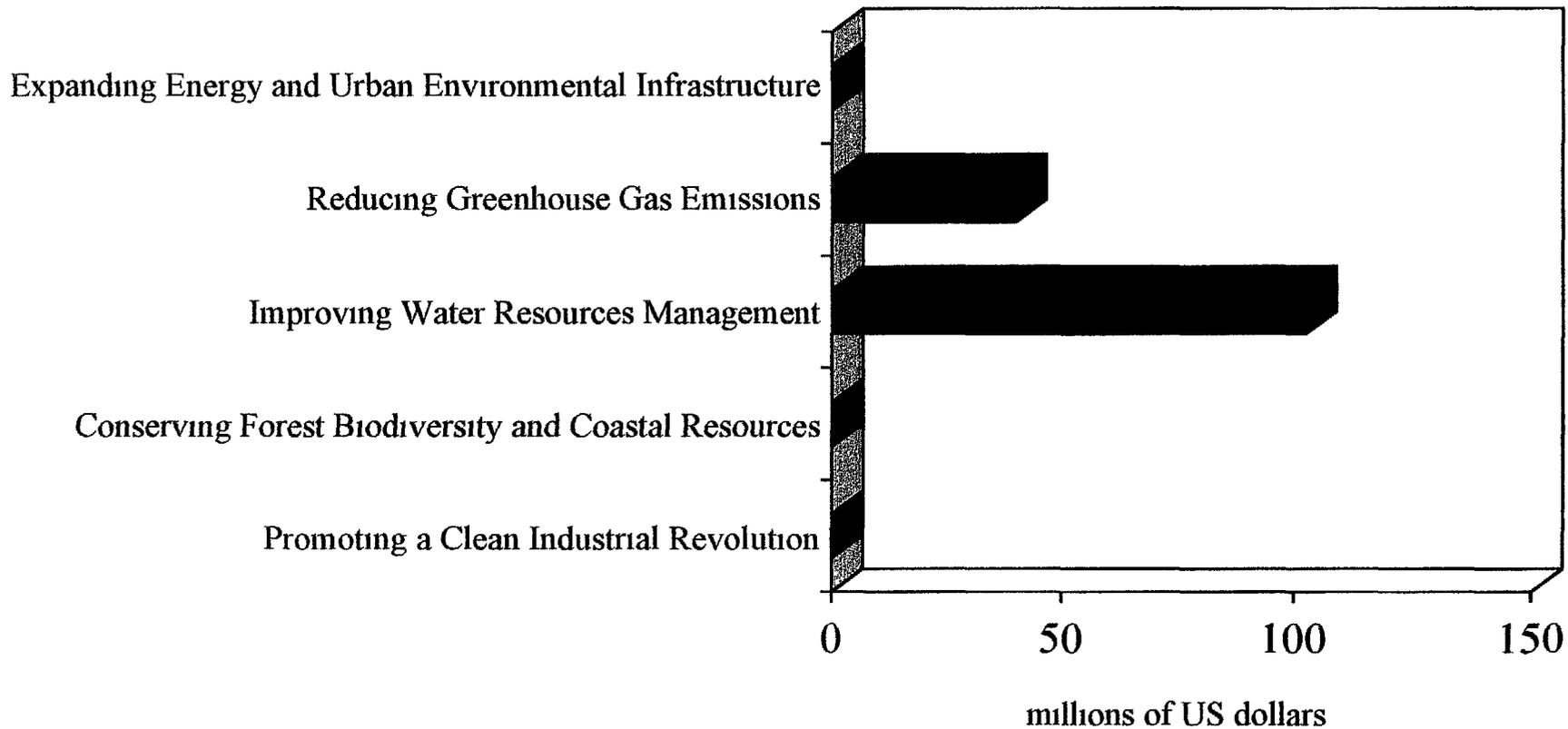
Issues

Summary

Distribution of DA Funds by ANE Environment Focus Area (FY 97)



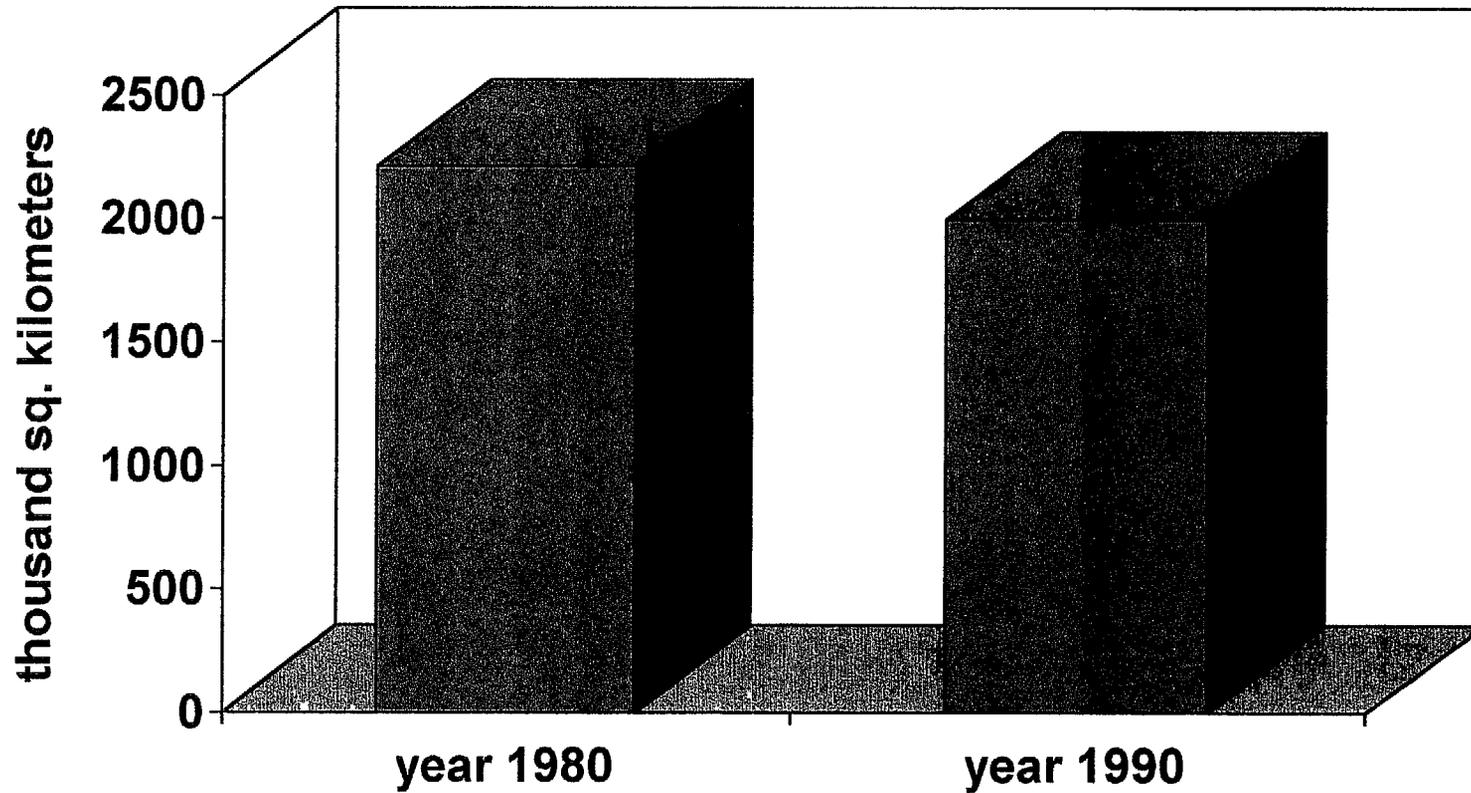
Distribution of ESF Funds by ANE Environment Focus Area (FY 97)



ANE Bureau Environmental Framework:

- Conservation of Forest Biodiversity and Coastal Resources
 - The percentage of land in protected areas in the ANE region is the lowest of any region, with the exception of the former Soviet Union (World Resources, 1994-95, p. 152).

Forest Area Decreases by 10% in USAID/ANE Region



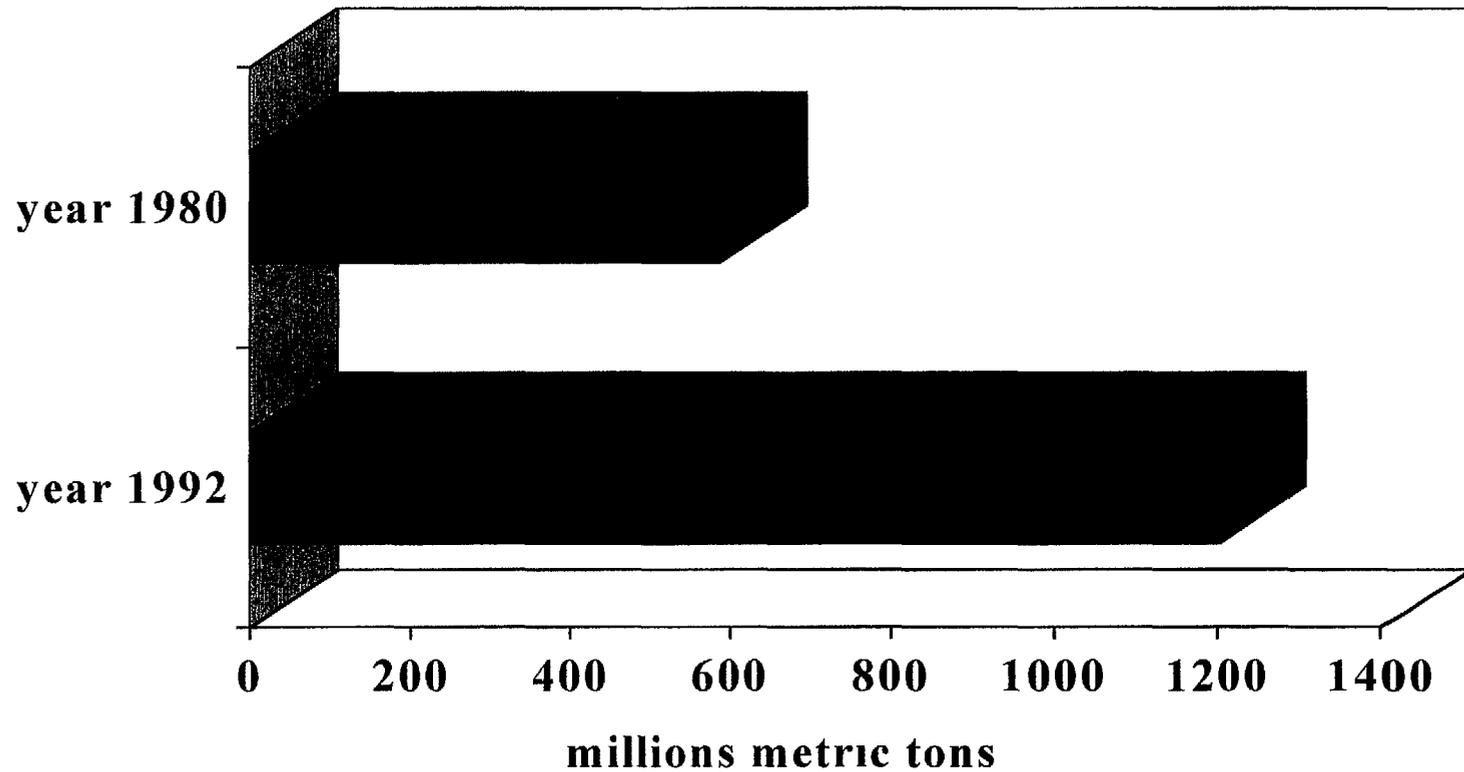
Source World Development Report, 1996 Does not include Lebanon, Cambodia or Egypt

ANE Bureau Environmental Framework:

■ Reduction of Greenhouse Gas Emissions

- By 2025, carbon dioxide emissions in the ANE region will account for 40% of the developing world total -- 2.2 of the 5.48 gigaton total (Global Climate Change: The USAID Response, 1994, p. A2.26).

CO2 Emissions Doubled in ANE/USAID Presence Countries



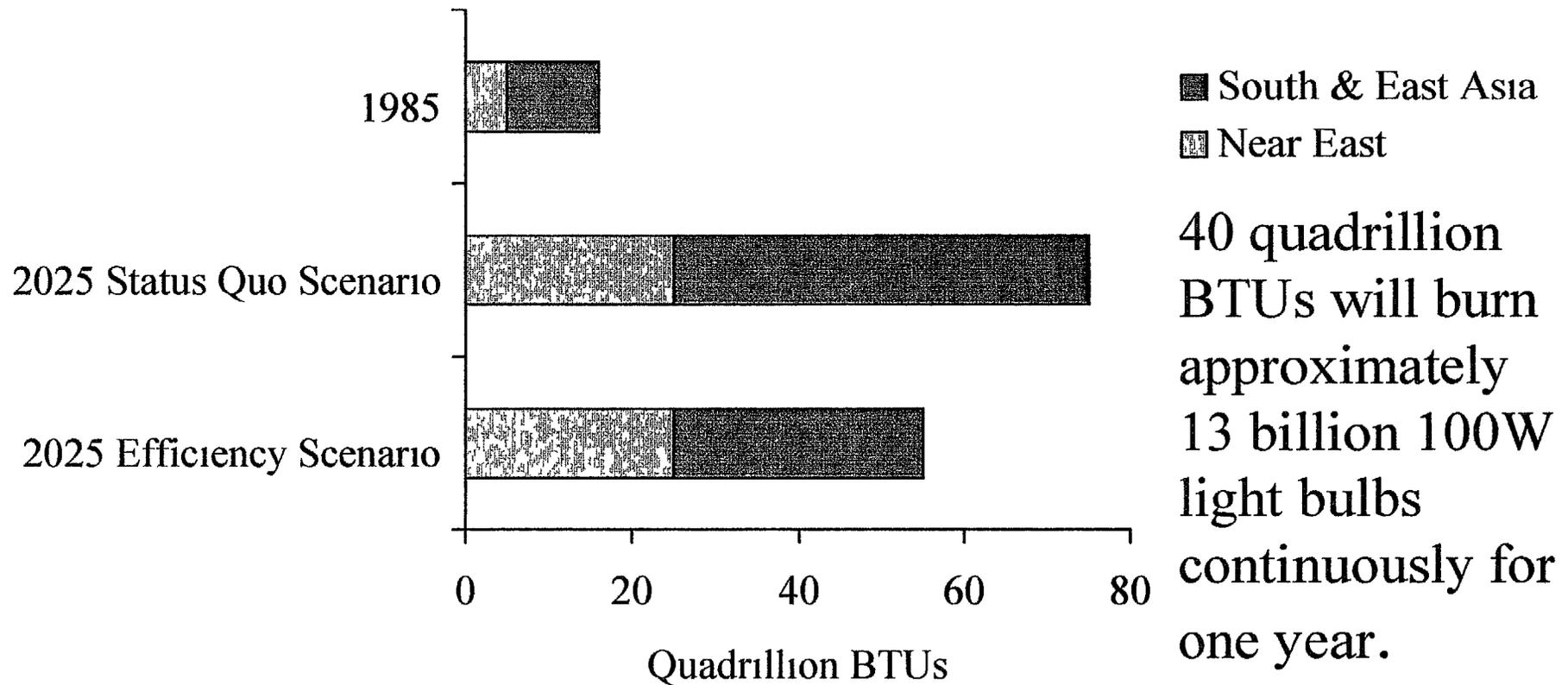
Source World Development Report, 1996 Graph does not include Cambodia or Lebanon

ANE Bureau Environmental Framework:

■ Promotion of Clean Industrial Revolution

- The International Energy Agency and the U.S. Department of Energy projections show a doubling of energy use in Asia from 1990 to 2010. The huge increase in energy use in Asia can be attributed in large part to an expected continuation of the current surge of economic growth. (World Resources, 1995-96, p.278)

Projected Primary Energy Consumption by Region



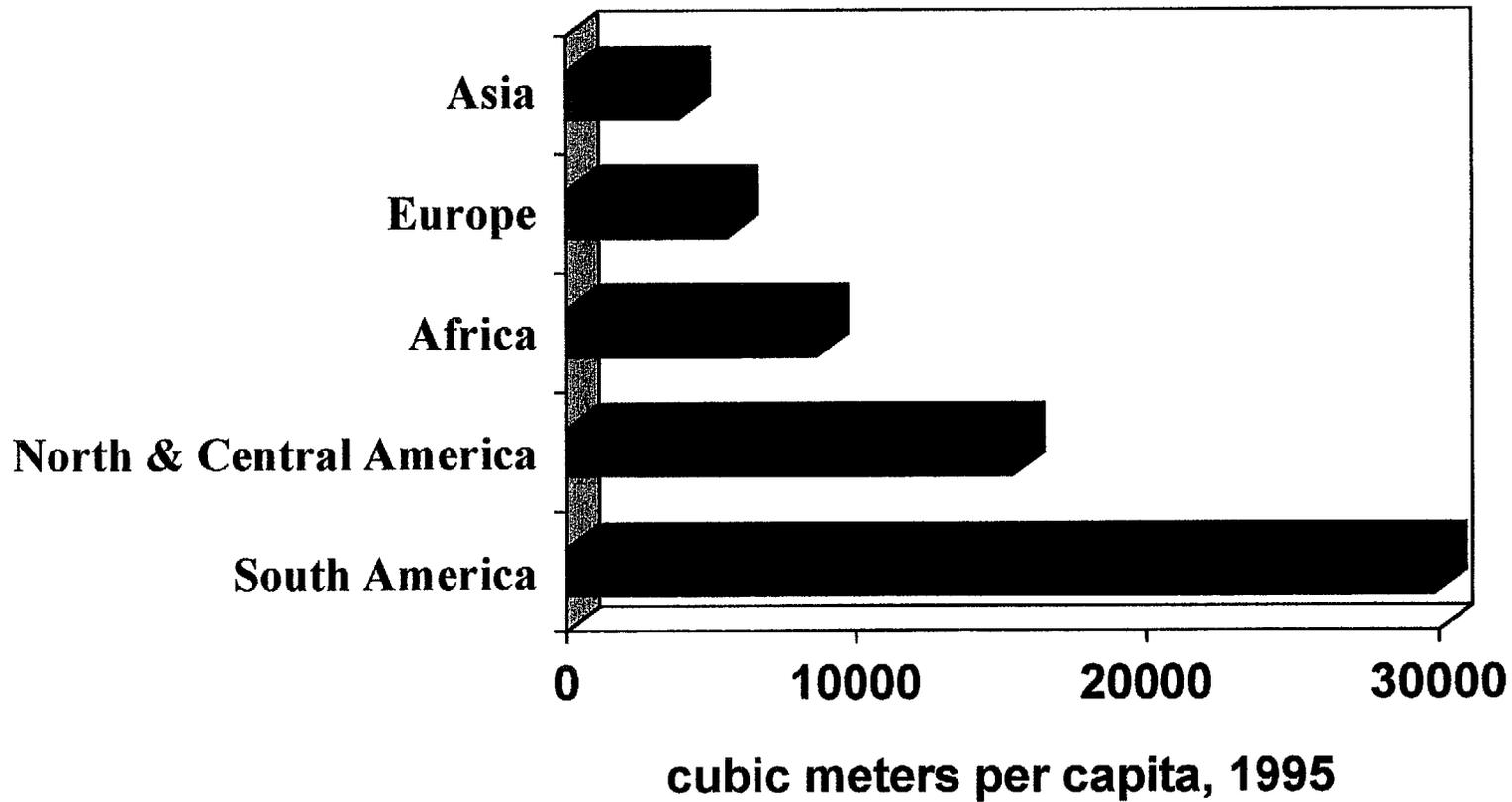
Status Quo Scenario assumes no additional investment in cost-effective efficiency enhancement

Efficiency Scenario is based on vigorous efforts to increase reliance upon cost-effective efficiency investment

ANE Bureau Environmental Framework:

- Improved Management of Water Resources
 - The volume of renewable water resources available to individuals throughout the ANE region is the lowest in the world (World Development Report, 1992, p.48)

Renewable Water Resources By Region



Source World Resources Institute, 1996-97

ANE Bureau Environmental Framework:

■ Expansion of Energy and Urban Environmental Infrastructure

- Levels of suspended particulates are a serious health problem in megacities throughout the ANE region, including Bangkok, Bombay, Cairo, Calcutta, Delhi, Jakarta and Manila (World Resources 1994-95, p. 199).

ANE Environment Strategy: Operational Approach

- Policy Reform
- Institution Building and Public Participation
- Private Sector Involvement
- Demonstration and Replication

Results:

■ Biodiversity/Forestry:

- Community-based forest and coastal management in AID program sites.
- Adoption of national-level forest policies in Indonesia, Nepal, and Philippines, and coastal policies in Indonesia, Philippines, and Sri Lanka.
- Protected area in Philippines increased by 150%; Protected areas in Nepal increased by 25% and forest biomass by 30%.
 - (Indonesia, Nepal, Philippines, Sri Lanka, Egypt, and the Biodiversity Conservation Network)

Results:

■ Global Climate Change/Energy Sector:

- Increased adoption of renewable and energy efficient technologies.
- Helped create a natural gas industry.
- Increased efficiency of power sector.
- Initiated privatization of coal-washing.
 - (India, Indonesia, Philippines, and Egypt)

Results:

■ Urban and Industrial Pollution:

- Introduction of municipal bonds.
- Demonstration of economic savings from pollution prevention measures across agro-industrial sector.
 - (Egypt, India, Indonesia, Jordan, Morocco, Philippines, West Bank/Gaza, USAEP)

Results:

■ Water Resource Management:

- Cost recovery and reduction of subsidies in municipal wastewater treatment.
- Reduced competition and conflict over use of scarce water resources.
 - (India, Cambodia, Nepal, Bangladesh, ANE regional)

Issues:

- Appropriate indicators are at times difficult to develop to accurately monitor progress in the environmental sector.
- Can ANE have a significant impact on new industrial capacity to be put in place in Asia over the next 20-30 years?
- Should ANE initiate an assessment of the timing/phase-out of the urban environmental infrastructure program?
- ANE investments in ecotourism must include better biological monitoring.
- Need to remain concerned about attributing forestry activities to global climate change.
- ANE is not now in a position to deal with MEPP water issues. Is this an important Agency priority?

Summary/Observations:

- While ANE appears to be on target in meeting the Agency goals in biodiversity, it is less clear in terms of global climate change, as projected mission funding levels for energy appear to be relatively low.
- The competition for resources between urban environmental infrastructure, energy, and industrial pollution is increasing. ANE needs to reach consensus regarding relative priorities among “brown” subsectors.
- ANE encourages the synergy between economic growth and the environment, which continues to grow stronger.

Gender

ANE R4 Wrap-Up
September 1997

Trends

Themes

Results

Issues

Trends:

- Increasing attention to gender integration in sectoral areas in region - 2/3 of ANE's SOs and SpOs specifically mention women or directly address women's status and gender gaps
- Strategic attention given selectively to gender as a development constraint (e.g., Nepal, India)

Themes:

- Gender/WID is an Agency Priority (Gender Plan of Action)
- Gender/WID is a Bureau Priority (Reducing gender disparities for greater development impact)
 - Bureau has developed two models: gender-led and gender-integrated

Results:

- Preliminary study in Nepal shows that empowered women will be more effective development agents and will help Missions achieve their objectives better.
 - Women who learn to read, understand their legal rights, and generate extra income participate almost 8 times more in actions for social change and over 30% more in making decisions about household expenses.
- Nearly all SOs/SpOs with a significant gender focus are ranked either high or medium for overall performance (not Egypt SO2 or Bangladesh SO6)

Issues:

- Need better understanding of developmental impact of empowering women and reducing gender disparities.
- Most gender interventions are at the activity level, and do not affect policies, thus limiting the level of impact.
- Agency staffing constraints limit the Bureau's ability to experiment strategically with women's empowerment (e.g. Nepal).
- Scope for improving attention in ANE to women's roles in environmental management, as participants and leaders.

Population, Health and Nutrition

ANE R4 Wrap-Up
September 1997

Results

Challenges

Funding

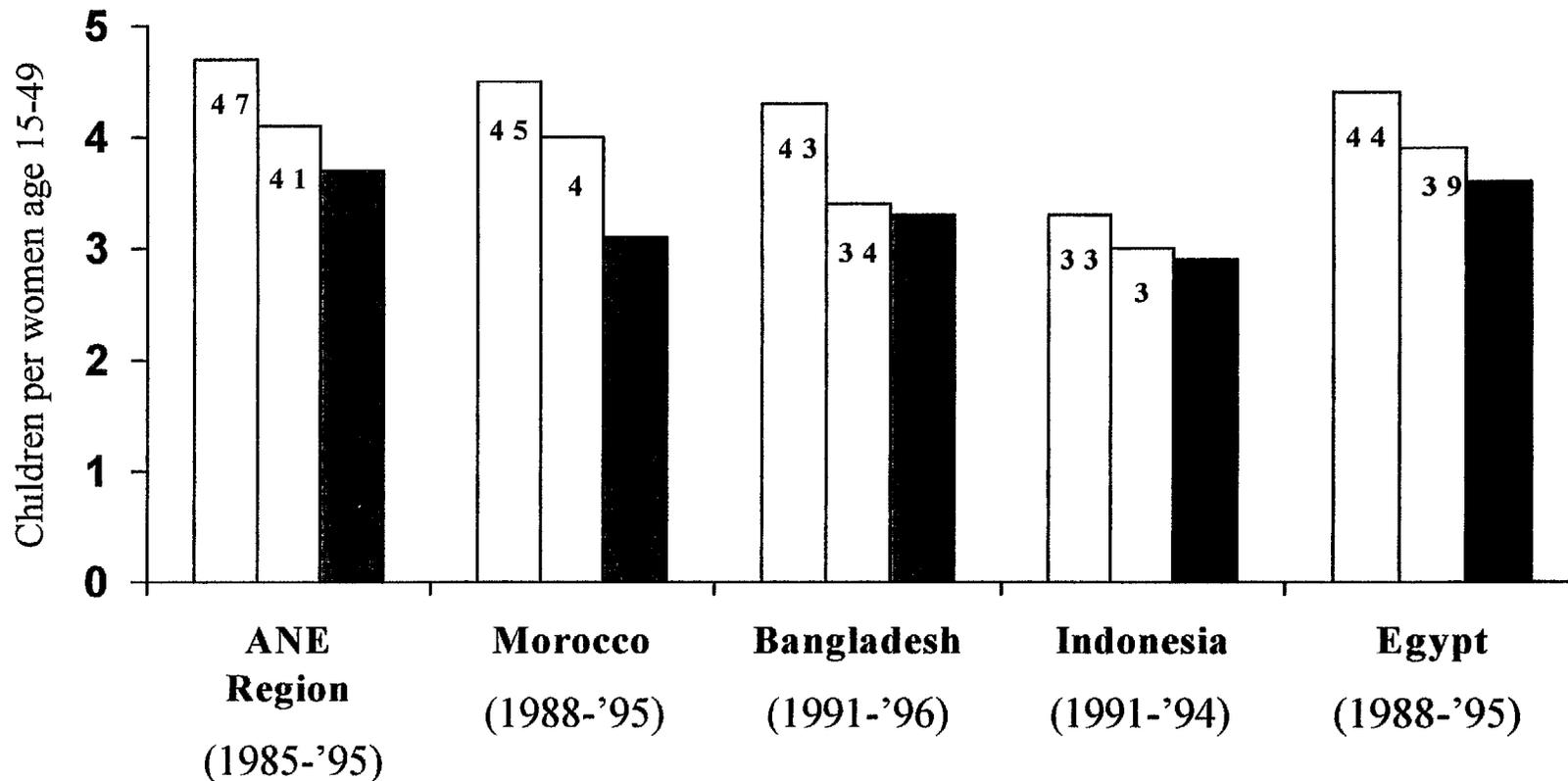
Policy Issues



Results:

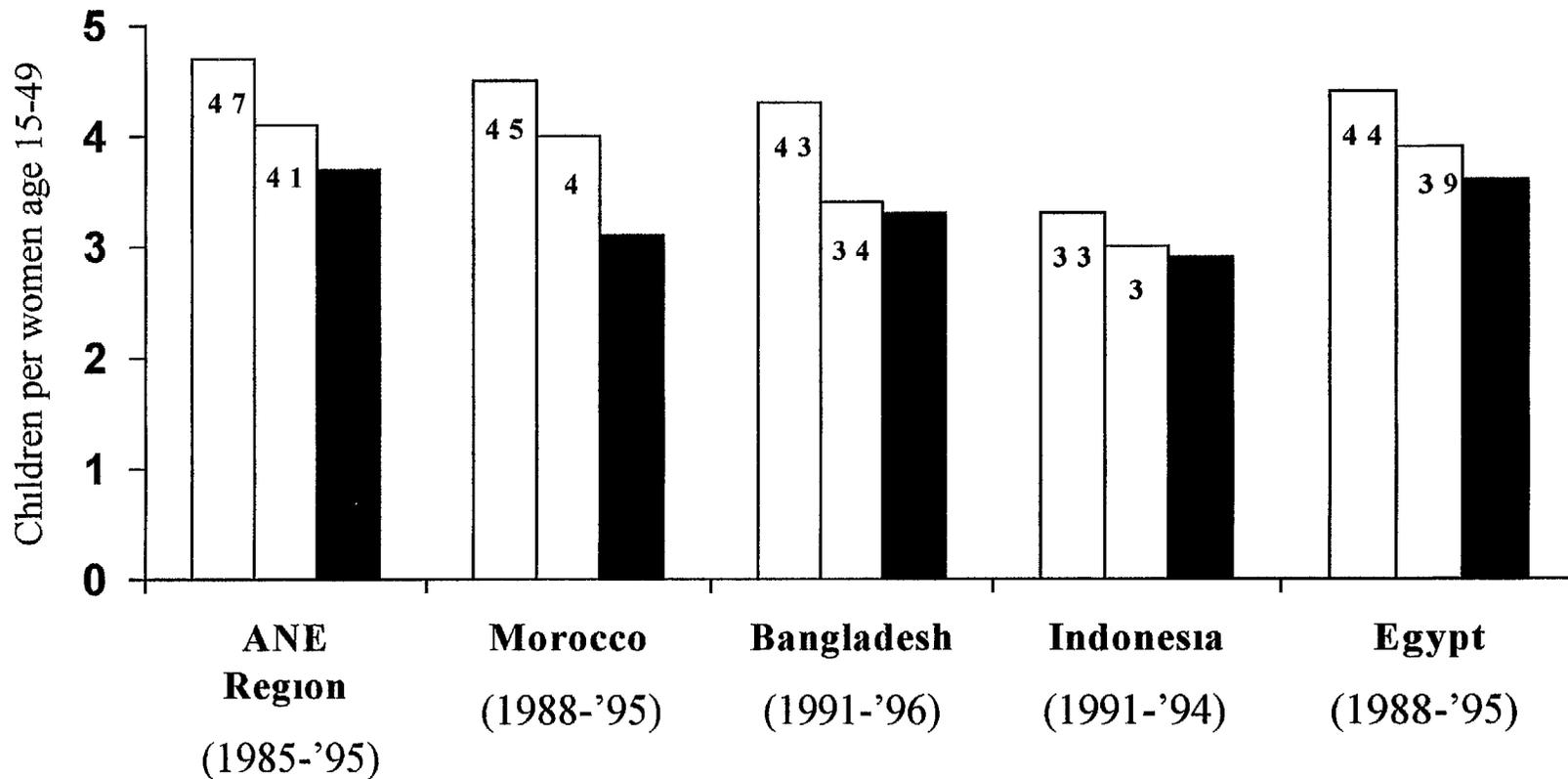
- Excellent results were achieved in family planning and health
 - Fertility and infant mortality rates declined in USAID-assisted countries.
 - HIV seroprevalence remained low in countries with early and aggressive responses (Indonesia, Philippines).
 - Increased integration of health and family planning programs showed positive results in consumer participation and sustainability (Indonesia, Jordan, Nepal).
 - More Missions addressed policy and sustainability issues.

Decreased Total Fertility Rates in Selected Countries



Source DHS and other country surveys noted in DHS reports Regional rates based on UN data

Decreased Total Fertility Rates in Selected Countries

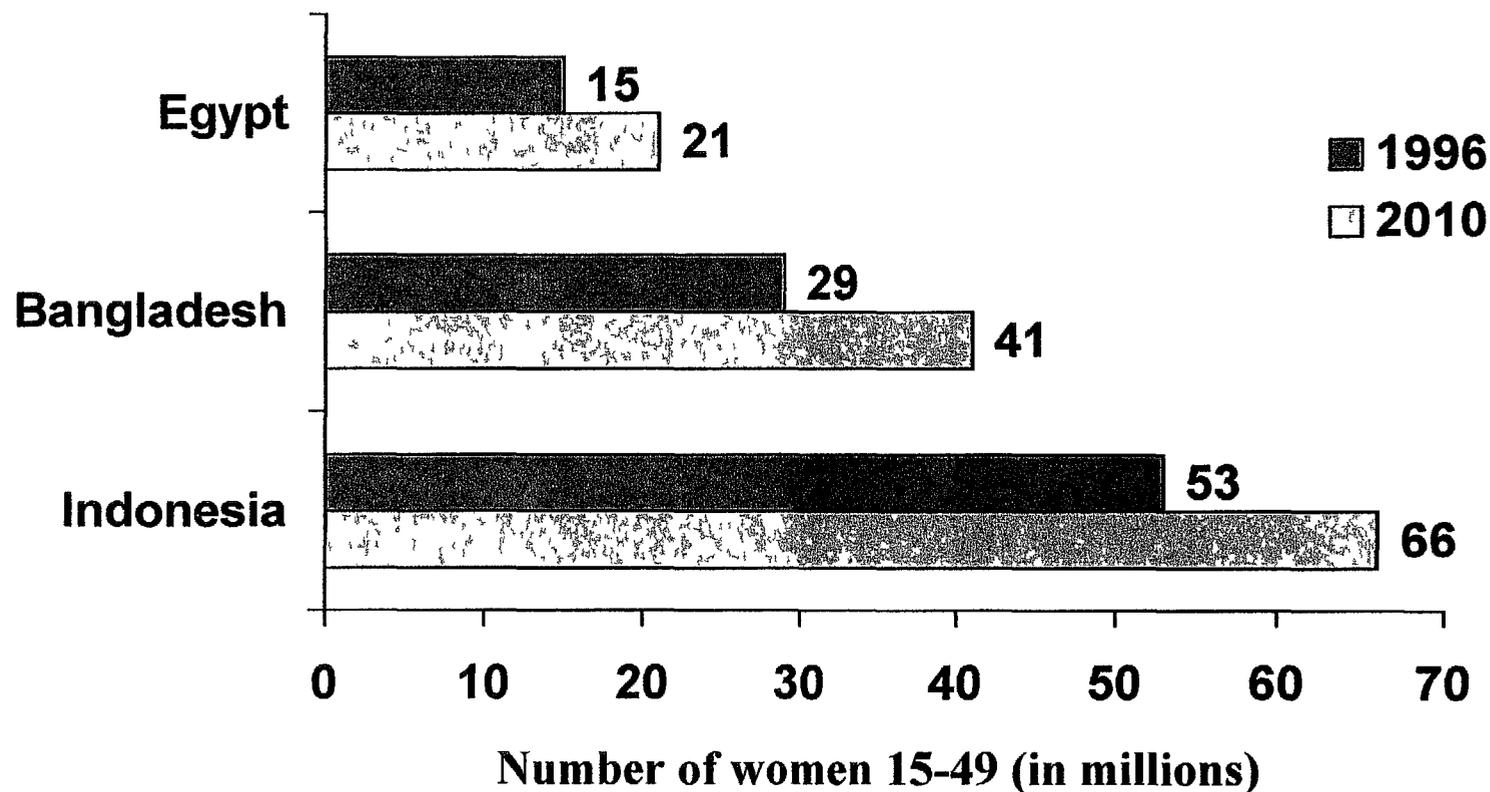


Source DHS and other country surveys noted in DHS reports Regional rates based on UN data

Challenges

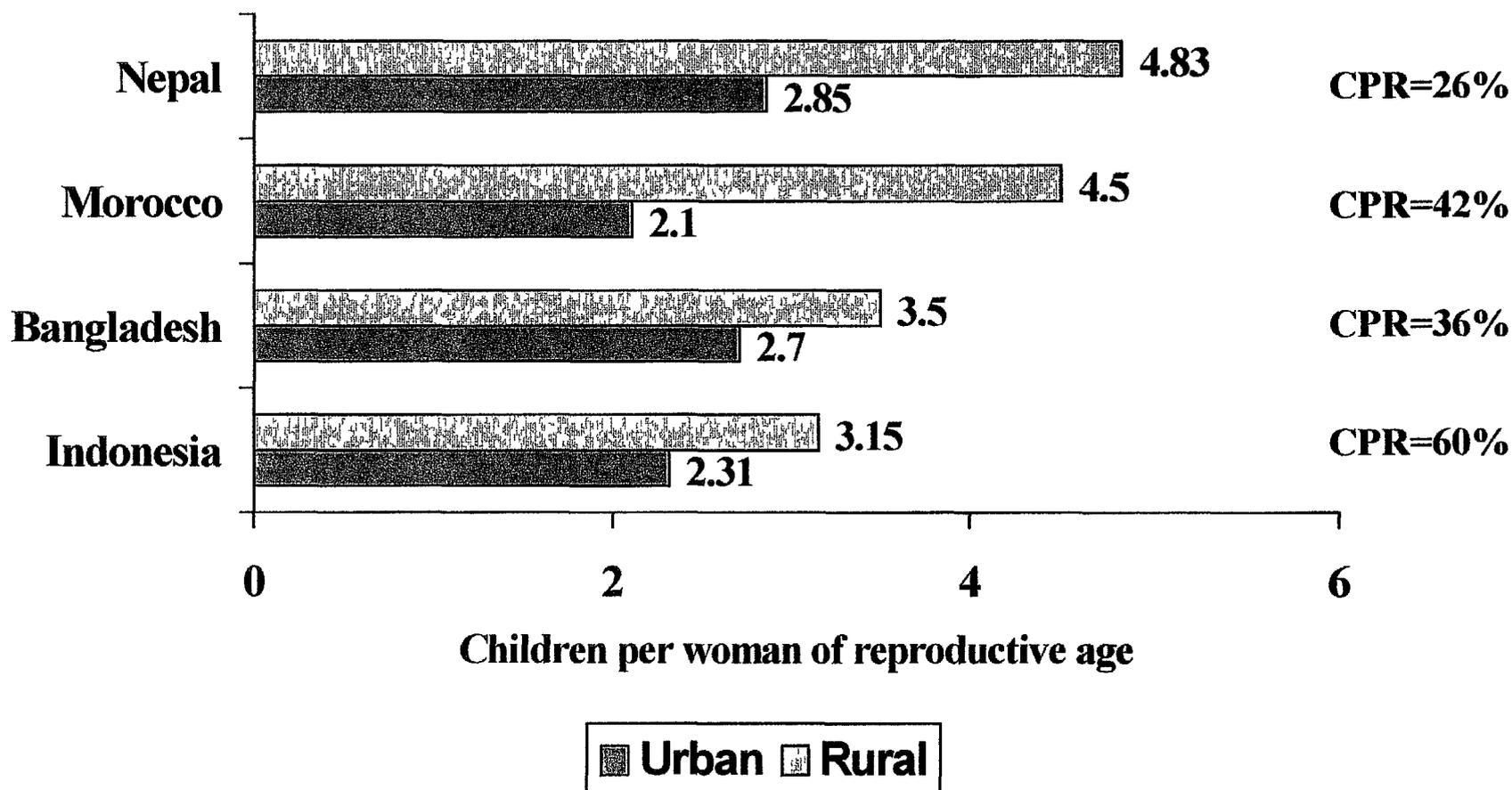
- Population momentum means that millions more will need services -- countries will have to run faster to stay in place.
 - Indonesia alone will have to provide services to an additional 13 million new acceptors by 2010 just to maintain current coverage levels.
 - disparities still exist, i.e. rural vs. urban.
- Much remains to be done to fulfill the promise of Cairo on reproductive health rights.
- Alarming HIV/AIDS increases in South and Southeast Asia countries threaten health and economic gains.

Even with continued fertility decline in these 3 countries, there will be an increase of almost 25 million women ages 15-49 between 1996 and 2010.



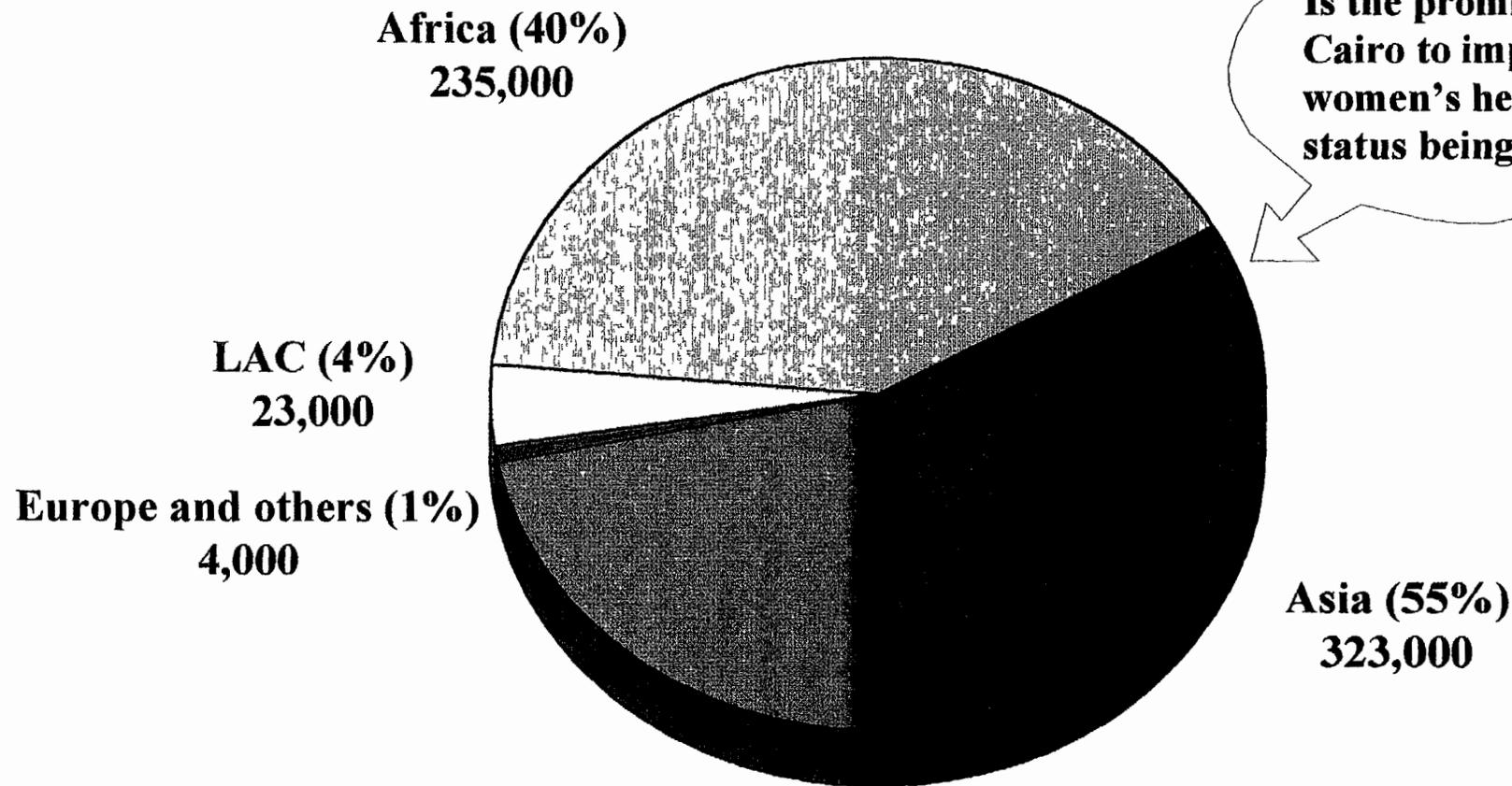
Source UN Data

Disparity In Fertility Rates in Urban vs. Rural Settings in Selected Countries



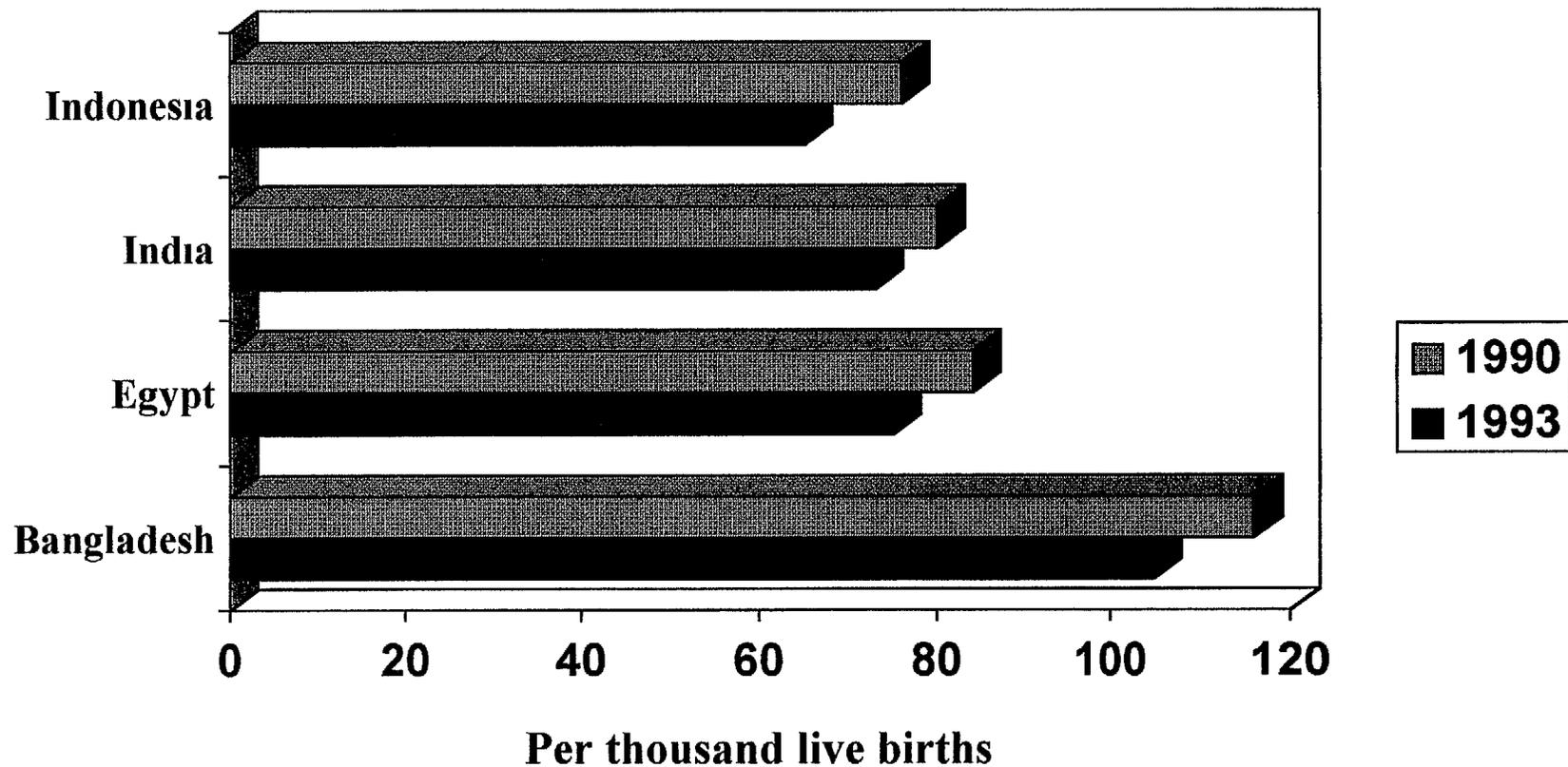
Sources Most recent DHS

Maternal Mortality By Region (585,000 Worldwide)



Source WHO/UNICEF Revised 1990 Estimates of Maternal Mortality

Infant Mortality Rate in ANE Countries with Child Survival Programs



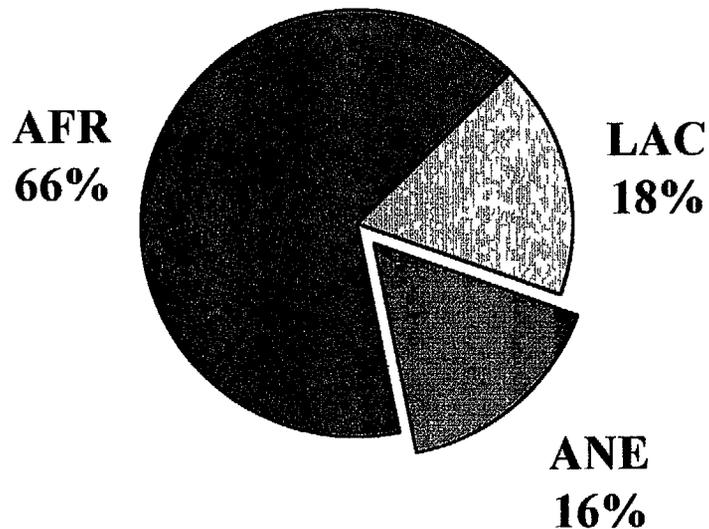
Source Center for International Health Information

Funding

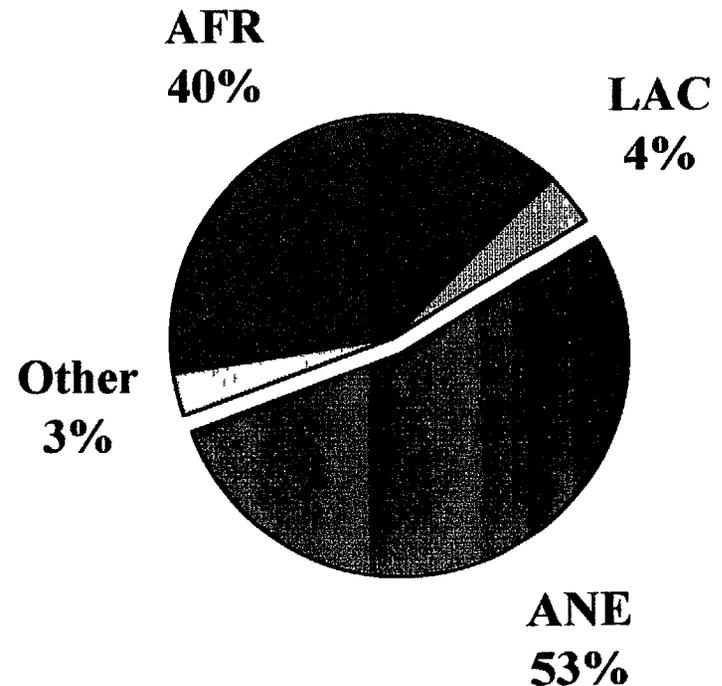
- ANE funding is inadequate to match challenges of HIV/AIDS, child survival, and reproductive health.
- ANE staffing constrains ANE's ability to respond to the challenges.

HIV/AIDS Funding Versus the Magnitude of the Problem

**Initial Funding Allocation
for FY97**



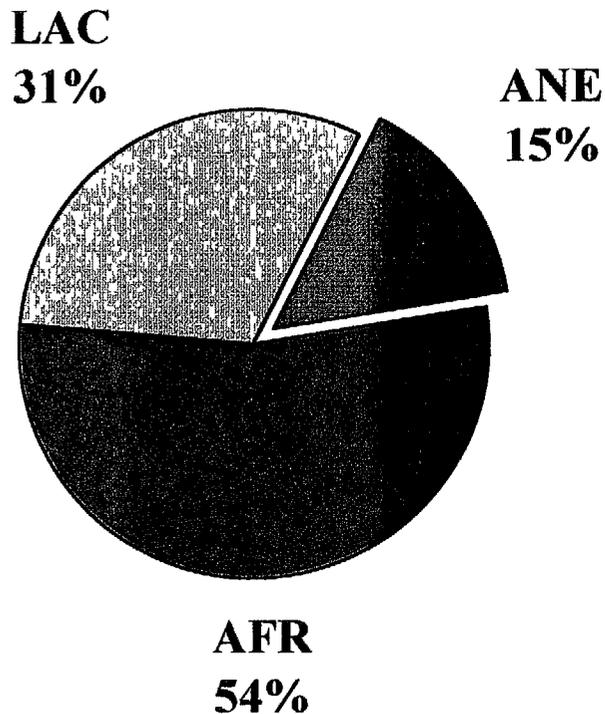
New Cases of HIV, 1995



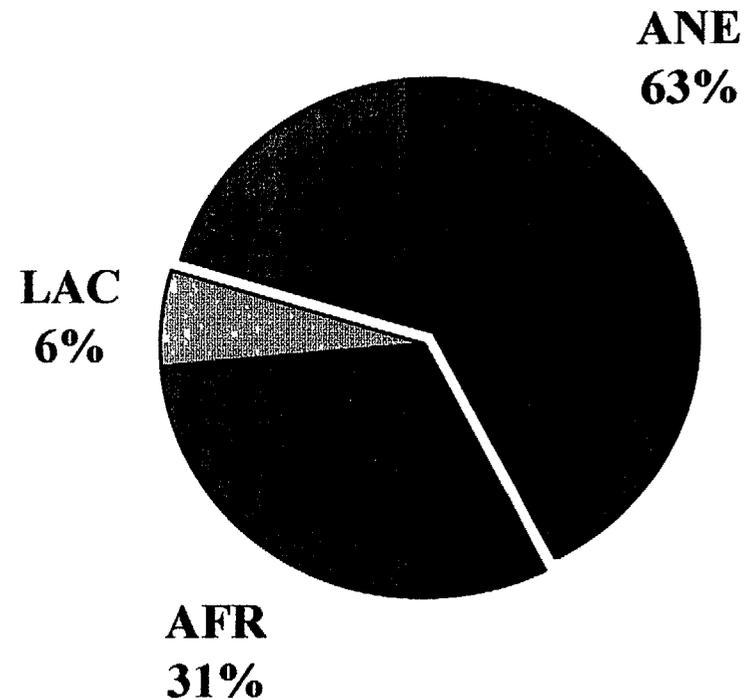
Sources AIDS in the World, II, 1996 and USAID HIV/AIDS Regional Budget Submission

Child Survival Funding Versus the Magnitude of the Problem, FY97

Initial Funding Allocation for FY97



Estimated Infant Deaths, FY97



Source Funding AC/SI system Estimated infant deaths from CIHI database