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***Annual Report to the Administrator
on Program Performance***

Core Report

***Center for Development Information and Evaluation
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Executive Summary

THE PROGRESS of other nations matters to the United States. Growth of democracy facilitates more peaceful resolution of disputes and greater acceptance of values and principles we embrace. Economic growth benefits both poor people overseas and U.S. companies and workers who produce the goods they buy. Improved health and lower population growth reduce the spread of diseases and pressures for migration. Sound uses of local environments sustain the world's resource base and enhance the quality of life for all the Earth's inhabitants. And smooth transitions away from communism, conflict, or ethnic domination lead to greater regional and worldwide stability and prosperity.

USAID's programs address the four principal, inter-related threats to sustainable development: poverty and food insecurity, lack of democratic institutions and processes, rapid population growth and poor health, and environmental degradation. USAID also responds to disasters that create human suffering. In addition, the Agency supports the transition of the nations of Central and Eastern Europe and the former Soviet Union to more democratic, free-market societies.

Although it draws on experience and examples from all of USAID's programs, this report focuses on programs in 41 countries in Africa, Asia, the Near East, and Latin Amer-

ica and the Caribbean where USAID has decided to concentrate its sustainable development resources. It also describes accomplishments of humanitarian and post-crisis assistance programs worldwide and results to date from significant investments in the ENI region.

Encouraging Broad-Based Economic Growth

Economic growth is the foundation of sustainable development. It helps reduce poverty and provides essential resources for stabilizing population growth and protecting human health and the environment. USAID's economic growth strategy has three elements: strengthening markets, investing in people, and expanding access and opportunity. Forty sustainable development Missions have economic growth objectives.

Performance highlights include:

- In Central America, U.S. assistance for market strengthening helped reverse sharp economic declines in the 1980s. With reforms, the region is now achieving positive economic growth, and USAID has phased down its assistance.

- In countries assisted by seven Missions, non-traditional exports increased by over 35 percent in the last 2 to 4 years, totaling \$1.75 billion.
- A USAID evaluation of several of the world's most effective microenterprise finance institutions identified management strategies that allow them to be financially viable and to rapidly increase their outreach. The best institutions are able to expand the number of loans by at least 25 percent each year, providing thousands of poor clients with their first access to loans and safe places to hold savings. Conclusions from this report are being integrated into USAID's Microenterprise Initiative.

Building Democracy

USAID's democracy strategy has five broad objectives: strengthening the rule of law and respect for human rights, increasing citizen participation in elections and political processes, expanding an active civil society, developing more accountable governance, and increasing the flow and diversity of information to citizens. Twenty-nine sustainable development Missions have significant democracy programs.

Results from these programs include:

- USAID played an important role in six of eight countries that made significant democratic gains in 1994, according to the most recent Freedom House survey.
- As a result of rule-of-law programs in Latin America, access to legal advice and redress through legal aid and alternative dispute resolution has increased significantly for poor and marginal populations.
- USAID assistance to electoral tribunals in Bolivia, El Salvador, Mozambique, Panama, and South Africa helped ensure elections that were accepted as legitimate. In Malawi, Mozambique, South Africa and Ukraine, USAID assistance played an important role in voter registration, and turnout exceeded expectations for elections held during 1994.
- In Central America, USAID trained 50 percent of the region's journalists and media managers in journalistic ethics. In

1989, citizens of the region had little faith in the media; by 1994, a public opinion poll found the media ranked second only to the Catholic Church in credibility.

Stabilizing World Population and Protecting Health

USAID's strategy to stabilize population growth and protect human health has five priorities: preventing unwanted pregnancies and abortions, reducing deaths of children from preventable diseases, decreasing pregnancy-related deaths, preventing transmission of sexually related diseases such as HIV/AIDS, and increasing the basic education of girls and women. Ninety percent of USAID's sustainable development Missions are pursuing objectives in population or health.

Highlights include:

- In the 28 countries that have received the largest amount of USAID population assistance, average family size has decreased from 6.1 children in the 1960s to 4.2 in 1992.
- From 1985 through 1992, infant mortality declined by 10 percent in USAID-assisted countries. In some countries the decline was even greater, ranging from 17 percent in Bolivia to almost 50 percent in Honduras. During the same period, mortality rates for children under 5 in USAID-assisted countries dropped by 10 percent to 40 percent.
- In 1994, polio was eradicated in the Western Hemisphere by a multinational effort in which the United States was the lead donor.
- With USAID assistance, use of oral rehydration therapy during diarrheal episodes among children continued to increase, from 12 percent in 1984 to 46 percent in 1992. This treatment saves children's lives in the United States as well as in developing countries. It prevents an estimated one million childhood deaths worldwide each year.

Protecting the Environment

USAID programs address long-term threats to the global environment, particularly loss of biodiversity and global climate change. They also seek to protect the environment locally, regionally, and nationally by protecting biological resources, promoting environmentally sound urban and industrial development, fostering efficient use of renewable and non-renewable energy, improving the availability and quality of water, and encouraging better stewardship of natural resources. Twenty-five sustainable development Missions have one or more environmental objectives.

Among the results are:

- Through the Parks in Peril program, USAID has helped create 26 protected areas covering 5.6 million hectares in 12 countries.
- Strategies that increase local stewardship by empowering and encouraging participation of local people are more effective than those that rely on government agencies alone.
- In Quito, Ecuador, USAID assistance transformed the Water Authority, lowering operating costs by 25 percent, enabling 35,000 household connections, and upgrading services to 180,000 people in marginal neighborhoods.
- Support for integrated pest management (IPM) is reducing environmental damage and increasing yields. In Indonesia, a catalytic USAID investment in a multi-donor project helped to show how reducing pesticide use can boost farm incomes from rice cultivation. Pesticide use is down 65 percent nationwide. IPM reduced environmental damage and health risks to farmers and saved \$120 million in insecticide subsidies.

Humanitarian and Postcrisis Assistance

USAID has four objectives for its humanitarian assistance: timely delivery of disaster relief and short-term rehabilitation,

helping prevent disasters and reduce the vulnerability of populations at risk, preserving the basic institutions of civil governance during periods of crisis and transition, and protecting the food security and health of vulnerable groups during conflicts or periods of reform.

Some highlights:

- In 1994, humanitarian assistance was provided to more than 50 countries. Emergency food reached an estimated 58 million people in 18 countries.
- Timely delivery of food and other resources and U.S. leadership of the donor effort in response to the 1992 drought in southern Africa prevented mass migration and starvation of hundreds of thousands of people. It also fostered long-term sustainable development in the region.
- USAID's efforts to help prevent, prepare for, and mitigate disasters has paid big dividends. Early warning systems for famine and pestilence in Africa, and elsewhere for volcanoes, have saved lives, property and rehabilitation costs.

Central and Eastern Europe and the New Independent States

USAID's programs in this region have three principal priorities: economic restructuring, building democracy, and social sector restructuring.

Highlights include:

- Assistance in privatizing industry and in new business start-up has contributed substantially to private sector growth in many countries. Enterprise Funds have sustained 21,000 jobs, created 11,000 more, and generated more than \$60 million in earnings. Twenty-three joint ventures with U.S. companies have been created, attracting \$150 million in private foreign investment.
- Energy audits and demonstrations have improved efficiency by as much as 30 percent in urban heating systems in Armenia, Belarus, Kazakhstan, the Kyrgyz Republic, Russia, and Ukraine. Use of U.S.

equipment costing \$1 million resulted in an estimated annual saving of \$14 million in these systems.

- With USAID help, many parliaments in the region have enacted critical political reforms, including new election laws that help ensure fair and democratic elections.
- By helping to establish a legal basis for creating nongovernment organizations, USAID has enabled NGOs to flourish across the region.

Challenges for 1995

USAID has made significant progress in focusing on results, but more is required. Our agenda for 1995 includes:

- We will complete an Agencywide results framework, which will include performance indicators to assess the results of our work more uniformly and process indicators to track our internal progress in managing for results.
- We will complete development and begin installation of a corporate information system. When complete, it will reduce formal reporting requirements, increase USAID's ability to analyze and report on program performance, allow managers to make decisions better informed by the progress of their activities and lessons of experience, and permit broader, quicker dissemination of results.

Annual Report on USAID Program Performance

THE PROGRESS of other nations matters to the United States. Growth of democracy facilitates more peaceful resolution of disputes and greater acceptance of values and principles we embrace. Economic growth benefits both poor people overseas and U.S. companies and workers who produce the goods they buy. Improved health and lower population growth reduce the spread of diseases and pressures for migration. Sound uses of local environments sustain the world's resource base and enhance the quality of life for all the Earth's inhabitants. And smooth transitions away from communism, ethnic domination, or conflict lead to greater regional and worldwide stability and prosperity.

A focused, well-managed development assistance program is in the United States' interest, but only if it produces *results*. This report provides evidence from Mission reports, central evaluations, and other data collected during the past year that USAID is achieving measurable results through its programs.

To achieve results USAID must listen to and work closely with its partners and customers, learn from its experience, and improve its systems and incentives in response. In 1994, USAID published *Strategies for Sustainable Development* and developed guidelines for managers to follow in implementing them. Building on 3 years of experience, a directive was issued on strategic planning that underlines our commitment to performance measurement and requires all offices in the field and at headquarters to set clear program objectives, establish performance indicators and targets, and collect baseline information by April 1995. Operations and other support systems were re-engineered to focus them more clearly on results.

An Agency-level results framework will be developed in 1995 that will include common indicators of performance across all programs worldwide. The framework will also

specify management performance indicators and targets to help track how well the Agency is managing for results.

The full benefit of this improved ability to identify, report, and use program performance results will be realized over the next 2 to 3 years. However, USAID is already able to identify many of the impacts its programs are having and profit from lessons it is learning.

USAID's mission is to promote sustainable development—economic and social growth that does not exhaust the resources of a country; that respects and safeguards the economic, cultural, and natural environment; that creates opportunities for enterprises and incomes to grow; and that builds effective institutions and empowers citizens. Its programs address the four principal, inter-related threats to sustainable development: poverty and food insecurity, lack of democratic institutions and processes, rapid population growth and poor health, and environmental degradation. But USAID alone does not—cannot—achieve sustainable development. It can help, facilitate, even accelerate development, but the major task must be carried out by the developing country itself. Sustainable development is built on a sense of ownership and participation. To be successful, this effort requires partnerships with government agencies and non-governmental organizations (NGOs), other donors, and ordinary people in the countries where we work.

USAID also responds, on behalf of the American people, to disasters that create human suffering and diminish the prospects for sustainable development. Where possible, we help countries recover from violent conflicts and move toward sustainable development. In addition, the Agency plays a leading role in supporting the historic transition of the nations of Central and Eastern Europe and the former Soviet Union—and others

such as South Africa, Ethiopia, Mozambique, and Haiti—to more democratic, free-market societies.

During the past 3 years (FYs 1992-94), USAID funded programs totaling \$16 billion (excluding cash transfers to Israel and Turkey). Of this amount, \$11.7 billion in Development Assistance and Economic Support Funds were provided to countries in Africa, Asia, the Near East, and Latin America and the Caribbean—\$6.9 billion (59 percent) to encourage economic growth, \$2.9 billion (25 percent) to help stabilize population growth and protect human health, \$1.2 billion (10 percent) to protect the environment, and \$0.6 billion (5 percent) to build democracy.¹ In addition, USAID provided \$1.3 billion for humanitarian assistance and aid to post-crisis transitions, and \$3 billion to support the political and economic transitions in Central and Eastern Europe and the New Independent States of the former Soviet Union (ENI).

Although it draws on experience and examples from all of USAID's programs, this report focuses on programs in 41 countries in Africa, Asia, the Near East, and Latin America and the Caribbean where the Agency has decided to concentrate its sustainable development resources.² It also describes accomplishments of humanitarian and post-crisis assistance efforts worldwide and results to date from significant investments in the ENI region.

Since 1991 (earlier in Africa), USAID Missions have designed strategic plans that identify medium-term (5 to 8 years) objectives and intermediate outcomes for their programs.³ During the past year, these plans

were revised to reflect USAID's new sustainable development strategies. To some extent, progress in making these adjustments came at the expense of our ability to report on performance, since some objectives and indicators previously established were modified.

As of October 1994, all 41 sustainable development Missions—100 percent—have approved strategic plans, up from 75 percent in 1992. Figure 1 summarizes these strategies and the principal objectives that have been defined in these countries. Seventy percent of these Missions (compared with 40 percent in 1992) have set performance targets for half or more of their progress indicators. Results have been reported for 50 percent of the Missions' strategic objectives and 70 percent of their intermediate outcomes.

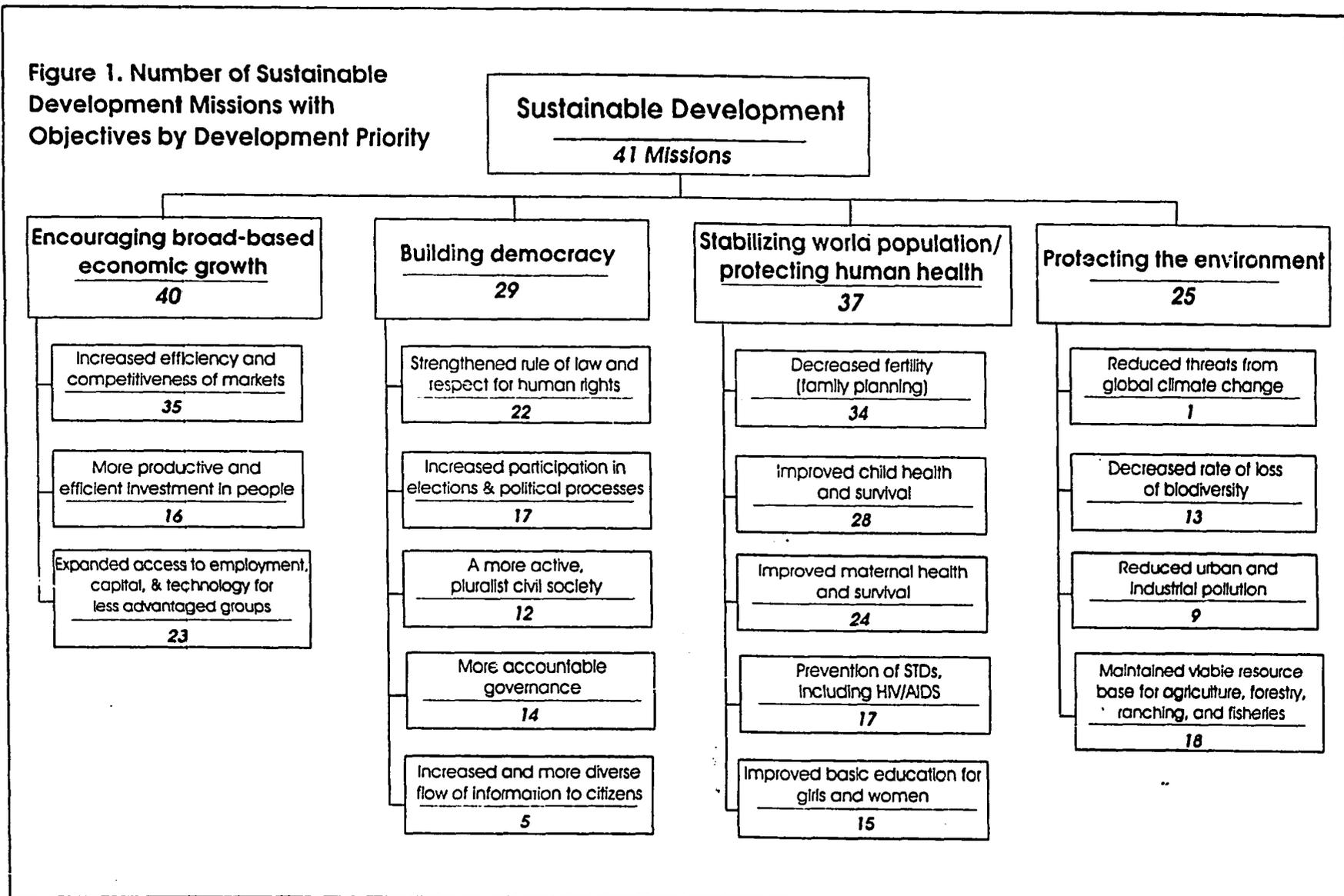
Information in this report is drawn from Mission reports that compare actual performance against their objectives. It is supplemented with material from project and program evaluations and other data collected during the past year. The report is organized by our main sustainable development themes (economic growth, democracy, population and health, and environment), followed by humanitarian assistance and ENI programs. Each section describes the strategy the Agency pursues, objectives defined as of September 1994, results these programs have achieved, and lessons we have learned from our experience. A final section outlines challenges that face the Agency's efforts to manage for results in 1995. This information is described in more detail in the full 1994 *Annual Report on Program Performance*, available from PPC/CDIE.

¹ The inclusion of ESF and PL-480 Title III biases these percentages toward economic growth objectives. If ESF and Title III are excluded, the proportion of DA/DFA funding among the four areas would be as follows: economic growth - 40 percent; population and health - 43 percent; environment - 12 percent; and democracy - 6 percent.

² Sustainable development countries are those which USAID has determined to have good potential for sustainable growth, respect internationally recognized human rights or are moving in a positive direction in this regard, need assistance and have shown they can and will use outside help effectively. Unless otherwise noted, performance in these 41 countries is the basis for analysis in this report relating to our sustainable development programs. USAID also supports programs in 51 other countries. These include the ENI nations, as well as countries that have a development problem of global significance, where our activities emphasize crisis response or humanitarian assistance, or where USAID bilateral assistance is being completed within the next 2 years.

³ USAID's ENI programs have developed a separate but conceptually compatible system for monitoring and measuring results in response to their unique program and management setting.

Figure 1. Number of Sustainable Development Missions with Objectives by Development Priority



Encouraging Broad-Based Economic Growth

Strategy and Objectives

ECONOMIC GROWTH is the foundation of sustainable development. It helps reduce poverty and provides essential resources for stabilizing population growth and protecting human health and the environment. Significant economic growth has occurred in the developing world. According to data published by the World Bank, per capita incomes in developing countries as a whole grew faster than in the developed world from 1965 to 1990.

The region largely responsible for this record was Asia (which accounts for half of global poverty), where per capita incomes grew almost twice as fast as in the rich countries.⁴ During 1980-92, the average annual growth rate of developing countries lagged behind that of industrial countries because of negative performance in other regions, especially sub-Saharan Africa. However, several individual countries outpaced the performance of rich countries, including Botswana, Chile, Indonesia, Malaysia, Thailand, and the populous poor countries of China, India, and Pakistan.

To reduce poverty and food insecurity and contribute to lasting improvements in peoples' lives, economic growth must be *rapid*. It must be *broad-based*, leading to widespread increases in employment and incomes among both men and women. It must also be *sustainable* and based on efficient, responsible use of human, material, and natural resources. Finally, economic growth must be *participatory*, with open access by all to political and economic systems. Evidence from experience confirms the relationship between rapid economic growth and poverty

reduction. Data published by the World Bank from 13 developing countries show a high correlation between the rate of growth of national per capita household income (consumption) and the rate at which poverty declined.

USAID's economic growth strategy has three elements: strengthening markets, investing in people, and expanding access and opportunity. This strategy reflects a consensus that has emerged among donors and developing countries alike about key measures governments must take to promote broad-based economic growth.

These measures fall into two broad categories. First, governments must ensure a sound policy and institutional framework for efficient operation of private markets. This is fundamental but does not always guarantee that the poor and disadvantaged benefit enough. Thus, governments often need to intervene directly in areas where private markets, even with a sound enabling environment, fail to provide investments essential for sustainable development. These include human resource investments (particularly basic education and health services), physical infrastructure, and environmental protection. USAID supports institutional and technological change that benefits poor people and policies that protect them from discrimination in the marketplace.

Results

Forty sustainable development Missions have economic growth objectives. In most nations our programs have been relatively

⁴ Growth in China accounts for some of Asia's performance, but even when China is excluded, Asian per capita incomes grew almost 50 percent faster than those of developed countries. Even without China, there are more poor people in Asia than in any other region.

modest compared with investments by developing countries themselves and by multilateral development banks, particularly the World Bank. Nonetheless, USAID can take significant credit for progress in countries where economic growth has been a major element of its strategy. One reason is our professional field staff, larger than that of any other donor and able to engage host country counterparts regularly and directly on critical policy issues. In countries where assistance concentrates on a particular sub-sector or issue, such as privatization or microenterprise finance, an even larger share of results can be attributed to U.S. assistance.

Strengthening Markets

USAID programs in 35 sustainable development countries seek to strengthen the contribution of markets to economic growth by improving their efficiency and performance, mainly by reforming the enabling environment of policies and institutions. Economic research has shown that the enabling environment is critical to economic growth and

analyses of USAID programs have confirmed this linkage. In Central America, large-scale U.S. assistance for market strengthening helped reverse sharp economic declines in the mid-1980s. With reforms, that region is now achieving positive economic growth, and USAID has been able to phase down its assistance. In Africa, an evaluation of USAID market-strengthening programs in six countries concluded that the main reforms (decontrol of prices and markets, relaxation of trade controls, reduced subsidies and

elimination of government monopolies) all resulted in increased efficiency.

The Agency is also helping privatize public enterprises and increase production in specific markets, especially non-traditional exports. In Honduras, USAID helped privatize 43 state-owned enterprises, earning \$160 million for the Honduran Treasury and reducing external debt by \$40 million. Where commitment to privatization by government authorities is lacking, however, as in Zambia, progress has been disappointing.

By 1993, non-traditional exports for countries assisted by seven Missions able to report results totaled \$1.75 billion, an increase of over 35 percent in 2 to 4 years. Five

Missions exceeded their 1993 targets. For example, with USAID support, El Salvador's non-traditional exports grew an average of 19 percent annually over the last 3 years, substantially more than the target.

Investing in People

USAID seeks to help countries establish self-sustaining basic education systems that will enable their people, particu-

larly the poor, to lead socially and economically productive lives. By one common quantitative measure (the percentage of the population age group enrolled in primary education), there has been substantial progress in the developing world over the last two decades: from 79 percent in 1970 to 102 percent in 1991.⁵

Even more impressive is progress in female primary school enrollment, up from 63 percent to 94 percent. The latter is particularly significant, given the important positive

'In Guatemala, small farmers benefited more from USAID support for improved policies and regulations affecting market performance than from assistance directly to them or to specific enterprises.'

⁵ Figures over 100 percent reflect the presence of under-age or over-age children enrolled in primary school.

effect that education of girls and women has on sustainable development. For example, even at modest levels, education empowers women to seek and use health and family planning services. In most countries, better educated women desire smaller families and a higher proportion of their children survive. Major regional disparities remain, however. In Africa, total and female primary enrollments in 1991 were 66 percent and 58 percent, respectively; in South Asia they were 89 percent and 76 percent.

A major deficiency of these enrollment ratios is that they tell us nothing about the *quality* of basic education. High drop-out rates and grade repetition by primary students in many countries reflect a judgment by parents about the poor quality of schooling relative to the need for children to work to supplement family income. Thus, 16 sustainable development Missions are pursuing improvements in the quality and efficiency of primary education. Most focus on girls' education and track female enrollment and grade completion rates.

Of nine Missions reporting results to date, eight are achieving or exceeding their targets. In Egypt, where USAID helped build more than 2,000 rural schools, girls' enrollment in first grade increased by 29 percent between 1981 and 1994. In Guinea, USAID-supported administrative and budgetary reforms of the primary education system led to an increase in first grade enrollment from 23 percent to 47 percent from 1990 to 1993. Enrollment by girls and rural children grew the fastest. In Guatemala, emphasis on expanding access to basic education through bilingual programs for the Mayan population increased enrollment of Mayan students by 7 percent from 1992 to 1993.

Expanding Access and Opportunity

Efforts to strengthen markets and invest in people significantly improve access and opportunity for the poor. But markets never work perfectly, even when the policy and institutional framework is sound. Competition is rarely complete, and high information and transaction costs (costs of assessing a good credit risk, for example, or of understanding and adopting new techniques) can justify selective government subsidies or even temporary direct support to poor and disadvantaged groups in new markets until they overcome these obstacles.

USAID programs in 23 sustainable development countries seek to expand economic access and opportunity. They do so

primarily through policy and institutional reforms and other measures that help women and other disadvantaged groups secure basic rights, gain access to resources and improved technologies, and influence public policy and administration. Most USAID programs in this area stress support for microenterprise finance and improved

'In Bangladesh...loans have helped build many women-owned microenterprises, and incomes of borrowers now exceed incomes from agricultural labor by up to 300 percent.'

technology for small farmers. Of 10 Missions reporting results to date, eight are achieving or exceeding their targets.

In Egypt, where USAID has given significant support to microenterprise and small business development, the number of small businesses and microenterprises receiving credit increased from 600 in 1991 to almost 16,000 in 1993. Microenterprise programs increasingly target women, who tend to have higher repayment rates than men and are more likely to spend enterprise income to improve family welfare.

In Bangladesh, USAID has generated economic opportunities for rural women

through more than 27,000 loans. The loans have helped build many women-owned microenterprises, and incomes of borrowers now exceed incomes from agricultural labor by up to 300 percent. Such advances enable many women and their families to move beyond abject poverty.

USAID is also expanding access of small farmers and microentrepreneurs to improved technology, information, and related services in 10 countries. In Jamaica, for example, the number of small farmers adopting improved and environmentally sound practices grew from 9,200 to 14,200 from 1992 to 1993, an increase of more than 50 percent. New cocoa cultivation techniques tripled small farmer production from 1989 to 1992 in one area that now accounts for almost 60 percent of Jamaica's total harvest.

Learning from Experience

Our experience in supporting economic growth has yielded some basic lessons:

- The policy and institutional setting is a central determinant of economic growth. One example comes from a recent evaluation of USAID agribusiness programs. In Guatemala, small farmers benefited more from USAID support for improved policies and regulations affecting market performance than from assistance directly to them or to specific enterprises.
- Rapid, broad-based economic growth is critical for improving basic education, health, and nutrition because larger incomes allow families to invest more in these areas and because economic growth generates the revenue base for increased public services.
- A new evaluation study of several of the world's most effective microenterprise finance institutions concludes that carefully crafted management strategies allow such institutions to be financially viable and to rapidly increase their outreach. Financial viability requires charging interest rates that cover costs (including inflation and loan losses); this permits institutions to multiply donor contributions by tapping far greater funding from commercial sources. The best institutions are able to expand the number of loans by at least 25 percent each year, providing thousands of poor clients with their first access to loans and safe places to hold savings. Conclusions from this report are being integrated into USAID's Microenterprise Initiative.

Building Democracy

Strategy and Objectives

IN RECENT years, the belief that democracy provides the most accepted method of governing has spread through Latin America, Eastern Europe, Asia, Africa, and the former Soviet Union. According to the most recent Freedom House survey,⁶ 114 countries can properly be categorized as democracies, the largest number ever. The same survey reports that 60 percent of the world's people live in free or partly free societies.

Countries categorized as "partly free" are among those targeted for U.S. assistance programs. These countries are still in need of some measure of external assistance and, above all, the chance to build on the tangible gains they have made. At the same time, progress toward self-sustaining democratic governance will not in all cases proceed in a linear direction. U.S. democracy assistance programs, therefore, must have the flexibility to respond to unforeseen political developments as well as adopt a long-term development perspective.

Notable democratic progress was made during 1994 in South Africa, El Salvador, Mozambique, and Malawi. Less in the news, but no less important, significant gains occurred in Ukraine, Panama, and Uganda. These transitions were the products of free and fair elections, a discernable expansion of political and civil liberties, and strengthened organizations that advocate on behalf of, and represent, the citizenry.

Major challenges to sustainable democratic governance, however, remain. Forty percent of the world's people continue to live in societies where basic rights are denied. In addition, countries such as Rwanda, Burundi,

and much of the former Yugoslavia demonstrate that ethnic conflicts, if allowed to fester, can descend into the horror of genocide. In all regions of the world, insufficient economic growth, high levels of illiteracy, overreaching military bureaucracies, and corrupt civilian bureaucracies challenge new democratic governments.

USAID's democracy strategy has five broad objectives:

- strengthening the rule of law and respect for human rights;
- increasing citizen participation in elections and political processes;
- expanding an active civil society;
- developing more accountable governance; and
- increasing the flow and diversity of information to citizens.

Specific programs are tailored to country circumstances and available resources. Twenty-nine sustainable development Missions have significant democracy programs. Sixteen of these countries are classified as "partly free" and seven as "free" in the most recent Freedom House survey. USAID considers these 23 countries as having the greatest potential for promoting and consolidating democratic rule.

In the remaining six, classified as "not free" by Freedom House, USAID looks to take advantage of specific opportunities for promoting democracy and respect for human rights, relying principally on work with both U.S.-based and local non-governmental organizations (NGOs). While operating within a slightly different framework, USAID also has set significant democracy objectives in

⁶ The Freedom House index is a seven-point scale grouping countries according to their degree of freedom. Using a checklist of nine indicators for political rights and a checklist for 13 indicators of civil rights, Freedom House determines two values for the respective group of rights. The average of these two values is used to group countries in three categories: "free," "partly free," and "not free."

the ENI region and for other countries such as Cambodia, Haiti, and Gaza/West Bank.

Results

USAID played an important role in six of eight countries that made significant democratic gains, according to the most recent Freedom House survey.⁷ But sustainable democratic change comes neither quickly nor easily. Investments must be made carefully and incrementally in educating citizens about democratic values, redefining government's role, and building key institutions inside and outside government to nurture the new political environment. Successful transitions often flower from seeds of reform planted much earlier.

Such was the case in South Africa and Mozambique. In South Africa, USAID began in the mid-1980s with support to NGOs and community groups. This led to more intensive work during recent elections on voter education, expanded political work by NGOs, training election observers, and strengthening the electoral commission. Post-election assistance is focused on building respect for the rule of law, supporting good governance, and strengthening civic organizations as a check against future abuses of power.

In Mozambique, USAID's help during civil war in the 1980s and early 1990s stressed humanitarian assistance for refugees. The October 1994 elections were a watershed. Before the elections, USAID activities shifted to voter education, electoral commission strengthening, and training local election monitors. These efforts played a key role in ensuring successful elections. After the elections, USAID is supporting new initiatives in decentralization, legal reform, and development of civil society.

In countries where the initial political transition phase has been completed, Missions concentrate on consolidating democratic development. In Bolivia, for example,

USAID is working to improve the effectiveness and accountability of judicial systems and legislatures. In Namibia, one of Africa's newer democracies, USAID is encouraging more diverse representation in parliament and supporting civic education programs.

Not all efforts have led to unequivocal successes. The Dominican Republic's May 1994 elections were widely regarded as fraudulent, notwithstanding USAID support for the electoral commission and an international monitoring effort. In Zambia, corruption among top government officials led the United States and other donors to reduce assistance. (Since then, Zambia has enacted a new parliamentary and ministerial code and announced plans for a corrupt practices act.) In Indonesia, the government has proposed legislation that would limit the freedom and effectiveness of NGOs; if enacted and enforced, the entire USAID program would have to be reassessed.

Rule of Law and Human Rights

Citizens require a strong legal framework to ensure their fundamental rights, to establish procedures for redress, and to enforce contracts. More than 75 percent of USAID's sustainable development Missions with democracy programs support work in rule of law and human rights. Of the 11 countries reporting some results to date, nine are showing progress toward their objectives.

Rule of law programs began in Latin America in the 1960s and spread there and in other regions in the 1980s. As a result of these programs, access to legal advice and redress through legal aid and alternative dispute resolution has increased significantly for poor and marginal populations. In Bolivia, for example, the Inter-American Bar Foundation, with USAID support, has established three neighborhood reconciliation centers and plans to increase this number to 20 by 1997. USAID also helped eight Latin American countries adopt and implement revised criminal codes and move toward sys-

⁷ Countries that changed from "not free" to "partly free" or "partly free" to "free". The six countries are Haiti, Malawi, Mozambique, Panama, South Africa, and Uganda.

tems featuring public trials and clear limits on pretrial detention.

In Central and Eastern Europe and the New Independent States, advisors are helping reform judicial procedures, train judges, revamp law school curricula, and develop bar associations. Effective work in court reform requires strong political support. Where this is lacking, we have focused on building constituencies and local NGOs to push for judicial reform.

USAID is making human rights a more visible objective, working with local and international NGOs to increase support for human rights monitoring and education. For example, Latin American partners, including the Inter-American Institute for Human Rights and indigenous NGOs, actively spread awareness of citizen rights. Publications advocating human rights are now available in every country in the region.

Elections and Political Processes

Providing channels for citizens to negotiate conflicting interests peacefully and to participate actively in government decision-making is at the heart of the democratic process. To this end, USAID supports open, honest elections; vigorous, effective legislatures; and more competent, representative political parties. Seventeen Missions have established objectives in this area; of seven for which data are available, six are showing progress toward their targets.

USAID's election support emphasizes building local capacity to conduct and monitor elections and educating citizens about the elections process and their role in it. Assistance to electoral tribunals in Bolivia, El Salvador, Panama, Mozambique, and South Africa helped ensure elections that were accepted as legitimate. In Bolivia, USAID was

successful in building electoral institutions and supporting registration of 1.4 million voters in 1993; attention has now shifted to local issues. In Malawi, Mozambique, South Africa and Ukraine, USAID assistance played an important role in voter registration, and turnout exceeded expectations for elections held during 1994.

As part of the effort to strengthen the political process, particularly following transition elections, USAID has sought to reinforce the role and capacity of legislatures. These efforts have helped legislatures in several countries obtain more and better information for decision-making. In Central and Eastern Europe, for example, programs have built legislative research and information

systems independent of those for the executive branch in eight countries.

Civil Society

USAID supports a wide range of NGOs that champion reforms essential for democratic governance, including labor federations, business associations, policy think tanks, and human rights, pro-democracy and environmental groups. Many of these civil society organizations spear-

headed pro-democracy reform movements in their countries. Twelve sustainable development Missions have identified this as a major focus of their democracy programs.

USAID support strengthened democratic reform in Chile and Thailand. In Thailand, labor unions and environmental organizations receiving USAID assistance for sector-specific activities played central roles in the national campaign to restore elected civilian government in 1992. The same groups are now promoting constitutional reforms to ensure greater accountability in public life, limit the political role of the military, and build strong local government.

“In Malawi, Mozambique, South Africa and Ukraine, USAID assistance played an important role in voter registration, and turnout exceeded expectations.”

In Chile, seven elections from 1988 through 1993 were crucial to restoring democratic governance. During this period, two organizations received USAID assistance to organize massive voter education campaigns. Their efforts contributed significantly to Chile's peaceful transition to democracy.

Accountable Governance

Executive branches that are arbitrary, narrowly based, inept, and corrupt pose a primary obstacle to sustainable development. They erode public confidence, threaten political stability, stifle individual and group initiative, and create an unpredictable environment for social and economic investment. Fourteen sustainable development Missions are pursuing objectives in accountable governance. According to results reported to date for eight Missions, seven are showing progress toward their targets.

Much of USAID's assistance aims at decentralizing power and authority from strong central governments to local communities and broadening opportunities for direct citizen participation in political processes. In Honduras and Nicaragua, for example, USAID-supported programs have established a tradition of frequent town meetings and opened other decision-making bodies to citizens.

In El Salvador, Guatemala, and Mozambique, USAID has facilitated public dialogue about the role of the military in democratic governments and supported reintegration of soldiers into civilian life.

Increased Information Flow

Citizens must be well informed to participate effectively in democratic processes. This requires media that are unbiased, legitimate, able to investigate and analyze events, and free from government interference. In many developing countries, the media are fettered by government restrictions, their own ineptitude and irresponsibility, and a lack of public confidence in what they report.

In recent years, progress has been made in Africa, Asia, Latin America, Central and Eastern Europe, and the New Independent

States in improving the capacity and openness of the media. USAID support to The Asia Foundation helped develop journalistic skills in the press and mass media in Bangladesh, Indonesia, Nepal, and Sri Lanka. In Madagascar, USAID trained journalists in economic reform and accountability. In Central America, USAID trained 50 percent of the region's journalists and media managers in journalistic ethics. In 1989, citizens of the region had little faith in the media; by 1994, a public opinion poll found the media ranked second to the Catholic Church in credibility.

Learning from Experience

Although USAID's major emphasis on building democracy is recent, we have already learned important lessons from experience:

- Democracy must be substantially home-grown and cannot be imposed on the basis of a preconceived model. For this reason, USAID programs are designed following an assessment of existing conditions within a country.
- Adoption of democratic rule comes most reliably when there are strong demands for reform from vigorous citizen groups. Once reforms are introduced, these groups also play a watchdog role in ensuring that politicians and officials adhere to new democratic rules.
- Although international monitoring plays an important role in the conduct of elections, sustainable democratic development requires local capacity to monitor elections.
- Ensuring fair and impartial judicial systems is a high-risk strategy in countries where political will is lacking. Thus, as articulated in a recent six-country evaluation of donor Rule of Law programs, USAID must often support constituency groups that advocate legal and judicial reform, in addition to programs helping revise legal codes and judicial administration.

Stabilizing World Population Growth and Protecting Human Health

Strategy and Objectives

RAPID POPULATION growth and poor health are inextricably linked to the factors that keep nations poor. They are also closely associated with low status and limited rights for women. USAID's strategy to stabilize population growth and protect human health has five priorities:

- preventing unwanted pregnancies and abortions;
- reducing deaths of children from preventable diseases;
- decreasing pregnancy-related deaths;
- preventing transmission of sexually related diseases such as HIV/AIDS; and
- increasing the basic education of girls and women.

USAID is a leading donor in this sector. Its technical leadership and support for country programs have contributed directly to dramatic results in lowered mortality and fertility and significant movement toward stabilizing world population. Annual world population growth dropped from 2 percent in the 1960s to 1.57 percent in the 1990s. This is the lowest growth rate since the 1940s and has happened while fewer children are dying and people in general are living longer. Improvements in infant and child survival and achievement of desired smaller family size have occurred particularly rapidly in countries where USAID has concentrated its assistance.

Results

Ninety percent (37) of USAID's sustainable development Missions are pursuing objectives in population or health. The impact of USAID assistance is particularly notable

in family planning and child survival, where USAID has the longest track record. With our development partners, we have contributed to major changes in access to services, quality of care, individual health status, health and family planning options and practices, and average family size. These are among the best documented results in the field of development, a direct consequence of USAID's long-term investment in demographic and health surveys and research and training. There are also promising results in newer areas such as maternal health, on which USAID is beginning to focus.

Family Planning

In 34 sustainable development countries, the Agency is helping implement programs that enable families to achieve desired family size. Most programs are reaching or exceeding their objectives. In the 28 countries that have received the largest amount of population assistance, average family size has decreased from 6.1 children in the 1960s to 4.2 in 1992. In five USAID-assisted countries, the percentage of couples using modern contraceptive methods has increased by more than 2 percent a year since the late 1980s. In almost all other USAID-assisted countries for which we have recent data, average annual increases in the contraceptive prevalence rate have exceeded 1 percent. These results are especially impressive since the number of people to be served increases substantially every year. Just maintaining existing levels of contraceptive use requires expanded service delivery.

USAID's contribution to moderating population growth is shown in countries like Bangladesh, Colombia, Egypt, Indonesia, Kenya, Mexico, and Morocco where we have been the major provider of technical and financial assistance for years. In each country,

a clear pattern has emerged of increased family planning knowledge, expanded and improved service delivery, increased contraceptive use, and decreased desired and actual family size.

Tanzania provides a dramatic example of how our assistance contributes to national-level changes. In 1990, when USAID began its first population project, most family planning clinics lacked essential supplies and trained staff. Assistance focused on improving management and supply systems, providing better staff skills, and expanding client information and choices. Since 1991, modern contraceptive use has more than doubled, from 7 percent to 15 percent.

Child Survival

The death of a child from a preventable disease is still too common. A recent survey of 30 developing nations found that at least 25 percent of women of reproductive age have lost at least one child. USAID works with its partners to reach the international goal of reducing child mortality rates by one-third in this decade. Twenty-eight Missions have set child survival objectives. Of the eight Missions reporting results to date, six are achieving their targets.

Although the HIV/AIDS pandemic may be eroding previous gains in child survival in some African countries, overall there have been important improvements in child health in the past decade. From 1985 through 1992, infant mortality declined by 10 percent in USAID-assisted countries. In some countries the decline was even greater, ranging from 17 percent in Bolivia to almost 50 percent in Honduras. During the same period, mortality rates for children under 5 in USAID-assisted countries dropped by 10 percent to 40 percent. In Egypt, child deaths before the age of 5 dropped from 130 per 1,000 in 1985 to 85 per 1,000 in 1990.

USAID is contributing to increased immunization coverage. From 1980 to 1990, the

percentage of children immunized against major preventable diseases increased from 20 percent to 80 percent. Worldwide, this increase saves the lives of an estimated 2.8 million children every year. In 1994, polio was eradicated in the Western Hemisphere by a multinational effort in which the United States was the lead donor.

In the 1970s, USAID was the chief supporter of research in Bangladesh that led to development of oral rehydration therapy to prevent deaths from diarrhea. With USAID assistance, use of ORT during diarrheal episodes among children continued to increase, from 12 percent in 1984 to 46 percent in 1992. This treatment saves children's lives in the United States as well as in developing countries. It prevents an estimated one million child deaths worldwide each year.

By working with partners, we are able to leverage other resources. This is well illustrated by the vitamin A

program in the Philippines. First, the Philippine Department of Health, Helen Keller International (a U.S. private voluntary organization), and Hoffman-LaRoche (a U.S. pharmaceutical company) joined forces with USAID in a campaign to prevent blindness by distributing vitamin A capsules to 90

'From 1985 through 1992, infant mortality declined by 10 percent in USAID-assisted countries.'

percent of preschool children. Now, a longer-term

solution—making low-cost vitamin A-fortified margarine available in local markets—has been developed by the Nutrition Center of the Philippines (a local NGO), Johns Hopkins University, and Procter and Gamble, all working in partnership with USAID.

Maternal Health

Of all health statistics, maternal mortality is the one that shows the greatest disparity between the developed and developing world. African, Asian, and Haitian women are up to 200 times more likely to die as a result of pregnancy than women from industrial countries.

With programs in 24 sustainable development countries, USAID is working toward the worldwide goal of reducing maternal mortality by half by the year 2000. While it is unlikely that this ambitious goal can be met, USAID-assisted demonstration projects in countries such as Bolivia and Indonesia are showing that better care during pregnancy and delivery can save women's and babies' lives. In Bolivia, for example, a pilot project in 50 rural communities, which focused on improved self-diagnosis of maternal and neonatal health problems and referral and improved care for those with complications, reduced the death rate of babies under 1 month of age from 117 per 1,000 live births to 44. Maternal deaths from pregnancy-related causes in the pilot communities decreased from 11 to 7 a year.

Preventing Transmission of Sexually Related Diseases, Including HIV/AIDS

USAID is the leading bilateral donor providing technical and other support for programs to prevent the transmission of sexually related diseases. Since 1986, we have provided more than \$500 million for HIV/AIDS prevention. Seventeen Missions are pursuing objectives in this area through programs aimed at promoting safer sexual behavior through information, education and communication; increasing correct use of condoms; improving treatment services; and working with government and community leaders to develop policies that support effective prevention activities.

In Africa, where USAID has provided the most support, knowledge of HIV/AIDS has increased dramatically. The majority of adults can identify at least two effective methods of lessening the risk of contracting HIV/AIDS. In Thailand, USAID helped a national program slow the spread of the virus.

We are helping other countries become familiar with the lessons learned in Thailand.

Basic Education for Girls and Women

Basic education, especially for women and girls, is also a focus of USAID's economic growth strategy. Results from our programs in this area were discussed in the economic growth section above.

Learning from Experience

Operations research, analysis, and information on program performance have helped us achieve our objectives in stabilizing population and protecting human health. Among the lessons learned are these:

- USAID's ability to combine effective management and collaborative programming with technical approaches has been an important element in our success. Technical interventions such as increased immunization, use of oral rehydration therapy, vitamin A supplementation, child spacing, and breastfeeding should be combined with management improvements such as better handling of vaccines and other critical supplies, decentralized administration, and close collaboration among host country and donor agencies.
- It is important to address the sustainability of family planning and health services at the early stages of program planning. Sustaining programs requires improved management, removing legal or regulatory barriers to efficient service delivery, stronger local institutions, better trained managers and service providers, and involving the private sector through innovative approaches such as social marketing.
- Providing a high quality of care and, where feasible, a range of services together is extremely important.

Protecting the Environment

Strategy and Objectives

ENVIRONMENTAL PROBLEMS increasingly threaten the economic and political interests of the United States and the world at large. Degradation of rural and urban environments has led to increases in human illness, loss of economic productivity, and a reduced standard of living for countless people in the developing world. Environmental degradation in these countries also affects Americans directly through the loss of economically important biological diversity and rising levels of greenhouse gases. These problems require international cooperation.

USAID is working with U.S. and host country partners to support the sustainable development objectives of Agenda 21—the recommendations from the U.N. Conference on Environment and Development (1992 Rio Earth Summit). USAID programs address long-term threats to the global environment, particularly loss of biodiversity and global climate change. They also promote sustainable economic growth locally, nationally, and regionally by modifying policies and practices that have damaged the environment and by building local institutions to address environmental problems.

Programs to address global objectives concentrate on a limited number of countries where progress is likely to have the greatest impact worldwide.⁸ Selected results of USAID's biological diversity programs are described below. USAID's impacts on global climate change are not yet well documented, as these initiatives are new to the Agency. USAID is engaged in major efforts to reduce greenhouse gas emissions in key countries.

Details on this effort can be found in our June 1994 report to Congress, *Global Climate Change: The USAID Response*.

Programs to protect the environment at national and local levels also figure prominently in a wide range of sustainable development countries. They seek to protect biological resources, promote environmentally sound urban and industrial development, foster efficient use of renewable and non-renewable energy, improve the availability and quality of water, and encourage better stewardship of natural resources.

Activities related to energy and water are important in many countries, but they have often been components of broader development activities. As a result, impacts have frequently been assessed more in terms of their economic and social consequences rather than on strictly environmental criteria. Also, the environmental impacts of certain water and energy activities are often reported under other environmental objectives. For example, assistance for wastewater treatment activities in Egypt are reported in the section on urban and industrial development, and coastal resource management pilot activities in Sri Lanka, Ecuador, and Thailand appear in the natural resource management discussion.

This document reports on the impacts of activities in the areas where USAID has had more long standing or focused programs—biodiversity protection, stewardship of the natural resource base, and urban and industrial pollution prevention—and where a more significant body of results is available.

⁸ The key countries for global warming are Brazil, India, Indonesia, Kazakhstan, Mexico, Philippines, Poland, Russia, and Ukraine. While active in a number of countries with biodiversity concerns, USAID is in the process of identifying priority countries for its biodiversity investments. That list tentatively includes the following countries or regions: Bolivia, Brazil, the Central African region, Central America, Ecuador, India, Indonesia, Mexico, Papua New Guinea, Peru, the Philippines, Russia, and Thailand.

Results

Sixty percent (25) of the sustainable development Missions have one or more environmental objectives. These Missions are spread widely across Asia, Africa, and Latin America and the Caribbean.

Biodiversity

At current rates of destruction, it is estimated that 5 percent to 10 percent of all living plant and animal species will be extinct by 2025. Against this threat, significant human and financial resources have been mobilized to protect biologically rich habitats. The results are impressive. Between 1980 and 1990, the amount of land set aside by the nations of the world in protected areas increased 40 percent, from 4.5 million square kilometers to 6.5 million. Of these, 4.1 million square kilometers are in developing countries—an area about three times the size of Alaska.

USAID is an active partner in this effort. In 1994, we supported more than 90 biodiversity activities in 40 countries. Thirteen sustainable development Missions have major programs in this area. Five have reported results to date and all are achieving or exceeding their objectives.

Through the Parks in Peril program, USAID support has led to creation of 26 protected areas covering 5.6 million hectares in 12 countries. Noel Kempff Mercado Park in Bolivia is one example. Lumber extraction within the park has declined, takings of river turtles and their eggs have decreased, confiscation of illegal products is down 66 percent, and responsible tourism visits increased by 400 percent from 1992 to 1994. In the Philippines, debt-for-nature swaps have endowed a \$25 million environmental fund. Interest earned has financed more than 100 projects designed and implemented by grass-roots environmental NGOs.

‘USAID support has led to creation of 26 protected areas covering 5.6 million hectares in 12 countries.’

Not all the news is positive, however. Many protected areas are too small, fragmented, or degraded to offer real sanctuary for embattled species. Disputes over land tenure conditions and inadequate enforcement activities result in ineffective protection of many other protected areas. Opportunities to generate revenues from sustainable use of protected habitats are still being missed. These lessons are being incorporated into the next generation of environmental activities.

Natural Resources Management

Maintaining the productivity of natural resources, particularly for agriculture, is an area in which USAID has built significant expertise. Eighteen Missions now have natural resource objectives. Of the nine reporting results, six are achieving or exceeding performance targets. Concern about negative environmental effects of agricultural practices led USAID to develop and promote new technologies to maintain or increase long-term productivity, and involve farmers—men and women—more actively in the process.

For example, in Honduras, we are helping transform destructive hillside agricultural practices and provide farm families with land-use technologies that decrease erosion and increase crop yields. The number of poor hillside-farming households adopting environmentally sound cultivation practices doubled to more than 21,000 between 1989 and 1993, reducing soil erosion by 70,000 tons. At the same time, 10,000 participating families increased their yields at least 30 percent. Extension training activities carried out by male and female community leaders is speeding the dissemination of improved technologies among neighboring farmers. USAID has decreased deforestation and promoted reforestation in several countries. In Pakistan, communities that suffer from fuelwood shortages are promoting tree farming after policy and economic reforms established a market for seedlings. More than 100

million trees have been planted on private farmlands, with good survival rates.

In the Philippines and Nepal, where forests are rapidly disappearing, new laws transfer management of public forests to local communities. In the Philippines, more than 12 million hectares are now communally managed and are beginning to show increased forest regeneration and improved soil and water retention, bringing economic benefits to local communities.

Support for integrated pest management (IPM) is also reducing environmental damage and increasing yields. In Indonesia, a catalytic USAID investment in a multi-donor project helped to show how reducing pesticide use can boost farm incomes from rice cultivation. In 1986, the government began training farmers how to distinguish between pests and their natural predators and how to calculate whether the predators were doing a better job of keeping down pests than chemicals. As a result of this program, rice yields among farmers using IPM are approximately 15 percent higher compared to other farmers under similar conditions and pesticide use is down 65 percent nationwide. IPM reduced environmental damage and health risks to farmers and saved \$120 million in insecticide subsidies.

Pilot activities in coastal resources management have had major impacts through policy changes and participatory approaches in several countries. In Thailand a model strategy for local/national partnerships in managing the country's coral reefs has now been extended to mangrove wetlands and the coastal zone as a whole. This expanded program, financed by the Thai government, will lead to better management of shrimp farming and tourism, activities not previously managed sustainably.

In Sri Lanka, we helped create a new planning system to control coastal erosion through adoption of set-back regulations and environmental impact assessments for all activities that alter the coastal area. In Ecuador, 194 groups of fishermen, mollusc collectors, shrimp farmers, and tourism and residential developers now work with government agencies in five special management areas to set coastal policies.

Urban and Industrial Pollution

Benefits of urban and industrial development are being increasingly offset by the high social costs of environmental problems. This problem is a target of programs in eight sustainable development countries, as well as

in the ENI region. USAID is working to transfer U.S. domestic experience to its work overseas, ranging from legal and policy changes at the national level to pollution audits for individual plants affecting particular neighborhoods.

USAID supports expanded wastewater treatment in Egypt, Honduras, India, Indonesia, Jamaica, Jordan, and Thailand. In Egypt, where we fi-

nance major wastewater infrastructure, the percent of wastewater treated in Cairo and Alexandria increased from 40 percent to 75 percent, reducing by 81,000 tons a year the pollutants entering the Nile, the sole source of water for most Egyptians.

Housing Guaranty (HG) programs have leveraged reforms that result in expanded provision of potable water, sewers, and solid waste disposal on a sustainable basis. Quito, Ecuador, provides a good example. There technical assistance and the promise of HG funds led to reform of the Municipal Water Authority. New accounting and information systems improved budgeting, service extensions, tariff collection, and leak detection, lowering operating costs by 25 percent.

“Strategies that increase local stewardship by empowering and encouraging participation of local people are more effective than those that rely on government agencies alone.”

Moreover, USAID advisors showed that construction codes were over-engineered, resulting in prohibitively high new-service costs. After revising the codes, new service costs became affordable for low-income families. In 3 years, the Water Authority has made 35,000 new household connections and upgraded services to Quito's marginal neighborhoods, benefiting 180,000 people. The Authority, now financially solid, has obtained private loans and is extending service to the remaining 10 percent of Quito's population currently lacking piped water.

Efforts to decrease industrial pollution are also having significant impacts. In Tunisia, a pollution audit at a lead battery plant led the owner to invest \$8,000 in new equipment and change its operating procedures. Operating costs dropped by \$770,000 a year and lead dust and lead-contaminated water emissions were cut by 60 percent. As news of this savings spread, other battery makers implemented the same changes without USAID assistance.

Learning from Experience

Two lessons stand out from efforts to protect the environment:

- Strategies that increase local stewardship by empowering and encouraging participation of local people are more effective than those that rely on government agencies alone. Whether for managing a nature reserve, cleaning up a polluted river, changing farming systems, or reforming environmental policies, local stewardship is essential to sustained success.
- Linking sound environmental practices to real economic benefits—"win-win" strategies—characterize our more effective programs. Evaluations show the environment will more likely be managed well when tangible economic benefit can be derived from doing so. Sustainable upland agriculture practices are adopted readily if they increase local farm incomes; parks are protected if communities share entry fees.

Providing Humanitarian Assistance and Aiding Post-Crisis Transitions

Strategy and Objectives

AS SUPERPOWER tensions ease in the 1990s, religious and ethnic rivalries are leading to armed conflict, widespread displacement, and death and suffering on a massive scale, especially in Africa and the Balkans. These conflicts destroy social, political, and economic institutions and set the development process back by decades.

Natural disasters, too, can erase years of progress in minutes. USAID's humanitarian programs seek to save lives and reduce suffering in the face of disasters, return individuals to self-sufficiency, and establish conditions for countries to move toward sustainable development and democracy in the aftermath of crises. In these efforts, we work as partners with U.S. and local NGOs, other bilateral donors, U.N. organizations and the recipients themselves.

USAID has four objectives for its humanitarian assistance:

- timely delivery of disaster relief and short-term rehabilitation;
- preventing disasters and reducing the vulnerability of populations at risk;
- preserving the basic institutions of civil governance during periods of crisis and transition; and
- protecting the food security and health of vulnerable groups during conflicts or periods of reform.

In 1994, humanitarian assistance was provided to more than 50 countries; the majority of funds went to the former Yugoslavia, Haiti, and 13 African countries. Emergency food assistance alone reached an estimated 58 million people in 18 countries with daily rations. USAID responded to 60 declared disasters, more than 40 percent of which were complex crises involving civil conflict.

Results

Timely Delivery of Disaster Relief

USAID assistance reduced suffering, saved thousands of lives, protected development progress, and hastened the return to sustainable development after crises. We responded quickly to an earthquake in India, a cyclone in Mozambique, flooding in Tajikistan, landslides in Colombia, volcanic mudflows in the Philippines, and 33 other natural disasters with food, medical supplies, temporary shelter, and other relief.

USAID and the rest of the international relief community have become more proficient at responding to rapid-onset disasters. The number of such disasters decreased 25 percent from 1992 to 1994, while USAID expenditures dropped by half, indicating improved efficiency. There is also a growing capability to respond to drought emergencies. Timely delivery of food and other resources and U.S. leadership of the donor effort in response to the 1992 drought in southern Africa prevented mass migration and starvation of hundreds of thousands of people. At the same time, it fostered long-term sustainable development in the region.

In 1994, the U.S. response to complex emergencies was controversial, but it achieved significant results. In Bosnia-Herzegovina, food and other assistance helped prevent widespread death from starvation and exposure in the winter of 1993-94. In Rwandan refugee camps in Zaire, the Department of Defense and USAID provided a potable-water system that broke the back of a cholera epidemic among the camp's 800,000 inhabitants. In Angola, Liberia, and Sudan, 25 million people dislocated by civil war were fed with PL-480 food aid delivered by NGOs and the World Food Program.

Preventing Disasters and Reducing the Vulnerability of Populations at Risk

USAID's efforts to help prevent, prepare for, and mitigate disasters has paid big dividends. Early-warning systems for famine (FEWS) and pestilence in Africa, and elsewhere for volcanoes, have become increasingly effective in saving lives, property and rehabilitation costs. FEWS data and reporting across Africa have allowed donors and governments to target food aid to affected people more quickly. In Malawi, for example, FEWS staff helped the government develop an effective food distribution schedule based on crop estimates.

In West Africa, USAID's Emergency Locust/Grasshopper Assistance allowed Mauritania, Senegal, and The Gambia to avoid major crop losses during a locust outbreak in 1993. And in the Philippines, warnings from a local volcanology institute, using USAID-funded equipment and advisors, enabled early evacuation of at least 80,000 people and saved an estimated \$1 billion in property when Mount Pinatubo erupted in 1991.

Training programs have also built the capacity of governments and NGOs in Latin America to respond to disasters. Governments there now need fewer U.S. resources in times of crisis. For example, in Colombia local authorities trained by USAID were able to respond to a 1994 earthquake with minimal outside assistance, in marked contrast to 1985, when \$2.75 million was provided after an earthquake of similar scale.

Preserving Civil Governance During Crisis and Transition

Transition initiatives are extremely difficult owing to the environments in which they take place, frequently involving armed

conflict. USAID efforts in Bosnia, Rwanda, and Somalia have shown little progress. However, support to Mozambique helped that country emerge from 17 years of civil strife and the 1992 drought to hold free and fair multi-party elections in October 1994. Recent efforts to restore democracy in Haiti have also been promising.

Protecting Vulnerable Groups

In strife-torn Ethiopia and Mozambique, working through networks of PVOs and government-to-government food-aid programs, USAID provided safety nets for vulnerable groups, kept farmers on their land, and helped them keep tools and other assets until the crises passed. The number of emergency food-aid recipients has now dropped significantly

in these countries. Emergency food provided a critical safety net for 26,000 people in Gaza-West Bank during the transition to autonomous rule, for more than 1.2 million vulnerable people in Haiti through its recent political crisis, and for 3,500 Guatemalan refugees who had fled to Mexico.

'In 1994, humanitarian assistance was provided to more than 50 countries...Emergency food assistance alone reached an estimated 58 million people.'

Learning from Experience

From our experience in humanitarian and post-crisis transition, we have learned several key lessons. Among them:

- Regular attention to the transition from relief to development in program planning has high payoffs. To ignore disaster risks in planning sustainable development programs, or conversely, to ignore the development and transition implications of emergency conditions and of emergency assistance can be costly. This lesson is especially important for the countries of the Greater Horn of Africa, probably the most food-insecure in the world. USAID is a key donor in the region. In our strategy

there, the relief-to-development continuum is a major planning concept for addressing food insecurity.

- Early detection and warning of potential hazards or emergencies is the most important way to avert major disasters. USAID is expanding its early-warning systems into new regions and new sectors.

- Social safety net programs are most effective when designed to help beneficiaries participate actively in recovery and development activities. Governments must be genuinely committed to compensatory programs if they are to succeed.

Central and Eastern Europe and the New Independent States

Strategy and Objectives

THE CHANGES that swept Central and Eastern Europe and the Soviet Union in 1989-91 were historic. They prompted a unique and innovative U.S. assistance program led by USAID. As these countries emerged from communist rule, economic activity was centrally controlled, private ownership was virtually non-existent in the former Soviet Union and some of its satellites, and little was known about how to establish free-market economies and democracy. Governments were not based on the will of the people nor accountable to them. Energy was used inefficiently, and pollution was widespread. Progress against these challenges has been impressive, but much remains to be done.

USAID's ENI programs have three priorities:

- *economic restructuring*, to foster competitive, market-oriented economies in which the majority of resources are privately owned and managed;
- *democracy*, to support transparent and accountable governance and empower citizens through political processes; and
- *social sector restructuring*, to strengthen the capacity of some countries to ease hardships of at-risk groups during the transition and restructure social benefits to make them sustainable.

Results

Economic Restructuring

USAID programs are helping transfer state-owned assets to the private sector, establish more stable business environments, facilitate expansion of private enterprise, promote fiscal and financial sector reform, and support sustainable uses of natural resources. Central to this effort are USAID-

funded advisors who actively help draft policies, legislation, and regulatory procedures needed to break up monopolies, establish markets, and strengthen competition.

Assistance in privatizing industry and in new business start-up has contributed substantially to private sector growth in many countries. In Russia, USAID helped establish a nationwide voucher system, which enabled 70 percent of Russian industry to be privatized and 40 million Russians to become shareholders. As a result, more than 40 percent of industrial workers are now in the private sector, and 25 percent of Russian households own their homes. An estimated 65 percent of Czech Gross Domestic Product (GDP) is now produced in the private sector. New private sectors in eight countries—Albania, Estonia, Hungary, Latvia, Lithuania, Poland, Russia, and Slovakia—each produce 50 percent to 55 percent of GDP. In the remaining countries, the private sector share of GDP in mid-1994 ranged between 20 percent and 40 percent. Land privatization, however, has been more complex, and progress considerably slower.

USAID-created Enterprise Funds in Central and Eastern Europe have sustained 21,000 jobs, created 11,000 more, and generated over \$60 million in earnings. Twenty-three joint ventures with U.S. companies have been created, attracting \$150 million in private foreign investment.

Appropriate energy pricing and the sustainable use of natural resources are also key to a market economy. Advisors are working to improve pricing policies and to introduce new energy-efficient technologies. They have trained more than 20 local private companies in Bulgaria, Hungary, and Romania in energy efficiency business development, while demonstrating U.S. energy efficiency equipment at more than 40 plants. These demonstrations generated immediate savings

of \$16 million in energy costs from investments of \$1.2 million. Energy audits and demonstrations have improved efficiency by as much as 30 percent in urban heating systems in Armenia, Belarus, Kazakhstan, the Kyrgyz Republic, Russia, and Ukraine. Use of U.S. equipment costing \$1 million resulted in an estimated annual savings of \$14 million in these systems.

Savings from environmental assistance are also considerable. Through waste minimization programs, participating industries have saved more than \$17 million from waste recycling, resource conservation, and reduction in payments for pollution fees and fines. Five cities in Poland have saved more than \$2 million by redesigning new wastewater treatment plants. Private consultants trained by USAID are now being contracted by other cities to design similar solutions for their wastewater treatment plants. Plant managers who participated in the industrial waste minimization program are marketing new technologies to their peers throughout the region.

Lasting improvements in the region's environment will also be achieved from policy changes directly resulting from USAID assistance. To date, these include environmental impact assessment laws in the Czech Republic and Slovakia, an auto fuel tax to reduce carbon monoxide emissions in Budapest, and appropriate increases in environmental fees and user charges in Poland.

Democracy

USAID has helped countries hold credible and effective elections across the region. We have learned, however, that free elections by themselves do not guarantee that political reform will continue. Successful democratic change results from an array of reforms to strengthen democratic processes, including the rule of law, autonomous local government, and a strong civil society, including an independent media. Our ENI democracy pro-

grams have achieved significant results in each area.

With USAID help, many parliaments in the region have enacted critical political reforms, including new election laws that help ensure fair and democratic elections. Hungary, the Kyrgyz Republic, and Russia have adopted new constitutions, and elections and civil liberties laws. Advisors helped draft provisions of Russia's new civil code that guarantee freedom of contract and protection of private property, laying the foundation for development of new commercial laws needed for a market-based economy.

Pluralistic democratic non-governmental organizations were virtually non-existent under communism. By helping to establish a legal basis for creating non-governmental organizations, USAID has enabled NGOs to flourish across the region. Other activities that have increased the participation of citizens and NGOs in the life of their communities and nations include strengthening local NGO capacity, legal assistance, education reforms, and support to youth, hu-

man rights, environmental, business, media, civic, and charitable womens' groups.

Judicial systems in Kazakhstan, Russia, and Ukraine, and most of Central and Eastern Europe, have become more professional, independent, and better equipped to resolve private property and criminal justice issues. U.S. assistance is also facilitating decentralization and increased accountability of governments. For example, municipal officials in Bulgaria, the Czech Republic, Poland, Romania, and Russia received training in financial management and provision of urban services.

Social Sector Restructuring

The transition to market-based economies is threatened by legacies of the past.

‘By helping to establish a legal basis for creating non-governmental organizations, USAID has enabled NGOs to flourish across the region.’

Bankruptcy and eventual collapse of the previous system have resulted in massive, unpredictable changes in people's lives because of high inflation, unemployment, and reduction of state-subsidized social services. Public support for reform requires that people believe their current hardships will be addressed by moving to a market economy. Thus, USAID has supported a mix of activities and policies in the social sector.

We have provided immediate help to ease hunger, winter cold, and other hardships in strife-torn republics. We have coordinated with the U.S. Department of Agriculture to supply essential food products to more than two million people. Epidemics of measles and other diseases have been prevented by vaccinating more than 500,000 children in Central Asia.

Thirty-one partnerships between U.S. hospitals and health facilities in ENI countries have transferred medical skills and Western management practices, improving productivity. Women's access to modern reproductive health services has been increased in the Central Asian republics. Environmental health threats at specific sites have been significantly reduced through USAID assistance.

USAID also is encouraging ENI governments to introduce private sector management practices to social services. Results of housing reforms in Russia and Hungary already show that increased revenues from higher rents more than cover the cost of increased housing allowances for the neediest.

Learning from Experience

Key lessons from our programs in the ENI region include:

- USAID learned early in the ENI program that the high costs of assisting with reforms made it important to use our funds to leverage financing available from other donors. This approach has been particularly successful in private sector development, environment, energy, and humanitarian assistance.
- If the quality of life of citizens improves in line with their expectations, political changes are more likely to be sustained.
- No single aspect of democracy programming can guarantee the success or sustainability of democratic transitions. Integrated approaches that simultaneously address the political, social, and economic dimensions of change are essential to sustaining progress toward vast systemic change. U.S. assistance must be shaped and sequenced to help build constituencies for sustaining economic and political reforms.
- Much of USAID's assistance to the private sector has been directed at individual firms. In order to increase the impact of this assistance, we need to extract the broader lessons from our activities and make them available more widely through training centers, business associations, and banks.
- In the environment and energy areas in particular, scarce assistance resources should target high-profile "hot spots" to ensure that results are seen and replicated.

Challenges for the Next Year

USAID has made significant progress, particularly in the last year, in focusing on results. Substantial effort and resources have already been invested, but more is required. USAID must be able to report its results more comprehensively and conclusively, to have a better idea of why and under what circumstances certain approaches work best, to make performance information available more quickly and easily to all managers, and to do this without major new expenditures on management systems. Our agenda for moving along this path in 1995 includes:

- Building on 4 years of experience with Mission strategic planning and the sustainable development strategies developed last year, we will prepare an Agency-wide results framework. It will include performance indicators to assess the results of our development work more uniformly and process indicators to track our internal progress in managing for results.
- Choosing accurate, inexpensive, and easily used performance indicators, at both the operating unit and Agency level, is a complex, analytically difficult task. It will undoubtedly require various iterations as we learn from experience. We will give increased attention to identifying good indicators in 1995, especially for democracy and environment programs.
- USAID will complete development and begin installation of a corporate information system. Among other things, it will include indicators and targets from all strategic plans and the most current information on progress toward these targets. When complete, the system will reduce formal reporting requirements, increase our ability to analyze and report on program performance, allow managers to make decisions better informed by the progress of their activities and lessons of experience, and permit broader, quicker dissemination of results.
- With another year of measuring progress toward strategic and intermediate objectives, and clear guidance from headquarters on performance indicators that are best for measuring Agency-wide success, USAID will be better able to identify programs and approaches that are more, and less, successful in achieving their targets. This will let us concentrate on the most effective programs and learn from experience with them. This will require Missions and bureaus to devote greater analytical and technical resources to performance measurement and evaluation.

Appendix: Countries included in the Annual Performance Report

Sustainable Development Countries

Africa

Benin
Burundi
Ethiopia
Gambia
Ghana
Guinea
Guinea-Bissau
Kenya
Madagascar
Malawi
Mali
Mozambique
Namibia
Niger
Nigeria
Senegal
South Africa
Tanzania
Uganda
Zambia
Zimbabwe

Asia and the Near East

Bangladesh
Egypt
India
Indonesia
Jordan
Morocco
Nepal
Philippines
Sri Lanka

Latin America & the Caribbean

Bolivia
Dominican Republic
Ecuador
El Salvador
Guatemala
Guyana
Honduras
Jamaica
Nicaragua
Paraguay
Peru

Europe & New Independent States

Europe

Albania
Bosnia
Bulgaria
Croatia
Czech Republic
Estonia
Hungary
Latvia
Lithuania
Macedonia
Poland
Romania
Slovakia
Slovenia

NIS

Armenia
Azerbaijan
Belarus
Georgia
Kazakhstan
Kyrgyzstan
Moldova
Russia
Tajikistan
Turkmenistan
Ukraine
Uzbekistan