

U.S. AGENCY FOR  
INTERNATIONAL DEVELOPMENT



**Congressional Presentation**  
**Fiscal Year 1997**



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FY 1997 CONGRESSIONAL PRESENTATION**

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## INTRODUCTION

The U.S. Agency for International Development's (USAID) FY 1997 Congressional Presentation (CP) reflects the Administration's program and budget justification for the bilateral foreign assistance program.

The CP document summarizes the budget request and discusses the programs and activities implemented through USAID's centrally funded programs and through the four geographic regions (Africa, Asia and the Near East, Europe and the New Independent States, and Latin America and the Caribbean).

The country and program funding levels shown for FY 1997 are preliminary estimates. A separate volume of country and program descriptions with adjusted funding levels will be provided once final decisions are made on program concentration, including future mission closures and downsizing.



## STATEMENT OF THE ADMINISTRATOR

USAID looks toward Fiscal Year 1997 with a sense of accomplishment and challenge, but also with deep concern: We fear that America's foreign policy leadership and USAID's capacity to be an effective foreign policy and national security tool are being threatened by continuing, deep cuts to the International Affairs function of the federal budget.

The Agency's work is achieving measurable results, creating markets and jobs for the American people, and confronting global problems that transcend borders and the limits of traditional diplomacy. USAID is embracing new challenges in Bosnia and Gaza and the West Bank, and continuing to build upon successes in areas once deemed hopeless, such as South Africa, Cambodia, and Haiti. USAID is charting a new role for foreign assistance in the post-Cold War era, targeting the social and economic problems that constitute a new strategic threat to the peace of the world.

At the same time, USAID faces the cumulative impact of years of budget cuts. It no longer is able to "do more with less." U.S. foreign aid levels are at their lowest ebb, in real dollar terms, since before World War II. In FY 1996 alone, Development Assistance was cut 23.1% from the year before. Support for Eastern European Democracy was cut 9.7%; aid to the Newly Independent States of the Former Soviet Union was cut 24.6%. P.L. 480 Titles II and III resources were cut 7.2%. In dollar terms, these cuts totaled \$807,000,000.

USAID also continues to struggle to meet the limit imposed on its operating expenses, of \$465,000,000, plus \$25,000,000 from other programs. To accomplish this, the Agency has instituted a hiring freeze, restricted travel, lengthened tours of duty and implemented other cost savings measures. In order to stabilize the Agency and bring personnel levels in line with funding requested for FY 1997, a Reduction In Force (RIF) has been announced that will eliminate nearly 10% -- about 200 -- of the Agency's direct-hire jobs by September 30, 1996.

Budget cuts threaten USAID's ability to lead the international development community and advance American interests as it has throughout the post-World War II era. The Agency is a valuable tool of U.S. foreign policy and is recognized throughout the world as the leading foreign assistance institution. To many countries, USAID embodies the commitment of the United States to the developing world.

Recent cutbacks in the International Affairs accounts have been made almost entirely on the basis of the domestic perceptions about "foreign aid" at a time when the focus on balancing the federal budget is forcing deep cuts in domestic programs. A full-scale policy debate about the continued importance and the appropriate role of foreign assistance in the post-Cold War era has barely begun; what little discussion that has occurred has been overwhelmed by the domestic budget debate. This situation cannot continue without having a crippling impact on development assistance and transition programs. It threatens to deprive the United States of effective, low-cost tools that can decrease the need for far more expensive and dangerous diplomatic and military approaches.

**Development assistance works.** That singular fact should be the starting point for any discussion about USAID, any debate about spending levels, or any deliberation about the future shape of foreign assistance.

Measured over the span of a single generation, the costs of foreign assistance are dwarfed by the dividends. The benefits are social, political, and economic. Development progress kindles a sense of hope and possibility that is the antidote to social discord and a culture of crisis. It ameliorates

strains within society and creates opportunities for accommodation. It lays the groundwork for a nation's rapid emergence as an exporter, a customer, a trading partner, and a valued ally.

Foreign assistance has a track record. Its value is apparent in the changes that have occurred in the developing world during the last 40 years. From 1950-1955 until now, infant mortality has dropped from nearly 20% to 7%. Life expectancy at birth has increased from 40.7 years to 62.4. People in developing countries consume 20% more calories per day than they did in 1961-1963. Literacy rates in some developing countries now nearly equal those in the developed world; today, there are two and half times as many literate people in the developing world as in the developed world. These facts are reason for optimism.

**Development assistance serves our self-interest.** Nations support foreign assistance in their own self-interest; it is not a charitable endeavor. This is especially true in the sphere of economics.

USAID's support for international research activities has led to advances that benefit U.S. agriculture. Much of the wheat and rice grown in the U.S. is derived from parent crops developed by the same research programs that led to the Green Revolution. The building blocks for U.S. crop and livestock production are strains of plants and animals that exist around the world; USAID supports a network of research centers that conserves these genetic resources for the benefit and food security of the entire world.

America's future prosperity depends upon its participation in international markets. USAID's programs help increase standards of living, enabling nations to begin to afford a greater quantity and quality of American goods and services. Foreign assistance also fosters an enabling environment for U.S. trade and investment in developing nations by helping secure open, competitive markets. USAID programs are often instrumental in establishing fair business codes, viable stock markets, sensible tax codes, and the rule of law. Foreign assistance helps create the stable and transparent business environment that U.S. companies must have to operate successfully abroad.

USAID helps to create and expand new markets for the U.S. economy, and the dividends from past investments are now materializing on a massive scale. Developing countries and their strong potential for growth have made the economies of developing nations increasingly important to the United States. Most of the growth in U.S. exports continues to come from countries in the developing world and countries in transition from state-dominated economies to free market economies. In 1995 alone, U.S. exports to developing countries rose by 11.8 percent. Between 1990 and 1995, American exports to transition and developing countries increased by \$98.7 billion.

U.S. exports to the developing world in 1994 totaled a record \$215 billion. That translates into over 4 million jobs for Americans. Developing countries are particularly good customers for our high-value exports: pollution control equipment, computers, software, telecommunications equipment, energy-efficient machinery, power-generation and cooling equipment, and instrumentation, as well as a wide range of engineering, academic, and consulting services. Many regions of the U.S. are increasingly dependent on exports for the health of their manufacturers and service businesses.

**Development assistance is a primary tool of American foreign policy.** Foreign aid does more than expand American markets. It has always been a powerful instrument of diplomacy. It is more useful now than ever before. In the former Soviet Union and Eastern Europe, foreign assistance helped lay the groundwork for market economies and societies that respect the rule of law. In Angola, aid has enabled a potentially rich nation, long divided by civil war, to begin fulfilling its promise. In South Africa, USAID helped to facilitate a peaceful transfer of power and the end of Apartheid. In Haiti, the Agency's work helped to provide an alternative to endless oppression.

These are estimable, important achievements; they have saved billions of dollars that might otherwise had to have been spent on military defense; they have lessened the need for humanitarian aid; and they have created and opened markets for American goods. Despite occasional setbacks, the achievements of foreign assistance have helped to make the world a more hospitable place for the United States, its people, and its interests.

No diplomacy by itself is clever enough to defuse hunger and want. No military can fight poverty or disease or environmental damage on a global scale. Throughout our government, there is a growing realization that poverty and development problems contribute to civil strife. It is significant that the U.S. military has emerged as one of the institutions most sensitive to this. They do not want to become the President's primary option, or only option, for dealing with such situations.

**Development assistance is part of the U.S. strategic defense.** Our national security community is rapidly coming to appreciate that America's security is now threatened by regional conflicts, movements across borders of people and diseases, environmental damage, unsupportable population growth, and political oppression. For example, a recent Central Intelligence Agency study correlates societal stability with the extent of human development, the level and relative fragility of democratic systems and a nation's openness to trade. The CIA Task Force on Failed States has identified as key determinants of stability the very problems that foreign aid addresses.

This concern is evident in strong public statements supporting foreign aid from Secretary of Defense William Perry and General John Shalikashvili, Chairman of the Joint Chiefs of Staff. They wrote in USA Today last year that "Foreign aid, like defense spending, helps preserve our national security."

These assessments reflect a growing understanding throughout our government that U.S. leadership in development is a crucial part of our arsenal in the post-Cold War world. If we fail to act now, we know that in 20 years, when there are two billion additional people, the challenges will be far less manageable. No one wants our military to be the first and only option in an endless stream of engagements. We need a preventive strategy that we can afford and one that works.

We also need new instruments of prevention. We need more effective early warning systems that incorporate an assessment of the pressures created by deteriorating conditions. We need to act in concert with the international community to mitigate those conditions. And we need to find ways to intervene more effectively to resolve internal disputes **within** sovereign borders, before they spill over. Foreign assistance provides a means for addressing each of these issues.

**Development assistance is prevention.** Our programs of assistance are investments; they are considerably less expensive than humanitarian relief, reconstruction, and peacekeeping. For example, more than 3 million lives are saved every year through USAID immunization programs. More than 50 million couples worldwide use family planning as a direct result of USAID programs. Over 3.2 million people have been reached with HIV prevention education, and 58,000 people have been trained to implement these education programs in their own countries.

Foreign assistance demands vision and patience, with the understanding that the cost of not acting will be far higher. Such costs are already being tallied: Refugee assistance has exploded and now consumes productive resources; our efforts in Rwanda have cost us \$580,000,000 and we are not yet through. Peacekeeping costs for the United Nations in 1994 exceeded everything spent on peacekeeping in the previous 35 years combined. This simply cannot go on. We will exhaust our financial resources and lose the will to act if the next 20 years see only crisis after crisis, without the promise of something better.

Working within the limited resources made available, USAID will continue to fulfill its mandate as a core component of American foreign policy. In this vein, the \$600,000,000 commitment to assist Bosnia in its reconstruction is the natural complement to an exit strategy for American military forces. Just as U.S. leadership was critical to the peace negotiations and to the involvement of NATO in ending the fighting, so USAID's leadership in democracy and economic reform will help Bosnia embrace positive change. To the best of their ability, the people of USAID will continue to create opportunities for both the nations we assist and the American people.

**Development assistance has support.** Polls consistently show that the American people support the specific endeavors of foreign assistance -- disaster relief, market creation, environmental protection, and population, education, and public health programs. It is only the rubric of "foreign aid" that is unpopular.

The problem is exacerbated by the huge misconception of how many tax dollars are spent on aid. While a third of Americans consistently estimate that the U.S. spends about 18 percent of the federal budget on foreign aid, the true amount is less than one half of one percent. The United States ranks last among the top 21 industrial nations in the percentage of Gross Domestic Product we devote to foreign assistance. Polls show that voters want far more spent on specific aid activities than is presently appropriated.

**USAID is a unique national asset.** Looking toward the next Fiscal Year, USAID can say with conviction that every dollar requested for Fiscal Year 1997 is essential to maintaining a disciplined, efficient, modern, responsive foreign assistance program. The fat is long gone. Any cuts from the budget request will not simply cut into muscle; they will dismember USAID and permanently diminish our capability to act.

The U.S. Agency for International Development is not a faceless bureaucracy ripe for the trimming. We are a unique concentration of talent that this nation needs and on which other nations rely.

We are an assembly of the most experienced and highly trained development experts in the world.

We are the linchpin of agricultural research that spawned the Green Revolution.

We are a resource for medical research that saves thousands of children each day.

The people of USAID are relief workers who know how to get food to refugee camps that are days away from the nearest road. The people of USAID are environmental engineers who know how to clean up the blackened villages of Eastern Europe. The people of USAID are economists who know how to help poor women liberate themselves with only a small loan and a village bank.

These skills must be safeguarded and nurtured. Expertise cannot be turned on and off like water from a faucet. Once dissipated, they cannot be conjured out of thin air, no matter how pressing the need. And the capacity to deliver foreign aid involves more than individuals. It also involves the intangibles of skilled people operating as a group. When foreign aid is targeted, experience, institutional memory, and the cohesion of a shared mission also are threatened.

Any further cuts will rob the United States of the ability to utilize the skills and experience of the people -- our people -- who possess these critical skills.

**USAID is working smarter and better.** USAID has taken the lead in reengineering its own processes, in order to save money and work more efficiently. The Agency has:

- Defined a clear and understandable set of policies based on producing demonstrable results and accurately monitoring and evaluating all of USAID's development activities;
- **Reduced total U.S. Government and non-U.S. Government staff by over 1,750 positions and permanently eliminated 70 senior positions;**
- Combined administrative costs with other government agencies to achieve \$7 million in cost savings over five years;
- Reduced project design time by 75 percent;
- Cut regulations by 55 percent;
- Developed a new electronic acquisition and procurement planning system that replaced systems being kept in each USAID Washington office and overseas mission; and,
- Cut competitive contract award time by over 50 percent.

By the end of 1996, USAID will have closed out 23 overseas missions. The Agency is committed to shut four more by FY 1997, and additional missions will be scheduled for closing following the conclusion of the NSDD-38 discussions with the Department of State.

USAID also has supported innovative programs that strengthen the participation of employees, development partners, American communities, and citizens of the nations we assist. These programs include

- Country Experimental Laboratories (CELs), which have served as pilot projects to reform USAID's missions overseas;
- The New Partnerships Initiative (NPI), which links local business, indigenous nongovernmental organizations (NGOs), and local governments to build institutions and increase a nation's capacity for sustainable growth.
- The Lessons Without Borders (LWOB) Program, which shares some the innovative techniques in health, economic development, and environmental protection that have been developed through foreign assistance programs with American communities.

**USAID is continuing to improve its programs and its management.** USAID has dramatically reformed its programs, focusing on fewer, specific strategic objectives and emphasizing integrated solutions that cut across traditional development sectors. Integrated approaches address diverse problems simultaneously. They get the most out of limited resources. They facilitate cooperation among development agencies, as well as joint planning. Most important of all, integrated approaches help the people of the host nation create local institutions that can deal with these issues on a permanent basis. Integrated approaches that cut across sectors include:

- **Women's empowerment.** In developing nations, the economic, social, and civil participation of women and the educational opportunities afforded to girls affect fertility levels, the status of women, political stability, and patterns of land and water use. Basic education programs that give special attention to ensuring that girls and young women become literate make a powerful impact on

political and economic development, and USAID is engaging NGOs, particularly women's groups and women's rights groups, to help plan and implement Agency programs. In March 1996, USAID adopted a Gender Plan of Action to foster institutional changes that will further the integration of gender considerations in its programs.

- **Food security.** The cost and availability of food can determine political stability and economic growth, especially in rural areas and poor urban neighborhoods. The impact of malnutrition on women and children often is especially high. USAID's intersectoral strategies address key issues of poverty and food availability, access, and utilization, including such things as agricultural regulations, land tenure, local markets, and availability of modern seed, water, and agricultural techniques.

- **Community and NGO empowerment.** Democratic development begins at the local level. Local institutions help communities take control of their own affairs; local NGOs are the building blocks of civil societies and help ensure government accountability and responsiveness. Strengthening community institutions and NGOs increases the chance that development projects will succeed initially and will become sustainable over time.

- **Environment and health.** In countries in which water or industrial pollution are severe and public health is at risk, environmental programs enable communities to build local institutions, shape policy, and enhance child survival and maternal health. Environmental issues provide an important mechanism for strengthening public participation and a sense of empowerment, a critical consideration in formerly Communist countries.

In FY 1997, USAID will give special emphasis to activities that are the most cost-effective. We will use integrated approaches to gain the greatest payoff from each dollar invested. In a time of diminishing and diminished resources, synergy must be more than catch-phrase.

## **USAID: THE NEXT FIVE YEARS**

As a result of projected changes in its budget and mission, USAID will be configured very differently in five years. These changes are not inevitable, but we recognize that existing resource constraints will not be solved in the short run. These resource shortfalls challenge us to concentrate resources where they can accomplish the greatest good.

In the next five years, the number of full scale missions will decrease, from the current 43 to approximately 30. These remaining missions will be located in key countries important to U.S. interests, where the need is great, and specific, measurable objectives can be achieved. We will pick our partners carefully.

USAID will have the institutional capacity to mount missions in 10 transitional countries at any one time, responding to paramount foreign policy objectives. Today, we have such programs in Eastern Europe, the former Soviet Union, Bosnia, South Africa, Haiti, and Cambodia. One cannot predict where the next transitional crisis will occur, but if the first five years of the post-Cold War period are an accurate guide, we know the U.S. must be ready with the tools to deal with the types of ethnic, political, or regional conflicts that can quickly threaten our security, our trade, our borders, and even the health of our citizens.

In an additional 20 or so needy countries that will not have full scale or transitional missions, USAID will maintain the capacity to target problems -- such as weak governance, environmental degradation or unsustainable population growth -- with no or minimal additional direct-hire staff in the field.

All these changes will mean that from the start of the Clinton Administration until the year 2000, USAID will have been radically transformed. We started in 1993 with programs in over 120 countries, with over 70 missions. By the year 2000, USAID's programs will be targeted on approximately 75 countries, with no more than 30 full sustainable development missions.

I still believe the best way to ensure that our programs achieve their goal is with an on-the-ground USAID presence. But we need to face facts -- USAID cannot afford to maintain missions in every country that needs our help, nor can we disperse our personnel so widely that we lack a critical mass in the missions that remain.

In five years, our direct-hire work force will be smaller -- both in Washington and overseas. We have cut our direct-hire workforce over the past three years by a higher percentage -- 19 percent -- than all but one other Federal agency, the Office of Personnel Management. Our total workforce is down from some 11,500 employees in 1993 to just over 8,700 today. And we will get smaller still -- reaching a goal of fewer than 8,000 employees (U.S. and foreign nationals) by 1998. The RIF of U.S. direct-hire staff announced on April 11 will accomplish part of this reduction; there will also be further cutbacks of Foreign Service National Employees (FSNs) and Personal Services Contractors (PSCs). We also will continue to reduce staff through retirements and attrition, and where appropriate, by combining positions.

Wherever it operates, USAID will continue to stress people-to-people partnerships that link everyday Americans with their counterparts in the developing world. Above all, what USAID provides -- and will continue to provide -- is expertise and experience that enables nations to improve their institutions, policies, and social conditions. To accomplish this aim, our agency uses everything from training, to technical assistance, to credit programs, to public-private partnerships, to research. This diverse approach is cost-effective, and it reinforces investments that pay enormous and continuing dividends.

Limited resources and a shrinking field presence demand that USAID become increasingly collaborative. We must continue to find ways to stretch the development dollar through improved donor coordination, tap into private sector capital flows and encourage networking among both governments and nongovernmental organizations to advance the development cause.

The best way to reduce the cost of foreign assistance is to reduce the need for it. Droughts and other natural disasters may be unavoidable but famine and societal breakdown are not. Political tensions may be unavoidable but failed states are not. USAID is endeavoring to help nations and regions deal with inevitable and predictable difficulties: for nations prone to natural disasters, we are helping to create early warning systems; pre-positioning relief stocks; and supporting collective action to combat drought and famine. For nations attempting to emerge from civil conflict, we are supporting demobilization and reintegration of ex-combatants into the civil society; addressing the needs of displaced and vulnerable populations; promoting civil-military relations; removing land mines; supplying prosthetics; and encouraging conflict resolution. And for developing nations prone to social strife, we are helping to build institutions to defuse conflict and helping communities and individuals empower themselves. All of these activities address crisis by helping to prevent it.

The FY 1997 request is the minimum necessary. The FY 1997 request is the absolute minimum USAID needs to responsibly downsize its international presence and concentrate its remaining resources. It is an integral part of President Clinton's plan to balance the budget by 2002. We are continuing to move forward in dramatically transforming the agency; but any cut in the requested level would undermine U.S. influence and increase the possibility that future crises could be met only with a military response. Such cuts would serve no one's interest.

We know that a positive, proactive foreign assistance will not only save people from misery and despair, it will be far cheaper for the United States than reacting to one costly crisis after another. If we fail to address today's problems and pursue tomorrow's prosperity, we will have failed in our responsibility to this generation of Americans and the generations that follow.

## **SUMMARY OF USAID FISCAL YEAR 1997 BUDGET REQUEST**

For Fiscal Year 1997, the President is requesting appropriations of \$6,881,826,000 for USAID-administered programs, including those jointly administered with the State Department. The FY 1997 request compares to the FY 1996 appropriation level of \$6,573,064,000.

The FY 1997 USAID request includes funding for the Development Assistance Fund (DAF), Development Fund for Africa (DFA), the Economic Support Fund (ESF), Assistance for Eastern Europe and the Baltic States (Special Assistance Initiative, or SAI), and Assistance for the New Independent States of the former Soviet Union (NIS). Also included in this request is funding for P.L. 480 Titles II and III (Food for Peace) resources administered by USAID but formally requested as a part of the U.S. Department of Agriculture budget.

The chart on the following page and subsequent descriptions provide further details in support of the budget request.

### **DEVELOPMENT ASSISTANCE**

The Development Assistance Fund and Development Fund for Africa provide support for activities worldwide that are designed to promote sustainable development in some of the poorest countries in the world. These nations represent the world's last great underdeveloped markets. USAID strongly believes that the modest and well targeted investments we make today in the form of human capital and the partnerships we establish with their communities will pay economic and political dividends to the United States well into the future.

#### **Development Assistance Fund**

The FY 1997 request of \$1.006 billion for Development Assistance will support programs aimed at improving the economic and social well-being of developing countries. By using an integrated portfolio of activities aimed at promoting broad-based and sustainable economic growth, stabilization of population growth rates and improved health for children and adults, protection of the environment and increased democratic participation in open governments, USAID strives to create the economic and social stability needed for the next wave of U.S. trading partners to evolve and increase its democratic allies around the world.

The assistance that the U.S. taxpayers provide to the developing world is ultimately in the self-interest of the United States. USAID's programs address the primary causes of social instability and underdevelopment by joining in partnership with the government and citizens of the country to address mutually identified problems. Development is sustainable when it permanently enhances the capacity of a society to improve its quality of life. Thus, while addressing problems in any one of USAID major goals, we also can achieve the facilitation of progress in the other areas. This is because our programs aim at increasing participation and empowerment; the impact of our activities is felt far beyond any one specific development problem. USAID's programs bring people at all income levels into the economic, social, and political processes in order that they may contribute to and benefit from national progress, with women and ethnic minorities emphasized. This is what sustainability is all about -- it is also the process to create lasting trade and social linkages between the United States and the developing world.

## USAID FISCAL YEAR 1997 BUDGET REQUEST

(in \$ 000)

	FY 1995 Appropriated Level	FY 1996 Appropriated Level	Requested FY 1997 Funding
Development Assistance Fund (DAF)	1,275,068	1,618,500 <sup>1</sup>	1,006,000
Development Fund For Africa (FY 1996 DFA is included in the DAF)	802,000		704,000
International Disaster Assistance	169,998	181,000	190,000
Credit Programs	29,198	13,000	13,000
Operating Expenses	513,337	493,750 <sup>2</sup>	495,000
Inspector General	38,764	30,200	30,000
Foreign Service Disability & Retirement and Retirement	45,118	43,914	43,826
Economic Support Fund and International Fund for Ireland	2,368,637	2,359,600	2,408,000
Assistance to New Independent States	850,000	641,000	640,000
Assistance for Eastern Europe and the Baltics	359,000	324,000	475,000
Bosnia Supplemental	---	195,000	---
P.L. 480 Food For Peace -- Title II	821,000	821,100	837,000
P.L. 480 Food For Peace -- Title III	117,442	50,000	40,000
<b>USAID Total:</b>	<b>7,389,662</b>	<b>6,771,064</b>	<b>6,881,826</b>

Note: FY 1996 levels are prior to rescissions and transfers.

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<sup>1</sup> The FY 1996 appropriated DAF level excludes the African Development Foundation and Inter-American Development Foundation transfer totaling \$31.5 million. It also excludes \$25 million to be used for operating expenses.

<sup>2</sup> Includes \$25 million of the Development Assistance Fund account to be used for operating expenses and \$3 million transferred from the Bosnia supplemental.

## **Development Fund for Africa**

USAID has implemented high-impact, innovative programs under the Development Fund for Africa. The Administration is requesting reinstatement of a separate appropriation to underscore the U.S. commitment to tackling Africa's complex development challenges. USAID's resources are concentrated in those countries which are committed to sound economic policies and democratic governance. USAID believes that the \$704 million requested for the DFA represents a sound and prudent investment in preventing crises and promoting sustainable development. U.S. assistance is providing hope for the future of this continent of more than a half billion people. USAID also is making investments that will benefit the United States -- reducing the likelihood of costly future humanitarian and disaster relief requirements and growing new markets for American trade and investment. Our efforts to promote market-based economic policies and stimulate economic growth help fuel demand for U.S. goods and services, which expanded in Africa by 22 percent between 1994 and 1995. The proposed assistance for Africa is a modest but sound and critical investment -- in improving the lives of millions of Africans and in strengthening our own economic future.

## **Credit Programs**

USAID's credit guarantee programs include the Microenterprise and Small Enterprise Development Program and the Housing Guarantee program. These programs share the common goal of addressing credit restraints in the nascent market economics of developing countries. These programs enable people to feed themselves and their families better, educate their children, improve their health, and upgrade housing standards. Ultimately, the goal of all USAID credit programs is to allow the citizens of the developing world to concentrate on something beyond their next meal and free up economic growth potential of the next generation of U.S. economic partners.

### **Microenterprise and Small Enterprise Development Program**

The Administration requests appropriations (totaling \$1,500,000 for the cost of direct loans and loan guarantees and \$500,000 in administrative costs in FY 1997) to cover the direct loans, loan guarantees and administrative costs associated with this program. With this amount of appropriated money, USAID, through private sector lenders, can leverage nearly \$50 million for small business and microenterprise loans.

The Micro and Small Enterprise Development program is designed to help those people, who would not otherwise have access to bank financing, create employment for themselves, acquire incomes, build assets and join in the strengthening of the formal sector of the economy. In FY 1995, under this program, over 3,000 loans were made which, on average, were for amounts of less than \$5,000.

### **Housing Guaranty Program**

This USAID program extends guaranties to U.S. private sector investors who make loans to developing countries to support the formulation and implementation of sound housing and community development activities. These activities are targeted exclusively to meet the needs of lower-income groups in the assisted country. The FY 1997 request for these activities totals \$5,000,000 for loan guaranties and \$6,000,000 for administrative costs. This request will leverage approximately the cost of \$41 million in housing guaranties.

## **International Disaster Assistance**

International Disaster Assistance funds support emergency relief efforts. The funds also are used to improve the capacity of foreign nations to prepare and plan for disasters, mitigate their effect, and teach prevention techniques, increasing the skills available locally to respond when disaster strikes. In 1995, the USAID Office of International Disaster responded to 57 emergencies saving hundreds of thousand of lives. The FY 1997 request for these activities is \$190 million.

Funding in this appropriation will also underwrite longer-term rehabilitation and recovery efforts for countries emerging from complex crises. This work is managed by the USAID Office of Transition Initiatives and focuses on the special post-crises needs of nations that are not addressed by either emergency relief or long-term development programs. These efforts are designed to help nations return to the path of sustainable development, prevent crises from becoming more impacted, and minimize the need for future, ongoing humanitarian and disaster relief.

## **USAID Operating Expenses**

This appropriation covers the salaries and other support costs associated with the operations of USAID worldwide. Operating expenses for USAID's Inspector General, and the costs associated with the administration of USAID's credit programs are requested separately.

Since the beginning of 1994, USAID has abolished 90 organizational units (25 percent reduction), consolidated bureaus and support facilities, and eliminated unnecessary supervisory and administrative layers in its headquarters. By the end of FY 1996, USAID will have closed 21 overseas missions. Staffing levels have been reduced by almost 22 percent during the period from January, 1994 to December, 1995. However, the FY 1997 request of \$495 million, when combined with local currency trust funds and other funding sources, represents a reduction of almost 5 percent from FY 1996 availabilities. USAID will continue to reengineer its management to increase efficiency and free field managers to focus on results, but additional staffing reductions will be required to cover higher costs incurred due to inflation and pay raises while operating with a lower budget. We estimate that a further staff reduction of around 10 percent will be required. Normal attrition and early outs, however, will not accomplish this additional required reduction, so a reduction-in-force of about 200 U.S. direct hire employees will be necessary.

## **Inspector General Operating Expenses**

This appropriation covers salaries and other support costs associated with USAID's Inspector General FY 1997 operations worldwide. Activities covered include audits, investigations, and security relating to USAID's worldwide programs and operations. The Office of Inspector General has reduced the number of supervisors, managers, and Senior Foreign Service-designated positions as well as overall staffing levels worldwide during the past two years. The Inspector General can operate at the requested funding level by using \$4.3 million in no-year and multi-year funds to support FY 1997 operations.

The request of \$30 million covers both the domestic and overseas operations of USAID's Inspector General.

## **Foreign Service Retirement and Disability Fund**

The funds cover the mandatory costs associated with the inclusion of USAID foreign service employees in the fund. The FY 1997 request is \$43.826 million.

## **ECONOMIC SUPPORT FUND**

The Economic Support Fund advances economic and political foreign policy interests of the United States. To the extent feasible, the use of ESF conforms to the basic policy directions underlying USAID's sustainable development assistance. ESF can finance balance of payments and economic stabilization programs, frequently in a multi-donor context.

The FY 1997 request of \$2.408 billion will be used to support countries in transition such as Haiti and Cambodia and to promote peace and stability in such countries as Israel, Egypt, West Bank Gaza, Turkey, Ireland and Cyprus.

## **ASSISTANCE FOR EASTERN EUROPE AND THE BALTICS**

This funding supports activities authorized under the Support for East European Democracy (SEED) Act of 1989. These programs help establish competitive, market-oriented economies, build democratic institutions and establish linkages to the democracies of the west, and help sustain the neediest sectors of the population during the transition period. USAID assistance helps provide the skills and attitudes of a modern accountable state, strengthen the rule of law, and advance the restructuring of these formerly socialist economies. The FY 1997 request is \$475 million, of which \$200 million is for Bosnia Reconstruction.

## **ASSISTANCE TO THE NEW INDEPENDENT STATES OF THE FORMER SOVIET UNION**

These funds support the activities established under the FREEDOM Support Act of 1992. USAID's assistance supports the fundamental U.S. foreign policy goals of consolidating improved U.S. security, building a lasting partnership with the individual New Independent States, and providing access to each other's markets, resources and expertise. The FY 1997 request is \$640 million.

## **P.L. 480 FOOD FOR PEACE PROGRAMS**

USAID's Food for Peace programs (P.L. 480) provide both humanitarian and sustainable development assistance in the form of U.S. agricultural commodities. In addition, P.L. 480 also funds the farmer-to-farmer exchange program and a grant program to U.S. private voluntary organizations and cooperatives implementing P.L.480 activities. Although requested by the Department of Agriculture, P.L. 480, Titles II and III are administered by USAID.

Title II provides resources to U.S. private voluntary organizations (PVOs) and the World Food Program to implement sustainable development programs targeted to improve the food security of needy people, either by the direct distribution of agricultural commodities or the use of local currencies generated by the sale of these commodities in the recipient county. Title II also provides the vast majority of U.S. food assistance used to respond to emergencies and disasters around the world. The FY 1997 request is \$837 million.

The Title III Food for Development program provides country-to-country grants of agricultural commodities to improve food security in the developing country and to promote agricultural policy reforms that encourage food production. These programs are tightly targeted on the poorest, most food-deficient countries in the world. The FY 1997 request is \$40 million.

INTERNATIONAL AFFAIRS (\$ Millions) BUDGET AUTHORITY	FY 1995 Actual	FY 1996 Estimate	FY 1997 Request
FUNCTION 151	7,659	6,475	6,977
MDB/IO&P	2,065	1,385	1,723
A.I.D.	3,738	3,432	3,526
EAI	355	67	75
P.L. 480	1,205	1,134	1,072
OTHER	852	474	598
RECEIPTS	(556)	(16)	(16)
FUNCTION 152	4,625	5,037	5,023
ESF	2,334	2,360	2,408
FMF	3,197	3,413	3,268
FMF liquidating account	(370)	(244)	(192)
OTHER	138	143	152
RECEIPTS	(674)	(634)	(613)
SUBTOTAL 151+ 152	12,284	11,512	12,000
FUNCTION 153	4,066	3,953	4,168
A.I.D. FSRDF	45	44	44
OTHER	4,021	3,909	4,124
FUNCTION 154	1,422	1,114	1,162
FUNCTION 155	7,655	(430)	(881)
EX-IM	718	824	726
OTHER	7,137	(1,254)	(1,607)
<b>TOTAL 150 .....</b>	<b>25,626</b>	<b>16,150</b>	<b>16,449</b>

INTERNATIONAL AFFAIRS (\$ Millions) BUDGET AUTHORITY	FY 1995 Actual	FY 1996 Estimate	FY 1997 Request
MULTILATERAL ASSISTANCE			
Inter-American Dev. Bank	28	26	26
Fund for Special Operations	21	10	31
Inter-American Investment Corp	0	-----	-----
Subtotal: IADB	50	36	57
World Bank (IBRD)	23	28	-----
Global Environment Facility	90	35	100
International Finance Corp	69	61	7
International Development Association	1,175	700	935
Asian Development Fund/Bank	168	113	113
African Development Fund	62	-----	50
African Development Bank	0	-----	16
North American Development Bank	-----	56	56
European Development Bank	69	70	12
Middle East Development Bank	-----	-----	53
Subtotal: MDBs	1,706	1,100	1,398
IO & P (Voluntary Contrib.)	359	285	325
TOTAL: MULTILATERAL ASSISTANCE	2,065	1,385	1,723

<b>INTERNATIONAL AFFAIRS (\$ Millions)</b> <b>BUDGET AUTHORITY</b>	<b>FY 1995</b> <b>Actual</b>	<b>FY 1996</b> <b>Estimate</b>	<b>FY 1997</b> <b>Request</b>
<b>BILATERAL ASSISTANCE-USAID</b>			
Development Programs	1,226	1,619	1,006
Development Fund for Africa	781	----	704
Micro & Sm. Enterprise Dvlpt. Prog. Subsidy	2	2	2
Micro & Sm. Enterprise Dvlpt. Prog. Admin.	1	1	1
International Disaster Assistance	170	181	190
Housing Guaranty Loan Subsidy	19	4	5
Housing Guaranty Administration	8	7	6
Foreign Service Retirement & Dis.	45	44	44
Operating Expenses	513	495	495
Operating Expenses - IG	39	30	30
Subtotal: Development Assistance	2,803	2,381	2,482
Economic Support Fund	2,314	2,340	2,388
International Fund for Ireland	20	20	20
Economic Support Fund Total	<u>2,334</u>	<u>2,360</u>	<u>2,408</u>
Special Assistance Initiatives - Eastern Europe	349	324	475
Bosnia supplemental	----	<u>192*</u>	----
	349	516	475
Assistance for the New Independent States of the Former Soviet Union	818	641	640
Less Transfers	213	53	40
Total NIS	605	588	600
Ukraine Trade Credit Program	17	----	----
Subtotal: USAID AFTER TRANSFERS	6,108	5,845	5,965

\*Development Programs (DP) and Operating Expenses (OE) levels reflect use of up to \$25 million in DP funds for OE purposes. In addition, the OE levels also reflects \$3 million from the Bosnia supplemental for OE costs associated with Bosnia.

INTERNATIONAL AFFAIRS (\$ Millions) BUDGET AUTHORITY	FY 1995 Actual	FY 1996 Estimate	FY 1997 Request
Trade & Development Agency	57	50	45
Peacekeeping Operations	74	70	70
Non-Proliferation & Disarmament Fund	10	20	20
International Narcotics Control	110	115	213
Inter-American Foundation	31	20	20
African Development Foundation	17	12	13
Peace Corps	231	218	225
Migration & Refugee Assistance	671	671	650
Emergency Refugee & Migration Fund	50	50	50
Anti-Terrorism Assistance	15	16	17
Overseas Priv. Invest. Corp. (OPIC)			
Loan Subsidy & Admin Expenses	97	88	91
Non-Credit activities	(178)	(192)	(218)
TOTAL: BILATERAL ASSISTANCE	7,293	5,981	7,160
MILITARY ASSISTANCE			
Military to Military Contact	12	----	----
Int'l Military Education & Training	26	39	45
Relocation of facilities in Israel	----	(2)	----
Special Defense Acquisition Fund	(245)	(178)	(166)
Foreign Military Financing	3,197	3,273	3,268
Jordan F16 supplemental	----	140	----
TOTAL: MILITARY ASSISTANCE BA	2,991	3,272	3,147
Export-Import Bank, subsidy and admin.	793	773	726
IMF, Enhanced Structural Adjustment Facility	25	----	7
DEBT RESTRUCTURING			
Debt Restructuring	5	13	22
Jordan Military Debt Forgiveness	275	----	25
Multilateral Investment Fund	75	54	28
TOTAL: FOREIGN OPERATIONS SUBCOMMITTEE	13,521	12,477	12,838
AGRICULTURAL SUBCOMMITTEE			
P.L. 480			
Title I subsidy, admin. and transport	267	263	195
Title II grants	839	821	837
Title III grants	100	50	40
TOTAL: AGRICULTURE SUBCOMMITTEE	1,205	1,134	1,072
CONDUCT OF FOREIGN AFFAIRS (153) (Unassigned to Approp. Committee)	4,021 (309)	3,909 (308)	4,124 (313)
FOREIGN INFO & EXCHANGE ACT. (154) (Unassigned to Approp. Committee)	1,422 ----	1,114 ----	1,162 ----
<b>TOTAL: APPROPRIATIONS COMMITTEE</b>	<b>20,477</b>	<b>18,943</b>	<b>19,509</b>

INTERNATIONAL AFFAIRS (\$ Millions) BUDGET AUTHORITY	FY 1995 Actual	FY 1996 Estimate	FY 1997 Request
SUBFUNCTIONS 151, 152, 155 MANDATORIES	5,458	(2,485)	(2,747)
Economic Asst Loan Liquidating Acct	----	----	----
Misc. Trust Funds - A.I.D.	----	----	----
North American Development Bank	56	----	----
Housing Guaranty Liquidating Account	9	(8)	13
Housing Guaranty subsidy reestimate			
PSIP subsidy reestimate			
Debt Restructuring subsidy reestimate	----	28	----
Israeli loan guaranty pmt to OE			
Miscellaneous credit reform	----	(8)	----
Misc. Trust Fund Receipts - DOT			
Misc. Trust Funds Receipts. - A.I.D.	(1)	----	----
A.I.D. Loan Repayments	(539)	----	----
Foreign Currency Loan Repayments	(16)	(16)	(16)
Peace Corps Miscellaneous Trust Fund	1	1	1
OPIC liquidating account	----	(3)	(3)
P.L. 480 Liquidating Acct	(448)	(501)	(489)
P.L. 480 Food for Progress	84	(38)	----
P.L. 480 loans subsidy reestimate	74	(37)	----
FMF Receipts	(674)	(634)	(613)
FMF liquidating account (pre-92, GRF)	(370)	(244)	(192)
FMF Contract Authority	14,868	12,050	10,890
FMF - Liquidation of contract auth.	(12,469)	(13,020)	(12,230)
IMF quota	2,721	----	----
Exchange stabilization fund	2,341	----	----
Ex-Im Liquidating Account	----	----	----
Ex-Im subsidy reestimate	(75)	51	----
Treasury Loan Repayment (U.K.)	(104)	(106)	(108)
<b>TOTAL: INTERNATIONAL AFFAIRS</b>	<b>25,626</b>	<b>16,150</b>	<b>16,449</b>

**U.S. Agency for International Development  
 FY 1997 Sustainable Development Request  
 (THOUSANDS OF DOLLARS)**

Bureau \ Goal	Economic Growth	Population/ Health	Environment	Democracy	Total
Africa	296,900	228,000	112,800	66,300	704,000
Asia/Near East	54,800	163,800	73,100	26,500	318,200
Latin America/Caribbean	72,200	135,500	58,100	33,700	299,500
Europe/NIS	-----	5,700	-----	-----	5,700
Global	50,600	206,200	43,200	14,500	314,500
Humanitarian Response	34,500	23,800	1,400	400	60,100
Policy & Program Coordination	4,000	2,000	1,400	600	8,000
<b>Total</b>	<b>513,000</b>	<b>765,000</b>	<b>290,000</b>	<b>142,000</b>	<b>1,710,000</b>

## **PROGRAM OVERVIEW**

USAID is now three years along in a reorganization of its structure and a reinvention of the way it works. Many of the elements of change are now in place, and the remainder will be implemented through the REGO-II process, the final stage of reinvention and re-engineering USAID. Results are increasingly apparent:

- In simplified and rational procedures for planning, procurement, accounting, and personnel management;
- In open and accessible dealings with private contractors, nongovernmental organizations, colleges and universities, and other members of the development community;
- In expanded cooperation with other development agencies and international financial institutions;
- And most of all, in measurable results and tangible successes.

Early on, USAID concluded that measuring success by measuring how much money had been spent was insufficient and often counterproductive. Tangible development results in the host nation are the only true standard of success, and to achieve such results, USAID concluded that it must choose among diverse mandates and concentrate its resources on a few pivotal and mutually reinforcing issues.

Since 1993, USAID has established a strategic framework for sustainable development that encompassed five specific objectives.

- Promoting broad-based economic growth;
- Advancing democracy;
- Stabilizing population growth and protecting human health;
- Encouraging sound environmental management; and
- Providing humanitarian relief and assisting nations in transition.

These five strategic objectives comprise just 18 sub-objectives, detailed below. USAID's country and regional programs have been reorganized to focus on specific, strategic objectives within this framework.

USAID's record is the best rebuttal against empty claims that foreign aid does not make a difference:

### **FIRST, PROMOTING BROAD-BASED ECONOMIC GROWTH**

USAID has three principal objectives fundamental to achieving its goal of promoting broad-based economic growth:

- Strengthening markets;

- Expanding economic access and opportunity for the poor; and
- Expanding and improving basic education.

Strengthening markets builds the framework and infrastructure needed for economic growth. Expanding economic access and opportunity enables the poor, women and other disadvantaged groups to participate in economic growth. Expanding and improving education equips people with skills and knowledge to actively take part in economic growth. Work in each of these areas reinforces progress in the others.

### **Strengthening Markets**

Open and competitive private markets stimulate economic activity and accelerate growth, providing increased incomes and employment. USAID assistance to strengthen markets focuses on establishing an "enabling environment," comprising policies, institutions, regulations and attitudes conducive to dynamic economic growth.

**USAID has helped strengthen the regulatory framework for stock and bond markets in Jordan, Indonesia and Sri Lanka. This has reduced fears of insider trading and built investor confidence. With increased access to domestic and foreign capital flows, firms on the Sri Lankan and Indonesian exchanges that have raised new capital since 1990 have created approximately 30,000 and 400,000 new jobs, respectively, and Jordan was one of the best performing emerging market exchanges in 1995.**

In Central and Eastern Europe and the New Independent States of the Former Soviet Union, the agency specifically assists countries in making the transition from command economies to private sector-oriented, market-driven economies. These programs have strategic value: the cost of assisting in the transformation of command economies pales in comparison to the political and military costs of a Cold War-style confrontation. The privatization of state-run enterprises and the dismantling of state monopolies in production, processing, marketing, and the distribution of goods and services are critical to the transition to free markets.

**Since 1993, USAID has helped 11 countries in Europe and the New Independent States privatize more than 151,000 enterprises.**

Progress toward privatization has been uneven among the countries in the region, but -- on balance -- those nations receiving USAID privatization assistance have come further, faster, than even the most optimistic observers could have hoped several years ago.

USAID has helped to liberalize agricultural markets in Egypt, Zambia and Zimbabwe, leading to expanded agricultural production, heightened private sector activity and increased rural incomes.

**In Zimbabwe, public spending for agricultural marketing and support has declined by \$160 million since 1993. As a result of reduced government intervention in the market, the poorest households in Zimbabwe now have about 5 percent extra monthly income.**

USAID efforts to help construct, rehabilitate and maintain urban and rural roads in nations such as El Salvador, Guinea, Mozambique, Nicaragua, Tanzania and Uganda have helped to invigorate the

private sector in these nations. USAID-supported farm-to-market roads increased commerce and halved transportation time and cost in the project areas.

**In Tanzania, with USAID assistance and advocacy, private sector involvement in the national road program increased significantly. By 1994, 90 percent of the contracts were in the hands of private firms. Privatization has reduced transport and freight charges by 20 percent.**

### **Expanding Economic Access and Opportunity for the Poor**

Even where markets are functioning well, economic benefits are uneven because of differential access to information, technology, credit and other resources. USAID activities particularly target small-scale farms and non-farm enterprises that provide much of the income for the poor in the developing world. Moreover, many of USAID's activities in this area focus on women, who make up more than half of the productive population and are disproportionately represented among the poor.

Research to provide improved agricultural technologies and policies is a good case in point. Much of the food production for domestic use in developing countries occurs on small farms. Women are particularly important, since they constitute the large majority of farmers in developing countries. USAID's support of research for better technologies and policies helps to boost the productivity of these small farms in a sustainable way. Increased productivity means more food at lower cost, benefitting both the farm family and consumers. Since the poor spend a very high percentage of income on food, they benefit both in terms of food security and available income for investment in education, health or enterprise.

**The returns to the rice research programs of the USAID-supported International Rice Research Institute in the Philippines exceed \$30 billion per year. The real price of rice and wheat has declined for the last 25 years due to productivity advances, with the result that hundreds of millions more people have enough food at prices they can afford.**

One of USAID's most enduring successes in expanding economic opportunity has been its microenterprise programs.

**USAID's support of \$3 million led to the creation of BancoSol in Bolivia, a licensed commercial bank that provides loan and deposit services exclusively to poor microentrepreneurs. At the end of 1994, after less than three years of operation, BancoSol had served over 305,000 clients -- most of them Indian women -- with loans averaging \$400 each and had become a profitable enterprise. The bank makes more loans every month than the rest of Bolivia's banks combined.**

Evaluations of successful microenterprise programs found that 10 of the 11 institutions the agency examined were operationally efficient and reached large numbers of poor people with their services. Five of the institutions were fully profitable and generated positive returns on assets comparable to commercial financial institutions.

**In 1994, USAID microenterprise and small farm loans helped create over 99,000 jobs in the Dominican Republic, Honduras, Niger and Peru.**

**More than 225,000 poor households, microenterprises and small farms in nine developing countries received USAID-assisted loans in 1994.**

USAID programs help small farmers by supporting land reforms that establish land titles, permit farmers to monetize their holdings, and facilitate the sale and transfer of property. Property rights give small farmers incentives to diversify and increase production and reinforce rural stability, discouraging migration and undercutting the leverage of narcotics exporters.

**In Peru, USAID supports a program of the Instituto Libertad y Democracia to develop an effective system to register property. The project has made possible the titling of 154,000 properties at an average cost of \$14 per title. It also has simplified the procedures for registering a business and dramatically lowered costs.**

### **Expanding and Improving Access to Basic Education**

Investments in education, particularly basic education, do more than increase the economic productivity. They also contribute to improving health, slowing population growth, consolidating democracy, and increasing sound environmental management. In Africa, where some of the most significant advancements have been seen in education, the comprehensive Education Sector Support programs, carried out in collaboration with other donors, emphasize policy reforms.

**Since 1989, enrollments increased from 50 percent to 65 percent in Benin and from 27 percent to 40 percent in Guinea. USAID-supported policy reforms in Guinea have resulted in a near doubling of the portion of the national budget devoted to education from 1990 and 1994 (from 14 percent to 25 percent).**

In Latin America and the Caribbean, USAID programs have contributed to significant improvements in the quality and efficiency of education, especially in Honduras, Guatemala and El Salvador.

**In Honduras, the percentage of students graduating from sixth grade rose from 53 percent to 70 percent between 1985 and 1994. With USAID assistance, nearly 60,000 primary teachers have received training in El Salvador, Honduras and Nicaragua since 1987.**

USAID programs have also supported the development of teaching materials and the distribution of textbooks.

**Over 26 million textbooks have been distributed to primary students in the Dominican Republic, El Salvador, Guatemala, Haiti, Honduras and Nicaragua since 1986. In Ghana, between 1989 and 1994, USAID helped raise the proportion of primary school students with textbooks from 10 percent to 74 percent.**

USAID's programs often target women and emphasize linkages between education and environmental and family planning activities.

**In Nepal, after the first year of USAID's program, the number of literate Nepali women increased by 30%.**

## **SECOND, ADVANCING DEMOCRACY**

Democratic countries are less likely to attack their neighbors, generate refugees, or disintegrate in civil conflict. Democracies also provide more stable markets for U.S. exports and for U.S. business and investments.

USAID democracy programs are targeted on four objectives:

- Strengthening the rule of law and respect for human rights;
- Fostering genuine and competitive political systems;
- Increasing development of politically active civil societies; and
- Promoting more transparent and accountable government institutions.

**During the last year, USAID was able to support historic democratic breakthroughs in Haiti, South Africa, Cambodia, and the West Bank and Gaza.**

### **Strengthening the Rule of Law and Respect for Human Rights**

The rule of law protects citizens against the arbitrary use of state authority and against the lawless acts of other citizens. It ensures that all citizens are treated fairly and are given equal opportunity under the law. Internationally recognized human rights provide a framework for citizens to interact with each other and with the state.

USAID's programs employ different approaches to strengthen the rule of law, including:

Ensuring legal protection of citizens' rights and interests;

**In South Africa USAID supported the South Africa Legal Defense Fund, whose attorneys handled cases involving women's right to inherit property and constitutional questions such as the right to bail and use of racial classifications.**

Enhancing fairness of the administration of justice;

**With USAID assistance, the Honduran attorney general's office was created. During 1995, more than 12,000 criminal prosecutions have been presented around the country. For the first time in the history of Honduras, corruption charges have been pressed against 73 high- and mid-level government officials, including national and local political officials.**

Improving the timeliness with which justice is administered; and increasing citizen support for conformity with international human rights standards.

## **Fostering Genuine and Competitive Political Systems**

USAID plays an important role in helping to ensure free and fair electoral contests and to enhance political competition. USAID has helped to create impartial and open electoral laws and regulations and supported the establishment of accountable and effective electoral institutions:

**Following the flawed 1994 elections in the Dominican Republic, the USAID-supported election commission initiated an investigation into the irregularities; unfortunately, the report's findings were not implemented. However, Dominican civil organizations, also assisted by USAID, called for the introduction of a political accord limiting the president's four-year term and precluding presidential reelection. The Dominican Congress passed the accord, with some modifications, and new presidential elections are scheduled for May 1996.**

USAID also has helped to improve local and international monitoring and assisted political parties in becoming more responsive to constituents.

**In Thailand, USAID's Women in Politics Program provided political party training to more than 1,000 women in five northern provinces before the 1995 local elections. Of the 289 women who ran, two-thirds had received training, and 109 were elected.**

## **Increasing Politically Active Civil Societies**

Nongovernmental organizations constitute a vital channel for sharing information and conveying the interests of ordinary men and women to the institutions of government. A vibrant civil society also protects individuals and their communities from arbitrary or unilateral decisions by governments or economic interests.

**USAID has been helping farmers' groups in the Philippines to analyze agricultural policies. When a draft executive order on tariffs was released that would have given special incentives to a few industrialists and increased packaging costs for most farmers, USAID-trained groups helped modify the original order and ultimately facilitated a consensus on agricultural policies that will make local farmers more competitive in markets created by the General Agreement on Tariffs and Trade (GATT).**

By monitoring government performance, local civic organizations create strong pressure for accountability. They also inculcate democratic values and provide new leaders with opportunities to rise.

**As a result of USAID's media program in Zambia, open discussion of both politicians and policies is now common in the Zambian news media. Private sector journalists now account for 45 percent of working journalists, up from 24 percent in 1993. In addition, the state monopoly on electronic media was broken in December 1994 when Zambia's first privately owned radio station began broadcasting; six additional private licenses are now pending.**

## **More Transparent and Accountable Government Institutions**

The behavior of government officials can support or undermine development and democracy. Strengthening performance, respecting ethical standards, consulting broadly to ascertain citizen interests, sharing information and acting in an open manner, diffusing power by sharing decision-making with local government -- all these help ensure that government decision-making is impartial and informed.

USAID programs support the development of more transparent and accountable government by using the following approaches: increasing local government participation; increasing citizen access to government information; strengthening mechanisms to promote ethical standards in government; increasing civilian control over military and police forces; and strengthening the effectiveness and independence of legislatures.

**To transfer municipal management lessons learned in the United States to Paraguay, USAID developed a program for city-to-city contacts. This program matched the governments of Asuncion and Metro Dade County in Florida. Through several exchanges, the mayor of Asuncion was convinced of the usefulness of public hearings. Public budget hearings were held in Asuncion for the first time ever in 1995. Fifty proposals presented by the attending citizens were adopted.**

## **THIRD, STABILIZING WORLD POPULATION AND PROTECTING HUMAN HEALTH**

USAID family planning, health, and nutrition programs have helped save millions of lives and contributed decisively to substantial declines in mortality and fertility rates. By slowing population growth rates and addressing major public health concerns such as HIV/AIDS and emerging diseases, USAID increases the chance that developing nations can sustain growth and the improvement of living standards.

The strategy for attaining USAID's goal of stabilizing world population and protecting human health relies on achieving four closely related objectives:

- Reduction in abortion and unintended pregnancies;
- Reduction in child mortality;
- Reduction in maternal mortality; and
- Reduction in the transmission of sexually transmitted infections and HIV.

### **Reducing Unintended Pregnancies**

Unsustainable rates of population growth consume economic gains, drive environmental damage, and destabilize political and social institutions. High fertility is often unwanted and translates into rapid population growth; more than one-third of all births in the developing world are the result of unintended pregnancies. These unintended pregnancies often adversely affect the health and well-being of women and their families, and thus constitute an obstacle to development that goes far beyond numbers.

Expanding the availability, quality, and use of family planning services is one of the most direct and cost-effective approaches for reducing unintended pregnancies, preventing abortions, and decreasing fertility rates.

**In the 28 countries that have received the largest amount of population assistance, average family size has decreased from approximately 6.1 children in the 1960s to 4.2 in the 1990s. Kenya's total fertility rate declined from 8.1 in 1987 to 5.4 in 1993 -- one of the most dramatic declines in fertility ever recorded. Morocco's total fertility rate declined from 4.0 to 3.3; Egypt, 5.8 to 3.9; Bangladesh from 5.8 to 3.4.**

Whether couples choose to avail themselves of services depends on how well-informed they are about the benefits of family planning and the services available. USAID has been particularly effective in supporting innovative use of communication campaigns to disseminate information.

**Following a 1994 communications campaign in Bolivia, health clinic visits increased from 11,800 in 1993 to 29,200 in 1995 -- an increase of 147 percent.**

### **Reducing Child Mortality**

Despite the considerable success of child health programs, an estimated 12 million children die each year in the developing world of preventable causes, including pneumonia, diarrhea and vaccine-preventable diseases. Malnutrition is a major contributing factor in over half of these deaths. Child mortality is a transcendent development issue, undermining social cohesion and eroding the optimism of entire societies.

USAID's child survival programs develop and apply cost-effective, sustainable interventions to reduce and prevent the principal causes of illness and death in infants and children.

**Critical lifesaving health services supported by USAID prevent more than 4 million infant and child deaths annually. Between 1985, when USAID launched the Child Survival Initiative, and 1995, infant mortality rates in USAID-assisted countries declined by 20 percent.**

USAID played a leading role in the research and development of low-cost interventions to treat diarrhea, a major cause of child mortality. Oral rehydration therapy, the administration of rehydrating fluids by mouth, has become a mainstay of diarrheal disease programs, averting hundreds of thousands of child deaths annually, and was a product of breakthrough USAID work in Bangladesh.

**There now are over 100 national diarrheal disease control programs, and oral rehydration salts are produced locally in 60 countries. As a result of USAID's investment in these programs, the deaths of more than 1 million children are prevented annually. By increasing access and the correct use of oral rehydration therapy, an additional 1 million lives could be saved every year.**

The Expanded Program for Immunization, developed with USAID's financial and technical support, has become a cornerstone of child health programs. USAID is the major donor for disease control activities and participates in the current global initiative for the worldwide eradication of polio.

**In 1994, polio was officially declared eradicated in the Western Hemisphere and USAID's multiple immunization programs played a major role in this eradication.**

USAID is at the cutting edge of establishing effective prevention and treatment protocols for acute respiratory infections, the leading cause of death today among children under five. USAID also has supported groundbreaking research in developing and testing a new, integrated approach to treating sick children. The integrated approach targets pneumonia, diarrhea, malaria, measles and malnutrition, which together cause almost three-quarters of deaths in children under five in developing countries.

USAID invests in the development, testing and introduction of health technologies, making programs more cost-effective and health services safer and more widely accessible.

**One technology, SoloShot, a single-use syringe, eliminates the risk of transmission of blood-borne diseases (such as hepatitis and HIV) through contaminated needles and syringes.**

About 43 million children under five around the world are at risk of blindness because of vitamin A deficiency.

**USAID supports Nepal's National Vitamin A Deficiency Prevention and Control Program. Using extensive USAID-sponsored field research, female community health volunteers distribute vitamin A capsules. In 1995, approximately 1 million children received capsules from these volunteers. To date, more than 12,000 volunteers have been trained in distribution techniques, and coverage in participating districts has been as high as 90 percent.**

USAID also supports research to increase the supply and lower the cost of vegetables, which for many people constitute the most important dietary source of vitamin A, iron, zinc and other micronutrients. Greater productivity of nutrient-rich vegetables not only contributes directly to nutrition of low-income people, it represents a major economic opportunity, especially for women.

**The USAID-supported Asian Vegetable Research and Development Center based in Taiwan, works around the world to improve and disseminate better strains of vegetables rich in vitamins, resistant to pests, and meeting the needs of small, low-income producers on small farms and in home gardens.**

### **Reducing Maternal Mortality**

An estimated 585,000 women die during pregnancy and childbirth each year in the developing world. The developing country average of 450 to 500 maternal deaths per 100,000 live births is roughly 100 times that in developed countries.

The major complications of pregnancy and delivery can be prevented or treated through family planning and appropriate prenatal and postpartum care. USAID plays a lead role in developing and testing the methods and curricula needed to train health professionals in reproductive health practices.

**In Egypt, the percentage of pregnant women receiving prenatal care rose from 14 percent in 1988 to 53 percent in 1993, and the percentage of births assisted by trained personnel increased from 25 percent in 1991 to 65 percent in 1993.**

### **Reducing Sexually Transmitted Infections and HIV Transmission**

As the HIV/AIDS epidemic unfolds, it creates additional strains on overburdened social, health and economic infrastructures in developing countries, where resources are limited and competing demands are increasing. After notable improvements in the health status of children over the past two decades, infant and child mortality rates are rising as a result of HIV/AIDS.

Within a short timeframe -- eight years -- USAID led the way in establishing global standards of practice for the prevention of HIV. USAID's strategies include rapid assessment data collection methods, mass media techniques, sexually transmitted infection (STI) treatment protocols, commercial marketing expertise to expand the availability and use of condoms, and computer modeling analyses of the future trends of the HIV/AIDS epidemic and its socioeconomic implications.

**In collaboration with other donors and national governments, USAID has reached millions of people with HIV prevention education, distributed and sold hundreds of millions of condoms, and trained thousands of educators, counselors and health providers.**

Recent computer modeling of the epidemic has enabled USAID to begin estimating the impact of its interventions.

**In Kenya, it has been estimated that between 1991 and 1994, the condom promotion intervention alone averted over 110,000 HIV infections and over 1.3 million other STIs.**

Important progress has been made in assisting developing country governments to recognize the magnitude and impact of the AIDS epidemic and in gaining their commitment as full partners in combating the problem.

**In Honduras, USAID worked with the Ministry of Health to project the social and economic impact of HIV/AIDS. The findings led to the creation of a Honduran AIDS advisory committee, chaired by the first lady of Honduras, and focused needed media attention on the epidemic.**

### **FOURTH, ENCOURAGING SOUND ENVIRONMENTAL MANAGEMENT**

Productive lands, forests, and coasts provide the underpinnings for economic growth that is both broad and sustainable. Clean air and water are essential to a decent quality of life. Degradation of the global environment -- loss of biological diversity and global climate change -- ultimately endangers everyone on earth.

USAID's environmental strategy seeks to mitigate these global environmental threats and to promote sustainable development by pursuing five environmental objectives:

- Conserving biological diversity;
- Reducing the threat of global climate change;
- Promoting sound urban development and pollution management;
- Increasing the use of environmentally sound energy services; and
- Promoting sustainable natural resource management.

### **Conserving Biological Diversity**

USAID programs help improve the management of protected areas and promote sustainable use of biological resources. One of the agency's highest priorities is to increase grassroots commitment to conservation, especially among those communities living in and around parks and reserves. USAID community outreach programs give local people a stake in conservation in countries around the world.

In Guatemala, USAID has worked closely with the government to expand the country's national park system from 148,000 acres to 2 million acres. As a result, key areas of the Peten forest -- the largest tropical forest in Latin America north of the Amazon -- are now protected. As a result of an intensive outreach program in Guatemala's Sierra de las Minas Biosphere Reserve, logging and agricultural encroachment decreased by 90 percent.

Endowment funds represent long-term, stable sources of conservation financing and USAID has helped launch a variety of mechanisms to build financial solvency in local governments and conservation organizations.

USAID support of Costa Rica's conservation fund, for example, has helped reduce the park service's dependence on external donors for its operating costs from 27 percent in 1992 to 11 percent in 1994. In Uganda, the agency used another approach -- helping the government tap into the country's flourishing ecotourism industry by increasing park entrance fees -- to help conservation efforts become self-supporting. Park entrance fees generated \$700,000 in 1994, up from \$66,300 collected in 1991.

Sustainable land management strategies are helping to reduce pressure on biodiverse ecosystems. USAID's investments in agroforestry technologies and policies is leading to new approaches favoring sustainable management of forest lands.

In Indonesia, new forest management technologies are reconciling local peoples' need for livelihood with conservation of biodiversity and habitat. Partnerships involving international research centers, local NGOs and government officials have fostered alternatives to land clearing, using approaches where timber, fruit and other forest products are sustainably harvested while the forest remains intact, providing large contiguous areas suitable for mammals, birds and other flora and fauna.

## **Reducing the Threat of Global Climate Change**

USAID's efforts respond to a growing scientific consensus on the link between the emission of heat-trapping greenhouse gases and a rise in the Earth's temperature. This increase could lead to shifts of agricultural zones, rising sea levels, spreading ranges of tropical diseases, and weather-related disasters. USAID's climate change portfolio is directed toward reducing net greenhouse gas emissions in the energy sector and from land use.

**In Krakow, Poland, USAID is introducing low-cost alternatives to 100,000 coal-based domestic stoves and 3,000 small coal-burning boilers. The agency helped Polish companies form joint ventures with eight U.S. energy technology and engineering firms, which together planned to increase energy efficiency and reduce the emission of particulates.**

More than 20% of global greenhouse gas emissions are related to uncontrolled slash and burn agriculture in the tropics. In addition to eliminating habitat in world's richest and most diverse biomes, non-sustainable cultivation destroys important carbon sinks, and results in increased emission of other important greenhouse gases.

**USAID's strategy for combatting deforestation includes both technological and policy approaches to stabilize tropical agriculture. Integration of trees and shrubs helps to recycle nutrients, mimicking the natural forest and reducing the pressure to clear more land. USAID also supports research that increases the productivity of less fragile grassland ecosystems.**

## **Improving Urban Planning and Pollution Management**

Nearly half the people in developing countries live in urban centers. The number of "megacities" with populations of over 8 million will climb from 22 in 1994 to 33 by the year 2015. Poorly managed urban growth has caused severe pollution and undermined economic productivity and public health. Women and children, who predominate in urban marginal communities, are central clients for these programs. USAID supports efforts to increase access to safe water, to improve sanitation, and to create decent and affordable shelter. It also supports programs that help improve urban management, promote pollution prevention and control, and facilitate long-term planning.

**In Cairo, where water-borne illnesses cause between 2,000 to 5,000 deaths annually and the loss of millions of work days, the Agency supports infrastructure improvements to treat wastewater entering the Nile River and Lake Maryut, Egypt's principal source of drinking water. In 1994, agency targets for removing organic contaminants from water at the USAID-supported wastewater treatment facilities at Alexandria and Cairo were exceeded by up to 80 percent.**

USAID helps local authorities find new ways to address long-standing problems.

**A USAID-assisted municipality in India -- Ahmedabad -- recently became the first Indian municipality to issue a municipal bond for urban infrastructure, including a sewage treatment plant.**

USAID also works to improve access to public services by facilitating private-public partnerships.

**The city of Machala, Ecuador struggled with severe sanitation problems because 50 tons of garbage went uncollected each day. USAID helped create a private enterprise that used bicycle carts to collect garbage for more than 50 percent of the population.**

USAID provides policy advice and introduces new technologies in pollution prevention and waste management.

**In Central and Eastern Europe and the New Independent States, the agency funded over 100 waste minimization demonstration and impact projects that illustrated how low-cost technologies can reduce pollution while providing economic returns of anywhere from \$30,000 to \$2 million each year per plant.**

### **Increasing the Use of Environmentally Sound Energy Services**

The demand for energy is increasing seven times faster in developing nations than in the industrial nations. Poor administrative and operational practices inhibit efficient energy production; unreliable electricity supplies inhibit economic growth. Moreover, escalating energy demands and inefficient energy use add to the global greenhouse gas burden, increase local and regional air pollution, and deplete non-renewable fuel resources.

**USAID is helping design and implement major restructuring of what had been centrally-controlled, yet often unaccountable government monopolies. In Ukraine, USAID's streamlining has helped institutions establish a national regulatory commission, six generation companies, and 27 local power and heat supply companies. These reforms are creating a competitive market supply of electricity and significant incentives for energy conservation.**

USAID has also focused on policy and pricing reforms.

**In Egypt, increased energy efficiency resulting from reforms and facility repair have averted annual emissions of 70,854 tons of sulfur dioxides, 1,760,000 tons of carbon dioxide and 2,708 tons of nitrous oxides in Cairo and Alexandria.**

### **Sustainable Natural Resource Management**

USAID focuses its activities under this objective on the four most important renewable resources for sustainable development: forests, water resources, agricultural lands, and coastal resources. USAID responded to the dramatic decline of the world's forested areas by promoting community forestry and sustainable timber harvesting for commercial enterprises.

**The Government of the Philippines, with USAID's assistance, began transferring direct management responsibility for more than 494,000**

acres to 22 communities. Improved management practices have increased tree cover and reduced soil erosion into local streams while raising incomes from the sustainable harvesting of non-timber forest products.

Improved land management techniques to improve soil and water conservation have been developed and adopted. Research advances are also being made in the development of crop varieties more tolerant to drought and other adverse conditions found in many areas through the Collaborative Research Support Program (CRSP) and other USAID-funded agricultural research.

Programs in Senegal have increased the number of households using agroforestry, "live fences," alley cropping, and crop rotation by more than 50 percent. In Mali and Zimbabwe, the introduction of high-yielding maize and drought-resistant sorghum, combined with improved cultivation techniques, has increased yields by up to 50 percent and led to higher economic returns for local farmers.

USAID also works with its land grant university and international agricultural research center partners to develop more sustainable approaches to crop management. Integrated pest management research is helping to reduce the harmful environmental and health effects of pesticides.

Cassava mealybug had devastated cassava, Africa's chief food staple, across some 30 countries. By identifying, collecting and multiplying a parasitic wasp from South America, two international agricultural research centers mounted a successful effort to control this imported pest using only biological means. The wasp, harmless to other insects and the environment, has created economic benefits worth an estimated \$3 billion. Africa's poorest people, who depend on cassava as their dietary staple, have benefitted the most.

Natural resources and fragile ecosystems are also protected through better approaches to enhancing the sustainable productivity of land and water resources.

In Bangladesh, the International Center for Living Aquatic Resources Management with USAID support, is promoting small-scale fish farming. Working with partner Bangladeshi NGOs in several locales, the effort involves 30,000 farmers -- mostly poor, landless women. In 1995, the effort contributed an additional 5,000 metric tons of fish to the national catch, worth \$5 million. The potential is enormous -- there are some 2.5 million permanent and temporary ponds in Bangladesh. Nutrition and income are both improved while at the same time, pressure on Bangladesh's wild fish stocks is reduced.

## **FIFTH, PROVIDING HUMANITARIAN RELIEF AND ASSISTING NATIONS IN TRANSITION**

In response to the changing dynamics of humanitarian relief, USAID focuses more on prevention and transition out of crises as a way to stanch the escalating costs and human suffering caused by complex emergencies. Humanitarian and transition assistance focuses on three objectives:

- Preventing crises before disaster strikes;
- Providing prompt humanitarian relief;

- Support for transition from civil conflict and natural disaster to stability and development.

To coordinate and centralize its efforts in this unique development endeavor, USAID has established an Office of Transition Initiatives.

### **Preventing Crises**

Droughts may be unavoidable, but famine is not; internal tensions are inevitable, but social collapse is not. USAID's primary concern is in preventing transient difficulties from becoming complex crises with a life of their own. This requires planning, prevention, and regional approaches.

**One of the most successful disaster early warning programs sponsored by USAID has been the Volcano Disaster Assistance Program. In late 1994, the program provided equipment and technical assistance to the local volcano observatory in Papua New Guinea to help local officials determine an appropriate evacuation plan. When the Rabaul volcano erupted in 1995, 40 percent of the buildings in the town were damaged or destroyed, but only four people were killed, compared to over 500 people killed in a similar 1937 eruption of Rabaul.**

By developing stronger links between research and technology transfer programs and PVOs working to restore stability and food security, USAID has helped to spawn a powerful new approach to mitigating the effects of drought and disaster.

**The Southern Africa drought of the early 1990s could have become a major disaster. Because of rapid response by a coalition made up of international agricultural research centers and PVOs, farm families received seed of drought resistant crop varieties which produced a harvest when other crops would have failed. A similar approach, combining grass-roots relief organizations with international research centers has successfully restored rural productivity in areas of Mozambique, Rwanda, Somalia and other countries ravaged by war and civil strife. Restoring the productivity of livelihood for the large portion of the population engaged in agriculture is a critical step for sustainably reestablishing food security and also for reducing potential conflicts over land, water and livestock resources.**

In situations where the possibility of famine or protracted civil conflict is high, USAID is breaking new ground in the field of prevention.

**Since 1994, the United States has worked with African governments and with other donors in the Greater Horn of Africa Initiative. This regional program helps the poor nations of the Horn anticipate and limit the impact of acute and chronic problems. Through the GHAI, a consensus on food security goals has been established and mechanisms to address root causes of political conflict have been established. Early warning and prepositioning plans are being implemented to contain famines, to facilitate the early delivery of relief, and to minimize social dislocations and the displacement of populations.**

## **Meeting Urgent Relief Needs**

Timely and effective emergency relief activities include meeting critical human needs, enhancing short-term food security and coordinating emergency activities with other countries and relief organizations. The majority of refugee populations are women and children and USAID's programs address their specific needs at the point of crisis and help them and others reintegrate into society for sustainable development as the crisis abates.

In 1995, USAID responded to 57 declared disasters of all kinds in 51 countries. Nearly 24 million people received emergency food aid. In 1995, USAID responded to 39 officially declared natural disasters, including 20 floods, three epidemics, two hurricanes, four droughts, a volcanic eruption, a volcanic mudslide and a locust outbreak.

**On May 9, 1995, the World Health Organization and the U.S. Centers for Disease Control and Prevention confirmed an outbreak of hemorrhagic fever around the town of Kikwit, Zaire, caused by the Ebola virus. USAID funded plane loads of supplies, carrying plasma-substitute, protective medical clothing, and other critical equipment to Zaire. In all, approximately 7,000 pounds of supplies and an emergency epidemiological team were dispatched to Zaire, and the virus was stopped from spreading.**

Urgent relief also addresses chronic and predictable needs in nations isolated by location and by continuing hostilities.

**In Armenia, the collapse of the Soviet Union, blockades, and the continuation of local conflicts caused a breakdown of central urban heating systems and the virtual disappearance of electrical service. A "winter warmth" activity, which began in 1993 and continued into 1996, provides heating kerosene and heaters to vulnerable population groups and to schools during the winter months. More than 200,000 families, roughly 25 percent of the total population, have received critical heating assistance and schools have been able to remain open during the winter.**

## **Helping Nations Emerge from the Cycle of Crisis**

Nations emerging from natural or manmade crises have unique needs that are not addressed by either emergency relief or long-term development assistance. Transition activities are designed to help a nation return from crisis to the path of sustainable development. Such activities include supporting demobilization and reintegration of ex-combatants into the civil society; addressing the needs of displaced and vulnerable populations; promoting civil-military relations; removing land mines; supplying prosthetics; and encouraging conflict resolution.

Working with other donors and international organizations, USAID has supported demobilization of soldiers and the reintegration of ex-combatants into civilian societies in El Salvador, Ethiopia, Mozambique, Nicaragua and Uganda.

**Through USAID support of El Salvador's National Reconstruction Program, approximately 11,000 ex-combatants have received credit for**

agricultural production or microenterprise development, and 20,000 people, about 43 percent of whom are women, have been trained in trades and agriculture. In its effort to reactivate the El Salvadoran economy, USAID also has provided approximately \$34 million for the purchase and distribution of farmland through the Land Bank. More than 28,000 beneficiaries, including more than 16,000 non-combatant squatters, have received land titles. Twenty-six percent of the total number of recipients are women.

In other regions, USAID is assisting in the reunification of children and their families. The Displaced Children and Orphans Fund is assisting in documenting, tracing, and reunifying unaccompanied children in Angola, Liberia, Mozambique, Rwanda and the former Yugoslavia.

In Rwanda, USAID has helped to register and document more than 40,000 children -- about half the total number of separated children in camps and transit centers.

Well-designed relief programs are springboards for development, and development programs play a key role in prevention and transition from crises. USAID's effort in Haiti in 1995 illustrates how development and humanitarian assistance programs reinforce each other to produce lasting benefits.

USAID helped feed 1.2 million people and put thousands of Haitians to work repairing and rehabilitating the country's productive infrastructure. As of January 1995, 1,000 miles of irrigation canals were rehabilitated, opening almost 67,000 acres of land to full cultivation; over 550 miles of roads were rehabilitated, providing market access for over 800,000 people; and over 16,000 acres of land were protected through conservative measures.

USAID's initiative in Mozambique is another example of how short-term relief and long-term planning can help war-ravaged nations regain stability rapidly.

In 1992, Mozambique ended its 16-year-long civil war amidst one of the worst droughts of the century. In a joint effort with other donors, Mozambique and private voluntary organizations, USAID provided emergency food, water and medical aid; financed election support; helped demobilize military troops; and supported land mine clearance and road rehabilitation. Today, more than 91,000 soldiers have been demobilized, multiparty elections were held, tens of thousands of refugees have returned to their homes, and Mozambique's economy has taken a marked upturn.



## **USAID: LIVING WITH CHANGE AND MANAGING FOR RESULTS**

USAID has demonstrated in the last three years that it is an institution on the cutting edge of change. However, making an agency more responsive, accessible, and productive is an ongoing process of seeking continual improvements and better results.

Three years ago, USAID became a reinvention laboratory under the National Performance Review. At about the same time USAID also volunteered as a pilot agency to begin early implementation of the requirements of the Government Performance Review Act (GPRA - P.L. 103-62). Simultaneously, the Agency leadership called for broad management reforms to streamline USAID's operations and make them more efficient. These combined efforts are now showing results: USAID is focusing on fewer, more attainable objectives; it is explicitly measuring and evaluating performance against plans; and it has redesigned and simplified the way it does business.

In order to administer effectively the \$6,881,826,000 requested by the President for programs operated by USAID in FY 1997, the reforms that have already been made must continue and gains must be consolidated. USAID's ultimate goal -- encouraging people throughout the world to grasp the future and make it their own -- depends upon the Agency's success in reforming its operations. The actions taken thus far, and those planned for the future, are enhancing USAID's ability to be a force for change.

Each of the reforms discussed below embody the Agency's commitment to get the maximum return from each dollar appropriated. These changes include:

- **Managing for Results**
- **Country Experimental Laboratories**
- **Management Reform**
- **Procurement Reform**
- **Donor Cooperation**
- **New Partnerships Initiative**
- **Lessons Without Borders**

### **MANAGING FOR RESULTS**

The objectives of USAID's results-oriented management system are simple:

- Concentrate resources in fewer countries where the quality of the partnership is high.
- Manage resources effectively by shifting them away from programs and countries when there is poor performance to those programs which produce measurable results.
- Establish program management systems that permit better oversight of activities.

- Leverage U.S. resources by getting the best from our partners -- other donors, host government agencies and nongovernmental organizations, U.S. private voluntary groups, the business community and institutions of higher education.

A revamped, results-driven strategic planning process is the centerpiece of USAID's management reforms. USAID's strategic planning now focuses on continuous evaluation and learning at every stage of a project.

The major tool, from which everything else follows, is a careful definition of limited numbers of strategic objectives. Gone are the days of free-standing activities and projects related only by chance to primary objectives of U.S. foreign policy goals. Instead, each operating unit must set forth its overall program goal through a limited number of carefully articulated strategic objectives that identify the most ambitious results that USAID and its partner can achieve. Programs are monitored and evaluated against the achievement of these strategic objectives and an associated set of specific results.

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### Strategic Objectives - The Key

A strategic objective is:

- . the most ambitious result that a USAID mission or office, together with its other partners, will be held responsible;
- . expected to be achieved in a five to eight year time period; and
- . the performance standard by which the operating unit will be judged.

There are various activities that contribute to the achievement of each Strategic Objective and the measurable outcomes associated with each activity. Annual milestones are established for each Strategic Objective and are used by USAID/Washington to assess progress and program performance.

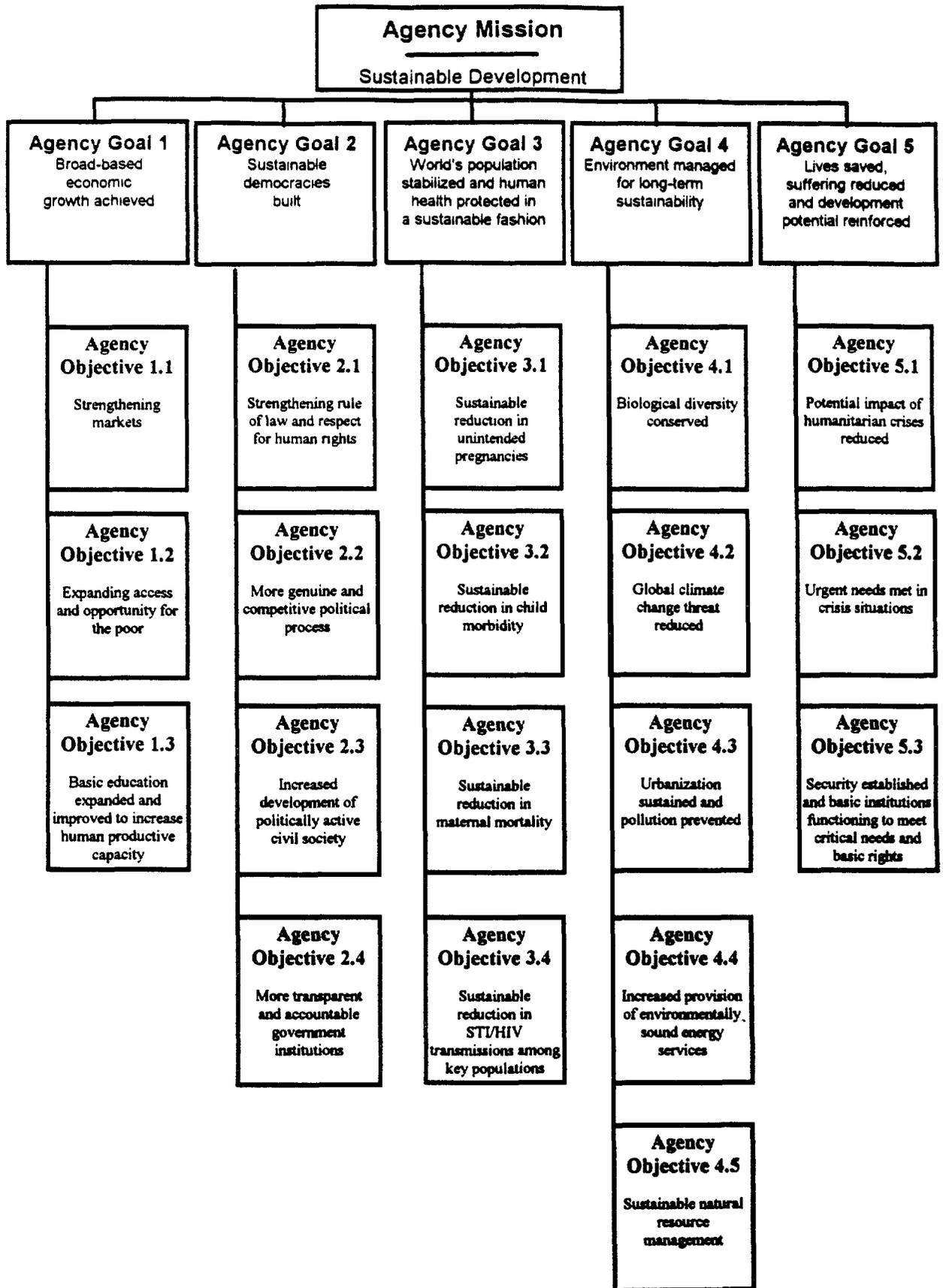
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Since 1993, USAID has taken critical steps to improve the results of its development assistance. We have established a clear and understandable set of Agency-wide policies and procedures that emphasize the importance of results in the planning, implementation, monitoring, and evaluation of all USAID development activities.

The following are highlights of the strategic planning process and framework that are now in place:

- In March 1994, USAID laid out strategies for its five interrelated sustainable development goals. The *Strategies for Sustainable Development* were based on an assessment of USAID's comparative advantages, the capabilities of its partners, the availability of resources, and U.S. national interests.
- These strategies were supplemented with a set of implementation guidelines in March 1995 that help each operating unit select strategic objectives and develop plans for implementing programs. This year, we revised these guidelines to provide a short, easy-to-use version to operating units.
- In 1995, USAID developed an *Agency Strategic Framework* that translated strategies into explicit Agency goals, objectives, approaches, and performance indicators. This "menu" of five goals and 19 supporting objectives is being used to make programming decisions and select indicators to monitor performance. (See USAID Goals and Objectives chart on the following page.)
- By the end of FY 1995, USAID had ensured that virtually all of its operating units had approved strategic plans with explicit strategic objectives, performance indicators, and performance

# USAID Goals and Objectives



targets. This year marks the transition to more results-oriented performance planning. This year's Congressional Presentation, the country narratives and activity data sheets, reflect the new strategic framework and the approved Strategic Objectives for each operating unit. As the parts of the strategic planning framework are connected and the supporting systems come online, we hope that the annual Congressional Presentation can become an important vehicle for conveying our performance plan and our results.

- This year, USAID began the process of developing "management contracts" between each operating unit and senior management. These contracts reflect agreement on five-to-eight year strategic plans and objectives for each mission or Washington office that manages program resources. The contract sets forth the agreed-upon "results packages" and the resources needed to achieve them. This tool helps the Agency focus on what it wants to achieve and enables it to assess the resources it will need. It also allows people within the Agency and in Congress to know when programs are going off-track or are being successful.

- In FY 1996, for the first time, USAID/Washington will review performance reports from each operating unit. These are called the Results Review and Resource Request (R-4s). The "results" review is an annual process conducted in the Spring and early Summer. Information from these reviews will provide the basis of USAID's FY 1998 budget request.

- Finally, as a companion report to the Congressional Presentation, USAID: Agency Performance Report for 1995 will be transmitted to Congress in April, 1996. While USAID has issued the performance report since 1993, this report is a distillation of the longer annual report. It is intended to give a brief overview of the results achieved by the Agency in each of its five strategic objectives. Next year, we plan to submit the short performance report early in the calendar year prior to submitting the Agency Congressional Presentation.

## COUNTRY EXPERIMENTAL LABORATORIES

USAID's Country Experimental Laboratories (CELs) in ten Missions overseas and offices in Washington experimented with reengineered systems before these systems were implemented fully throughout the Agency in October 1995. Reporting by the CELs enabled the rest of the Agency to benefit from their experience.

After a year of experimenting with the Agency's reengineered operations systems and core values, the CELs demonstrated that there is much to be gained by incorporating reengineering concepts. The new programming systems allowed program design time to be reduced by 75 percent. We are seeing improvements in the quality of management and even higher levels of staff commitment to doing things differently, better, and more quickly.

The ten overseas CELs in Niger, Senegal, Mali, Madagascar, Jamaica, Guatemala, the Dominican Republic, the Philippines, Bangladesh and Poland experimented with various ways to implement the core values of reinvention: managing for results, listening to customers, practicing participation and teamwork, empowering employees to make decisions, and ensuring accountability. The CELs demonstrated the benefits that can flow if missions are open to change and choose to take the initiative. CEL reports indicate there has been revitalization and increased enthusiasm by staff for the work they do. The inculcation of the new core values increasingly influences USAID's management practices and those of our partners and government counterparts.

A key issue reported by the CELs was the need for stronger support from USAID's offices in Washington, and need for USAID headquarters to more aggressively undertake its own reengineering.

Also reported was the need for a more supportive external environment, e.g., embassies and Congress. Another key issue was the need for staff development, with emphasis on the importance of recognizing and rewarding good performance.

The teams in the CELs also found that:

- Reengineered planning and design can be accomplished within existing policies and regulations without special authorities.
- Shared vision and values lead to better decisions in all aspects of planning and implementation.
- Both managers and staff must continue to adapt to a less structured, more independent work environment.
- Adopting a customer-focused approach can lead to an increasingly inspired staff and a strategy grounded in the reality of customer needs.
- The quality of the results is improved immeasurably when partners in the host country are full participants in design and planning.
- Beneficiaries and customers must be involved from the inception in programs if any of those programs is to become sustainable.
- The investment of time to develop employee work plans linked to the operating unit's strategic objectives can pay huge dividends in improving staff performance.

Every organizational unit within USAID is now proceeding to reengineer and simplify how it works utilizing the ideas and lessons encountered by the Country Experimental Laboratories.

**Reengineering Impact on USAID Effectiveness:  
Vignettes on Participation and Teamwork from the Country Experimental Labs**

- USAID Madagascar canceled two planned projects in FY 1995 as a result of greater participation of counterparts, contractors, and grantees in development of results frameworks for economic growth strategic objectives. To improve sustainable results, USAID may do fewer things but do them better.
- According to the Madagascar USAID Mission, the full participation of partners in the development of an environmental strategic objective agreement may have added time to the front end of the design process, but "...final results will better respond to the needs of our customers and the priorities of Madagascar."
- USAID Bangladesh reported that including contracting, legal, and controller representatives as full-time reengineering team members aided the accomplishment of tasks in "record time," and allowed cross-fertilization of knowledge among all team members.
- USAID Bangladesh also increased participation of partners, customers, and stakeholders in planning, designing, and achieving. Participating PVOs and NGOs showed great enthusiasm for the design and implementation approach adopted for the final results framework. "The quality of the end product was improved immeasurably by the full participation of USAID partners."
- Bangladesh reported "empowerment and delegation of authority to the design team reduces the need for substantial rework and improves the cost-effectiveness of the design process."
- USAID Jamaica included partners in its semi-annual review (SAR) process which proved to be very effective in resolving project implementation problems.
- USAID Niger reported that having financial management and administrative management employees on reengineering teams was perhaps the biggest improvement over the old system. "These team members do a great job of following up on requests and pushing documentation through the process."
- The Dominican Republic USAID mission stated that redelegation of authority, a key element of reengineering, permits increased flexibility and more efficient implementation. The Dominican Republic mission also felt that empowerment "unleashed ideas and suggestions from staff and increased creativity" -- "important in a context of diminishing resources."

## **REENGINEERING AND MANAGEMENT REFORMS**

USAID is proud of the management reforms that have enhanced its ability to manage for results. These reforms involve both Washington operations and those in field missions. The first management reform was a streamlining of USAID Washington's organizational structure. This change

aligned USAID/Washington better with the Agency's sustainable development mission. This reorganization was premised on the need for all bureaus and individuals to work as one agency. The reorganizations consolidated or eliminated four bureaus and 90 organizational units.

Despite these impressive accomplishments, USAID recognizes that it must continually improve the way it does business. This has been an extraordinary year for USAID, as it progresses toward a smaller, reorganized, more effective, and more responsive agency that is equipped for the new and demanding responsibilities it will face in the twenty-first century. As one of only two agency-wide reinvention laboratories for the Vice President's National Performance Review, USAID has been a positive example for the rest of government.

The principal components of USAID's management reform efforts are highlighted below.

### **Post Closings**

In 1994, USAID announced plans to close 21 posts. Since that time, an additional three post closings have been announced. By the end of FY 1996, 23 missions will have been closed and additional posts are to be closed by the end of FY 1997. Given the budget cuts, we expect to continue to assess the viability and costs of other country missions until we have stabilized the relation between resources and programs.

The FY 1996 budget reductions and the prospects for funding now mean that USAID must not only close additional posts, but it also must restructure the overall size of its overseas presence. In this process of repositioning overseas resources, activities will be concentrated in a smaller number of countries -- those that show the greatest promise for producing measurable results and where good partners can help ensure success.

Over the next year, we will develop "graduation" plans for about ten countries. About half of these will "graduate" by the year 2000 and the remainder by 2005. Over and above these graduates are more than 20 countries in Eastern Europe and the Former Soviet Union where we expect that our objective of supporting the democratic and free market transitions will have largely been accomplished by the year 2000.

Those missions which remain -- and the Washington staff which supports them -- will be dramatically changed and we think more effective. FY 1997 will be the year in which we receive the benefits of the major reform efforts undertaken since 1993, with our totally reengineered systems fully on line. We are now moving quickly on the additional post closings as we must capture additional savings in Operating Expenses.

### **Information Technology -- Tools to Support Operations**

In combination with the new approach to operations, a full suite of integrated New Management Systems (NMS) will be employed, comprising both new computer infrastructure and new applications software. These components have been developed as an adjunct to a series of business area analyses (BAAs) through which major areas of operation have been reengineered: accounting, procurement, budget, operations, human resources, property management, communications, and policy guidance (including a completely new automated directives system - ADS).

Taken together, the management system improvements will greatly enhance the ability of USAID employees and senior management to track resources and expenditures and to relate them to

results and objectives. Hence, the New Management Systems are key tools in ensuring that there is the maximum return from investments and in helping the Agency work more efficiently.

### **Teamwork and Customer Service**

New operating approaches and better technology by themselves are not sufficient for us to achieve the kind of USAID the nation needs. Thus USAID is not only changing what it does, but how it does it. Consistent with the National Performance Review, major emphasis is being placed on customer service -- on relationships with primary assistance recipients, partners both here and abroad, and suppliers -- augmenting the two agency-wide customer service plans already issued for each of our major bureaus and offices.

Another primary change is reliance whenever possible on team- and task-oriented organizational concepts. To fully employ the skills of its talented workforce, USAID is working to escape the hierarchical rigidities of traditional management approaches.

The new personnel management system embodies new ways of managing human resources. Individual responsibilities and accountability for achieving organizational goals have been clarified, teamwork and appropriate risk-taking are being rewarded, and the knowledge and skills of USAID staff are being developed and expanded to fully utilize each employee's capabilities. This year, USAID has launched a bold experiment whereby, for the first time, it has moved to a single employee evaluation system that is being now in use for both Civil Service and Foreign Service employees. As noted in the experimental laboratory report, linking employee responsibilities to the accomplishment of each unit's strategic objectives is a central objective in the new system.

### **Procurement Reform**

In January of 1994, a memorandum for the executive staff from the USAID Administrator outlined 18 procurement initiatives that were tasked to a newly formed Procurement Reform Unit. These initiatives focused on: transparency and openness with the public; efficiency of systems; automation of systems; recruitment; staffing and training; and establishing more efficient ways of doing business.

This endeavor involved a wide array of development partners and led the Agency to completely reassess its burdensome regulations and outmoded procurement management systems. In the past, there was a lack of consistency in contract and grant formats, terms, conditions, and interpretations. Onerous ad hoc technical and financial reports were often imposed on contractors and recipients. Routine administrative approvals took an inordinate amount of time for processing; contractors and recipients either moved forward without necessary approvals or project implementation was dramatically slowed. A working group identified key problems with a particular system, and then took corrective actions. These included:

- Encouraging wider participation of more diverse organizations by creating a more open and transparent system for the way in which the Agency does business. Over the last three years, 800 new organizations have begun doing business with USAID. USAID established a development partners resource group; led a series of Vendor Town Meetings and outreach conferences throughout the United States; and issued and circulated widely a "Guide to Doing Business with USAID."

- Eliminating the appearance of unfair competitive advantage by establishing stricter controls to avoid organizational conflicts of interest when a contractor has designed an activity, subsequently bids and wins the award to implement it.

- Instituting training in procurement integrity regulations for all Agency personnel and training and certification procedures for all Agency procurement personnel.

- Using performance-based contracts and minimizing the use of vague contract requirements that mandate only best efforts with no requirements for quantifiable results.

- Establishing a system to use data on past performance of contractors as a selection factor in awards expected to exceed \$1,000,000 and strengthening suspension and debarment procedures to ensure that contractors with poor track records do not receive additional contracts.

- Eliminating redundant and cumbersome automated systems that cannot communicate with each other and establishing unified systems that will allow USAID to work with faster and more accurate information.

- Streamlining procedures in the Office of Procurement to eliminate redundancy and inconsistency by, for example, standardizing terms, conditions, and documentation needed to submit a bid. The time for awarding a competitive contract has been cut from approximately 365 days in 1993 to 150 days in 1995, or over 50%.

- Instituting a worldwide Advanced Procurement Planning System that has eliminated 65 different systems and literally tons of paperwork. This tool also will help distribute procurement action more evenly throughout the fiscal year rather than concentrating the bulk of purchases in the last quarter.

In summary, the procurement process has become more efficient and timely, provides wider access to a variety of contractors, increases ethical conduct, and increases economies in USAID procurement activities.

## **DONOR COOPERATION**

In a time of limited budget resources, USAID faces an increasingly complicated set of demands on our development assistance programs as we move to deal with complex emergencies, political and economic transitions, global problems such as environment and disease, and the need to reduce extreme poverty through broad-based, sustainable growth. Recognizing the difficulties of this complex task and the acute need for cooperation with other members of the development community, USAID has embarked on a renewed effort both in the field and at the policy level, to harmonize our efforts with other major bilateral and multilateral donors, NGOs, universities, and private industry to share responsibilities, pool information, share technical expertise, exchange research, explore approaches and conduct long-term planning.

We have sought common definitions of key development problems, agreement on program priorities, operational complementarities in the field, and a more effective division of labor. We have emphasized a clear results orientation and the more effective use of limited donor resources, greater participation and responsibility on the part of the recipient country, and greater attention to the requirements of a transition from relief to sustained development and from a reliance on development assistance to the emergence of self-reliant partners in the international community.

## **The European Union**

USAID is cooperating with the European Union (EU) at the highest level. In September 1995, the USAID Administrator led the U.S. delegation to Brussels to consult with the four Directorates of the European Commission (EC) responsible for economic and humanitarian assistance. The major outcome of these consultations was the creation of a High Level Consultative Group to more closely coordinate assistance plans, program implementation, and conditionality. Five joint working groups have been created: Food Security, Humanitarian Assistance, Health and Population, Civil Society, and Democracy in Latin America.

USAID and the EC have agreed to conduct joint assessments in high-priority regions to determine how to maximize the impact of their combined resources. The first of these, led by the USAID Administrator and the EC Commissioner for Humanitarian Assistance, took place in Rwanda and Burundi in April, 1995. It sent a strong message to donors and actors in the region about the need for improved internal security and resolution of the refugee situation and the difficulty of maintaining assistance in the absence of such arrangements.

USAID and the EU helped to organize a summit of the leaders of the world's ten largest providers of humanitarian assistance in Madrid on December 14, 1995. The summit was launched as a component of the U.S.-European Union "New Trans-Atlantic Agenda" by Presidents Clinton and Santer in Madrid. During this summit, leaders from organizations such as UNHCR, WFP, UNICEF, ECHO, USAID, and PVO umbrella groups discussed issues confronting their programs worldwide and agreed to a comprehensive communique on common objectives and challenges in providing humanitarian assistance.

In addition, the partners are working to harmonize programs in Central and Eastern Europe and the New Independent States -- especially in the area of protecting the environment. USAID is working closely with the EU, as well as the World Bank, with respect to reconstruction work in Bosnia.

## **The Organization for Economic Cooperation and Development**

USAID actively participates in the Organization for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) on broad policy issues, sectoral and regional questions, and donor program approaches and practices. Working through the DAC, USAID is helping define development approaches, coordinate methods, and strengthen the impact of overall donor efforts. USAID is active in the DAC working groups on Participatory Development and Good Governance; Peace, Conflict and Development; Environment; Evaluation; and Women in Development.

Of particular importance are recent DAC positions that: explicitly recognize the central importance of democracy, human rights, and good governance to sustainable development; stress the need for improved country-level cooperation among donors; and directly address the detrimental role of corruption and bribery in international dealings.

With strong support from the United States, the DAC has nearly completed a policy statement by the donor development ministers (Report of the DAC Reflections Group) which represents an important advance in post-Cold War thinking among donors -- emphasizing increasing global interdependence, a results orientation, identification of the substantial development gains already achieved, and a clear set of targets for focusing donor efforts on the tasks that remain. There is also emphasis on global issues such as the environment, population, and disease.

## Japan

USAID's partnership with Japan, the world's largest development donor, strengthens our ability to address global development challenges. USAID has encouraged Japan to broaden the scope of its involvement by increasing its efforts in areas such as environment and health. To date, USAID efforts have helped mobilize nearly \$5 billion in new Japanese assistance for development work of concern to the United States.

For example, a successful USAID-Japan effort on children's vaccines in Central Asia became the model for worldwide cooperation on child health. Through the U.S.-Japan Common Agenda on Cooperation in Global Perspective, the partners are now taking action that has brought the World Health Organization's goal of global polio eradication by the year 2000 within reach.

## THE NEW PARTNERSHIPS INITIATIVE

Responding to Vice President Gore's announcement at the 1995 UN World Summit for Social Development, USAID has worked with a broad array of development partners to design and pilot the New Partnerships Initiative (NPI). The design phase of NPI directly involved over 120 USAID employees and development partners--USAID field and headquarters staff, U.S.-based and local PVOs and NGOs, municipal associations, cooperatives, the business community, foundations, universities and community colleges, think tanks, and other bilateral and multilateral donors. This was accompanied by an intensive outreach effort with both the development community and the general public.

The central idea behind NPI--that development can be energized by linking local business, indigenous NGOs and local governments, while also ensuring a supportive policy, regulatory, and resource environment at the national level--reflects a greater understanding of the forces of change embedded at the roots of society. Local community involvement and effective partnerships between the public and private sectors are key to breaking the cycle of long-term dependence on external support and to fostering the ability of local groups and national governments to engage one another as full partners in the development process.

NPI will build on Agency efforts to ameliorate poverty, by ensuring that countries have the capacity to sustain their own growth and become full partners in the global community of free markets and open societies. It will encourage our U.S.-based development partners and other donors to pursue results-based programming which leaves host countries with the capacity to advance their own development programs.

To facilitate the process of Agency-wide implementation, seven pilot countries are leading an intensive learning phase designed to test these approaches and identify promising practices. Working closely with a team including USAID personnel from Washington and the field, a broad array of nongovernmental partners, other donors and host country officials, these "NPI Leading Edge Missions" in Bangladesh, Guinea, Haiti, Kenya, Philippines, Sri Lanka and Zambia will develop new ways to build linkages among groups at the local level, forge solid society-to-society linkages between these local groups and their U.S. counterparts, and contribute to both capacity building at the grassroots level and a healthy national policy environment. Other field missions will take part in this process as "NPI Partner Missions," participating in an electronic discussion group and contributing operational suggestions based on their own best practices. This NPI learning phase will culminate in Agency-wide policy and implementation guidance that missions will use in the budget and program process.

## LESSONS WITHOUT BORDERS

USAID recognizes the long-term challenge of building public support for foreign aid. Lessons Without Borders is a nationwide effort to share with American communities some of the knowledge that has been developed through U.S. assistance overseas. This program demonstrates not only that foreign aid works, but that Americans can benefit directly from the skills and experience gained overseas by USAID. USAID employees are sharing their hard-won expertise with their fellow citizens.

### Lessons Without Borders

As a follow-up to the first Lessons Without Borders conference, nine Baltimore health care and economic development professionals traveled to Kenya and Jamaica to see first-hand USAID projects in action. In Kenya, USAID has helped achieve a national immunization rate for two year olds of 80 percent. However, Baltimore's immunization rate for two year olds at the time was only 56 percent, and only 62 percent of Baltimore's school-aged children had all their documented immunizations. With strong support from Baltimore's Mayor Kurt Schmoke, and using lessons from USAID programs, Baltimore launched a massive immunization campaign in 1995. Some 39,000 school-aged children were either immunized, or more complete records were collected for them. The bottom line: documented immunizations in Baltimore rose to 96 percent.

A second Lessons Without Borders conference was held in Boston during the fall of 1994. Secretary of Health and Human Services Donna Shalala, Mayor Thomas Menino of Boston, and USAID Administrator Atwood joined 300 participants in exploring how government and the private sector can make domestic development more effective. With funding from the U.S. Public Health Service, Boston and Baltimore officials joined in a trip to Jamaica to examine community empowerment, teen pregnancy and violence prevention programs.

Management Sciences for Health, a Boston based non-profit organization, is now working on several follow-up initiatives. It recently received a grant from the Cabot Corporation to train women in low-income communities to serve as community health volunteers. Professional community health workers will supervise volunteers who will work in their home communities to educate their neighbors about health services. This model is based on USAID programs in Bolivia and Bangladesh which depend on community participation of voluntary health workers who provide health education and services to their neighbors and encourage people in the community to use health facilities for preventative services rather than waiting for the more expensive treatment of illness.

A third Lessons Without Borders conference took place in April 1995 in Seattle. It focused on community development and the environment. This conference was co-sponsored by USAID, the Alliance for a Global Community and the City of Seattle and its Mayor, Norman Rice, along with a local host committee comprised of Seattle-area government, business and community representatives. It brought together community development professionals from the Pacific Northwest with officials and activists from Zimbabwe, Egypt and the Philippines.

USAID is particularly well situated to help deal with the problems encountered in some of America's poorest neighborhoods:

- Development work has given USAID unique experience in primary health care, economic empowerment, education and literacy, family planning, disaster assistance, sustainable agriculture, and the environment in circumstances where resources are scarce.

- USAID's programs are carried out where language, literacy and poverty present formidable barriers.

- USAID's approaches to problems are low-cost, low-technology, and effective. They are designed to have the greatest impact on the greatest number of people.

- The Agency has extensive experience in building partnerships between public and private organizations, between businesses and citizens, and between individuals and their communities to achieve solutions.

In June 1994, Vice President Al Gore launched the inaugural Lessons Without Borders conference in Baltimore with more than 200 people who gathered to find ways to improve health services and foster small business in the city of Baltimore. The response was overwhelming. Requests to host future conferences flooded in from mayors around the country. USAID responded by hosting two other conferences in Boston and Seattle and has now entered into a partnership with Washington, D.C. to assist a public housing community in its effort to restore health services to its residents.

Lessons Without Borders has demonstrated that successful approaches, whether in rich nations or poor, have much in common. Whether the issue has been microenterprise, child nutrition, the environment or immunization, the key to success in each of these programs has been:

- Empowering individuals by giving them the tools they need to make a difference in their own lives.

- Designing and implementing programs with the full participation of the people whom the programs are designed to help.

- Placing control and decision-making at a local level.

- Combining public and private efforts to identify both problems and solutions.

These approaches produce programs that are more effective and sustainable.

Plans currently are underway for a national Lessons Without Borders conference, again sponsored by Mayor Schموke, in Baltimore; a program in late summer in Newark, New Jersey; and a program in rural Georgia sponsored by the Carter Center. Nearly a dozen other mayors and elected officials have expressed an interest in hosting programs in their communities.



## AFRICA

<b>FY 1997 Development Fund for Africa (DFA)</b> . . . . .	<b>\$704,000,000</b>
<b>FY 1997 P.L. 480 Title II</b> . . . . .	<b>\$220,170,000</b>
<b>FY 1997 P.L. 480 Title III</b> . . . . .	<b>\$26,700,000</b>
<b>FY 1997 Economic Support Funds</b> . . . . .	<b>\$20,000,000</b>

...This is no time for the United States of America to walk away from its obligations... We should be doing more in Africa, not less.

President Bill Clinton, October 19, 1995

### INTRODUCTION

Africa is the "final frontier" of development -- a complex continent of contrasts:

- a land of hope and promise, but susceptible to crises;
- the poorest region on earth, but the last of the world's emerging markets, offering significant returns on investment; and
- home to the most complex development challenges, but a learning laboratory where USAID has a track record of innovation and successful development programs.

Congress recognized the uniqueness of the continent's development challenges in establishing the Development Fund for Africa (DFA) in 1987. This bipartisan effort reflected the conviction that the United States has clear national interests in promoting broad-based, sustainable development in Africa; that aid to the continent is in keeping with America's national values; and that progress can be made as a consequence of a sustained effort.

Today, USAID's efforts are making a difference in the lives of millions of Africans. The Agency has focussed resources on the continent's most critical development problems and concentrated assistance in those countries committed to sound economic policies, good governance and democracy. As a consequence of new approaches and the political and economic reforms which have swept across Africa, USAID is achieving results. Just as investments in Latin America and Asia over the past three decades are now reaping returns, USAID's assistance to Africa today is laying the foundation for expansion of U.S. exports and economic growth in the 21st century. However, Africa's progress is fragile and could be reversed unless the United States is prepared to remain engaged on the continent over the coming decade.

The Administration is committed to maintaining resource levels to Africa that enable the United States to meet the challenges and seize the opportunities for sustainable development. The Administration's FY 1997 request includes reestablishment of the Development Fund for Africa appropriation to underscore the United States' commitment.

This aid -- which helps promote peace and prosperity for more than a half billion of the world's poorest people, prevents crises in the world's most volatile region, and fuels growth on a continent with tremendous potential -- costs each American less than a penny a day. It is a caring, cost-effective and forward-looking investment for Africa and for the United States.

## DEVELOPMENT CHALLENGES -- Africa is the final frontier of development...

Africa faces the greatest development challenges of any region of the world. According to the 1995 World Development Report, 22 of the world's 30 poorest countries are in Africa. Great strides have been made in Africa in the past 25 years, but basic socio-economic indicators show that Africa's need for integrated development assistance is much greater than other continents.

There are numerous development challenges which make Africa unique.

<b>Africa's Needs Are So Much Greater</b>			
<u>Socio-Economic Indicator</u>	<u>Africa</u>	<u>Lat. America</u>	<u>Asia</u>
GNP per capita	\$520	\$2950	\$620
Life expectancy	52 yrs	69 yrs	65 yrs
Infant mortality	93/1000	43/1000	55/1000
Child mortality	172/1000	52/1000	86/1000
Adult literacy	50%	85%	64%
Primary school enrollment	67%	106%	108%
Secondary school enrollment	18%	45%	47%
Total fertility rate	6.2	3.0	3.1
Annual population growth	2.9%	2.0%	1.7%

- HIV/AIDS infection rates are the highest in the world and are still rising in most African countries.
- The continent is prone to drought because soil conditions are delicate, rainfall is more variable, and there is limited irrigation infrastructure.
- Because of Africa's agro-climatic diversity, there is no single, dominant food crop, so extensive investments in developing agricultural technology are required to achieve food security.
- The cost of infrastructure investments is higher than other regions because of Africa's large expanses and low population densities.
- Still in its first generation after colonization, Africa has limited experience with nation-building and modern democratic institutions.
- The potential for political instability is high because national boundaries drawn by colonial powers do not reflect the continent's tremendous ethnic diversity.
- Many countries have relatively large military forces which need to be downsized and demobilized, and, in countries like Angola and Mozambique, extensive demining must be done for successful political transitions and sustainable development.
- The continent is more affected by the volatile world economy, suffering from a long-term downturn in commodity prices and capital movement.
- Debt is growing at an alarming rate in Africa, and it has a greater impact on Africa's sustainable economic growth than any other region. Despite endless rounds of rescheduling and outright forgiveness by several countries, including the U.S., sub-Saharan Africa's debt ballooned from \$80 billion in 1982 to \$210 billion in 1994. Over the same period, external debt as a share of total gross national product (GNP) nearly tripled, to 82% in 1994, compared to 36% in Latin America. The debt burden has a significant impact on the poor; the \$13 billion annually repaid by African governments equals more than twice their spending on health and primary education combined. Little U.S. Government official debt remains. However, multilateral debt (including the International Monetary Fund, World Bank and African

Development Bank) is the fastest growing component and, because such loans cannot be rescheduled or forgiven, repayments to multilateral institutions are now equivalent to more than half of the World Bank's new loans.

## **U.S. INTERESTS AND PRIORITIES -- Why are we there? Why should we care?**

### **Promoting Africa's development is in the U.S. national interest...**

We must seize this opportunity for partnership with the countries of Africa because promoting trade and sustainable development in Africa is important for the United States as well as Africa..

President Bill Clinton, February 5, 1996

### **...USAID is making investments for the future...**

Assisting Africa is in the national economic interest of the United States. USAID's investments in broad-based economic growth are helping **grow markets** for American goods and services. The United States is investing in its own economic future, as well as the future of Africa. Experience from both Asia and Latin America clearly demonstrates that the United States benefits directly from the economic expansion which American foreign aid helps fuel.

In fact, both the size of Africa's market and the U.S. share are expanding. In 1995, the United States exported goods valued at \$5.4 billion to sub-Saharan Africa, a 22% increase over 1994. This level of trade supports about 100,000 American jobs. Over the past several years, U.S. exports to Africa have actually exceeded total American exports to the New Independent States by 20%. The growth of total African imports has been particularly robust -- averaging 11% per annum -- in countries that have pursued sound policies and realized economic growth. The business-oriented Financial Times (London) recently declared Africa to be the "final frontier of the world's emerging markets ...producing dramatic returns" for investors.

With a nascent but growing market and a population projected to grow to one billion by the year 2015, Africa has significant potential as a market for U.S. exports. These exports represent tangible benefits to Americans. At current growth rates, Africa would import U.S. goods and services worth \$600 per American family in 2025. If the United States makes the investments Africa needs, and African governments continue to implement the kind of sound economic policies that have fueled growth in Asia and Latin America, the return to each American family could be as much as \$2,000 annually. These are significant returns on the U.S.'s development assistance investment. They represent potentially millions of new jobs for American children and continued financial health for this nation.

### **...The United States is practicing preventive diplomacy...**

The United States also has a **strategic and financial interest** in assisting Africa to **prevent crises** before they arise. Although firm foundations for economic growth are being laid, much of Africa is living on the edge. Food security and agricultural-led growth are made tenuous by adverse agro-climatic conditions and volatile world prices for exports of Africa's primary commodities. Ethnically diverse populations thrown together through the colonial occupation and limited experience with modern nation-building contribute to political instability.

Complex crises can quickly spiral out of control and cause tremendous suffering and loss of life. They can also spill across borders, igniting regional instability. These crises impose heavy burdens on the international community because of the high cost of emergency relief. For example:

- The United States provided more than \$260 million of food and disaster assistance to Sudan between 1983 and 1985. Ten years later, that unresolved crisis continues to require high levels of emergency relief. In FY 1994, Sudan was the largest recipient of American relief aid in Africa. It received almost \$95 million of humanitarian aid, far more than the amount of development assistance USAID provides to the best economic performers on the continent.
- In addition to the loss of American lives, the crisis in Somalia cost the United States more than \$1.7 billion (including military costs) between FY 1992 and FY 1994.

Because Americans are a compassionate people, the United States will continue to respond with emergency aid to relieve human suffering and address the symptoms of crises. However, as custodians of taxpayers dollars, USAID has a responsibility to look beyond the crises and to invest in development programs that help redress the root causes of crises. To the extent USAID is successful in preventing crises or mitigating their destructive and costly impact, Africa can prosper and the United States saves money.

...and the United States is acting out its national values.

USAID's assistance program to Africa also reflects U.S. national values. Americans are a caring people, and this nation is premised on the philosophy that people should have the opportunity to make a better life for themselves. USAID's development assistance programs foster economic and political empowerment; the United States offers a helping hand, not a hand-out. Nowhere is the justification for foreign aid clearer and more compelling, in terms of U.S. national values, than Africa. It is a program that the American citizen can understand and support.

Finally, Africa matters to the United States because there are deep historical and cultural ties to the continent. With about 33 million Americans of African descent, as a nation the United States has a special interest in Africa's development.

USAID's assistance program to Africa mirrors U.S. foreign policy objectives.

The Administration has five foreign policy goals in Africa:

- supporting sustainable development;
- alleviating suffering and hunger;
- fostering democracy and respect for human rights;
- promoting peace by preventing and resolving conflict; and
- increasing American private sector involvement in Africa, as the United States seeks to integrate Africa into the global economy.

USAID's assistance program in Africa is one of the principal means of achieving these post-Cold War foreign policy goals.

Through the Development Fund for Africa (DFA), USAID has taken a longer-term approach to Africa's development, systematically addressing the root causes of underdevelopment -- economic, social and political. The Agency's sustainable development strategy represents an integrated approach to improve the well-being of the people of Africa, through:

- promoting broad-based economic growth with equity, through smallholder agriculture and small enterprises, as well as complementary human development investments in education;
- stabilizing population growth and improving health conditions;
- protecting the environment;

- fostering democracy and participation in social and economic decision-making; and
- structuring emergency relief to help nations make the transition from crisis to sustainable development.

## **ACHIEVING RESULTS -- IS USAID MAKING A DIFFERENCE? IS THERE ANY HOPE?**

Absolutely. Good things are happening in Africa.

Political and economic changes have swept the continent in the last few years, enhancing the opportunities for growth and development. Nearly two-thirds of the countries in sub-Saharan Africa are consolidating their democracies after free and fair multi-party elections. Africa's new leaders are committed to broadening participation, and they are pursuing extensive economic restructuring programs, including privatization of state-owned enterprises, reducing government functions and budgets, stabilizing the economy, and deregulating so that the private sector can expand.

U.S. development assistance is critical to the successful political and economic transformations taking place across Africa. USAID is making a difference. Results are being achieved because American assistance is well focussed and well managed.

**USAID is making progress in promoting broad-based economic growth...**

...through smallholder agriculture...

In **Ethiopia**, USAID is creatively integrating development assistance (DA) and P.L. 480 Title III food resources to decontrol and unleash the rural economy. Transportation has been liberalized so that the private sector is now providing more transportation to market crops and at a lower price. As USAID also pushed for decontrolling fertilizer and expanded smallholder credit, fertilizer use has progressively increased, enabling small farmers to earn more money and helping Ethiopia produce its largest harvest in recent history. State monopolies on distribution and sale of basic food grains have also been eliminated, with the parastatal marketing board's market share declining from 40% to less than 4% and 83 retail stores privatized. Consequently, farmers are getting better prices for their products and consumer prices are more stable. Food security has increased significantly in Ethiopia through USAID's efforts.

USAID is providing critical assistance to increase rice production and marketing in **Senegal**, again combining DA and Title III to enhance impact. Through new technologies which USAID helped develop and introduce, land under rice cultivation expanded 20% and rice yields increased more than 20%. At the same time, some farmers have been able to start "double cropping" and others, especially women small farmers, are diversifying in higher value cash crops. USAID encouraged the Government of Senegal (GOS) to permit private importation and head-to-head competition with the rice marketing parastatal. Because the private sector was so much more efficient, the domestic retail price of rice declined and the GOS decided to liquidate all rice production and marketing parastatals.

**Zambia**, backed by USAID assistance, has liberalized its maize market, eliminated subsidies and decontrolled prices, resulting in new economic opportunities. One enterprising high school student started by buying one bag of maize from a surplus area and transporting it on his bicycle to a market in a drought area. He is now moving maize between districts, renting transport on large, 10-ton trucks. He has parlayed his initial investment of \$8.50 into a total gross sales revenue of \$574. As he has responded to free market incentives, this enterprising young Zambian increased his own income, while providing a valuable service to people in food-deficit areas.

As a direct result of USAID's Grain Marketing Reform Program in Zimbabwe, over 15,000 micro mills have sprung up, creating some 40,000 new jobs. At the same time, the price of corn, the country's staple, has dropped 20%; this directly benefits household food security and provides critical savings since poor Zimbabweans spend up to 70% of their income on food.

USAID's partnership with the International Rice Research Institute and the Malagasy Agricultural Research Institute in Madagascar has produced new rice varieties which double yields without fertilizer and which achieve 300%-400% increases with fertilizer. Nine new varieties of rice, suited for various situations, were released last year alone. Such advancements directly increase farmer income and improve both household and national food security.

...through small enterprises...

USAID's private sector projects encourage private investment and growth of the economy and generate income for Africans, typically through a combination of economic policy and financial sector reforms, provision of credit and business advisory services, and training of local entrepreneurs.

There has been an exciting expansion of microenterprises in Guinea through USAID support. Honey production has increased 800%, and onion marketing in 1995 jumped 1,300%. Two-thirds of the microenterprises that have received USAID-funded loans are owned and operated by women, and the repayment rate on loans is 100%. Most significantly, the program participants' assets have doubled, and they are generating thousands of new jobs as their small businesses expand.

In Guinea Bissau, in just two years, a vibrant market of cashew production and exportation has been developed with USAID help. Policy reforms have allowed a substantial increase in the number of small exporters, and USAID-funded technical assistance has improved domestic processing of cashews, with women being the primary beneficiaries.

USAID has achieved notable success in several countries in promoting non-traditional exports (NTEs) which benefit small producers and private enterprises, through policy reform and direct support. In Uganda, in just three years since inception, the flower industry is now exporting over \$5 million annually and is poised for exponential growth. In Madagascar, exports of geranium oil, the key ingredient in the modern perfume industry, have doubled, and sales of other NTEs like spices and medicinal plants also are rising significantly. These investments are critical at several different levels, as they create new jobs, put money into poor people's pockets, and diversify African economies so that sustainable growth can be achieved.

...through rural infrastructure...

In Guinea, USAID is helping stimulate agriculture production and increase small farmer income through a highly successful rural roads program. More than 760 kilometers (about 475 miles) have been built, cutting in half the transport costs and transport time and expanding the availability of goods.

In Uganda, P.L. 480 Title III resources have helped rehabilitate 800 kilometers (about 500 miles) of rural feeder roads, similarly reducing transportation costs and time.

...and through human development...

Strengthening Africa's work force through improved health and better education is key to promoting broad-based economic growth.

Excellent progress has been made in improving child survival. Working in concert with the United Nations Children's Fund (UNICEF) and other donors to strengthen health service delivery systems, USAID support for expanded immunization and use of oral rehydration therapy is estimated to be saving the lives of 800,000 African children each year.

Just two years after project implementation, USAID's basic education program in Uganda has tackled the tough underlying constraints to rebuilding Uganda's shattered education system through policy conditionality and project assistance. Over two million children and 75,000 teachers have benefited by the reforms in primary education that came about as a result of USAID's program. The bloated teacher payroll has been reduced, and teachers' salaries are steadily improving. Implementation of staff controls has increased teacher accountability, improved school and classroom management, increased community participation, boosted student enrollment, and increased the proportion of trained teachers.

USAID has provided assistance to a program of interactive radio lessons in South Africa called "English in Action." The radio lessons and companion classroom materials are produced by the Open Learning Systems Educational Trust for pilot programs in four provinces. Students now using the daily lessons in these regions have tested significantly higher on skills tests than students in comparison groups. A teacher from Tsiitsibogo Public School speaks for her colleagues, saying: "In more than 30 years of teaching, I have never come across something so good as this."

#### **USAID is making progress in stabilizing population growth.**

Many African countries are on the brink of a demographic transition. As the leading donor in family planning, USAID has been instrumental in these changes. Probably one of the most dramatic examples of a demographic transition that has ever been recorded is happening in Kenya. Total fertility rates--the number of children a woman could be expected to bear in her lifetime--dropped from 8.1 in 1977 to 5.4 in 1993. This historic drop in fertility is due mainly to increased use of modern methods of contraception. Dramatic progress also has been made in Zimbabwe, where USAID is the largest donor by far in family planning; total fertility has decreased from 6.5 in 1984 to 5.5 in 1988 to 4.4 in 1994.

Even though infant, child and maternal mortality rates in Guinea are among the highest in the world, the population is rising rapidly with a fertility rate of 6.0 children per woman. As a result of USAID support for improved policies, the government has adopted a national population policy and developed a Family Code that promotes reduced fertility. USAID support for contraceptive marketing activities has led to a significant increase in the acceptance and use of family planning and HIV/AIDS prevention methods. Family planning services have been installed in two-thirds of the USAID-supported national health care centers and hospitals, providing over 30,000 couples with access to modern contraceptives.

#### **USAID is making progress in protecting the environment.**

Natural resources remain the foundation for economic growth in Africa. Across the region, USAID has invested heavily in innovative, community-based, natural resource management programs that raise rural incomes, protect the environment, and strengthen the role of communities in the economic and political life of their societies. USAID's support for community-based management of wildlife in Southern Africa, for example, has helped to shape a biodiversity conservation strategy with global applications.

Through demonstration activities and policy dialogue with the Government of Senegal, USAID has helped institute a new forestry code. As a result of the reforms, farmers now have the right to make forestry land management decisions, and an increasing number of communities have established woodlots for the sale of fuelwood and poles for construction. USAID also is promoting land reclamation through two very successful programs. In the south, anti-salt and water retention dikes have led to a 20% increase in cultivated land. In the north, encroaching sand dunes have been stabilized through tree-planting funded with Title III resources; other donors expanded on USAID's success so that, today, the entire northern coast covering 4,000 hectares has been reforested and is now Senegal's primary vegetable production zone.

Across the continent, USAID is developing African capacity to monitor environmental change and building famine early warning systems. In Malawi, to complement its agriculture diversification efforts, USAID helped develop a sophisticated geographic information system (GIS) so that the government could monitor, evaluate and mitigate, as necessary, the environmental impacts of new cropping patterns.

#### **USAID is making progress in fostering democracy and participation.**

During the past several years, promotion of good democratic governance has become an integral theme in the Agency's sustainable development programs throughout Africa. USAID has provided important assistance to the peaceful transition to and consolidation of democratic states and societies. While the sweeping political changes and democracy are an African phenomenon, coming from deep within a population tired of corrupt, dictatorial and ineffective authoritarian regimes, the United States has helped support the transformation. USAID has helped to empower ordinary Africans to add their voices to the process. Even in difficult circumstances, democracy is prevailing. Participatory approaches are paying dividends.

Mali has been steadfast in transforming itself into a stable democracy, even as other African countries have faltered. A March 1996 Washington Post article stated: "...Mali's move to permit the media free rein defies a trend throughout Africa...Perhaps most important, Mali's government...has stepped away from oppressive economic policies employed by previous regimes." USAID has contributed to Mali's successes in democratic governance by funding civic education training and sponsoring seminars to improve financial management of municipalities, which helped one city to increase its revenues by 400%. USAID has helped Mali's President communicate his vision of a decentralized democratic system to the population. The first three administrative courts became functional with USAID's help, and a media campaign has been launched to help Malians use the new courts effectively. USAID has supported, through the Human Rights Fund, activities by non-governmental organizations (NGOs) and associations in judicial reform, legal assistance, media professionalization, and the fight against female genital mutilation and discrimination against women.

After the horrific events of 1994 in Rwanda, there have been positive changes in the legal system which bode well for the future. Increased political will on the part of the government is now present to effect changes in the legal system. USAID and other donors have provided technical assistance to help Rwandans start to rebuild a non-functioning legal system and to develop strategies for the inquiry commissions to cope fairly with 50,000 genocide prisoners. These will permit genocide cases to be dealt with either by trial or plea-bargaining.

In Africa, USAID's focus on participatory approaches is paying dividends. In Zambia, USAID encouraged participation in a child health project design by requesting advice from all levels -- the Ministry of Health, other donors, NGOs, mothers and community health workers. Zambia's health sector reform is now at the forefront, prompting a high-level Ministry of Health official to state: "We

are pleased with the participatory process. USAID has gone from not being involved at all in the health reform process to taking a leadership role."

In **Uganda**, USAID has supported the politically sensitive demobilization of 37,000 military personnel between 1992 and 1995, reducing the size of the army by approximately 40%.

In **Ghana**, USAID supported the registration of 9.1 million or 91% of the eligible voters for presidential and parliamentary elections to be held in November 1996.

Accountable, democratic governments are less likely to collapse into crisis. They are also less likely to be corrupt and more likely to pursue sound economic policies and broad-based, sustainable development. Similar to efforts here at home to reinvent government, USAID is helping Africa's new leaders make their governments smaller and more effective and give power back to the people, through: civil service reform and reductions; budget reductions and reallocations; privatization; deregulation; and decentralization.

**And, USAID is making progress in preventing crises.**

The United States has played an important role in averting natural disasters, facilitating peaceful political transitions and rebuilding countries decimated by civil war.

Several clear successes in averting natural disasters stand out. First, following the Sahel famine of the early 1970s, African states and donors organized a famine early warning system, developed more drought-resistant grains, and liberalized agricultural markets. These investments have helped avert disaster in the arid, drought-prone Sahel in the two decades since. Secondly, the drought that hit **Southern Africa** this past year may have been as bad as the 1991-92 drought when the U.S. provided over \$800 million of emergency aid. In sharp contrast, this time around the countries of the region managed without emergency donor food aid because of new, drought-resistant varieties of maize, millet and sorghum developed with USAID support and more efficient and open agricultural markets promoted by USAID. Thirdly, in the **Greater Horn of Africa** last year, coordinated assessments and actions helped avert any major food shortages. The United States, with the host countries and major donors in the Horn, has developed a regional initiative to redress the root causes of food insecurity and instability.

The United States played a critical role in facilitating a number of peaceful political transitions which had the potential for political instability and crisis, including: **South Africa, Malawi, Zambia, Benin and Mali.**

Furthermore, **Uganda, Mozambique and Ethiopia** offer hope as countries which have been brought back from the brink of self-destruction through successful political transitions, economic stabilization, and initial growth which American efforts supported. The United States also has funded the demining of roads and the countryside in **Angola** to enable refugees to return home and to facilitate economic recovery.

#### **Mozambique: A Transition Success Story**

Ten years ago, Mozambique was a failed state, bankrupt, slipping into chaos and self-destruction as a consequence of civil war and Marxist policies. Today, that country has moved beyond crisis. Although daunting challenges remain, a fundamental political and economic transformation is taking place as a consequence of American leadership and effective assistance.

A decade ago, the situation in Mozambique was disastrous. The human suffering was almost incomprehensible. Countless thousands were dying as a result of the war. More than 1.6 million people had fled the country and nearly four million were displaced, fearful for their security and in search of food and survival. Overall life expectancy was and remains one of the lowest in the world (44 years). More than one child in four never reached the age of five. The protracted civil war had decimated the economy and food security. Per capita GNP declined 3.6% on average each year between 1980 and 1992, and food production per capita fell on average 2.1% annually.

Beginning in the late 1980s, the United States led a concerted effort to foster peace and stability and to start rebuilding the economic fabric and infrastructure of Mozambique. Working in concert with other governments, the U.S. provided leadership in forging a peace process, first a cessation of full-scale hostility, then the opening of a dialogue between the warring sides and, finally, the signing of peace accords in 1992. For years, the United States provided relief aid for refugees in surrounding countries, and USAID worked through a network of private voluntary organizations (PVOs) -- World Vision, CARE, Food for the Hungry, Caritas and many more -- to provide emergency aid to those suffering within Mozambique.

With the signing of the peace accords, USAID assistance was redirected toward rehabilitation and recovery and has made a significant contribution in the transition to democracy and development.

- The United States supported the demobilization of more than 90,000 troops -- 88% of those under arms at the time of the peace agreement -- and helped reintegrate them into civilian life by providing farm supplies and jobs training.
- USAID funded the clearing of landmines and the rehabilitation of 2,000 kilometers of rural roads, which opened areas of the country that were inaccessible for years and enabled more than 80% of those internally displaced and almost all refugees to return to their homes.
- USAID provided seeds and tools to over 2.5 million people to enable them to resume productive lives. More than 1.5 million Mozambicans are receiving essential drugs under USAID's primary health care strengthening program, and almost half a million people now have access to safe water through USAID-funded PVO efforts.
- For the country's first-ever multi-party elections, USAID funded the training of election officials, civic education programs, and transportation support for registration and voting. This assistance helped produce what the U.N. Secretary General's Special Representative called "the best elections ever held in an African country." A total of 6.4 million Mozambicans, over 80% of the estimated voting-age population, registered to vote, and 85% of those registered actually voted in the presidential and legislative election.
- USAID helped the new government turn from a socialist, state-directed economy to a free-market. The Agency's programs and policy dialogue helped end price and marketing controls, and they made possible increased maize production and the development of a nascent private sector. USAID support for decentralization and building civil society also has allowed the growth of political parties and hundreds of voluntary associations.

Clearly, Mozambique still has a long road to travel to achieve a full-fledged democracy, a completely open economy, and peace and prosperity. But the country is now on the right road. The political situation is stable, and growth has rebounded in the post-war period -- a solid 5.4% gross domestic product (GDP) growth in 1994. The government still faces key challenges in deepening democracy and strengthening economic policy-making. Nonetheless, the United States played an invaluable role in Mozambique's transformation.

Mozambique also illustrates that successful development saves money. Between 1987 and 1993, the United States provided a total of \$373.3 million of humanitarian assistance to Mozambique, on average \$53.3 million annually during that seven-year period. In FY 1994, this fell to \$25 million; no non-food disaster assistance was required in FY 1995.

### **Botswana -- A Graduation Success Story**

In September 1995, Botswana was "graduated" from U.S. development assistance -- the first African country to achieve a sustainable level of development. Over the course of 30 years, USAID made important contributions to the economic and social advancement of that country, including strengthening the voice of private enterprise, enhancing environmental management, slowing the population growth rate, and improving basic education and training.

- USAID has stimulated private sector-led growth and development. The Botswana Private Enterprise Development project generated investment totaling \$43.6 million in 1993 and \$29.6 million in 1994 -- ten times the amount of U.S. concessional aid. The project helped generate 3,886 new jobs in 1993 and 2,663 more in 1994. Moreover, USAID efforts to strengthen the local chamber of commerce enabled it to take a strong policy advocacy role on issues of importance to the private sector.
- With USAID support, the Government of Botswana has taken a bold approach to wildlife and land management by placing direct control over the resources in the hands of the local community. The response has been tremendous as local populations now have economic incentives to protect their natural resources rather than exploit them.
- Botswana has the second highest contraceptive prevalence rate (33%) and second lowest total fertility rate in Africa (5.0), as a direct result of USAID's leadership and sustained assistance to family planning. USAID also has strengthened primary health care delivery through establishing nursing education programs and forging an integrated delivery of maternal and child health and family planning services.
- USAID's efforts to increase access and quality of basic education have made the country's public school system an African showcase. Over a ten-year period, the number of primary schools increased 42%, while enrollment expanded 62%. USAID supported development of a new curriculum, and over 80% of the country's educators have been trained at various teacher training colleges constructed and equipped by the United States. Primary and junior secondary school enrollment is more than 90% and adult literacy is over 80%, far above any other country in Africa.

The Agency believes this type of success story can be replicated elsewhere on the continent. Towards this end, USAID is formulating accelerated development strategies for several other African countries to enable them to graduate from U.S. assistance over the next 5-7 years.

**However, progress is still fragile.**

Progress, while significant, is still fragile. In supporting democratic transitions and preventing crises, there are setbacks along with the successes. Benin has just gone through a "second generation" democratic election and Malawi is consolidating its pluralistic democratic systems. Unfortunately, Niger's democratization process was undone by a military coup, and Nigeria human rights abuses continue to abound. Even as rehabilitation begins in Rwanda, ethnic tensions have flared in Burundi. The political transition in South Africa has been amazingly peaceful and stable and Angola has begun

the process of national reconciliation and nation-building, but fighting and civil unrest continues in Liberia and Sudan.

## **PROGRAM AND MANAGEMENT CHALLENGES -- WHAT'S REALLY NEW OR DIFFERENT?**

### **Africa -- the "cradle of reengineering"**

Using the flexibility afforded by the DFA, USAID has been doing business very differently in Africa. The DFA's programs and approaches have been highly innovative. They are the "cradle of reengineering"; USAID's rich experience in Africa is guiding much of the Agency's broad reform efforts. Some of the fundamental principles put into practice under the DFA are USAID's core values under reengineering:

- **Results.** Managing for results is a core tenet of the DFA and USAID's guiding principle in efforts to improve operations and increase program impact throughout Africa.
- **Teamwork.** DFA programs and activities are not designed or implemented by any one unit within USAID but are the product of considerable interaction among many partners, both inside and outside the Agency.
- **Customers.** USAID, in implementing the DFA, has always put the African people first in its development priorities, focusing on how U.S. development assistance could best be used to fulfill their goals and aspirations. USAID has consistently targeted "people-level impact."
- **Empowerment.** Encouraging people to participate and to make decisions about how development is done is the "sine qua non" of the DFA. Sustainable impact is not possible without empowerment.

USAID continues to push the envelope to enhance the effectiveness of the Agency's aid program for Africa. Four of USAID's ten country experimental labs for reengineering were in Africa, and three of the six missions which will serve as learning laboratories in implementing the New Partnership Initiative (NPI) are in Africa.

Other areas of innovation being pursued in Africa include:

- programming and budgeting systems to enhance impact;
- expanded participation, partnerships and African leadership;
- crisis prevention and working on the disaster-to-development continuum; and
- regional approaches and initiatives.

Managing for Results with New Programming and Budgeting Systems. USAID initiated the concept of performance "management contracts" in the Africa region in 1990. Field missions have formulated multi-year strategic plans which detail expected development impact, and USAID headquarters and the overseas mission then agree on a level of resources available to implement that strategy. Annual assessments of program impact have been conducted to monitor progress and enable USAID managers to make informed programming and budgeting decisions about what to replicate, reinforce or eliminate. These systems have greatly enhanced the effectiveness of USAID programs in Africa. Thus, as the Agency moved towards managing for results, it has modelled its new strategic planning and evaluation systems and the concept of "management contracts" under reengineering after these DFA systems.

**USAID also developed a performance-based budget allocation system to direct funds to African countries undertaking sound economic policies and pursuing good democratic governance, since these conditions are critical to broad-based, sustainable development. The system also incorporates program performance criteria, measuring progress Missions are making towards their approved strategies, so that funds go where they are having a significant impact.**

**Enhanced Participation, Partnerships and African Leadership. A key principle of the DFA legislation was expanding participation of PVOs and Africans in program development and implementation. USAID has made significant progress in strengthening participation in the region, and these efforts have been deepened under the Agency's reengineering efforts.**

**USAID missions in Africa are making a concerted effort to expand participation and are contributing valuable lessons to the Agency as reengineering approaches are field tested. In fact, USAID is endeavoring to go beyond participation, to foster African ownership of the development process. This is critical both to maximize the impact of USAID assistance and to ensure the sustainability of U.S. development investments. As a consequence of viewing Africans as development partners rather than beneficiaries, USAID is doing business differently.**

- **In Mali, USAID used more than a hundred "focus group" consultations to capture the views of key development partners, as well as Mission staff. Not only did the process deepen USAID's understanding of the local context; it was an eye-opener on how deeply the Malians tied good governance to good development. In its new country strategy, USAID embraced the Government's vision of "more Mali, less aid," reflecting the idea that Malians are responsible for their nation's development and external donor assistance must be diminished over time.**
- **In Ghana, USAID had broad, external participation in developing a new strategy; the Mission consulted with over 700 stakeholders and potential clients in the course of developing a new strategy, undertook participatory rural appraisals in three different ecological zones, and conducted a series of roundtable discussions with a broad cross-section of public and private sector representatives and NGOs, as well as formal meetings with senior government officials.**
- **In Madagascar, USAID used teamwork and customer participation to craft some of the Agency's first and most comprehensible results frameworks (the "roadmaps" for achieving results) in the areas of environment and population. In doing this, USAID became a leader in the information resources arena -- connecting the mission, the Embassy, Peace Corps, USIA, and eventually local government and NGO partners to the same electronic bulletin board. This unique communication system has proven invaluable in improving coordination. A working group of PVOs and NGOs now shares new approaches and lessons learned among all cooperating partners working on empowerment activities across all sectors of USAID's program.**
- **In Zambia, USAID and the German aid program, GTZ, co-organized and sponsored a "Dare to Share Fair" that brought together more than 50 individuals and organizations to exchange information on participatory practices.**
- **And in Mali, USAID has funded the efforts of U.S. PVOs to strengthen Malian NGO capacity in primary education and microenterprise. These efforts, in turn, have spin-off benefits in building civil society as community groups are mobilized around issues of common interest.**

**USAID has also begun systematically soliciting the views of non-governmental partners and organizations in the course of developing a U.S. position for consultative group (CG) meetings on African countries. For the Malawi CG, USAID convened a meeting in the field to discuss key**

development issues, such as increasing rural incomes, managing natural resources, improving the quality of primary education, especially for girls, and participatory democracy. For the Kenya CG, USAID met with U.S.-based groups concerned about human rights and democracy. In both cases, these consultations helped inform the U.S. position, providing valuable outside perspectives.

Reengineering also is changing the way USAID does business and enhances participation within USAID missions in Africa. USAID dismantled traditional office structures and staff relationships in the Senegal mission, adopting strategic objective teams as the cornerstone of its reengineered organizational culture. Wanting to focus more on achieving results and less on day-to-day processes, USAID mission staff realigned themselves into teams that for the first time could make decisions and were willing to be held accountable for them. The first result was a well-focused strategic objective that consolidated USAID's environmental and agricultural activities.

Donor Coordination. USAID also is strengthening partnerships with other donors through systematic coordination in a number of different but complementary fora:

- World Bank-led Consultative Group (CG) meetings;
- United Nations Development Programme (UNDP)-led Roundtables;
- the Special Program of Assistance for Africa (SPA);
- the Global Coalition for Africa (GCA);
- Africa-wide sectoral fora (e.g., Special Program for African Agricultural Research, Donors in African Education); and
- formal and informal coordination mechanisms at the country level.

These coordination mechanisms enable the U.S. to: influence the aid policies and programs of other donors; avoid duplication of assistance efforts; enhance the effectiveness of our aid; and leverage policy change from African governments. For example:

- Among the major donors to Africa, USAID has taken the lead in strengthening African participation in the design and management of economic reform programs and in assessing the impact of political liberalization on economic reforms.
- For SPA donors, USAID is also conducting studies on how to make adjustment programs more beneficial to the African poor and developing new ways to analyze and monitor poverty.

USAID's partners consider the Agency one of the pre-eminent leaders in the development community. Consequently, the U.S. exercises influence far beyond its resources. A separate development assistance appropriation for Africa has both practical and symbolic importance to U.S. development partners -- it says the United States continues to recognize Africa's unique challenges, that Africa still matters to the United States, and that the United States remains committed to supporting the African continent's economic, social and political transformation.

Crisis Prevention and the Disaster-to-Development Continuum. For too long, development investments and disaster responses were seen as distinct Agency programs, with little coordination and complementarity. USAID is now doing business differently so these resources work in tandem and are more effective. In the past two years, USAID's Bureau of Humanitarian Response and the Africa Bureau have coordinated closely in the provision of emergency relief and development assistance resources to move countries from disaster to development.

Rather than simply addressing the short-term emergency needs that are symptoms, USAID now uses humanitarian aid to attack the root causes. For example, U.S. PVOs that distribute food aid are incorporating this multi-purpose resource into a wider range of relief and development efforts, such as

food-for-work programs in Ethiopia and Eritrea. At the same time, PVOs are strengthening the capacity of local institutions to undertake rehabilitation and development activities.

USAID also has expanded the programming of development assistance resources, using them to: establish crisis early warning systems; fund shorter-term recovery and rehabilitation activities; support democratic transitions; strengthen conflict resolution and mediation; and support military demobilization in those countries emerging from political crises, as in Uganda and Mozambique.

The focal point for this integrative approach will be the Greater Horn of Africa.

Regional Approaches and Initiatives. USAID is applying these new approaches in developing a long-term **Greater Horn of Africa Initiative (GHAI)**. U.S. emergency aid and development assistance will be jointly programmed and integrated to help countries and the region make the transition from disaster to development. USAID will work with other donors and regional governments and institutions to address the underlying economic and political problems of the Greater Horn.

USAID will focus on achieving political stability and food security in the Horn, including:

- increased capacity in the region for conflict resolution, crisis prevention and response;
- strengthened regional support for effective national food security safety nets;
- greater regional collaboration in promoting economic growth; and
- expanded efforts to address population and migration issues as a root cause of insecurity.

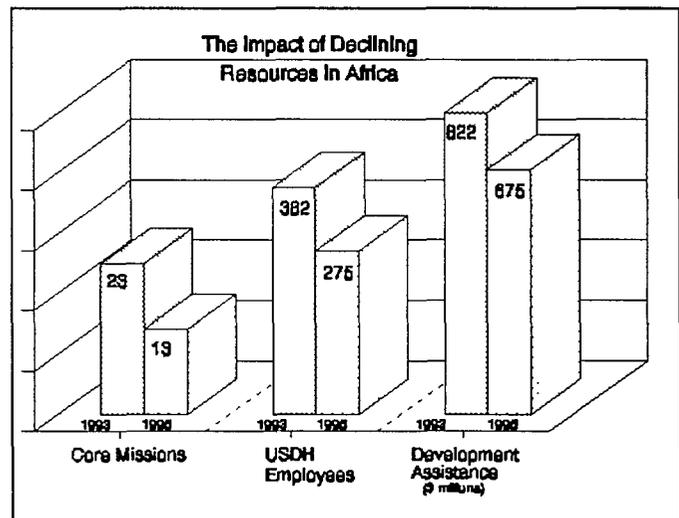
Through the GHAI, USAID can help break the cycle of despair in this region.

As discussed in detail under their respective regional sections, USAID continues to support an **Initiative for Southern Africa** -- focused on enterprise development, democratization and conflict resolution, sustainable agriculture, and infrastructure -- and the Agency is developing regional activities to promote **West Africa trade**.

**But USAID faces serious resource challenges.**

Doing Less with Less

The Administration is strongly committed to promoting Africa's sustainable development. However, the key ingredients to achieving broad impact -- human resources critical to providing technical leadership and carrying on policy dialogue, and financial resources to develop new technologies and strengthen public and private institutional capacity -- are diminishing significantly. In response to the deep cuts this year in both program funding and operating expenses, programs in Africa were cut less than those in other geographic regions. Nonetheless, USAID is at the point where it must focus and concentrate resources in fewer countries, and possibly on a narrower set of development constraints with fewer

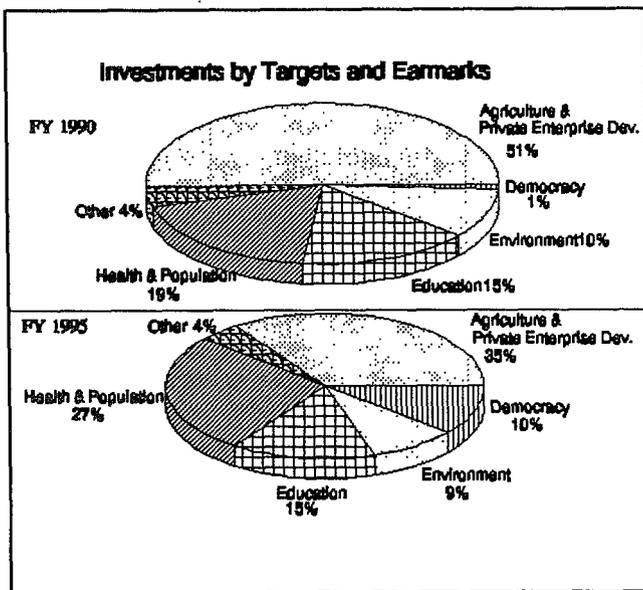


interventions, in order to ensure that the Agency still achieves significant development results. In FY 1996, development aid to Africa is about 25% lower than in FY 1995 and, with the severe cuts in operating expenses, USAID will have fewer staff for overseas posts. Consequently, the Agency expects to maintain about a dozen full sustainable development programs, to accelerate graduation of several others, and to operate limited assistance programs in about eight other African countries.

Maintaining the Balance

An original intent of the DFA legislation was to provide greater flexibility in programming aid to Africa. Critical sectoral priorities were identified in the legislation, but the DFA was free of specific earmarks. However, since 1990, there has been a large increase in the proportion of social sector funding and a concomitant drop in aid for African agriculture and private enterprise development. This has been

an incremental and evolutionary shift, as earmarks and targets increased and overall aid levels have declined. The situation in Africa clearly dictates that USAID provide substantial assistance to the social sectors. However, a balance must be maintained with productive sector investments. Even in the relatively more advanced Southern Africa region, a recent Southern Africa Development Community (SADC) meeting on poverty alleviation concluded that rapid growth in small-scale agriculture is essential for sustainable prosperity. It is only through growth in agriculture and small enterprises that broad economic growth and empowerment will occur in Africa, and only with such growth can advancements in environmental protection be maintained, health standards improved, family size decreased, and political stability achieved.



**FY 1997 PROGRAM**

Progress in Africa has been encouraging, but it is fragile; immense economic, social and political development challenges remain. USAID will continue to support integrated development programs with significant resources in African countries where many of the conditions for sustainable development are not yet in place but where we have good partnerships and effective programs. The Agency's investments and efforts are intended to help people and their societies prosper in the long-term and prevent costly crises in the short-term.

**Encouraging Economic Growth**

**Request: \$296,900,000**

Promoting broad-based economic growth is fundamental to the success of USAID's sustainable development strategy for Africa. American assistance must stimulate growth to move beyond dependency of individuals on the state and beyond dependency of African governments on donors. Thus, it is critical that USAID continue support for the twin pillars of African economies: smallholder agriculture and small and medium enterprises.

Agriculture remains the backbone of most African economies, affecting the well-being of virtually all Africans, in terms of household income and food security as well as the national economy. In FY 97, USAID's request will fund important agricultural development programs in most of the Greater Horn of Africa countries, including Eritrea, Ethiopia, Kenya, and Uganda, as well as major programs in Malawi, Mozambique, Zambia, Zimbabwe, Mali and Senegal. In addition, the ISA and GHAI will promote sustainable agriculture on a regional basis.

Because it is critical to diversify African economies, USAID will promote expansion of non-traditional exports and market liberalization in Ghana, Uganda and Guinea. With small and medium size enterprises serving as a dynamic source of income and job creation, especially for women, USAID will support private sector expansion activities in Guinea Bissau, Kenya, Tanzania, Zambia and Zimbabwe. The new Southern African Enterprise Development Fund and infrastructure investments under ISA are critical to stimulating broad economic growth in the transitional region which could serve as an engine for growth and development model for other parts of the continent.

Finally, USAID is making important investments in human resource development which will reap long-term benefits. Requested funding will support on-going basic education programs, many of which target improving opportunities for girls, in Benin, Ethiopia, Ghana, Malawi, Mali, Namibia, South Africa and Uganda. Namibia and South Africa also have programs focussed on higher education needs, to redress the impact of years of apartheid and develop a cadre of highly skilled Africans for the public and private sectors.

#### **Stabilizing Population and Improving Health**

**Request: \$228,000,000**

Stemming Africa's high population growth rate is typically a strategic objective in USAID's full sustainable development country programs because there is great synergy with other USAID objectives: unchecked population erodes economic growth, undermines attainment of food security, exacerbates environmental degradation, and fuels instability. Thus, it is critical both to sustainable development and crisis prevention. Consequently, the request will fund family planning programs in Benin, Ethiopia, Ghana, Guinea, Kenya, Madagascar, Malawi, Mali, Mozambique Senegal, South Africa, Tanzania, Uganda, Zambia, Zimbabwe and a regional activity for West Africa.

Because infant and child mortality rates across Africa are still among the highest in the world, the Agency is continuing its significant assistance to strengthening health delivery systems and expanding immunization and oral rehydration therapy coverage to save lives. Again, most of USAID's full sustainable development programs include important efforts in child survival. Funding requested will benefit Angola, Benin, Eritrea, Ethiopia, Kenya, Malawi, Mozambique, Niger, Nigeria, South Africa, Tanzania and Zambia.

Finally, in this area, HIV/AIDS will remain a major problems in Africa for the foreseeable future. In fact, in those countries hit hardest by the pandemic, infant and child mortality have begun to rise after falling for decades. USAID will continue its efforts to shift government policies towards active campaigns against HIV/AIDS and to increase public awareness of its causes and of the behavioral changes needed to prevent transmission of the disease. Requested funding will support critical efforts in Ethiopia, Ghana, Kenya, Malawi, Mali, Mozambique, Rwanda, Senegal, South Africa, Tanzania, Uganda, Zambia, Zimbabwe and a regional activity in West Africa.

USAID typically pursues an integrated approach in implementing these efforts in population, child survival and HIV/AIDS which serves to enhance impact and lessen management burden.

**Protecting the Environment****Request: \$112,800,000**

Because Africa's ecology is fragile, good stewardship of the natural resource base is vital to sustainable agriculture, and because agriculture is key to most African economies, sound natural resource management (NRM) is critical to sustainable development. Consequently, USAID programs which have an agricultural development objective are also commonly supporting development of sound NRM policies and host country institutional capacity to monitor environmental changes and early warning systems, as well developing and demonstrating new environmentally-sound technologies. Requested funding will support major NRM programs in Ethiopia, Malawi, Mali, Mozambique, Senegal, Tanzania and regional activities under ISA. The Agency will also fund critical biodiversity protection activities in Kenya, Madagascar, Uganda, Zimbabwe and innovative activities under the ISA.

**Building Democracy****Request: \$86,300,000**

The events of the past few years demonstrate that the African people want change -- they are demanding a role in shaping their political and economic destinies, and they expect their governments to be accountable and transparent. USAID support for democratization and civil society includes electoral support, strengthening democratic institutions such as a free press and independent legislatures and judiciary branches, developing non-governmental organizations, as well as promoting conflict resolution and demobilization of troops. USAID proposes funding for important democratic governance efforts in Angola, Burundi, Ethiopia, Ghana, Guinea, Kenya, Liberia, Malawi, Mali, Mozambique, Nigeria, Rwanda, South Africa, as well as regional activities under the GHAI and ISA.

**The United States must reaffirm its commitment to Africa's sustainable development.**

USAID has implemented high-impact programs which are directly improving the lives of millions of Africans. Innovative systems and approaches fostered under the DFA are serving as models for the rest of the Agency. The Administration is requesting reinstatement of a separate appropriations to underscore the United States' commitment to tackling Africa's complex development challenges in order to prevent crises and promote sustainable development. The \$704 million requested for the DFA will be concentrated in those countries which are committed to sound economic policies and good democratic governance. At a penny a day per American, U.S. development aid to Africa is modest. Nonetheless, American assistance is providing hope for the future of this continent, and USAID is making investments which will benefit the United States -- reducing the likelihood of costly future humanitarian and disaster relief requirements and growing new markets for American exports. The proposed assistance for Africa is a critical and catalytic investment -- in improving the lives of millions of Africans, in strengthening the economic future of the United States, and in bettering the world we leave our children and grandchildren.

## ASIA AND THE NEAR EAST

FY 1997 Development Assistance Fund .....	\$318,200,000
FY 1997 Economic Support Fund .....	\$2,178,400,000
FY 1997 P.L. 480 Title II .....	\$131,364,000

### U.S. NATIONAL INTEREST AND PRIORITIES

#### Securing Peace and Enhancing Trade

Two of the United States' highest foreign policy priorities are to promote comprehensive peace in the Middle East and to strengthen trade and other relations with Asia, the most dynamic and fastest-growing region in the world. The Middle East peace process involves U.S. leadership in the political arena and an increasingly important role for USAID in building regional stability through economic growth. Nearly two million U.S. workers earn their living producing goods for export to the Asia and Near East (ANE) region. As a group, Asia's developing countries now constitute the fastest-growing, regional market for U.S. merchandise exports, expanding at over 14% per year during 1985-94. However, continuing civil strife and/or human rights concerns in highly populated countries, such as Bangladesh and Indonesia, could undermine political and economic progress, as well as regional security. The ANE region faces global problems -- endemic poverty and disease, environmental degradation, rapid population growth -- that affect economic and democratic progress. USAID's program of assistance to the ANE region responds to these challenges with targeted, leveraged assistance that emphasizes impact and sustained benefits.

#### The U.S. Development Challenge

The goal of broadly shared economic growth underpins all USAID efforts in ANE. Such growth is essential if USAID partners are to sustain their development successes and increase their capacity to finance continued successes themselves. USAID programs in ANE help create a favorable climate for sustainable development and greater interdependence in the region. Progress towards sustainable development minimizes debilitating domestic and regional conflicts and creates opportunities for greater market-driven links with the U.S. economy.

The ANE region is characterized by diversity of needs and performance. Bangladesh, Egypt, India, Indonesia, Jordan, Morocco, the Philippines, and Sri Lanka all have achieved significant progress in certain sectors. Nevertheless, even in these countries, persistent challenges remain in one or

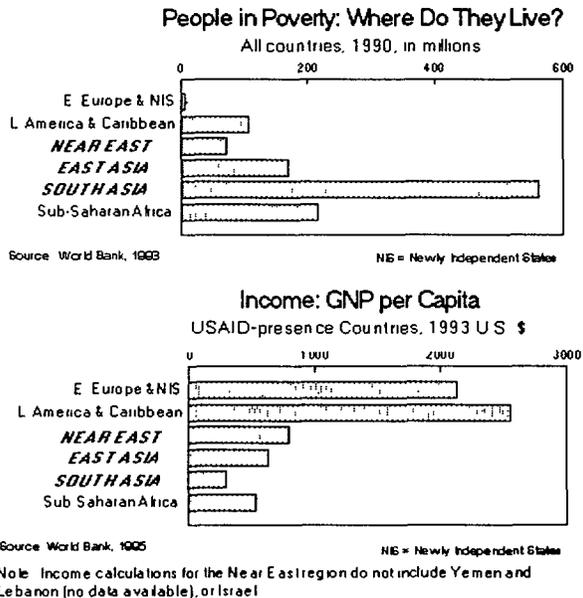


Figure 1

more sectors. The ANE region also contains countries which remain among the poorest in the world, such as Bangladesh, Cambodia, India, and Nepal. USAID-assisted countries in the ANE region, which has a population of 1.8 billion people, contain the vast majority of the world's poor (see Figure 1). Over 800 million people living below the World Bank's poverty line reside in the ANE region, more than triple the number of poor who live in sub-Saharan Africa. The sheer magnitude of poverty in the region, if unchecked, will create pressures on the political systems and economic infrastructure, induce mass migration, and further degrade the environment.

The region's enormous political diversity also influences USAID assistance programs. There are long-standing democracies (India, Sri Lanka, and Israel), nascent democracies (Bangladesh and Nepal), and others which are beginning to grapple with the participatory aspirations of their peoples (Indonesia and Egypt). Political systems are changing almost everywhere. In Morocco and Jordan, monarchies are liberalizing. In Cambodia and Mongolia, democratic transitions are beginning, and in the West Bank and Gaza, there are emerging administrative authorities. Within this range of political systems, USAID programs promote pluralism in societies, transparency and accountability in governments and private institutions, and the respect of universal human rights and rule of law.

#### **Achieving Sustainability Through Effective Donor Coordination and Leveraging.**

Despite declining resources, USAID continues to provide leadership impact in the region through closer coordination with other donors and selective targeting of technical assistance. Good examples of recent donor coordination include high-level discussions with the European Union, frequent contacts with the World Bank and other donors at the country level, and discussions under the U.S.-Japan Common Agenda. Begun in 1994, the Common Agenda provides a framework to identify and implement joint activities in the areas of environment, technology, education, population, HIV/AIDS, child health and women's education. Since 1994-95, joint project formulation teams have been instituted with the Japanese in Indonesia, the Philippines, Bangladesh and India.

USAID technical assistance, leveraged with the resources of other partners, achieves a greater impact than USAID could achieve acting alone. In India, USAID's technical support to the Power Finance Corporation, state electricity boards, and private power companies has helped leverage millions of dollars of loans from the World Bank and the Asian Development Bank. It also has opened the way for significant U.S. private investment in power generation by improving the policy and institutional environment for investment in the private sector. In Indonesia, USAID supports a pilot, managed-health-care model in Central Java that provides a range of preventive and curative health services. This program has been quite successful and is being evaluated as a model for replication to the rest of the country by the World Bank and the Asian Development Bank.

#### **ACHIEVING RESULTS**

The ANE program supports five key priorities:

- securing comprehensive peace in the Middle East;
- strengthening trade and technology links;
- addressing serious global issues affecting regional stability and economic development (e.g., rapid population growth, HIV/AIDS, and environmental degradation);
- strengthening governance and democratic participation; and
- reducing gender disparities in the region for greater development impact.

## Progress in Securing Peace in the Middle East

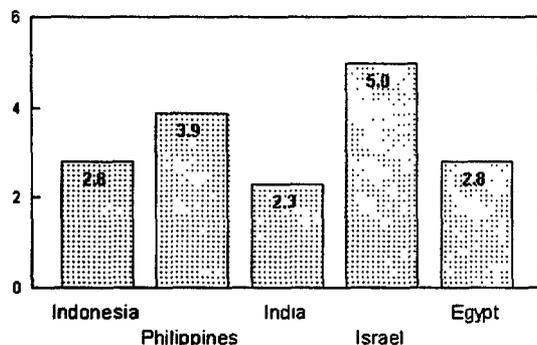
The U.S. provides global leadership to the Middle East peace process, and USAID is making significant contributions to this rapidly evolving, albeit extremely fragile endeavor. USAID actively supported the January 1996 elections in the West Bank and Gaza. In this history-making event, the Palestinians elected their first democratically chosen, self-governing authority. USAID also provided budgetary support through the multi-donor fund to sustain the flow of health and education services and to facilitate the transition of responsibility for key social services to the Palestinians in the West Bank and Gaza. Based largely on the Palestinian Authority's success in tax collections and other revenue generating, USAID budgetary support is expected to be phased out in FY 1996. USAID has also helped strengthen commercial relations among the West Bank and Gaza, Israel, and Arab nations; create jobs through loans to small businesses; upgrade water systems in Rafah, Nablus and Ramallah; and significantly reduce sewage flooding in Gaza City.

In Egypt, the U.S.-Egyptian Partnership for Economic Growth and Development, launched by Vice President Gore and Egypt's President Mubarak in September 1994, is transforming the economic relationship between the U.S. and Egypt from that of donor and recipient, to one of partners. USAID's leadership has focused the combined efforts of the U.S. Government and the private sector to promote more export-oriented economic growth, to help Egypt emerge as an economic base for regional trade and an expanding global market, and to support Egypt's efforts to finance a greater share of its own development.

In Jordan, a USAID-funded road linking Amman to the Dead Sea and the crossing points to Israel and the West Bank contribute to increased regional economic interdependence. The road is the principal conduit for goods and tourists between Amman and Israel as well as the West Bank and Gaza. Overland visitors to Jordan using the new road increased from a total of 42,000 in 1994 to 35,000 during the first six months of 1995 alone.

## Progress in Strengthening Trade and Technology Linkages

U.S. Exports to USAID Countries  
Billions of U.S. \$



Source: U.S. Dept of Commerce, 1994

*Aside from these 5 ANE countries, only 5 other USAID countries worldwide purchased more than \$2 billion of U.S. exports in 1994: Mexico, the Dominican Republic, Chile, Russia, and South Africa*

Figure 2

The thriving investment climate in the region is buttressed by selective USAID assistance. Five ANE countries receiving USAID assistance -- Indonesia, Philippines, India, Israel, and Egypt -- each purchased in excess of \$2 billion of U.S. goods in 1994 (see Figure 2). These countries also received a total of \$5.6 billion in U.S. foreign investment in 1994, and U.S. investors received \$2.3 billion in earnings on past investment. USAID plays an important catalytic role in this dynamic region by supporting key sectoral reforms and investments that increase incomes and create a growing demand for U.S. agricultural products, and environmental, telecommunications and energy technologies.

USAID provided targeted assistance for the liberalization of trade and investment policies to Indonesia and the Philippines, two key members of the Asia-Pacific Economic Cooperation (APEC) forum. APEC is the major forum for U.S. Government efforts to reform the trade and

investment policies of countries in the region. This assistance, complementing that of the government and other donors, supported the analysis and adoption of the May 1995 package of trade reforms in Indonesia. These reforms immediately reduced the average tariff rate from about 20% to 15% and committed Indonesia to a pre-announced schedule of tariff reductions. These changes result in most tariffs dropping to only 5% by 2003. Another significant reform is the recent decision to eliminate the non-tariff barrier on soybean meal imports -- an area in which USAID advisors have done considerable work -- which lowered poultry prices to Indonesian consumers through lower feed costs, and opened up a \$200 million market to U.S. soybean exporters. Similar USAID efforts underway in the Philippines helped that government liberalize the foreign exchange market, reduce average tariff rates from 20% to 16%, commit the country to a single tariff of 5% by 2004, remove import quotas on 840 items, and open new opportunities for private investment in infrastructure and telecommunications.

USAID assistance for the reform of key sectoral policies also spurs growth of incomes and jobs at the same time that it increases trade and technology links with the United States. In Sri Lanka, Indonesia, India, and the Philippines, USAID supports the development of capital markets to mobilize foreign and domestic capital and to improve the efficiency of its allocation. USAID was instrumental in establishing the automated National Stock Exchange, which has rapidly become India's largest exchange. Mobilizing capital for investment also creates jobs. Firms on the Colombo Stock Exchange in Sri Lanka created over 4,500 new jobs in 1995, for a total of 29,000 jobs since 1990 when USAID assistance to the sector began. Overall, 17% of all the jobs created in Sri Lanka's formal sector in the past year can be linked to USAID assistance. In Indonesia, USAID's technical inputs to strengthen capital markets and develop procedures for privatization have resulted in the partial privatization of Indonesia's major telephone and international telecommunications firms in 1995, with shares sold on both the Jakarta and New York stock exchanges. U.S. commercial exports to Indonesia and Sri Lanka have been increasing by around 15% per year.

In areas with persistent pockets of poverty, USAID supports investments in micro-enterprise credit, agriculture and agri-business, and rural infrastructure. These investments are designed to reduce poverty and build a sound foundation for the long-term development of future U.S. export markets. Sri Lanka, Bangladesh, and Egypt, among other ANE countries, have vibrant and successful microenterprise credit programs. Since 1992, USAID support in Bangladesh helped generate more than 70,000 jobs and increase the incomes of almost 30,000 poor women; and USAID's highly successful microenterprise program in Egypt, which has provided small loans to over 42,000 small and microenterprises since its inception in 1989, is now being replicated by other donors. By the end of 1995, USAID-supported rural electrification in Bangladesh enabled the installation of 44,000 irrigation pumps and the establishment of 160,000 small rural businesses. These businesses now provide services to many more rural farm families. Finally, USAID investment in infrastructure and improved agribusiness systems in Mindanao, one of the poorest regions in the Philippines, has enabled family incomes in that region to increase at 6% per year, twice the national average.

Bangladesh depended heavily on food aid, and prior to 1992, never commercially imported significant amounts of grain. USAID-supported privatization of the grain trade and the fertilizer sector, coupled with expanded irrigation, has enabled Bangladesh to become largely self-sufficient in rice and has made it profitable for Bangladeshi grain traders to buy \$115 million of U.S. wheat over the past three years.

### **Progress in Combatting Global Population, Health and Environmental Problems**

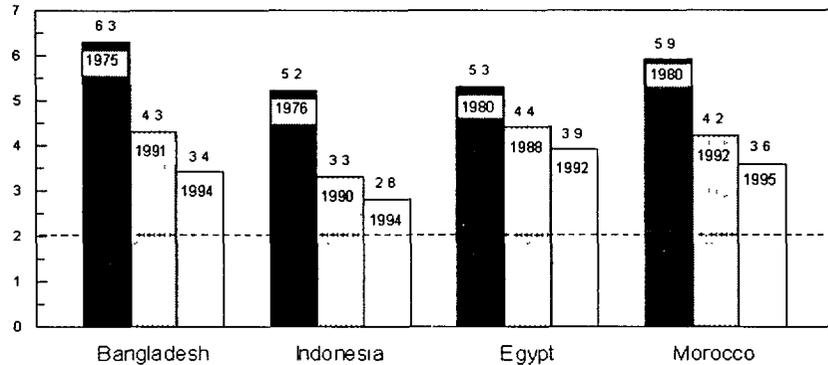
Rapid population growth and severe environmental degradation in the ANE region have serious global impact. USAID encourages an integrated approach that involves linkages among sectors and development partners in addressing these concerns. In dealing with population and health issues, USAID supports mechanisms that facilitate investments in education, family planning, health and nutrition. Likewise, in the environmental arena, USAID actively engages in linking environmental

management programs with economic growth, health and democracy initiatives.

Impressive gains have been made in reducing total fertility rates in ANE countries, which represent some of the most populous in the world and contribute significantly to global population and health status (see Figure 3). To reduce fertility, contraceptive prevalence rates (CPR) must increase. A CPR of 50% or higher indicates a successful family planning program. Indonesia has reached 55%; Philippines, over 50%; and Bangladesh

and Egypt, over 45%. The level of contraceptives obtained from private sector sources indicates a broad acceptance of family planning, a willingness to pay for services, and the government's commitment to provide a policy framework that supports access to quality services. Sixty-eight percent of married couples who use contraceptives in Egypt, 33% in Morocco, and 28% in Indonesia currently receive them from private sector sources.

### Success in Family Planning Reductions in Total Fertility Rate



Source: Demographic Health Survey, various years

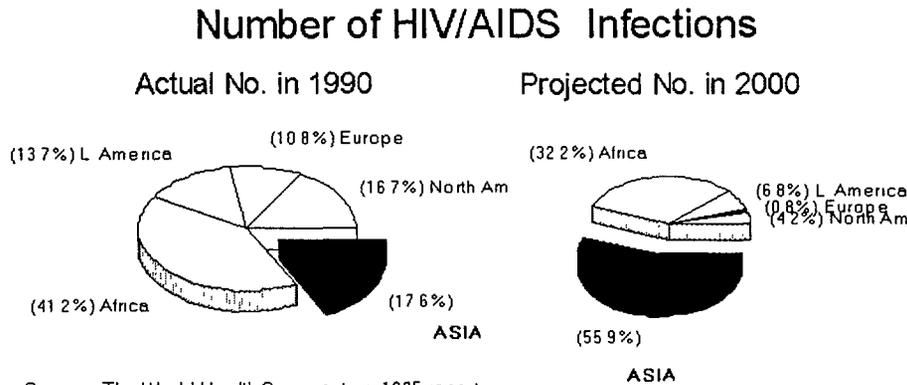
Total Fertility Rate (TFR) is the average number of live births over a woman's reproductive life. A TFR of 2.1 children is the replacement-level fertility

Figure 3

In child survival, USAID has helped support immunization programs in many countries. The global goal of 85% coverage of all children under age one was reached by Morocco in 1995. Egypt surpassed that goal in 1990 and has sustained 90% coverage, which is evidence that the systems are in place and being institutionalized. Several countries also are beginning to achieve sustainability in vaccine procurement. Morocco, the Philippines and Bangladesh have all subscribed to the UNICEF-led Vaccine Independence Initiative, and are procuring vaccines using national revenues. India now produces and supplies 65% of its annual requirement of the diphtheria/pertussis/tetanus (DPT) vaccine and 100% of measles vaccine. In 1995, as part of the Asia regional effort to eradicate polio, USAID supported India's effort to immunize more than 90% of children under age three. This is a significant achievement, since India reports almost 58% of the world's polio cases, and is responsible for 75% of the world's polio importations. Malnutrition and micronutrient deficiencies such as vitamin A, iron and iodine are underlying causes of high maternal and child mortality and morbidity. In Nepal, vitamin A capsules are distributed twice yearly by 14,000 female community health volunteers to 1.8 million at-risk children. Nutrition training of women's NGOs in Indonesia resulted in a five-fold increase of vitamin A coverage to 70% in targeted locations and an increased awareness and consumption of vitamin A and nutritionally rich foods.

Maternal mortality remains exceptionally high in many USAID-assisted countries. USAID addresses this by stressing the importance of prenatal care, with the result that high-risk pregnancies are identified and increasing numbers of births are attended by trained personnel. In Egypt, the percentage of women receiving prenatal care rose from 14% in 1988 to 53% in 1993, and the percentage of births assisted by trained personnel increased from 25% in 1991 to 65% in 1993. In Nepal, USAID assistance financed the development of a simple, home delivery kit that helps ensure basic hygiene during delivery. This kit surpassed expected sales by more than 400%.

Asia is expected to overtake Africa as the global epicenter of the HIV/AIDS epidemic in the next decade. Therefore, USAID is implementing a well-coordinated regional response with host countries, NGOs, and other partners (see Figure 4). In countries where HIV/AIDS poses a threat, education and prevention programs are now in place. Programs include increasing access to and use of condoms, improving knowledge and practice of HIV / sexually transmitted infection (STI) risk-reduction behaviors, addressing cross-border HIV transmission, and promoting better STI case management.



*The number of HIV/AIDS infections in Asia alone is estimated to increase from 320,000 in 1990 to over 11 million in the year 2000.*

Figure 4

Significant USAID investment in Thailand already has resulted in a sustained decline in sexually transmitted disease rates over the last three years and, for the first time during this past year, a slowing of the rise in HIV incidence.

In parallel with the population and health problems, the ANE region faces a variety of environmental challenges that imperil the sustainability of its rapid economic and social development. USAID's environmental program focuses on developing solutions to environmental problems that yield simultaneous and direct economic, public health, and democratic benefits, as well as environmental results.

USAID and its partners spearheaded a new approach to forest and biodiversity conservation by promoting decentralized, community-based, natural resource management. This approach

#### How Biodiversity Conservation Can Be Sustainable

The USAID-funded Biodiversity Conservation Network (BCN) has initiated 11 demonstration projects in 7 Asia/Pacific countries to test the effectiveness of some innovative, on-the-ground projects that integrate conservation with social and economic development. BCN helps small businesses develop products from natural resources (e.g. resins, oils, medicinal compounds, nuts), using techniques that conserve the long-term sustainability of the natural eco-systems, so that these community businesses have an economic interest in continued sustainable management of the resources. The sites encompass 2.2 million hectares, with over 200,000 residents and 26 commercial enterprises that already employ over 5,600 people. The BCN will provide information to policy makers, the donor community, and environmental and development organizations about the conditions under which these enterprise-based approaches can contribute to biodiversity conservation.

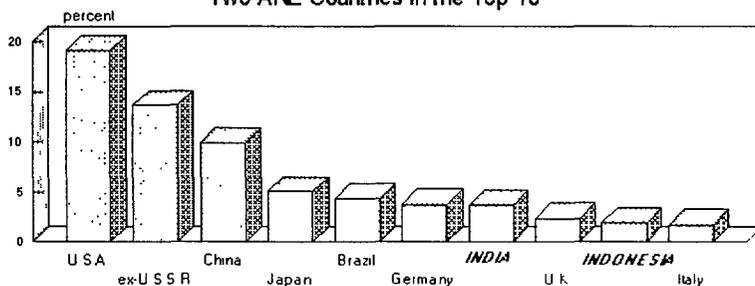
Figure 5

aims at linking generation of income and enhancing public input into decision-making and civil society to the conservation and sustainable use of biodiversity (see Figure 5); it also benefits women who are the primary users of forest and agricultural products. With USAID leadership, precedent-setting new

laws and policies have been developed in the Philippines, Indonesia, Nepal, and India. In the Philippines, forest areas under community management increased from 19,600 hectares in 1994 to 69,000 hectares in 1995, plus an additional 148,000 hectares are now protected under indigenous communities' resource rights. Similarly, in Nepal, USAID's support to 600 community forest user groups in 16 districts improved management and productivity of 50,000 hectares of forestland, with the value of biomass produced from community forests now increasing by \$8 million annually.

In combatting global greenhouse gas emissions, USAID's efforts center on enhancing energy efficiency,

**Global Challenge: Largest Greenhouse Gas Emissions**  
Two ANE Countries in the Top 10



Source: World Resources Institute 1994

Figure 6

managing demand, and developing new renewable energy sources. USAID programs in improved forest management also serve to prevent green house gasses (e.g. carbon) from being released into the atmosphere (see Figure 6). In Egypt, USAID's assistance has been instrumental in reducing the amount of energy leakages by about 13% between 1990 and 1994, yielding concurrent reductions in sulfur dioxides, nitrous oxides, carbon dioxide, and particulate matter. In India, the world's second fastest-growing greenhouse gas producer, USAID's efforts are helping to increase the portion of power generated by clean, efficient technologies, and thereby, decrease the volume of greenhouse gas emissions per unit of power generated. These undertakings translate into major opportunities for U.S. exports of clean technology.

Complementing these efforts, USAID champions policy initiatives to reduce industrial and urban pollution. Indonesia and Egypt have adopted new pollution standards; Sri Lanka, and soon the Philippines, will have improved monitoring, enforcement, and incentive systems for pollution reduction; and Indonesia, Sri Lanka, Jordan, the Philippines, Morocco, and India now have voluntary factory audit programs. Several USAID-assisted, long-term construction projects to address urban pollution were completed in Egypt in 1995, resulting in improved access to sewerage and wastewater treatment for an additional 1.2 million people in Cairo and Suez and potable water for 3 million more people in Cairo. Over 22 million Egyptians now benefit from improved water and wastewater systems. In Indonesia, during the last seven years, more than 3.5 million people in urban slums have improved access to potable water and sewerage services as a result of USAID assistance. Similarly, over the last decade, Morocco's modern sewerage and potable water systems have reduced water-borne diseases and flooding for over 600,000 people (70% of whom are below the country's median income level). These activities result in cleaner air and water, directly benefiting public health, child survival and economic development.

Water resource management is an important political issue and another environmental area of particular concern to the sustainable development of the ANE region. In the Middle East countries and in South Asia, water management issues -- availability, access, allocation, and appropriate use -- can lead to destabilizing regional conflicts. USAID continues to develop mechanisms to encourage the judicious use of water. Past USAID support in the irrigation sector in Egypt resulted in the improvement of irrigation systems, and an increase in farmer participation and control over water delivery. In Nepal, the doubling of agricultural production occurred through the successful transfer of state-managed

irrigation systems to water user associations. Improved water-use efficiency resulted from the employment of new technologies in one of Morocco's largest irrigation zones.

### **Progress in Strengthening Governance and Democratic Participation**

Due to the tremendous political diversity among and within the countries of the ANE region, USAID provides important assistance to the peaceful transition to and consolidation of democratic states and society. USAID also assists more developed democracies to strengthen political participation at the local level, and promotes the empowerment of women in economic and social fora.

USAID supported the history-making January 1996 elections in West Bank and Gaza, where Palestinians elected their first democratic governing body. USAID financed the formation of more than 40 local groups that organized a domestic elections monitoring team; trained 15,000 Palestinians in voting techniques, with a focus on women, rural citizens, youth and former political prisoners; funded international observers; and provided technical assistance to the Elections Commission. In Cambodia, USAID's recent aid has focused on rebuilding the legal system of the country destroyed by genocide, civil war, and foreign occupation. Specifically, USAID assistance is helping Cambodia with the reform of the law (commercial and penal codes), developing a system of legal aid for the poor, building up human rights groups, strengthening the new Cambodia Bar Association, and helping maintain press independence. In Mongolia, USAID is supporting the civil society and the judiciary as pluralistic checks to the government and parliament which are still dominated by the country's former communist rulers. An important result is the recent establishment of the Women's Coalition, which joins 20 women's NGOs for the purpose of influencing the critical parliamentary elections that will be held in June 1996.

In Indonesia and Egypt, major ANE countries where USAID is encouraging democratic transitions, NGOs are supported to strengthen the rule of law. In 1995, USAID-supported NGOs in Indonesia pushed for a reduction in telephone rates, an improved labor regulation, the removal of the symbol for ex-political detainees from identification cards, legislation for new mechanisms for alternative dispute resolution to improve conservation practices, the breaking of the East Timor coffee cartel, and heightened activism by the National Human Rights Commission. In Egypt, with USAID's support over the last two years, a number of NGOs have become increasingly effective in representing their constituencies (such as water-user groups).

In the Philippines and Bangladesh, where previous USAID assistance laid the foundation for a strong civil society, the mushrooming of competent and genuine people's organizations and community associations now provides the constituency base for policy and legislative reforms. In the Philippines, USAID is continuing its assistance to the government's path-breaking effort to devolve political power and resources to the localities. In Bangladesh, USAID piloted a program of alternate dispute resolution and mediation for 4,000 cases in 15 communities.

USAID's Women in Politics (WIP) program supports the political empowerment of women through a regional network and through country-specific programs. In the past year, the network held regional workshops that discussed strategies for putting gender issues on the national policy agenda and created a cross-cultural curriculum for training women political leaders. In Thailand, in 1995, the WIP program trained more than 1,000 women in five northern provinces before the local elections. Of the 289 women who ran, two-thirds had received training and 109 were elected, increasing the share of female office-holders in these provinces from 1% to 14%. For its success in increasing the involvement of women in the political and judicial processes in Thailand and in other countries in the ANE region, the WIP program has been adopted as an Agency model worldwide.

## **Progress in Reducing Gender Disparities**

More and better education for girls is a powerful factor that enhances women's ability to obtain higher-paying jobs. Separate studies found that a single additional year of schooling resulted in a 16% increase in yearly earnings for Moroccan women, and in a 26% increase in hourly wages for Thai women. Further, ANE countries with higher levels of female education have lower rates of child mortality and lower fertility rates. This is especially true when female education is accompanied by widespread availability of mother and child health services, family planning information, and modern contraceptive methods. In Pakistan, an additional year of school for 1,000 women is estimated to increase their wages by 20% and to prevent 60 child deaths, 500 births, and three maternal deaths. In both Egypt and Morocco, USAID is initiating girls' education programs to redress widespread disparities: in Egypt, only 34% of adult females are literate versus 63% of adult males, and in Morocco, about 70% of women are illiterate and only 48% of girls nationwide attend school.

In Nepal, USAID activities addressed the three critical dimensions of women's empowerment: the total number of literate adult women increased by 30% in one year as a result of accelerated nonformal education classes implemented by USAID-supported NGOs and the Ministry of Education; the number of women learning about their legal rights exceeded expectations by 45% and the number seeking legal redress using the services of USAID-supported legal aid clinics increased ten-fold; and the number of Grameen-type loans to women for microenterprise activities more than doubled.

USAID activities in both the environmental and democracy sectors also offer unique opportunities to address gender disparities. USAID leadership in advancing community forest management benefits women, who are the primary users of forest and agricultural products. Many community forest user groups in Nepal and Indonesia are now managed by women. In the democracy sector, USAID assistance has helped establish the only independent garment workers' union in Bangladesh, with over 40,000 members, predominantly women. Members of this union, as well as many of the one million plus non-member garment workers who benefit from union activities, are becoming increasingly aware of their legal rights and gaining access to better wages and other benefits.

## **PROGRAM AND MANAGEMENT CHALLENGES**

Through support for policy and institutional reform that is required for economic growth, effective population and health service delivery, democratic governance, and environmental management, USAID programs promote the four areas that have the greatest impact on sustainable development in the region. The best examples of development success in the region are countries with outward-looking economies, expanding trade, increased participation by both men and women in the market place, better access to government and public policy institutions, increased investments in the quantity and quality of social services (especially health and education), and higher environmental quality standards. These countries are more likely to engage in constructive dialogue to resolve regional conflicts and manage internal strife. In the face of declining resources, USAID's challenge is to maintain the provision of quality technical assistance and ideas -- the very aspects of the U.S. development assistance relationship most valued by the host countries and USAID partners. The provision of technical expertise and ideas is also the very means by which USAID advances U.S. foreign policy priorities.

## **Resource Allocations**

Resource allocations in Asia and the Near East reflect U.S. national foreign policy interests, performance of ANE country economies and USAID programs, potential markets for U.S. exports, and ANE country contributions to global problems such as population growth, carbon dioxide emissions and HIV/AIDS infection. Overall, USAID has devoted fewer resources to ANE countries over the past

several years, with the exception of Egypt, Israel and West Bank and Gaza. On average, across the entire region, USAID now provides less than 8% of total development assistance.

An important resource in the ANE region is the Economic Support Fund (ESF). In addition to the support for Israel and Egypt, ESF is used to assist the democratic transitions underway in Cambodia and Mongolia, programs in Jordan, Lebanon, the West Bank and Gaza, regional activities linked to the Middle East peace process, and the resolution of differences over access to South Pacific tuna fisheries for U.S. vessels.

### Program Transitions and Graduations

A focus on sustainability and transition is central to ANE program management. As sectors in USAID-assisted countries reach a level of performance that appears to be sustainable by indigenous public and private institutions, USAID will initiate steps to determine the country's capacity and readiness to graduate from U.S. assistance. Such steps are based on a number of factors, including the maturity of the sector systems to produce information, products, and services that are sufficiently well-valued by the population so that enough national resources are committed to ensure their continued existence.

Indonesia and Morocco are two examples of mature health and family planning programs where USAID is preparing transition plans for an orderly disengagement of support in this sector (see Figure 7). Both countries are characterized by committed governments that have recognized both the crucial role that demographic balance plays in economic development and also the need to integrate population considerations into national socio-economic planning. These countries allocate significant resources to the population and health sector, have instituted cost-recovery schemes, and support a growing private sector. Each country has developed both national and international training programs, and so serve as important training resources within the region.

**Health Maintenance Organizations (HMOs)  
Come to Indonesia:  
Demonstration of a Sustainable Model**

Since April 1994, with USAID support, approximately 14% of the population of the Klaten district in Central Java have chosen to enroll in a trial managed health care program. For an affordable monthly payment of 70 U.S. cents per person, each enrollee now has access to a comprehensive range of both preventive and curative health services provided through a combination of public and private providers and facilities. The World Bank and the Asian Development Bank are planning to expand this USAID model to their major project areas, which will ensure basic health coverage in the most populous provinces.

Figure 7

Another key USAID transition plan objective in Indonesia is to promote continued economic growth while moving to a relationship which emphasizes sustainable, mutually beneficial linkages between the United States and Indonesia. USAID's long-standing economic growth assistance has contributed to Indonesia's strong economic performance in recent years and has leveraged other donor and private resources as a result.

USAID also continues to evaluate different management approaches to address the changing realities and opportunities in the region. Through the United States-Asia Environmental Partnership, USAID seeks to link the energies and expertise of the U.S. private sector with emerging demands for such skills in developing countries. The export of clean technologies benefits U.S. business and U.S. national interests in seeing reduced greenhouse gases and pollution and more efficient use of non-renewable energy resources. Finally, USAID will evaluate ways of providing support through

alternative mechanisms -- with private sector entities, NGOs, host countries, and other donors -- to reduce both the levels of USAID financing and oversight.

### **External Debt**

The ANE region is relatively less encumbered by debt than other regions, although it varies considerably by country and sub-region. In assessing the burden of external debt, comparisons are often made with the level of exports. In East Asia, the Middle East and North Africa sub-regions, the net present value of future debt service is roughly 92% of the region's exports, significantly lower than Eastern Europe (128%), sub-Saharan Africa (151%) and Latin America (228%). By contrast, the ratio for the South Asian sub-region is much higher at 206% of exports. The most heavily indebted ANE countries relative to the size of their economies are Jordan and Vietnam. The U.S. forgave approximately \$660 million of Jordanian debt owed the U.S. in two tranches during 1994-95; a small amount remains to be forgiven.

### **FY 1997 PROGRAM**

The total development assistance request for Asia and the Near East is \$318,200,000. Economic growth activities account for \$54,800,000, or 17.4% of the total. About \$56,200,000 of economic funding will be invested in child survival interventions, girls' primary education, and a highly focused HIV/AIDS program. Population and related health activities will continue to be our biggest global investment at \$109,600,000 (34.2%) and \$54,200,000 (17%), respectively. Funding will emphasize institutional and financial sustainability, particularly for mature programs, and transition planning in some sectors for two of the most successful countries. Environment programs account for \$73,100,000 (22.8%) and support programs that would prevent further environmental degradation. USAID democracy and governance activities, which focus on strengthening local institutions and organizations, total \$26,500,000 (8.3%) .

Economic Support Funds, requested at \$2,178,400, are for the most part, directly linked to the Middle East peace process and will support development activities in West Bank and Gaza, Egypt, Lebanon, and Jordan. In addition, a smaller amount is targeted at two countries in transition, Cambodia and Mongolia, and for U.S. treaty undertakings for access to South Pacific tuna fisheries.

P.L. 480 Title II food aid, \$131,364,000, is proposed principally for India and Bangladesh.



## EUROPE AND THE NEW INDEPENDENT STATES

FY 1997 Assistance to Central Europe . . . . .	\$475,000,000
FY 1997 Assistance to the New Independent States . . . . .	\$640,000,000
FY 1997 Economic Support Fund . . . . .	\$94,600,000
FY 1997 Development Assistance Fund . . . . .	\$5,700,000
FY 1997 P.L. 480 Title II . . . . .	\$25,000,000

### INTRODUCTION

It is clearly in the national security interests of the United States to see the nations of the former Eastern bloc and Soviet Union complete their transitions to peaceful democratic rule and market economies. USAID was quick to respond to the unique foreign policy challenges brought on by the unprecedented transformation of Central Europe and the New Independent States (NIS) of the former Soviet Union. In just seven years in Central Europe and four in the NIS, the U.S. assistance program has helped jump start the development of market democracies. Democracy has clearly taken root in most of Central Europe, and the private sector now dominates economic activity in most states there. Historic changes have occurred in the NIS from development of independent media and grass-roots organizations giving voice to citizens, to massive private sector ownership and entrepreneurship. A significant start has been made in creating the institutions and systems which permit the rule of law and nurture private initiative. The U.S. Government has made an impact. It is now crucial that the United States help these nations consolidate these changes and make them irreversible.

### Program Management

U.S. assistance programs in Europe and the New Independent States are uniquely structured to meet U.S. foreign policy challenges. Assistance programs are overseen by two legislatively mandated State Department coordinators, one for the New Independent States under the FREEDOM Support Act (FSA) and the other for Central Europe under the Support for East European Democracy (SEED) Act. This oversight is intended to ensure coordination of policy and development decisions in this relatively new and critically important region, and to promote synergy among U.S. Government assistance programs. USAID manages the largest portion by far of U.S. assistance to the region. In addition, a dozen other U.S. Government agencies implement programs financed through the FSA or SEED resources. A major element of assistance to Russia, the Gore-Chernomyrdin Commission, is under the direct leadership of the Vice President.

### U.S. NATIONAL INTERESTS AND PRIORITIES

The outcome of the political and economic changes now underway in Central Europe and the New Independent States clearly affects vital U.S. interests.

The tremendous benefits inherent in having Russia move away from confrontation provides sufficient reason for the United States and its Western allies to continue to aid that country's difficult evolution toward a market-oriented democracy. In addition to helping avoid potential future threats to U.S. security, the USAID assistance program is creating new and expanded trade and investment opportunities for American business.

Political and economic reforms pursued by governments across Central Europe and the NIS have already yielded significant, tangible benefits.

- **Diminished security threat.** The United States and our European allies face a dramatically diminished security threat as a result of the end of the Cold War and accompanying steady progress in reducing nuclear and conventional arsenals.
- **Peace Dividend.** The end of the East-West rivalry has freed up resources for investing here at home to bolster U.S. international economic competitiveness and improve U.S. economic well-being. The "peace dividend" -- estimated to be as high as \$230 billion in reduced defense costs since 1990 -- permits greater focus on domestic needs.
- **Democratic Expansion.** Throughout much of the region, elections -- for parliaments, for presidents, for local governments -- have been deemed "free and fair" by neutral domestic and international observers. Citizen participation and empowerment are further evidenced through hundreds of active non governmental organizations (NGOs) across the region, including free trade unions and human rights organizations. Most Central European and NIS citizens are informed by free print and broadcast media, which are expanding the "marketplace of ideas" and growing into a reliable check on government power through critical, independent reporting.
- **New market development.** U.S. trade with the region has more than doubled in the last decade and has the potential to multiply several fold in the coming years, translating into well-paying export-related jobs. Private U.S. investment, previously non-existent, is well over \$10 billion.
- **Regional Security and Cooperation.** The countries of Central Europe and the former Soviet Union are cooperating to build new security arrangements to promote peace and economic prosperity and are working closely with the United States to address regional and global problems.

#### Development Challenges

Central Europe and the New Independent States pose a wide variety of unique challenges to U.S. global assistance policy of promoting sustainable development. These are not underdeveloped countries, but rather they have been misdeveloped and are out of sync with international market forces. The challenge is not to develop human and physical infrastructure, as educational levels are for the most part relatively high, and lack of physical infrastructure is generally not the major obstacle to growth. The task is rather to assist these countries with the intellectual concepts needed to redirect their resources toward open and participatory political and economic systems. The need in most countries is not for a protracted program of economic assistance, but for strategically targeted support during a critical period of economic and political transition, followed by an appropriate phaseout. The challenges vary widely among Central Europe's northern and southern tiers, Russia, Ukraine and Central Asia, and the conflict-torn areas of the Caucasus and Tajikistan. Each nation faces a different set of circumstances, some requiring only brief transitional assistance, others humanitarian and conflict resolution support, while some face longer-term development challenges.

The Dayton Accords present a unique opportunity to help build durable peace in Bosnia-Herzegovina. The U.S. Government is committed to stabilizing the post-war situation and providing a foundation for economic revitalization and the establishment of effective political and constitutional institutions. The U.S. Government also is committed to helping meet remaining humanitarian needs. Of the proposed funding for Central Europe, USAID plans to provide \$200 million to continue activities begun in FY 1996 to respond to these extensive challenges. The bulk of these funds will support reconstruction finance, municipal infrastructure and services, and economic and democratic technical assistance programs. The remaining funds will support police training and monitors to promote security and stability; fund demining to address the significant threat of mines to security and reconstruction; and

provide administrative costs associated with implementation of the program. Reconstruction finance focuses on fast-disbursing commercial loans and quick-impact micro-lending. USAID's municipal infrastructure and services program provides infrastructure rehabilitation, housing repair and small business development. Economic technical assistance in the areas of macroeconomics, budget and fiscal, banking sector and privatization will help lay the foundations for economic recovery. Democracy programs will focus on building civil society and strengthening democratic institutions such as the media, the judiciary and government administration. In addition, USAID proposes \$25 million in P.L. 480 Title II for Bosnia. Due to the rapidly evolving situation in Bosnia, USAID will retain some programming flexibility to respond to other needs that may arise.

## **ACHIEVING RESULTS**

The USAID program pursues three strategic goals in Europe and the New Independent States region: economic restructuring, democratic transition and social stabilization.

### **Economic Restructuring.**

USAID has played an instrumental role in achieving sweeping economic changes, including mass privatization, land privatization, banking systems and energy sector restructuring. Establishment of private property rights and the growth of entrepreneurship have given ordinary citizens a stake in the new economic system. Most countries have made systemic changes such as creation of laws and institutions to permit private business, as well as specific changes in practices such as adopting Western accounting principles and banking practices. Some successes in the overhaul of these previously command-based economies include the following:

- In the Czech Republic, virtually all small and medium enterprises are in private hands. The Ministry of Privatization will be dismantled by June 1996, having completed its task and facilitated \$4 billion in investment transactions during six years with \$22 million in assistance from USAID.
- Mass privatization in Russia, which was successfully completed in July 1994 with U.S. assistance, resulted in one of the largest transfers of state-owned assets to the private sector in history and in the creation of over 40 million new shareholders. Today over 60% of gross domestic product (GDP) is generated by the private sector, and almost 50% of Russia's workers are employed in private firms -- almost three times as many as in 1992.
- USAID technical assistance facilitated the opening of the Central Asian Stock Exchange in Almaty, Kazakstan in April 1995, and the establishment of an independent Securities Commission. These are important steps in the development of secondary financial markets in the country.
- Ukraine's thermal power sector is being rapidly transformed from a state-owned monopoly to a competitive private system. USAID assistance helped break down eight mammoth monopolies and reconfigure them into a system of over 33 leaner companies. In addition, U.S. assistance helped create a National Electricity Regulatory Commission, the *first* of its kind in the NIS, to regulate retail tariffs and ensure fair competition.
- Important advances in market reforms are taking place. In Poland, the private sector now accounts for over 56% of GDP. Rapid private sector growth drove expansion of the Polish economy by 5% in 1994 and is about 6% in 1995. In Hungary, the private sector is approaching 60% of GDP, with private sector exports being a major factor in 1995's GDP

growth of 3%. The Albanian economy remains the fastest growing in the Central Europe region, with 7% growth expected in 1995, and annual inflation dipping into the single digits.

- In Kazakstan, which energy analysts believe holds a substantial portion of the world's fossil fuel resources, USAID assistance strengthened the oil sector management control systems, and influenced relevant oil and gas laws, tax codes and export policies. Control systems reforms are helping the World Bank to attract investors for the Zen oil field, currently the largest producing field in the country.
- USAID has provided agribusiness development grants to U.S. companies that establish joint ventures and create elements of a private food system in the NIS. USAID commitments of about \$32 million for these grants are being matched by over \$160 million in U.S. company investment -- a ratio of 5:1, well above the target level of 2.5: 1.
- USAID-sponsored grantees helped Russian reformers develop a new Russian Civil Code which has been hailed as the most important Russian document of the last decade. Parts I and II of the Civil Code are judged to be as important to the economic system as the constitution is to the political system. The code spells out in detail the elements of law essential to market systems: contracts, insurance, liability, torts, leasing, loans and credits, transportation, labor contracts and securities. Similar codes based on the Russian example were adopted in Kazakstan and the Kyrgyz Republic. Armenia and Georgia are using the Russian Civil Code as the basis for writing their own laws. Implementation mechanisms and enforcement will be critical to make the rule of law an everyday reality, but this new code is the cornerstone to letting businesses and individuals work under predictable, transparent and fair processes and procedures.

#### Democratic Transition

Democratic governance is critical to these formerly single party authoritarian states. During the period of communist rule, there was widespread abuse of civil and human rights and little access to information or citizen participation in political decision-making. Now free and fair elections are being held across the region, governments are being decentralized, independent media access is making information available and increasing governmental accountability, and NGOs are attracting support and influencing policy as they help articulate citizens' needs.

- In Ukraine, materials provided by the USAID-funded Parliamentary Development Program on budget systems and processes provided the basis for the enactment of the July 1995 Revised Budget System Law. This law allows for the reform of budget and budgetary control processes, including the development of an auditing control body similar to the U.S. General Accounting Office.
- In Georgia, USAID is facilitating greater parliamentary transparency and independence enabling elected officials to develop reform-oriented policies and laws as a co-equal branch of government. USAID-funded Internet access to U.S. and international legal resources supported the drafting of the Georgian constitution and will continue to aid the country's legal infrastructure development. This project had the additional benefit of addressing one of Georgia's major obstacles to further reform, its collapsed communication infrastructure.
- USAID assistance in Central Europe's southern tier has helped citizen advocacy groups launch vigorous non-partisan voter drives and poll-monitor training programs, which boost participation and guarantee transparency. As a result, voter turnout in Bulgaria's December 1994 election was a strong 72%. In Albania, civic vigilance by USAID-trained NGOs helped discover and

resolve problems in recent municipal by-elections; the subsequent run-off elections were free and fair.

- USAID funding has helped establish an alternative TV news distribution system in the NIS. In 1995, many of the stations involved in this system gave viewers their only exposure to objective information on the war in Chechnya.

#### **Social Stabilization.**

When social dislocation is ignored or inadequately addressed, citizens suffer. Citizens associate their plight with reforms, and in some cases have used their newly acquired voting rights to re-elect former communist leaders who exploit these concerns. Neither USAID nor other donors can finance social "safety nets," but the agency can provide targeted technical assistance to strengthen the countries' own social protection systems. For example, helping Ukraine, Russia and Slovakia to move away from virtually free housing for all to market-based rents and maintenance fees has improved the quality of housing while freeing municipalities' resources for targeted subsidies for the most vulnerable groups. USAID also has played a major role in alleviating suffering caused by civil strife, particularly in the Caucasus, Tajikistan and Bosnia.

- USAID-funded health reform programs in Russia, Central Asia, and Ukraine improved efficiency in 1995 by introducing new reimbursement systems and encouraged facilities to adopt merit-based pay for health providers. This program encourages the development of private medical practices: this year, nine Russian and 16 Kyrgyzstani primary care practices opened, serving as models for others.
- In Russia, the Rational Pharmaceutical Management program is helping to reduce waste, and improve resource allocation, use and managerial efficiency. The program already has helped regional authorities save scarce resources through competitive procurement of pharmaceuticals; prepared the *first* restrictive drug formulary, which led to the removal of 1,500 costly, unsafe or ineffective drug products from the market; and demonstrated how private sector community pharmacies can improve their performance.
- USAID support helped 600 long-term unemployed Hungarians return to work through a USAID/ U.S. Department of Labor pilot labor project. Twelve additional project sites have been activated to address mass layoff issues and to counsel an estimated 5000 unemployed workers.
- The USAID program in Bosnia-Herzegovina is meeting humanitarian needs, such as safe winter heating for 132,000 Sarajevans. USAID also is laying the foundation for lasting peace, through activities such as an infrastructure repair activity which promotes ethnic reconciliation.
- USAID-provided assistance has led to the leveling off of diphtheria epidemics in Ukraine and Russia. With assistance from the U.S. Centers for Disease Control and Prevention and USAID-funded organizations, diphtheria control models have been established which will be replicated in other parts of the NIS.
- Supplemental food assistance was provided to the most economically vulnerable small children and pregnant and lactating mothers in Armenia and Georgia. Food and transport funding was provided to refugees and internally displaced persons through the World Food Program in Azerbaijan and Tajikistan.

## Donor Coordination

Donor coordination has allowed the United States to leverage hundreds of millions of dollars for the region and to obtain the maximum benefit from limited resources. USAID coordinates its activities with the World Bank, the European Bank for Reconstruction and Development (EBRD), and the European Union's (EU) technical assistance programs for the NIS (TACIS program) and Europe (PHARE program), as well as through the recently launched Transatlantic Initiative with the EU. USAID's technical assistance often has set the stage for World Bank and EBRD work in energy, housing, and social sector restructuring loans. For example, USAID's analysis of the Armenian energy sector paved the way for World Bank lending for a major power plant construction program, and in Russia, a USAID housing technical feasibility analysis led to a \$400 million World Bank loan. The USAID-funded Polish-American Enterprise Fund has attracted over \$100 million in leveraged capital from the EBRD, Creditanstalt Bank and private investors to establish the Polish Private Equity Fund, and another \$50 million will soon be forthcoming from the EBRD in support of the country's mass privatization program. USAID and EU-TACIS meet regularly to coordinate at both the strategic and project levels. The U.S.-EU Transatlantic Dialogue Initiative provides a permanent consultative mechanism.

In Bosnia-Herzegovina, European contributions for humanitarian assistance throughout the war greatly exceeded the \$1 billion of the United States. Now, following the Dayton Peace Accords, the international community is working closely on all aspects of economic recovery, in full coordination with the North Atlantic Treaty Organization (NATO) Implementation Force (IFOR) mission. The U.S. contribution is expected to be 20% of the total World Bank estimate of bilateral aid needs, while the European Union and its member states will contribute the lion's share of these needs over three years. The London Peace Implementation Conference established the Office of the High Representative and vested him with overall responsibility for civilian coordination. The Brussels donors' conference served to coordinate pledges from bilateral and international financial institutions.

## Resource Allocation and Phaseout Considerations

Country strategies concentrate on core reform areas that are fundamental to creation of democratic market economies. The pace of the transition will continue to vary from country to country, but the ultimate goal of U.S. assistance will be constant: to put in motion a process of fundamental and self-sustaining change, to assess reformers and then, with progress well-established, to phase out assistance rapidly. The extent to which systemic reforms are in place is one factor in determining resource allocations and in determining phase-out strategies. Other considerations include host country performance, effectiveness of USAID assistance and U.S. foreign policy interests. Countries will be assessed individually and flexibly. A very good performance record may indicate more resources should be applied because they can be used effectively to achieve solid results; it could also indicate a country is ready to be considered for phaseout. For example, the Czech Republic has been so successful in completing the transition to a private sector-driven market democracy, that the Czech Ministry of Privatization will close down this summer: USAID recognizes this and many other indicators of progress, and is completing its program there.

Central European countries vary widely in their places on the transition continuum; some have achieved a solid base for market democracies to flourish without continued U.S. technical assistance, and are ready to phase down or out over the next few years. Estonia is an example of a well-consolidated market democracy; its last year of new funding for bilateral USAID technical assistance was FY 1995. Latvia and Slovenia, like the Czech Republic, have been similarly successful in creating the basic structures for market democracies. They will receive their last bilateral funds for U.S. technical assistance in FY 1996. Across the Northern Tier of Central Europe, progress in private sector growth and democratic transition is well advanced. Northern Tier states should not require U.S. technical assistance beyond the turn of the century. USAID will concentrate its efforts there on focused

technical assistance to consolidate these systemic gains and make them permanent. Simultaneously, USAID anticipates gradually shifting resources to the Southern Tier, where reform challenges require longer-term engagement. Albania, the poorest country in Europe, faces a more traditional set of development challenges and may require assistance for a longer period. Bosnia-Herzegovina is a special case, requiring massive international support as it emerges from conflict. The United States has pledged support for a three year international effort of reconstruction and reconciliation over the FY 1996-98 period, and proposes \$200 million in FY 1997 SEED resources for this purpose.

In the NIS, progress in achieving fundamental reform also has been uneven and the transition challenge in general remains considerably greater than in Central Europe. Economic reform has generally outpaced democratic change. In some cases, such as Russia, the economic reform effort has progressed far enough to begin phasing down technical assistance. A combination of factors, including declining resources, changing conditions in the NIS, and improved reform climates in some countries has led to a shift of emphasis away from Russia toward Ukraine and Armenia. In FY 1994, two-thirds of NIS assistance went to Russia; in FY 1996 and FY 1997, the proportion is about one-fourth. The Ukraine and Armenia programs are growing considerably, while solid, but smaller programs will be maintained in Kazakstan, Kyrgyzstan, Moldova and Georgia. Although very significant work still lies ahead before stable market democracies will be fully functioning anywhere in the NIS, the primary responsibility rests with the countries themselves. U.S. assistance programs are of short duration. Most technical assistance programs in Russia should end within three years, and in other NIS countries, within five to seven years.

#### **External Debt**

In 1991, Russia assumed full responsibilities for all foreign assets and debts of the defunct Soviet Union. Thus, most countries of the former Soviet Union other than Russia did not initiate international borrowing programs until 1992. The total debt stock for these countries, excluding Russia, increased from about \$1 billion in 1992 to just under \$9 billion by 1993, including borrowing among these countries. Ukraine, Kazakstan, Belarus, Uzbekistan and Georgia accounted for 84% of that and the other nine countries had smaller loan portfolios. The external debts of this group of countries continued to grow in 1994.

In Central Europe and Central Asia, the net flow on debt rose by 7% in 1993. The net flows on all debts (including short-term and long-term International Monetary Fund (IMF) credits) rose significantly in Hungary but there was a sharp decline in the net inflows of debt to Russia, where flows fell to \$3.4 billion in 1993 from \$11.4 billion in 1992. In 1993, the accumulated interest arrears also fell by \$1.9 billion in Russia but increased by \$200 million in former Yugoslavia. Also, interest payments were rescheduled amounting to \$3.5 billion for Russia and \$2 billion for Poland in 1993. Under the Paris Club agreement in 1994, the restructuring of Poland's debt that had been negotiated in 1991 was concluded. This agreement provided for a 50% cancellation of the stock of debt or a 50% reduction in scheduled debt service on a net present value basis. Poland received a reduction in its official debt to the U.S. by 70% on a net present value basis. During 1992-94, under debt restructuring arrangements, debts of Albania and Bulgaria were significantly reduced. For Russia, debt amounts rescheduled in the Paris Club were \$15 billion in 1993 (including \$1.1 billion in U.S. debt) and \$7.1 billion in 1994 (including \$901 million in U.S. debt). In October 1994, Russia reached agreement with its creditors for restructuring commercial bank debts, but financial terms of the London Club rescheduling remain to be finalized.

Although governments in much of Central Europe and the Former Soviet Union have made substantial efforts to attract foreign investments, the flow of foreign capital in the region has been limited and concentrated only in a few countries. The counterpart to the surges in capital flows in recent years has been a sharp increase in current account deficits in the Central Europe and NIS Regions. Thus, the

magnitude of debt burden and capacity to serve it in time will prove significant factors in helping or hindering economic reform in the region. For example, for the NIS, debt service payments as a percent of total exports of goods and services increased from 12.6% in 1993 to 24.4% in 1994, and were expected to moderate to 17.1% in 1995. For Central Europe countries, debt service payments increased from 14.2% in 1993 to 26.6% in 1994, and were expected to moderate to 18.2% in 1995. However, Russian debt payments increased from 3.7% in 1993 to 9.1% in 1994, and were expected to increase further to 11.7% in 1995. Similarly, the Caucasus and Central Asian countries' debt service payments jumped from 2% in 1993 to 4% in 1994, and were expected to jump to 6.2% in 1995. Actual 1995 statistics are not available at this writing.

The United States provided an energy sector grant to Ukraine in late 1994, supporting a comprehensive sector reform program which was an important element in Ukraine reaching an agreement with the IMF on a systematic transformation facility loan. This balance of payments assistance was extraordinary in the USAID program because the magnitude of available resources, while enough to pay for significant technical assistance programs, is not large enough for debt relief across the region.

## **FY 1997 PROGRAM**

USAID is pursuing three strategic goals in this region: economic restructuring, democratic transition and social stabilization. The first two strategic goals reflect directly U.S. national interest in the development of stable, market-oriented democracies. The third recognizes that social pain, including deteriorating social services, can undermine reform efforts and become an obstacle to comprehensive economic and political reform. Both the strategic goals and the 11 strategic objectives that fall under them are described below.

### **Economic Restructuring**

USAID proposes \$147,550,000 for SEED and \$280,600,000 for FSA funds under this strategic goal to foster the emergence of a competitive, market-oriented economy in which the majority of economic resources is privately owned and managed.

To achieve this goal, USAID undertakes activities aimed at systemic reform -- laws, policies, institutions, information flows -- which are fundamental to free enterprise and private markets. Among the activities USAID supports are: policy, legislative and regulatory reforms to facilitate and provide confidence in privatization and permit business to operate; privatization and post-privatization assistance; capital markets development; better alignment of revenue policies and budget allocation with economic objectives; modernization of tax codes and systems; establishment of commercial law and regulatory procedures on such topics as formation and governance of corporations and partnerships; contract law, demonopolization and bankruptcy; development of small and medium-sized enterprises; establishment of efficient, well regulated private banking operations, energy conservation measures in heat and power plants, and restructuring of energy pricing and delivery systems.

Specific strategic objectives are: increased transfer of state-owned assets to the private sector (enterprises, land, housing stock, financial institutions and utilities); sound fiscal policies and fiscal management practices; accelerated development and growth of private enterprises; a more competitive and market-responsive private financial sector; and a more economically sound and environmentally sustainable energy system.

## **Democratic Transition**

USAID proposes \$54,325,000 for SEED and \$66,300,000 for FSA funds under this strategic goal to support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes and freedom of information.

To achieve this goal, systemic change to facilitate participation, information flows and the rule of law are key. Among the activities USAID supports are: strengthening of political parties and support of free and fair elections; development of independent, responsible media; strengthening of parliamentary processes and establishment of laws and regulations to enhance local government authority, development of an independent judiciary to allow changes in legal procedures and the capacity of judicial systems to operate independently and effectively. USAID helps strengthen thousands of NGOs which now serve advocacy functions for ordinary citizens and help open up the political process.

Specific strategic objectives are: increased, better-informed citizens' participation in political and economic decision-making; legal systems that better support democratic processes and market reforms; and more effective, responsive, and accountable local government.

## **Social Stabilization**

USAID proposes \$15,650,000 for SEED and \$116,950,000 for FSA funds under this strategic goal to respond to humanitarian crises and strengthens the capacity to manage the human dimension of the transition to democracy.

This goal aims to help governments address the problem of deteriorating services and contain the "backlash" against economic reform. USAID provides targeted technical assistance to reform social protection systems. Rather than universal, but unaffordable subsidies for a wide range of services, countries are moving to fee-based systems for those who can afford to pay, coupled with targeted subsidies for the most vulnerable groups. Reforms which develop incentives for an enlarged private sector role in service delivery and financing also will reduce the public burden.

In some strife-torn areas such as Bosnia, the Caucasus and Tajikistan, humanitarian assistance remains important.

Activities USAID is pursuing include: emergency supply of medicines, vaccines and medical equipment; increased reliance on alternative modes of health care provision and financing, moving to market-based rents and maintenance systems for housing; and improvement of operational safety at nuclear power plants and effectiveness of nuclear regulatory bodies.

Specific strategic objectives are: reduced human suffering and crisis impact, improved sustainability of social benefits and services, and reduced environmental risks to public health .

## **Cross-cutting and Special Initiatives**

USAID proposes \$257,475,000 for SEED and \$176,150,000 for FSA funds under cross-cutting and special initiatives for the following types of programs: (1) activities that do not contribute directly to the strategic objectives, but nevertheless serve strong Administration or Congressional interests or address an extraordinary circumstance requiring USAID assistance in a particular country; (2) activities that relate directly to a particular objective, but are too limited in scope or impact to be designated a strategic objective in the country program; and (3) cross-cutting activities that contribute to more than

one strategic objective. Examples of cross-cutting and special initiatives are the Bosnia program and training activities.

#### **Economic Support Funds (ESF), Development Assistance Funds (DA) and P.L. 480 Title II**

The Administration proposes \$94,600,000 for ESF, \$5,700,000 for DA funds, and \$25,000,000 in P.L. 480. Of these amounts the Administration requests \$60,000,000 in ESF and \$5,700,000 in DA Funds for Turkey; \$19,600,000 in ESF for Ireland; \$15,000,000 in ESF for Cyprus, and \$ 25,000,000 in P.L. 480 for Bosnia.

In Turkey, the ESF funds are used primarily to advance the significant economic restructuring measures being undertaken by the Government of Turkey, while the DA funding supports U.S. and indigenous NGO efforts to improve women's health through improved family planning.

In Northern Ireland and the Republic of Ireland, ESF funds will be used to contribute to the International Fund for Ireland (IFI) to support the Northern Ireland peace process. Economic assistance at the community level has been identified as the most effective means to break the cycle. The objectives of the IFI are to promote economic and social advancement and to encourage contact, dialogue, and reconciliation between Nationalists and Unionists. The IFI seeks to reach these objectives by supporting and promoting social reconciliation through economic development in Ireland and Northern Ireland, with priority given to new investments that create jobs and reconstruct disadvantaged areas.

In Cyprus, \$10 million will be used to support bi-communal activities in sectors such as sanitation, rehabilitation of the handicapped; forestry; animal disease and pest control; environmental protection; health; water; and education. The remaining \$5 million will be used to fund academic training at U.S. institutions for students from Cyprus as part of an effort to foster Cypriot development and bi-communal cooperation.

In Bosnia, \$25,000,000 is planned for emergency food assistance.

## LATIN AMERICA AND THE CARIBBEAN

FY 1997 Development Assistance Fund . . . . .	\$299,500,000
FY 1997 Economic Support Funds . . . . .	\$115,000,000
FY 1997 International Narcotics Funds . . . . .	\$ 20,000,000
FY 1997 P.L. 480 Title II . . . . .	\$113,640,000
FY 1997 P.L. 480 Title III . . . . .	\$10,000,000

### INTRODUCTION

The last decades have brought revolutions in communications, technology and transportation in Latin America. In addition there is now a spreading consensus on the need for democracy and open economic systems. These have combined to bring Latin America and the Caribbean (LAC) closer than ever before to the United States. Distances and barriers are falling away; tremors in the LAC region reverberate across our own nation. Never before have U.S. interests there been so directly tied to the well-being of U.S. citizens here. Never before has the United States had such an opportunity to influence--for the benefit of our entire hemisphere--the path of history in the LAC region.

Whether it is trade, the Central American Peace Process, drug traffic from the Andes, or our shared environment, events in the region directly and immediately affect vital U.S. interests. USAID's activities in the LAC region directly support these U.S. national interests

USAID's programs target the key problems of the region and advance the promises of the Summit of the Americas--a growing, free and more just hemisphere of democracies and the establishment of the Free Trade Area of the Americas by the year 2005.

Few regions in the world approach LAC's past record of political instability. Latin American countries have had 253 constitutions since independence, an average of 12 per country. Twenty years ago, with the exception of the English-speaking Caribbean, only four countries had elected civilian governments. Military dictatorships and state-directed economic systems were the norm, and respect for fundamental human rights under those regimes was nonexistent. Today, all save Cuba have governments chosen by multi-party elections. Economic systems have been transformed by a market revolution. Human rights and due process are increasingly protected by law and, by and large, respected. Nongovernmental human rights organizations are vigilant. Nonetheless, democratic institutions are fragile. Ethnic, party, and class pressures, and the corrosive assault of narcotics traffickers, endanger them. The initial stage of macroeconomic reforms have now taking hold. The deeper institutional changes which are now necessary to sustain the market transformation and deepen democracy in the region will be much more difficult. The challenge confronting governments and peoples is formidable: to ensure growth with equity; to meet essential health, education, and family planning needs; and to preserve the region's rich natural resource base.

**Development Challenges.** Despite this great progress, millions of citizens still do not participate fully in the formal economies and democratic systems. More than 40% of the region's people endure lives in poverty. Helping the region's poor to achieve a higher standard of living will not only permit them to live fuller, more satisfying lives, it also means that a potential market of 200 million people will become customers for U.S. products.

To meet this challenge, USAID has adopted a sustainable development strategy. This approach tackles the problem of permanently reducing poverty: fostering broad-based growth, building democracy, reducing population growth, improving health and education, and protecting the environment. To

achieve this significant and sustained reduction in poverty, USAID balances activities that promote long-term, broad-based economic growth with those that directly and immediately address the health, education, population and production problems of the poor. In 1997, USAID will focus on the 16 of the region's 32 democracies where there are both the greatest need and the promise for improvement.

**External Debt.** The debt crisis that erupted in 1982 threatened the international financial system and turned the 1980s into a lost decade for Latin America. The crisis primarily resulted from debts to commercial banks, but official debt also contributed. The crisis forced governments to undertake significant economic reforms. By the early 1990s, inflation had declined, growth was recovering, and the major debtors made arrangements to reduce bank debt in exchange for improved security for remaining balances. Countries on the verge of default in the early 1980s are now returning to the international financial markets. However, success in reducing inflation, growth, and trade are just now bringing peoples' incomes back to levels of a decade and a half ago. Inefficient public institutions, lack of investment in people, and skewed income distribution endanger both prosperity and political stability. The challenge for LAC countries is to harmonize macroeconomic stability with quicker reductions in poverty and inequality.

The poorest countries still face debts which they cannot sustain. The problems of these countries will be addressed through debt forgiveness carried out together with other countries in the "Paris Club". For other heavily indebted but higher income countries, other arrangements to make debts manageable may be worked out through the debt markets.

**Donor Coordination.** Donor coordination is a critical tool to build on USAID's substantial investment in the region, leveraging additional resources in order to promote U.S. objectives. Multilateral development banks (MDBs) have assumed an increasingly important role in the poorer countries of the region where USAID has its major activities. The Inter-American Development Bank (IDB) loans on concessional terms to five of USAID's 12 core countries reached \$1.1 billion in 1995. World Bank concessional loan commitments added another \$345 million in FY 1995. Though USAID resources have been significantly reduced, we remain the region's most important bilateral donor with Development Assistance and Economic Support Funds of \$420 million for FY 1995.

USAID works closely with the multilateral development banks and encourages them to expand lending in the social sectors, democracy and governance, and the environment. The banks consider USAID's in-country expertise to be a valuable resource as they enter these new lending areas. The Summit of the Americas also serves as an important framework for more extensive donor coordination.

The results of greater donor collaboration are evident. In Honduras, Bolivia and El Salvador, for example, USAID, the IDB and the World Bank have worked together to develop major judicial reform programs which expand USAID initiated activities. In El Salvador, USAID health and education programs are the basis for major health reform and primary education programs of the multilateral banks. USAID has established a joint working group on democratization in Latin America with European Community. All these support U.S. objectives under the Summit of the Americas.

In Haiti USAID played a strong leadership role coordinating donor support for reconstruction. USAID participated in programming missions with the IDB, the World Bank and other donors, to develop major projects in primary education, potable water, and other social programs. IDB loan approvals to Haiti in 1995 reached \$318 million. Our collaboration with other bilateral donors, including the European Community, resulted in important judicial reforms in Haiti.

These efforts supporting U.S. objectives are the fruit of a strong USAID field presence. USAID influence has been further increased by placing advisors on site at the Inter-American Development Bank and the World Bank to assist the U.S. Executive Directors.

**Program Concentration.** Population programs in 12 of our 16 countries continue to reduce fertility. With nearly 65% of couples using contraception in Brazil, this will be the last year of funding there by USAID. The Government of Mexico is expanding its budget to include family planning, and the USAID program there will end in FY 1999. Other population programs in the region are also reaching their objectives. In Peru, family planning services are provided together with assistance to help rural women to increase their incomes. In Jamaica, teenagers who leave school are helped to complete their education and avoid unwanted pregnancies through an innovative new program. In Central America, population programs continue to expand in the former conflictive zones in El Salvador, Guatemala and Nicaragua.

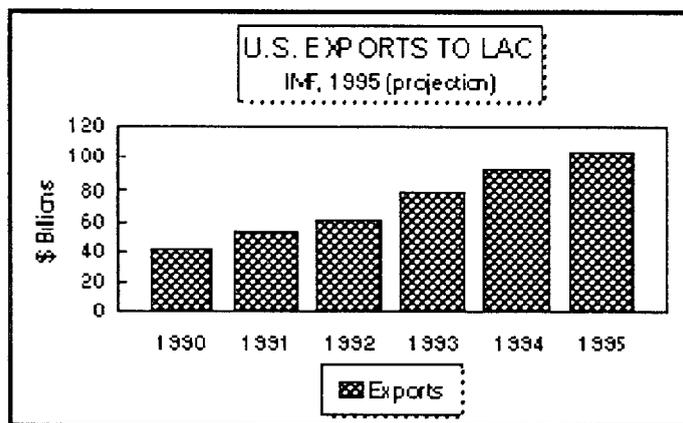
Environment programs in Brazil and Mexico help reduce global climate change, preserve biodiversity on the east side of the Andean mountains, and environmentally safe practices for agriculture and forestry throughout the region. Activities initiated in FY 96 under the Environmental Initiative for the Americas Program will be followed in FY 1997 by increased support for urban and industrial pollution abatement, renewable energy, and preservation of coral reefs in the Caribbean.

Democracy programs support the peace accords in Central America by helping complete the transition from war to peace in El Salvador, consolidating the economic and democratic transition in Nicaragua, and assisting and supporting Guatemala's transition to peace. Haiti will continue its effort to resume economic growth and consolidate democracy with our assistance. We will continue to help Panama take over full operation of the Panama Canal and to make optimal use of reverted properties. Good governance and anticorruption programs in the Dominican Republic, Ecuador, Guyana, Honduras, and Paraguay will continue. Improving human rights and administration of justice, promoting open, transparent and accountable government, supporting free and fair elections, and advancing the development of civil society are the main objectives.

Within the economic growth area, USAID is helping to reduce the spread of the AIDS epidemic, particularly in Central America. Child survival and health programs aim to insure sustainable and quality primary health coverage. Basic education programs emphasize girls education and basic literacy skills to help new market entrants. We will continue to support economic policy reform, free-trade negotiations, alternative export strategies, microenterprise, and programs aimed at incorporating Central American excombatants, and other excluded groups, into the formal economy.

**U.S. NATIONAL INTERESTS**

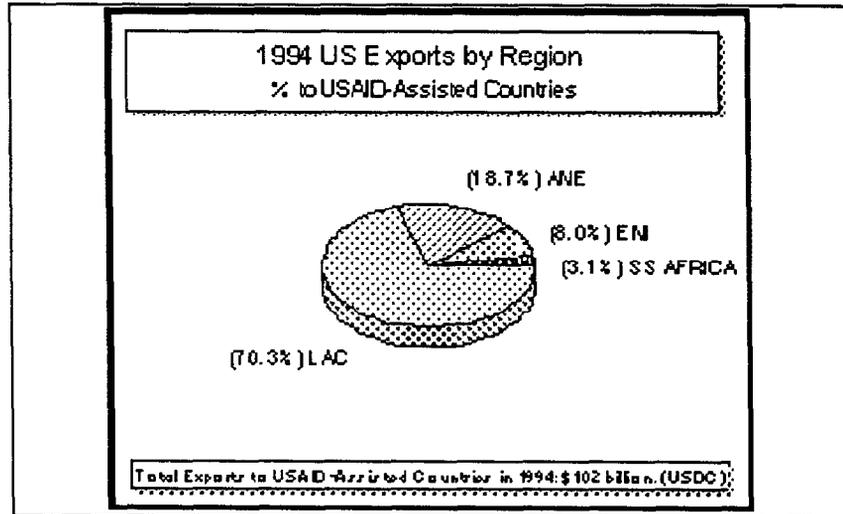
Latin America is unique in the developing world as events there, both positive and negative, have direct and immediate impact on the United States. The United States stands to benefit greatly from helping LAC countries realize their shared vision. Indeed, the most vital U.S. national interest -- the health of the U.S. domestic economy -- depends in no small measure on the economic health of the other countries in the hemisphere.



The LAC region is the fastest growing market for U.S. exports of goods and services, and one of the largest.

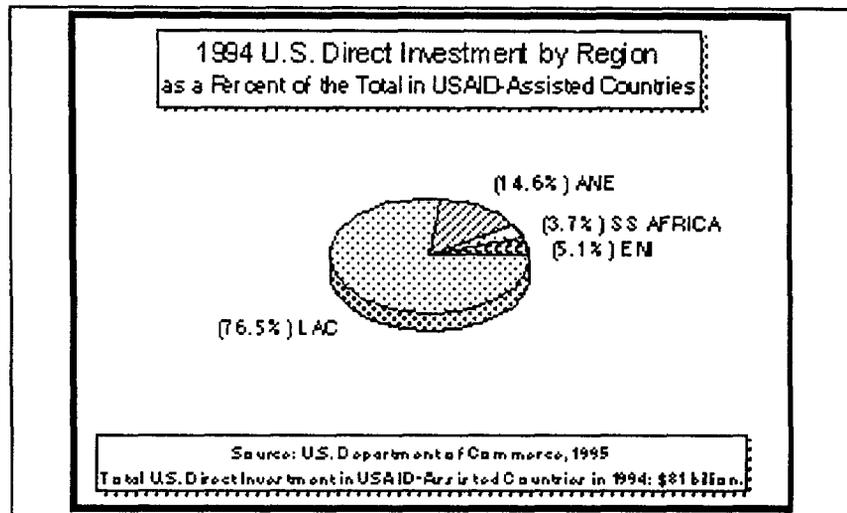
U.S. exports of goods and services to the LAC countries reached an estimated \$104 billion in 1995, more than twice their level only five years ago. These exports now support nearly 2 million jobs in the United States. The U.S. trade balance with the LAC region has gone from a deficit of \$8 billion in 1990 to an estimated surplus of \$5 billion in 1994. The U.S. market share of LAC countries' imports from developed market countries rose from 48% in 1986 to 57% in 1993. Almost half of all U.S. exports to developing countries go to the LAC region.

In 1994, U.S. exports to the seven Central American countries which have USAID programs (\$6.7 billion) exceeded the combined U.S. exports to the 13 Eastern Europe countries (\$2 billion) and the 16 New Independent States (NIS) of the former Soviet Union (\$3.6 billion).



U.S. economic growth and employment depend far more on the growth of LAC economies than on any other part of the developing world. In 1994 the LAC region accounted for more than 70% of all U.S. exports to USAID-assisted countries, while the share of the Africa, Asia, Near East, Europe and New Independent States regions combined was 30%. With 200 million people in the region still living in poverty and with 40% of all LAC imports coming from the United States, regional development has the potential to vastly increase U.S. exports and jobs.

Billions of investment dollars and millions of tourists flow both ways across common borders. U.S. direct investment in LAC (\$115 billion, 1994) is almost twice the combined total of Asia and the Pacific (\$47 billion), Near East (\$8.5 billion), sub-Saharan Africa (\$3.7 billion) and Eastern Europe and the NIS (\$4.2 billion). U.S. direct investment in USAID-assisted countries in the LAC region totaled \$81 billion in 1994, 76% of all U.S. direct investment in USAID assisted countries.



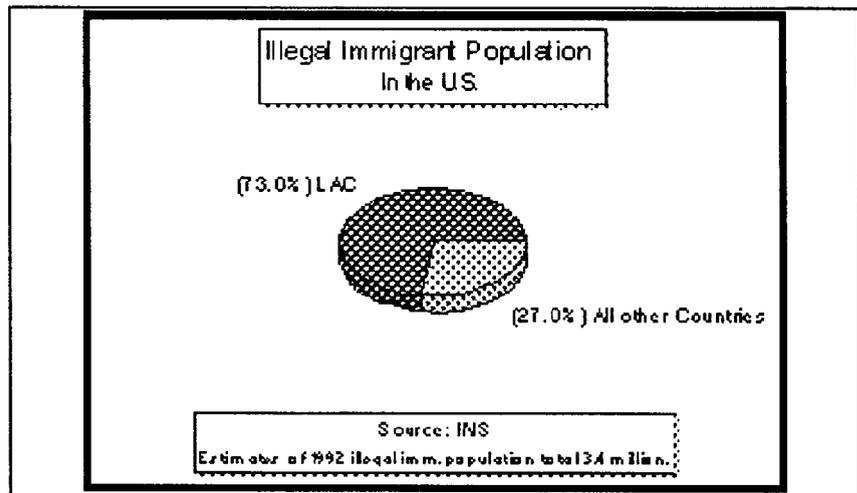
U.S. direct investment in Ecuador and Peru alone exceeds that in the entire Middle East outside Saudi Arabia.

The health of the U.S. economy will become even more dependent on the economic health of the LAC region in the future. Not only is the region a natural market for the United States, but the Summit declaration committed the countries of the hemisphere to conclude negotiations for a Free Trade Area of the Americas (FTAA) by 2005. The FTAA will produce a vastly expanded market for U.S. products. It will encompass 34 countries with a current total population of about 750 million and a combined gross domestic product (GDP) of more than \$8 trillion.

Strong democracies in LAC countries are essential to maintaining the United States' own high quality of life. Democratic governments with shared values are key to making significant progress on many issues of interest to the United States, such as economic integration, pollution reduction, global warming, biological diversity, narcotics trafficking, public health, and AIDS prevention. Strong democracies also will lead to reduced emergency assistance and lower U.S. defense expenditures in the region over the long run.

According to the latest data from Immigration and Naturalization Service, the world's top three sources of undocumented immigrants into the U.S. are from Latin America. Eleven of the top 15 sources of illegal immigrants are in LAC.

El Salvador alone has sent more illegal immigrants to the United States than all of Europe, all of Asia, and all of Africa. More illegal immigrants came to the United States from Haiti and the Dominican Republic in 1992 than from the continent of Africa. Some 72.5% of the entire total of illegal immigrants have come from LAC.



The proximity of the LAC region poses special population and health

concerns for the United States. Rapid population growth strains the hemisphere's resources, resulting in shortages, environmental degradation, and pollution. Population pressures contribute to increased illegal migration to the United States. Communicable diseases such as cholera, HIV/AIDS, and measles cause problems in our own country if they are not addressed in the region. LAC initiatives to eradicate polio and to eliminate measles are critical to the success of U.S. public health efforts. The accelerating transmission of HIV within the region is also disturbing. Nearly two million HIV infections have been recorded in the region, and the epidemic is growing by about 1,000 cases per day. By contrast, the U.S. has about one million infections. In view of current migration and travel patterns, the epidemic in LAC threatens not only to thwart the region's development but also to aggravate U.S. control efforts.

The recent efforts of the LAC countries to reform themselves have created an opportunity for well-targeted U.S. assistance to have a high payoff in helping LAC countries achieve goals which promote U.S. interests. As host and principal organizer of the Summit, the United States has a special role in supporting the accomplishment of Summit objectives. USAID's priorities in the LAC region -- encouraging broad-based economic growth, building democracy, reducing population growth and improving health, and protecting the environment -- directly address these objectives.

## ACHIEVING RESULTS

**Population and Health.** Over the past three decades, the United States has invested substantial resources to improve population, health and nutrition conditions in the Americas. These investments are paying off. During that period the region's birth rate declined 33%, from 33.8 per 1,000 population in 1950-1955 to an estimated 21.9 per 1,000 population in 1990-1995. USAID population programs helped reduce fertility rates in Mexico from 6.7 children per woman in 1970 to 3.2 in 1990. Fertility rates for the LAC region are estimated to have dropped by 10% in the past decade from 3.64 in 1980-1985 to 3.26 in 1990-1995. The largest declines have been in women over 30 years of age. Infant mortality rates have fallen from 125 per 1,000 live births in 1959 to 47 per 1,000 live births in 1994. Despite this progress, 600,000 children in the region still die before their first birthday, most from causes which could be prevented through simple, low-cost treatments.

There is substantial work still to be done in reproductive health, especially in reducing maternal mortality and decreasing HIV transmission. In Bolivia, for example, 1 out of every 50 women is at risk of death during the course of her reproductive life as a result of complications of pregnancy and childbirth. Heterosexual transmission of HIV is now the predominant cause of infection in most LAC countries, and it is estimated that 1,000 new cases occur every day in the region--mostly undiagnosed, silent infections in individuals who unknowingly may continue to pass it on. The number of HIV infections in LAC is projected to climb to more than three million by the end of the decade.

Reproductive health activities are being expanded to link or integrate family planning with other high-priority activities, including prenatal and postnatal care, safe delivery, diagnosis and treatment of sexually transmitted diseases (STDs). LAC's approach to HIV/AIDS programming is being revised and updated to respond to transnational patterns of transmission, multi-country issues and changing transmission patterns within the region through policy dialogue, nongovernmental organization (NGO) strengthening, and condom social marketing for STD and HIV prevention. The LAC region has been the world leader in immunization programs with the recent certification that polio transmission has been ended only the latest example. Building on the success of polio elimination, measles now has been targeted for elimination by the year 2000.

**Environment and Energy.** In past years, USAID's environmental programs in LAC countries focused on "green" environmental issues--promoting sustainable agriculture, sustainable management and conservation of natural forests, and conserving biodiversity. Given the increasing impact of pollution due to rapid industrialization and urbanization, USAID is addressing "brown" issues, including conservation and sustainable energy management as well as urban and industrial pollution. Our assistance to governments in developing and implementing sound environmental regulations will not only improve the quality of life in LAC countries. It will enable them to meet the environmental standards which will be part of any Free Trade Area of the Americas. USAID's new \$25 million Central America regional initiative will address biodiversity; sustainable energy production; and pollution prevention within Central America. USAID's \$22.6 million Environmental Initiative for the Americas (EIA) also addresses these issues. The EIA supports pilot activities which improve pollution prevention, sustainable energy production, coastal zone management, and environmental regulation.

While increasing attention is given to urban and industrial pollution, the issues of forest and biodiversity conservation remain priorities for the LAC region.

**Democracy and Human Rights (DHR).** Impressive results have been achieved in the region in implementing U.S. objectives in the democracy and human rights area. Eleven LAC countries are strengthening local governance and municipal development with AID assistance. In Guatemala (1994) and Nicaragua (1995), new legislation has permitted municipalities to tax land. Costa Rica and El

Salvador are considering similar measures. USAID funding and technical assistance have been key to Bolivia's successful launch last year of its landmark Popular Participation Program, which many policy makers and specialists consider the most important political and socioeconomic event since the 1952 revolution. The program promotes municipal government effectiveness and increased allocation of resources from the central government to municipalities.

Eight LAC countries have adopted and implemented revised criminal procedures codes and are moving toward public trials and clear limits on pre-trial detentions. Six countries are improving election processes with our help, and half have training programs supporting civic education. USAID has helped Mexico, El Salvador, Bolivia, Panama and Haiti hold free and fair elections in the past two years.

Legislative modernization projects in Chile, Bolivia, Costa Rica, Honduras, El Salvador, Nicaragua and Haiti have increased legislators' and committees' access to non-partisan technical information; established budgetary oversight offices; improved bill drafting capacities; and encouraged reforms to promote legislative responsiveness to constituencies.

**Broad Based Economic Growth.** Growth rates in LAC are still not high enough to achieve major reductions in poverty or underemployment levels. Forty-five percent of the population lives below the poverty line, and growth during this decade has yet to overcome the income losses which increased poverty during the past decade.

To assist in the creation of a hemispheric free trade area, USAID helps these countries to deepen economic reforms, expand access and economic opportunity, and invest. Through a grant to the International Finance Corporation, the Government of Haiti is planning to privatize nine major public sector enterprises including the phone and electric companies and port facilities. In Bolivia, 18,400 permanent jobs were created under USAID's microenterprise and export promotion activities. In Peru, USAID supported, through the P.L. 480 Title III program, efforts to privatize agricultural marketing, research and extension. In El Salvador, USAID efforts helped non-traditional agricultural exports to grow by 19% annually. In Honduras, economic growth resulting from USAID-encouraged economic policy reforms led to an increase in U.S. exports to almost \$900 million in 1993. Support for clearance of arrears led to the disbursement of credit to Haiti by major lending institutions. In a major breakthrough, Ecuador and the U.S. Government signed a bilateral intellectual property rights agreement. From 1987 to 1994, the exports generated by 421 Central American businesses receiving technical assistance increased from \$250,000 to over \$36 million. More than 4.5 million new textbooks have been delivered to the Ministry of Education in Nicaragua, 40 technicians were trained in curriculum development, and 500 master teachers have been trained. They, in turn, will train 13,000 teachers for grades 1-4 over the next few years.

At the Central American regional level, USAID has assisted the strengthening of the region's intellectual property rights regime and is completing a regional study on labor which will contribute to improved labor and management relations and adherence to international standards on workers rights. At the hemispheric-wide level, a grant has been made to ACCION International to assist its affiliate financial institutions to access commercial sources of capital. Finally, the LAC regional program has initiated a series of seminars being held in major cities throughout the United States that are bringing together business and government to address issues and opportunities related to the emerging electronic commerce and trade infrastructure to reduce transaction costs and to facilitate increases in trade.

## **MANAGEMENT CHALLENGES**

**The Development Challenge.** At the Summit of the Americas, the region's democracies established a Partnership for Development and Prosperity that offers a vision for the future reflecting fundamental U.S. national interests. The challenges are to: preserve and strengthen the community of democracies

in the Americas; promote prosperity through economic integration and free trade; eradicate poverty and discrimination in the hemisphere; guarantee sustainable development; and conserve the natural environment for future generations. An essential task is to increase opportunities for the poor to participate in economic growth. If these challenges are successfully met, jobs for U.S. workers will be created and illegal immigration to the United States will be reduced.

The challenge for USAID is to achieve these objectives with limited resources. The USAID strategy of advancing broad-based economic growth, building democracy, stabilizing population growth, and protecting the environment and natural resource base is most effective through progress in each of these mutually inter-dependent and reinforcing areas. Therefore, the assistance strategy for the LAC region places major emphasis on the need for full sustainable development programs that address the connections linking each of strategic areas.

**Resource Allocation.** Resource allocations in the LAC region reflect U.S. national interests, program performance and overall country development performance. Resources are allocated to core sustainable development countries (Haiti, El Salvador, Nicaragua, Bolivia, Peru, Guatemala, Honduras, Jamaica, Ecuador, Paraguay, Guyana and the Dominican Republic) to achieve strategic objectives in economic growth, environment, democracy, and population and health. Three of the four other sustainable development programs focus on specific global concerns, such as environment, AIDS, and population growth. The fourth program, Panama, addresses a major U.S. interest, the successful implementation of the Panama Canal Treaty. A very modest level of funding will support a program of information dissemination in Cuba to support the re-emergence of civil society in country. Through greater management efficiencies, LAC programs will be implemented with declining staff levels in the field and in Washington.

LAC programs are primarily financed through Development Assistance. However, P.L. 480 resources are utilized to support the sustainable development programs in Bolivia, Haiti, Nicaragua, Honduras, Guatemala and Peru. The Haiti program and part of the El Salvador, Guatemala, Nicaragua and LAC regional programs are financed with Economic Support Funds. Alternative Development programs in Peru and Bolivia are partially financed with International Narcotics funds.

**Mission Phaseout.** Development progress has been sufficiently great in eleven LAC countries that our programs were closed in FY 1995, or will be closed before the end of FY 1996. These graduate countries include Costa Rica, Chile, Argentina, Belize, Uruguay and the six nations of the eastern Caribbean (Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines). We plan to terminate activities in Colombia and Panama FY 1997 and FY 2000, respectively.

## **FY 1997 PROGRAM**

### **Building Democracy**

Despite dramatic movement in the past two decades toward civilian, representative rule, the region still faces daunting challenges of democratic institutionalization. Deepening democracy through improved public responsiveness to a mandate rooted in the popular will is necessary to counteract limited participation, narco-corruption, impunity, centralized bureaucracies and inefficiency--all of which undermine the rule of law and threaten basic human rights. Democracy is the centerpiece of USAID's strategic thrust in the region. In democratic stability lie the seeds of success for all areas of development, including economic and trade expansion, equitable social development, and peaceful resolution of both local and transnational problems. USAID has long supported greater adherence to internationally recognized human rights, more active involvement by citizens in the process of governance, and the reform of government institutions to be more transparent, accountable, effective,

decentralized, and accessible to the people. USAID's democracy program focus has been evolving from an emphasis on rule of law, judicial reform and improved administrative efficiency to include more efforts to build civil society, decentralize political and financial decision-making, and open up government institutions to public scrutiny.

Free and fair elections and human rights are supported throughout the region. The past year brought free and fair presidential elections to Argentina, Peru, Guatemala and Haiti, as well as the elimination of all LAC countries but Cuba from Freedom House's "not free" index. Eight LAC countries have moved from revised criminal codes toward public trials, pre-trial detention reforms, and alternative dispute-resolution mechanisms. A dynamic network of leading Latin NGOs has linked with Partners of the Americas to promote greater civil society involvement in democracy. Criminal prosecution of public sector and military officials in Bolivia and Honduras are of historic importance.

In FY 1997, significant new USAID initiatives in the Dominican Republic will promote popular participation in national dialogue along with structural reforms and decentralization. Judicial reform to promote the rule of law and increased public accountability also will be funded. Elsewhere in the region, USAID will continue funding the consolidation of democracy, especially the recent democratic transitions in Haiti, Paraguay, Peru, and Nicaragua. Programs in these and other USAID countries will support human rights, the rule of law, greater citizen participation, central government transparency and accountability, and decentralization of power to local and municipal entities.

### **Economic Growth**

During the past decade, the countries of the region have made great progress in restructuring their economies, restoring macroeconomic stability, and removing policy impediments to broad-based participation. Wide income inequality remains the most serious problem in the region, a brake on economic growth, and a source of political instability. In a number of the larger countries, this situation has worsened over the past two decades. However, in a sample of seven countries in which USAID has worked on sustainable development problems over the entire period, six showed an improvement in both overall growth and in the income share of the bottom 20% of households. Policy dialogue to eliminate barriers to the participation of the poor, development of institutions to open up opportunity, and basic education for all have produced the desired result. Enhancing market access for small-scale entrepreneurs has a major potential for broadening economic growth and alleviating inequality in the region. Market access activities, including support for microenterprise, are supported by USAID in all sustainable development countries. Access to credit and other financial services through appropriate self-sustaining institutions is supported in each country. Programs to enhance access to land ownership, especially in Central America, in support of policy reforms which advance privatization and assure competition and to provide basic infrastructure and services in poor rural regions are supported in ten bilateral missions and regional programs.

In Honduras, the government issued 9,458 land titles, 25% to women. More than 140,000 households received financial services through USAID-supported microfinance activities in Bolivia. USAID will finance the development of non-bank financial intermediaries to deliver financial services to small borrowers and savers in Haiti and to provide \$11 million in credit for microenterprises and small farmers. USAID also will provide non-financial assistance to Haitian microenterprise to develop domestic and international markets and to improve the enabling environment in the sector. In the Dominican Republic, NGO-led economic policy analysis and public debate are producing an improved enabling environment to permit enhanced economic participation by the poor in the economic life of the country.

As economic integration in the hemisphere continues under the Summit of the Americas initiative, economic growth in each of the USAID-designated sustainable development countries will be

increasingly tied to the trade-creating regional groupings to which they belong. Assistance to the countries of the region will be essential to enable them to harmonize policies and not produce trade distortions. Within countries, USAID supports increased non-traditional exports as well as trade policy reform.

### **Stabilizing Population Growth.**

In the last 30 years in LAC, the infant mortality rate has fallen 59%, death among children under five has fallen 65%, and life expectancy at birth has increased by 11 years. While this progress is substantial, nearly 600,000 girls and boys in LAC younger than five years old die unnecessarily every year from diseases which are easily prevented. While better than the developing world average, this is still almost five times the rate in the developed world. The total fertility rate in LAC decreased from 4.1 to 3.1 during the period 1985-1995. While declines have been steep for other age groups, fertility among women under 20 has remained constant during this period (about 11% of all births), showing a need for continued improvements in family planning services. Policy and management decisions do not foster adequate attention to services with the greatest health and fertility impact. This leaves many people without access to the basic care they need. Family planning delivery is inefficient in many of the LAC countries.

The heads of state endorsed two critical concepts in the Summit of the Americas plan of action: equitable access to a basic package of health services; and reforms in management and financing to assure such access. USAID's strategy for population and health emphasizes high-impact, lower-cost basic services, such as child survival, maternal health, family planning, sexually transmitted diseases and HIV/AIDS. Access to and impact of such services will be improved where current availability is poor, as in Haiti, Guatemala, and Bolivia. In countries where access is better, such as Ecuador and Jamaica, sustainability and quality of such services will be improved.

To stabilize population and improve health services in the region, USAID programs:

1. **Reduce Morbidity and Mortality.** Under-five deaths are reduced through child survival activities, including vaccinations, oral rehydration therapy, nutrition, and acute respiratory infection treatment; Maternal mortality is reduced and women's health is improved by controlling sexually transmitted diseases and HIV by increasing access to and use of condoms and supporting communications to promote safer and more responsible sexual behavior.
2. **Strengthen and Sustain Health Systems.** Population and health programs support policy reforms and improved management and financing systems in the context of a public-private health care market. USAID encourages governments to allocate resources more cost-effectively, to decentralize population and health services, to recover and contain costs, and to encourage an appropriate service delivery mix by government, NGO and for-profit providers.
3. **Reduce Unwanted Fertility.** Access to a variety of modern contraceptive methods is increased through voluntary family planning services: sustainable clinical, community, and commercial delivery systems in public, non-profit, and for-profit sectors are developed. Where contraceptive use is higher, sustainability of the programs is improved; where it is lower, access to services is increased.

In Haiti, infant mortality has been reduced by 25%, from 101 to 74 deaths per 1,000 births, primarily due to reductions in neonatal tetanus. Measles cases in the Americas have decreased from over 200,000 in 1990 to only 2,471 in 1994 -- a 99% drop--due to higher initial vaccinations, combined with campaigns to re-vaccinate all children 9 months to 14 years of age. In Peru, vaccination coverage has increased to 97%, a remarkable achievement even by U.S. standards. Contraceptive prevalence

increased in Bolivia from 12% in 1989 to 18% in 1994 after only 5 years of program assistance from USAID. Another 24% of women want contraception but do not yet have services.

In FY 1997, USAID will initiate an important new population and health activity in the Central American Region. We will promote the development and evaluation of service delivery models which integrate training, supervision, management, logistics systems, and monitoring and evaluation systems. The integrated model is expected to result in fewer missed opportunities to provide preventive services (e.g., family planning or vaccinations), facilitate financial cross-subsidies, and permit cost sharing for logistics and management systems.

### **Protecting the Environment.**

Environmental conditions in the LAC region present significant challenges and opportunities for the United States. The region is endowed with a rich natural resource base that includes fertile soils, extensive marine and freshwater systems, and more than half of the globe's remaining tropical forests and biodiversity. The region also is going through rapid industrialization and has one of the fastest rates of urbanization in the developing world. Unfortunately, the region's cities lack adequate infrastructure for sewage treatment, provision of potable water, and solid waste disposal; industries lack technologies for pollution prevention; and the rates of deforestation and agricultural land degradation are among the highest in the world. While rapid economic growth offers many opportunities for the United States, environmental degradation contributes prominently to such global problems as loss of biological diversity and global climate change, and the urban squalor and deterioration of the natural resource base contribute to poverty and political instability. For the United States, the results include increased immigration pressures, higher imported food prices, and greater transmission of communicable diseases.

Given the region's increasing pollution problems, USAID has expanded from its traditional focus on forestry, agriculture, and biodiversity-related environmental issues to address urban and industrial issues. USAID's new \$25 million program in support of CONCAUSA is an excellent example of this approach. CONCAUSA, the partnership signed at the Summit of the Americas, committed the United States to work with the countries of Central America on three broad environmental issues: conservation of biodiversity, sustainable energy production, and pollution prevention. The program's staff and financial resources come from all Central American USAID missions and governments, relevant U.S. federal agencies such as the Environmental Protection Agency and Department of Energy, and local and U.S. NGOs.

USAID's \$22.6 million Environmental Initiative for the Americas (EIA) is another example of the expanded scope of environmental activities. Funds under EIA in FY 1995 supported Mission-proposed pilot activities designed to catalyze increased mission involvement in pollution prevention, sustainable energy production, coastal zone management, and environmental issues related to increased trade.

Forest and biodiversity conservation remain priorities. Through the LAC regional Parks in Peril (PiP) program implemented by The Nature Conservancy, USAID has helped protect 28 parks covering 13 million acres in 12 LAC countries. The program has proven to be one of the most successful and innovative biodiversity conservation programs in the world. USAID also helps maintain the productivity of natural resources, particularly for agriculture. In Honduras, USAID is helping to transform destructive hillside agriculture practices and to provide farm families with land-use technologies that decrease erosion and increase crop yields. The number of poor hillside-farming households adopting sound cultivation practices in this program's area doubled to more than 21,000, and annual soil erosion has been reduced by 70,000 tons.

FY 1997 activities are being designed to follow up on the strong USAID pollution prevention and natural resource management activities in the region. Continued emphasis will be placed on the policy reforms, institutional strengthening, and information transfer that will both address the region's environmental problems and create a demand for U.S. technologies.

#### **Providing Humanitarian Assistance.**

Food insecurity, a chronic problem in the LAC region, is of concern to the United States for strategic and humanitarian reasons. Food insecurity contributes to low and inequitable growth, exacerbates environmental degradation, creates disincentives for population planning, stimulates migration, and encourages political instability. The continued presence of food insecurity in the region, therefore, will make it more difficult to achieve key U.S. objectives in economic growth, population and health, democracy and the environment. Food insecurity and hemispheric integration also are linked. If food insecure countries use food shortages as a rationale for reimposing controls on their agricultural sectors, progress toward hemispheric integration will be impeded.

Seven of the LAC sustainable development countries are food insecure due to food gaps at the national level. At the household level, the problem of food insecurity is even more serious, as poverty and highly skewed income distributions leave poor households with less access to calorie supplies than even these national averages suggest. The high levels of chronic malnutrition among children in many LAC countries are another indication of the seriousness of the food security problem in the region. Lack of access to health services and water and sanitation facilities also contribute to the malnutrition problem.

The USAID program in the LAC region is designed to deal with the problem of food insecurity through its economic growth and health strategic objectives. Encouraging broad-based economic growth is the most potent remedy for poverty, the root cause of food insecurity in the LAC countries. Fighting poverty, however, takes time. In the short-run, there are many food insecure families. Targeted food assistance and primary health service delivery programs are used to reduce the present impact of hunger on the most vulnerable populations.

Food aid has been an important resource in the LAC region. Both P.L.480 Title II and Title III resources have played a valuable role. Title II provides food directly to some of the most vulnerable households and Title III encourages governments to remove some of the policy constraints to improved food security in the agricultural and health sectors. Both Title II and III resources also have been used to support economic development projects. To enhance the impact of the Title II programs, many missions and their cooperating sponsors are targeting resources to the poorest and most food insecure areas and to activities designed to increase the productivity and incomes of poor rural households and the health and nutrition of food insecure households more generally.

Title II local currency resources and food for work are being used to improve the economic opportunities and access of the rural poor in Bolivia, Guatemala, Honduras and Peru. Activities being supported include agricultural extension and marketing services and the development of productive infrastructure in rural areas, including building market access roads, recovering eroded land through soil conservation and forestry activities, and building small irrigation systems and improving irrigation. These agricultural productivity enhancement activities have increased the incomes and improved the food security of hundreds of thousands of some of the poorest rural households in the region. Title II food has been used in school feeding programs in Haiti, Honduras and Bolivia to improve learning and to reduce drop-out rates in primary schools.

Title II food also is being used to support mission health objectives in Bolivia, Guatemala, Haiti, Honduras, Nicaragua and Peru. Food and monetized resources are used to complement other key child

survival services such as oral rehydration therapy, immunizations, and health and nutrition education to reduce the prevalence of chronic malnutrition among children under five years of age. Food for work also is used in some countries to expand the access of poor people to water and sanitation services and to reduce the incidence of water borne diseases.



## CENTRAL PROGRAMS

FY 1997 Development Assistance . . . . . \$382,600,000

### INTRODUCTION

The central programs of USAID support research on new technologies and approaches to development, provide technical leadership within the international development community, ensure technical support (including lessons learned) to USAID field missions, respond to natural and man-made disasters, convey humanitarian assistance, and provide transitional assistance in a few selected countries emerging from economic and political chaos--all in support of the Agency's five goals.

Central programs are carried out in partnership with USAID country programs. They are designed to help other nations achieve balanced and sustainable economic growth by building their capacity to plan, manage and finance activities that support development. This, in turn, contributes to economic growth in and security of the United States. Growth in the developing countries creates new markets for U.S. exports. Central programs contributed to the eradication of smallpox and the elimination of polio from the western hemisphere, both improving the public health of other countries and reducing the threat of disease within our borders. Central programs support microenterprise development and childhood nutrition interventions in the developing countries, which provide valuable lessons for assisting America's poor. Increased program integration is being achieved through greater recognition of the strategic linkages among the Agency's goals, and the design and implementation of central programs which take maximum advantage of these linkages. Central programs also facilitate donor coordination through formal and informal communication, joint planning, and US technical leadership.

The central program budget covers funding for programs initiated and managed by the following bureaus: Bureau for Global Programs, Field Support, and Research; Bureau for Humanitarian Response; and Bureau for Policy and Program Coordination. In addition, USAID missions make significant use of Global Bureau contracts and cooperative agreements in pursuit of country-level strategic objectives. These latter resources are included within USAID mission planning levels. Because these Global Bureau agreements make such a significant contribution to country performance, many of the expected results listed in the strategic objectives below reflect close coordination between central programs and field operations.

**STABILIZING WORLD POPULATION AND PROTECTING HUMAN HEALTH** (\$232,000,000 of which \$132,000,000 is for Population Stabilization programs and \$100,000,000 for Health programs).

Central program objectives in population, health and nutrition (PHN) directly contribute to the realization of the Agency goal of stabilizing world population and protecting human health. The program focuses on improving the availability, quality and use of key health services by providing global leadership, research and evaluation, and technical support to the field. Integral to this strategy is the pivotal relationship of PHN central programs to key customers and stakeholders within USAID, including missions and regional bureaus, and outside of the Agency, such as nongovernmental organizations (NGOs), the private sector and host governments.

**Strategic Objective 1. Increased use by women and men of voluntary practices that contribute to reduced fertility.**

Average family size in the developing world (excluding China) has decreased from 6.1 children per woman in the 1960s to 4.0 in 1995. These decreases can be directly linked to USAID's efforts to

expand and improve family planning programs. Today, more than 200 million couples in developing countries use family planning, largely as a result of USAID's efforts. While this progress is impressive, much remains to be done. Approximately 120 million women have an expressed unmet need for family planning and millions more women are entering reproductive age. The challenge for USAID's population program is to meet the growing demand, including those women who have expressed an unmet need for family planning and underserved groups such as young adults and men.

Central Programs support the development of new technologies, and share expertise and lessons learned with USAID missions, other donors, and U.S. and developing country family planning organizations. Over the next 1-2 years, significant progress is expected towards the following results:

- movement of new and improved contraceptive technologies through the stages of product development, evaluation, clinical trials, Food and Drug Administration (FDA) approval, and introduction into country programs;
- development, testing, and evaluation of strategies for linking family planning and other selected reproductive health interventions;
- increases in host-country public and private sector resources for family planning programs;
- expansion of technical and management capacity within family planning and other reproductive health institutions, leading to increased institutional self-reliance; and
- adoption of more cost-effective, client-centered services.

**Strategic Objective 2. Increased use of safe pregnancy, women's nutrition, family planning and other key reproductive health services.**

Despite overall improvements in health status in developing countries, maternal mortality levels remain 15-20 times higher than in developed countries. Worldwide, there are approximately 585,000 deaths of women annually associated with pregnancy and childbirth, 98% occur in developing countries. Most of these deaths are preventable. Furthermore, for every death there are an estimated 100 cases of serious complications, many of which result in chronic illness and disability. Over the past year, USAID efforts have led to a number of achievements, including: (1) Evaluation in Indonesia of a streamlined approach for providing life-saving skills training. The life-saving skills manual to decrease maternal mortality has now become the prototype and has been adapted and translated for many countries. (2) The number of countries with maternal and child health and family planning policies and implementation plans for the promotion of breastfeeding increased from 5 to 22. (3) Plans are now in place in Bolivia and Indonesia to improve essential obstetric care and expand antenatal care to include sexually transmitted disease (STD) services nationally. (4) Guidelines for the assessment of the capacity of the private sector to provide reproductive health services were successfully tested in Kenya, Senegal, Zambia and Tanzania, and are now available for wide use.

Under this strategic objective, USAID expects significant progress toward the achievement of the following results:

- validation and refinement of cost-effective approaches to improve safe pregnancy outcomes through the provision of essential reproductive health services, including maternal nutrition, STD diagnosis and treatment, safe delivery, and antenatal, postpartum and newborn care;
- adoption of policies that support safe motherhood and increased public and private sector resources directed towards ensuring healthy pregnancy outcomes;

- increased utilization of essential obstetric services through increased availability of cost-effective, high-quality, client-centered services and through the generation of client demand; and
- improved quality of services, through better decision-making based upon the use of health data, training of providers in counseling and life-saving skills, and institutionalization of quality assurance systems.

**Strategic Objective 3. Increased use of key child health and nutrition interventions.**

USAID's approach to improving child health and nutrition is focused on developing and applying effective low-cost interventions that address the principal causes of morbidity and mortality, particularly diarrheal and vaccine preventable diseases, acute respiratory infections, malaria, and malnutrition. Over the past year, USAID efforts have led to the following achievements: (1) The Vaccine Independence Initiative (VII) was expanded in 1995, with new agreements in Ghana, Tanzania, Burundi, and the South Pacific islands. These nations now purchase a portion of their childhood vaccines with their own resources and have agreed to regularly increase the amount of their vaccine needs that they purchase. (2) USAID led a global child survival effort in increasing the role of commercial organizations in providing appropriate child health products. In the Central America region, for instance, USAID activities initiated work with major multi-national and national producers of soap and chlorine to promote their products for improvement of household health. (3) USAID has supported the development of new vaccines against acute respiratory Infection (ARI) and malaria as well as safer, more efficient childhood immunization instruments and techniques. A field trial, led by USAID and supported by multiple donors, of a vaccine against Hemophilus influenza type B showed a 95% effectiveness of this vaccine. (4) USAID efforts strengthened health system planning, organization and management in over 30 countries. In five Central Asian Republics of the New Independent States, health system managers and workers received training in decentralized management, modern vaccine management and cold chain procedures. That assistance helped them effectively immunize over 1.5 million children. Expected results to be achieved over the next 1-2 years include:

- further development of vaccines to prevent malaria and childhood pneumonia through trials, testing of the impact of vitamin A on pregnancy outcomes, and dissemination of improved methods of monitoring antibiotic resistance;
- introduction of improved approaches to diagnosis and treatment of malaria, ARI, and other critical childhood diseases into national health systems;
- increases in host country financing of the recurrent costs of preventive (e.g., vaccines) and primary health services, and in the participation of the commercial sector in the production and distribution of key child survival interventions, such as vitamin A and oral rehydration salts (ORS); and
- improvement in local capacity to plan and implement child survival programs, with special attention to improved quality of services, better training, and the use of data for strategic planning, monitoring and evaluation.

**Strategic Objective 4. Increased use of key interventions to reduce HIV/STD transmission.**

If left unchallenged, the human immunodeficiency virus (HIV) pandemic will devastate economic and social development worldwide, given that the infection is fatal and incurable, and the hardest hit populations are people of prime employment and reproductive ages. Prevention is the major defense against HIV/AIDS, and USAID continues to be the world's leader in HIV/AIDS prevention. Over the

past year, USAID efforts have led to the following achievements: (1) USAID has played a key role in increasing the number of countries with national treatment guidelines for sexually transmitted diseases (STDs) from 7 in 1991 to 15 in 1995. (2) USAID has supported a study on the role of voluntary HIV counseling and testing in prevention. (3) USAID-sponsored activities, such as the AIDS Control and Prevention (AIDSCAP) Women's Initiative, have provided global leadership in research and advocacy for women's empowerment for HIV/STD prevention. AIDSCAP provided training in management, financial administration, management information systems, and other technical areas to strengthen 140 organizations in 1995, making a total of 240 organizations thus helped since 1991. (4) USAID led the formation of a consortium of 12 U.S. domestic NGOs which developed and publicized a 12-workshop symposium to provide information and awareness of HIV/STD issues at the United Nations Conference in Beijing. Expected results over the next 1-2 years include:

- identification, testing and evaluation of more effective interventions to reduce the sexual transmission of HIV and other sexually transmitted diseases, including low-cost female controlled technologies, simple tests for diagnosing common STDs, and improved counseling techniques to reduce the risk of HIV;
- expansion of local capacity, both in the public and private sector, to plan and implement effective HIV/STD prevention and care programs;
- development and testing of affordable home and community-based approaches to caring for those infected with, and affected by, HIV/AIDS; and
- increases in access to key HIV/STD interventions in selected countries, with a focus on condom social marketing, STD case management, and communications aimed at behavior-change.

#### **PROTECTING THE ENVIRONMENT (\$46,000,000).**

The global environmental challenges of climate change and loss of biodiversity, combined with the consequences of the world's burgeoning urban centers and local environmental mismanagement (e.g., increased poverty, social instability, and resource-based conflict) pose real threats to America's own economic and political interests. To combat these threats, central program environmental objectives will focus on the protection and sustainable use of key natural resources, environmentally sound urbanization, environmentally sound energy production and use in the developing world, improved environmental policymaking and planning, increased use of appropriate environmental technologies, and decreased growth of carbon emissions and other factors causing global climate change.

#### **Strategic Objective 1. Increased and improved protection and sustainable use of natural resources.**

The natural resources upon which people depend for sustainable development are being degraded, depleted and inefficiently used. Problems include uncontrolled deforestation, massive soil erosion, increasing water scarcity, extensive water quality deterioration, pollution and overdevelopment of vital coastal and aquatic ecosystems, and loss of genetic resources. With work underway in 60 countries, USAID supports one of the most comprehensive biodiversity and natural resource conservation efforts of any bilateral donor. USAID has made a number of important contributions toward safeguarding biological diversity in the management of protected areas, national conservation policy and in establishing effective public sector partnerships with NGOs. USAID supports one of the largest and most comprehensive biodiversity and natural resources conservation efforts of any bilateral donor, with actions carried out in more than 60 countries over the past 8 years. USAID has helped establish and strengthen public and private environmental institutions and management capacity in protected areas,

fostering innovative public-private partnerships and establishing mechanisms for long-term conservation financing. Results to be achieved over the next few years include:

- integrated ecosystem-based management of coastal resources and conservation of aquatic and marine biodiversity in priority countries;
- adoption of an international system for monitoring deforestation;
- introduction of more effective environmental quality management and pollution prevention practices in USAID countries with natural resource strategic objectives; and
- enhancement of public education and official awareness of environmental degradation in targeted countries and communities, and strengthened commitment and capacity to formulate and implement integrated environmental strategies, policies and plans.

**Strategic Objective 2. More sustainable cities and environmentally sound urbanization.**

While "megacities" in developing countries present opportunities for economic and social growth, they also pose enormous environmental problems, including dangerous levels of pollution and insufficient access to clean water, clean air, and sanitation, particularly for the urban poor. USAID has helped several countries develop policies, strengthen institutions (both public and private) and identify cost-effective measures for addressing these problems. In India, for example, USAID has played a lead role in creating a housing finance sector that today provides loans to over one million low-income households. The sustainable cities objective seeks to achieve the following results:

- increased use of industrial pollution prevention and control techniques;
- reduced adverse environmental impacts through improved municipal waste collection and disposal practices;
- increased access, particularly by the urban poor, to shelter and to environmental infrastructure for clean water and sanitation and to shelter; and
- increased operational, maintenance, and capital expenditures for urban infrastructure and services financed through revenues generated locally or borrowed in capital markets.

**Strategic Objective 3. Increased environmentally sound energy production and use.**

Fossil fuel combustion is a major source of greenhouse gases as well as lung damaging particulates and sulphur oxides. Energy production and its use are also major causes of ozone layer depletion, which increases skin cancer risks. Energy production and its use are major causes of such environmental degradation. Over the years, USAID has trained thousands of professionals in subjects, such as demand-side management, that contribute to energy efficiency and conservation outcomes. USAID also has played a key role in increasing private sector participation in energy production, opening a billion dollar industry for U.S. firms. With expenditures of only \$10 million, for example, central programs have stimulated 30,000 megawatts of more efficient, less polluting private power production in Asia, Latin America and the Middle East. To meet the developing world's growing energy requirements while minimizing environmental damage, the sustainable energy objective seeks to achieve the following results:

- more efficient per capita energy consumption (i.e., reduction of fossil fuel consumption per unit of energy service delivered), particularly through expanded generation of electricity from private power investment;
- greater use of renewable sources of energy production; and
- reduced growth of energy sector emissions of global climate change (GCC) gases.

**Strategic Objective 4. Improved environmental policy making and planning.**

A major obstacle to achieving sustainable development is the institutional weakness of both public and private organizations involved in formulating and implementing environmental policies and plans. The failure of markets and economic and accounting methods to reflect the true costs of resource depletion, degradation, and pollution further constrains efforts to promote wise resource management. Addressing these issues requires institutional strengthening, strategic research, and the identification and demonstration of options for better integration of environment and development objectives in planning and implementation for sustainable development.

USAID has played a critical role in improving policymaking and planning for sustainable development. Over the past three years, USAID has worked in more than 50 countries providing support to government organizations and NGOs involved in developing and implementing natural resource, energy, and urban policies, strategies, and plans. USAID also has played a critical role in enhancing institutional capacity to conduct economic and environmental research and analysis and to help developing countries to apply such analysis in formulating policy options. Central programs will focus on strengthening the capacity of developing country institutions to formulate and implement effective natural resource, energy, and urban policies, strategies, and plans to promote sustainable development. Expected results over the next five years include:

- improved development and implementation of natural resource, energy and urban policies, strategies and plans;
- strengthened capacity to conduct economic and environmental research and analysis; and
- improved environmental information management.

These achievements should lead to measurable improvements in the quality of life for all sectors of society through more prudent and environmentally sound management of the natural and human environment.

**Strategic Objective 5. Increased use of appropriate environmental technologies.**

Outmoded technologies hinder economic development, harm human health, and degrade the environment in many developing countries. U.S. environmental technologies prevent pollution by achieving higher production efficiencies than traditional technologies. USAID's program is based on the premise that sustained economic growth can be consistent with environmental protection. USAID's strategy is based on an integrated approach emphasizing (1) policy and regulatory reform to rationalize pricing and encourage private investment in upgraded public infrastructure; (2) demonstration of innovative, proven U.S. environmental technologies to show their viability and cost-effectiveness in developing countries, and (3) brokering public and private partnerships to upgrade infrastructure, deploy technology, and leverage other funds.

USAID has supported innovative financing for, and commercialization of, environmental technologies. USAID has enhanced private and public investment in new power generation capacity in Indonesia, India and Armenia. New environmental technologies have been deployed in Thailand, Indonesia and Tunisia. Reverse trade missions and training help expose developing country decision makers to U.S. environmental technologies. USAID-funded trade networks, such as the Environmental Trade Networks for Asia and the Americas, help pair U.S. technologies with developing country needs.

Central programs will focus on adoption of appropriate, cost-effective U.S. environmental technologies to maximize efficiency and reduce pollution in energy and industry in USAID-assisted countries. Expected results during the next five years include:

- increased institutional capacity in host countries to promote sustainable economic growth,
- increased private investment in public infrastructure and environmental technologies in host countries, and
- reduced adverse environmental impact from energy and industrial production.

#### **Strategic Objective 6. Decreased threats of global climate change.**

Central programs will focus on reducing long-term climate change threats to the global environment by increasing carbon sinks and decreasing the rate of growth of carbon emissions, particularly from industrial and energy sources. Deforestation and increased energy production are raising atmospheric greenhouse gas (GHG) concentrations, increasing the risk of global climate change (GCC). USAID GCC programs focus on energy and forestry, USAID energy programs help countries improve the efficiency of, and reduce the pollution from, fossil fuel use, and commercialize and implement alternative, renewable sources of energy. USAID forestry programs help developing countries assess, protect and utilize their forestry resources. USAID also conducts baseline research into carbon sequestration systems, and helps countries inventory their carbon sources and sinks and determine how best to decrease emissions in order to comply with international agreements.

USAID's results to date include successful efforts to facilitate financing and commercialization of clean, efficient energy technologies. USAID has trained thousands of developing-country energy professionals in demand-side management, integrated resource planning, and other vital energy management tools. Renewable energy sources are commercially available in many developing countries as a direct result of USAID efforts. USAID is central to supporting developing country efforts to create and implement action plans for climate change and to undertake country studies for carbon emission baselines. Three results are expected under this strategic objective in the next several years:

- increased key country capacity to plan, monitor, and evaluate net GHG emissions,
- reduced rate of growth of net GHG emissions, and
- improved policies that encourage sustainable forest management and clean, efficient energy production and use.

#### **ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$89,100,000).**

USAID's economic growth programs are designed to enhance the productive capacity--both physical and human--of the developing world. This is accomplished through centrally funded programs in agriculture research, microenterprise, policy analysis, and basic education.

In large parts of the developing world, agriculture is a key component of economic growth. Central programs will support sustainable agricultural growth to expand income and food purchasing power in rural societies and to reduce the incidence of hunger and poverty. Over the past 15 years, many countries in the developing world have turned away from centrally planned economies and have embraced free market approaches. To make this transition successfully, governments must continue to implement wide-ranging policy and institutional reforms, assisted by specific project interventions which help put these reforms into place. USAID central programs support these reforms through technical input into bilateral mission programs. Central programs also will help to address the credit and savings needs of countries which have liberalized their financial and macroeconomic policies, and to increase their access to new technologies and productive processes. To achieve sustainable economic growth, human productivity must be continually enhanced. Basic education and training are the primary means for strengthening the human resource base, and thus, productivity. Central programs give priority to the reform and expansion of primary education for children, with particular attention to girls, and to market-driven work force education and training for adolescents and adults.

**Strategic Objective 1. Better access to finance and information for microenterprise and small business people.**

Central programs have played the leading role in implementing USAID's microenterprise initiative, designed to open economies, and especially financial systems, to participation by poor entrepreneurs. The three-part strategy for achieving this goal includes direct funding, strategic support to missions and developing countries, and technical leadership. Over the past year, nine private voluntary organizations (PVOs) were funded through the Microenterprise Implementation Grant Program (IGP). These PVOs will, in turn, work with 16 to 21 local institutions to reach 113,000 new clients (67% of them women) during the next five years. Through a second funding mechanism, the Prime Fund, 12 mission-based microenterprise initiatives based in missions were supported. These institutions reached 225,730 clients in 1995 (60% of them women). Lastly, the Grameen Trust provided seed capital to 14 organizations, utilizing USAID funds it had received in FY 1993. Three of these organizations, based in India, Nepal and the Philippines, are currently operationally self-sufficient and provided financial services to 44,000 new clients in 1995 (95% of them women). Expected results by 1997 include:

- increase in the estimated number of low-income clients gaining access to ongoing credit services from institutions supported by central programs from 43,144 to 71,829, of which more than half will be women;
- improvement in the efficiency and productivity of over 2,000 micro and small businesses through the provision of technical assistance and business development services, and increases in income of 270,000 annual micro and small enterprise recipients, and
- development and dissemination of better tools to help microenterprise organizations achieve financial viability and greater client outreach.

**Strategic Objective 2. Increased contribution of U.S. agricultural development and natural resource management linkages to global food security.**

Scientific, commercial and policy linkages with U.S. agricultural institutions, expertise, businesses and investors help tip the balance in favor of sustainable food security. USAID specifically fosters those linkages in countries where they do not arise on their own accord. Centrally managed agricultural programs support International Agricultural Research Centers (IARCs), particularly those of the Consultative Group for International Agricultural Research (CGIAR); and Collaborative Research Support Programs (CRSPs). Expected results include:

- development of new technologies and crop varieties which are used not only in the developing world but also in the United States. Currently, two-thirds of the wheat acreage and one-quarter of the rice acreage in the United States use wheat and rice varieties developed overseas by the IARCs with USAID support;
- further reductions in crop losses in developing countries and the United States through the development of pest- and weed-resistant crop varieties. Genetic resistance to a weed in Africa will reduce crop losses by \$500 million per year. Insect resistant sorghum varieties currently save U.S. producers \$390 million annually;
- further development and adoption of continuous cropping technologies. Continuous cropping of soils will save millions of acres of tropical forests by eliminating slash-and-burn activities; and
- additional agricultural policy changes to increase incomes in developing countries and U.S. exports. Central programs have contributed to a near quadrupling of non-traditional agricultural exports from Latin America. USAID technical assistance resulted in reformed seed legislation which will open the Indonesia market to U.S. seed producers.

**Strategic Objective 3. More developing nations undertake appropriate economic policy and institutional reforms.**

This objective focuses on promoting economic growth and poverty reduction by strengthening markets through: (1) improvements in efficiency and competitiveness of national and local economies, (2) expanded access to economic opportunity, and (3) increasing integration of USAID-assisted countries into a rapidly globalizing economy. Institutions and policies that constrain equitable growth will continue to be the target of reform efforts. Activities include technical assistance for country programs and analyses that support strategic interventions, e.g., fiscal policy and poverty reduction, economic impacts of privatization, reforming transition and post-conflict economies, and economic restructuring and social safety nets. USAID programs have strengthened the contribution of markets to economic growth by improving their efficiency and performance. For example, the reform of policies and institutions in Central America helped reverse sharp economic declines in the 1980s; and in Africa, decontrol of prices, relaxation of trade controls and elimination of monopolies resulted in increased efficiency. Expected results over the next five years include:

- adoption of capital market reforms to provide efficient and equitable access to rationally functioning financial markets;
- expansion of local capacity to promote small business development; and
- formulation and implementation of policy reform measures to improve international and intraregional trade and monetary regimes.

**Strategic Objective 4. Improved and expanded basic education and learning systems.**

Though many countries are making substantial quantitative progress in expanding schooling opportunity, progress is unacceptably slow in other areas, particularly in sub-Saharan Africa and South Asia. In all regions, quantitative progress masks low quality. Up to half of the children enrolled fail to complete primary and most children achieve well below international norms. Low participation and poor achievement for girls are of particular concern. Achievement of this objective requires both focused attention on sectoral factors, such as school capacity and instructional quality, and cross-cutting attention to nutrition, health and other factors which affect learning capacity and to the

communications and information technologies which affect community access to information and continued learning. Activities under this objective support integrated early childhood development as well as policy reform and technical improvement of schooling systems. Activities include support for community education, adult education and the application of communications technology to development. Over the past year, USAID has drawn on its 30 years of experience and leadership to support administrative and policy reforms; implement strategies to reach girls, and rural and poor children; and facilitate public education and social marketing in support of improved health, environment protection, and prevention of substance abuse. Central programs will provide technical leadership for:

- administrative and management reforms, using improved sector assessment and performance monitoring tools. In six years, USAID expects at least ten nations to increase support for factors affecting quality instruction in primary schools -- materials, in-service teacher training, and physical capacity;
- policy analysis and advocacy to expand and improve education for girls. By FY 2002, at least six nations will have substantially increased primary school completion and achievement rates for girls, with increasing numbers and proportions continuing their education;
- integrated approaches addressing the nutrition, health and social factors affecting the learning capacity of young children. Over the next six years, at least six nations will better prepare children for school, with fewer learning deficits and improved outcomes in later school years and adolescence;
- application of communications and learning technologies (print media as well as computer-assisted information). During the next six years, at least twelve countries will enrich learning environments for adults and children and expand effective community participation in environment, health and other development practices; and
- responses to education systems in crisis and post-crisis contexts. Improved children's participation in new, more appropriate education systems will mitigate the short-term effects of national crises on children.

#### **Strategic Objective 5. Improved higher education and training for work force development.**

USAID's participant training program remains one of the Agency's largest cross-cutting development investments, and is a highly effective tool for ensuring the sustainability of other USAID investments. Higher education linkages and networks involving U.S. universities focus on the revitalization and reform of developing country post-secondary institutions and on the improvement of education in all fields which contribute to sustainable development. Market-driven, innovative, and cost-effective work force development models are focused on improving human productivity and economic growth. USAID has commissioned a worldwide study and identified 45 education and training systems that are successful in preparing a national work force for development. Over the next two years, central programs will seek to achieve the following results:

- establishment of linkages and networks aimed at revitalizing higher education in at least 20 countries;
- development and dissemination to all USAID missions of models for increased work force productivity, with programs in at least four countries; and

- refinement of policies and strategies for more cost-effective U.S., third-country, and in-country participant training programs.

**BUILDING DEMOCRACY (\$15,500,000).**

By building on the wealth of USAID experience and expertise in U.S. democratic institutions and nongovernmental organizations, central programs are providing leadership and technical assistance in a range of problem areas deemed critical to the establishment and furtherance of democratic governance. Through innovative approaches and sharing lessons learned, central programs increase the overall effectiveness of programs in this rapidly evolving area of development.

Program objectives are aimed at supporting work in the four main aspects of democratic governance: rule of law, governance, electoral and political processes, and civil society. Central programs primarily support field programs through technical leadership, coordination among donors, evaluations, skills enhancement, policy and data analysis, targeted assessments and strategies, and the dissemination of information which deals with democracy and governance programs. A particular focus is placed on expanding the participation of previously disempowered groups of people in the political process, including women. While central programs support USAID missions and U.S. embassies, they also provide direct implementation in areas such as labor development, political and electoral processes, and the greater involvement of women in the political process.

**Strategic Objective 1. Rule of Law: Strengthened legal systems which promote democratic principles and protect human rights.**

USAID's dual focus on democratic transitions and consolidation is predicated on the existence and observance of general principles of law. Central programs have provided technical leadership and support to mission programs in the areas of constitutional change, commercial code reform, citizens' access to justice, the enhancement of professional skills of judges and prosecutors, and improved, predictable judicial proceedings. These programs protect minority and women's rights as well as individual human rights on a broader scale. Such support has led to the adoption of a policy by ten Latin American countries to develop strategies to prevent pre-trial abuse while in detention and to strengthen the individual's right to be presumed innocent.

Many U.S. Government agencies play an important role in USAID's rule of law programs. Collaborative efforts are underway with the Department of Justice and the Federal Judiciary Center to utilize their expertise to strengthen the professional skills of prosecutors and judges. Rule of law programs also support other U.S. Government foreign policy efforts, including anti-narcotics initiatives and changes in commercial codes that protect U.S. investors abroad. Under this objective, USAID's achievement over the past year include facilitating judicial reforms in Latin America, and establishing commercial banking and civil codes in the former Soviet Union and Eastern Europe. Expected results to be achieved in the near-term include:

- development of mechanisms to increase citizen access to the formal and informal justice systems tested;
- design of programs to increase quality and effectiveness of court case tracking and management systems, and to reduce pre-trial detention periods tested;
- improvement of technical capacity of judges and prosecutors; and
- construction of models for court-annexed and community-based alternative dispute resolution.

**Strategic Objective 2. Governance: Increased efforts to make government systems more transparent and accountable.**

Democratic governance is a partnership between the state and society in the management of public affairs. Central programs have supported efforts to make governmental systems more transparent and accountable in carrying out their functions and to increase citizen participation. To date, efforts have focused on providing technical leadership for the Agency, field support to USAID missions and actual program implementation in selected countries to support such activities as legislative strengthening, decentralization and improved public administration. Examples include efforts in the Philippines and Mozambique to decentralize government functions as well as to support innovative programs to fight corruption. Over the past year, central programs have contributed to the development of an international index on corruption and regional protocols in Southern Africa to reform telecommunications, railroads, customs, and shipping; and have facilitated dialogues on civil military relations in Ecuador, Paraguay, and Guatemala. Expected results to be achieved in the near-term include:

- development and adoption of administrative practices that encourage more transparent and accountable public management at both the national and local levels;
- application of technologies to encourage and support public participation in and "ownership" of policy making (e.g., through public hearings at the national and local levels);
- development of models of legislative reform to increase the effectiveness, responsiveness and accountability of legislative bodies; and
- development of prototype systems to decentralize government resources and authority consistent with the devolution of central authority to local and regional governments.

**Strategic Objective 3. Elections and Political Processes: Increased open and participatory elections and political processes which reflect the will of the people.**

Free and fair elections form the cornerstone of a functioning democracy. Central programs, through activities such as networking and information-sharing among various countries, increase USAID's capability to respond to rapidly evolving situations, and also provide technical expertise to support USAID field missions. Areas of support include: administering elections in an impartial and professional manner, training local organizations to monitor elections and to educate voters about their responsibilities, providing assistance to increase the effectiveness and democratization of political parties, and training newly elected legislators. Over the past year, USAID efforts have increased citizen access to and participation in free and fair elections in a number of new democracies and in several countries consolidating democratic gains. USAID mission and regional programs have been successful in supporting crucial elections in South Africa, El Salvador and Cambodia, among others. Expected results to be achieved in targeted countries in the next few years include:

- establishment of a legal framework that promotes free and fair elections;
- increase in professionalism and independence of election commissions;
- development of party systems that represent the various constituencies, sector issues and ideologies in specific societies; and
- expansion of citizens' knowledge and awareness of registration and voting procedures.

**Strategic Objective 4. Civil Society: Increased effectiveness of citizens' interest groups to promote pluralism and contribute to responsive government.**

One of the most dramatic manifestations of the historic wave of democratic transitions has been the burgeoning number of groups in civil society. These groups operate outside the government and are so much a part of the fabric of our own political system that we often simply assume the existence of such groups elsewhere. They include professional societies, activist groups, volunteer organizations, and concerned citizens operating at the local, regional and national levels. Without them, central governments often lack focus and the impetus to change. These groups have played critical roles in asserting the rights of all people to have governments which are both accountable and responsive to the will of the people. These organizations have been on the front lines pushing for democratic reforms in Eastern Europe and the former Soviet Union, as well as in Latin America and Africa.

Through direct support as well as sharing technical expertise, central programs have worked to strengthen private citizens' groups, ranging from labor unions and professional bodies to those working directly in voter education and registration. Recently, central programs have contributed to the development of a democracy strategy for Kenya based on strengthening indigenous organizations' efforts to achieve political liberalization.

In the labor sector, central programs operate in 19 countries in Latin America, 26 in Africa, and 6 in Asia. While these programs work to build viable, self-sustaining local trade union organizations, their efforts also encompass other civil society associations. The American Institute for Free Labor Development (AIFLD) assisted Salvadoran women in improving working conditions through more effective participation in the political process. In South Africa, the African-American Labor Center (AALC) supported a country-wide voter education and mobilization campaign, trained trainers of election monitors, and helped women trade union members in forming the first South African School for Trade Union Women. The Asian-American Free Labor Institute (AAFLI) was instrumental in assisting Bangladeshi women in forming the Bangladeshi Independent Garment Workers Union, which represents one million women employed in the garment sector. Expected results to be achieved in the coming years include:

- increased capacity of civil society organizations to engage in public debate and action;
- strengthened networks among civil society organizations within regions and globally; and
- increased free and independent labor unions in promoting democratic reform.

#### **CROSS-CUTTING PROGRAMS**

Several cross-cutting central programs contribute to all of the Agency's goals. These are described below.

##### **Women in Development**

To be effective, development assistance strategies to stimulate economic growth, alleviate poverty, prevent environmental degradation, improve health and quality of life, and support human rights must take into account the situation of women in developing and transitional countries worldwide -- both because of the important contribution that women make to national economies and because of women's relative poverty. The Women in Development program is inherently cross-cutting and must be integrated if USAID hopes to achieve sustainable development. Over the past year, USAID has

provided technical support to assist with project design, implementation, and evaluation of gender issues to 20 missions worldwide. USAID also has developed an electronic database to provide timely and up-to-date information to missions to assist them in incorporating gender in policy and programming activities. The central program in women in development focuses on the following four strategic objectives:

**Strategic Objective 1. Improved economic status of women in Latin American and the Caribbean, Asia and the Near East, and Africa.**

More than 800 million women are economically active worldwide. Over 70% of these women live in the developing regions of Asia, Africa and Latin America, and their number has nearly tripled since 1950. While women are increasingly economically active, they continue to be paid less than men. The Women in Development program will seek to improve the employment opportunities for large numbers of women now living in poverty.

**Strategic Objective 2. Improved educational opportunities for girls in South Asia and Africa.**

Girls' educational opportunities in most developing countries are limited, both in absolute terms and relative to those of boys. The educational status of girls is comparable to that of boys in most countries in Latin America and East Asia. The program will seek to reduce the striking disparities between boys and girls that continue to exist in South Asia and Africa.

**Strategic Objective 3. Improved women's legal and property rights and increased women's participation in governance and civil society in all regions---with an emphasis on legal rights in Eastern Europe and the New Independent States, and civil society in Latin America and the Caribbean.**

Limitations on women's legal and property rights and participation in governance and civil society are widespread in developing and transitional countries. In many countries, literacy requirements for voting disproportionately affect women, who are less likely to be literate than men. Women's membership in local cooperatives, associations, and labor unions is relatively low. Legal restrictions on women's ownership of land and other property are common, and laws often support inheritance patterns that favor men. The program will seek to improve women's legal rights, particularly in Eastern Europe and the New Independent States, and expand women's participation in governance and civil society, particularly in Latin America and the Caribbean.

**Strategic Objective 4. Support integration of gender issues through USAID regional and country programs.**

Because few development assistance organizations include gender expertise among their requirements for staff expertise, the numbers of development professionals with experience in addressing gender considerations in projects, programs, and policies is limited. USAID, through its Women in Development program, is supporting efforts to address gender considerations and improve the status of women.

To achieve these objectives USAID will support the development of NGO capacity to focus on the role of women in their programs; high-quality applied research on women's roles and status; communications and information dissemination focused on women's roles; the development of professional expertise on women's roles through a WID fellows program; and a variety to technical assistance activities designed to improve the extent to which USAID programs address gender considerations.

## Cooperative Development Research

The U.S.-Israel Cooperative Development Research Program funds collaborative research involving scientists from Israel and USAID's partner countries. The research seeks to develop innovative solutions to a diverse range of development problems while transferring to the host country Israel's practical approach to the application of scientific methods to sustainable development.

## Peace Corps

Through a worldwide Participating Agency Service Agreement with the Peace Corps, central programs support the Small Project Assistance (SPA) Program. The purpose of the SPA Program is to support, in conjunction with local communities, small-scale sustainable development activities in areas of priority to USAID (such as improving human health, protecting the environment, and facilitating economic growth). The SPA Program facilitates local grassroots efforts by combining Peace Corps Volunteers' knowledge of local conditions with USAID's technical and financial resources. Since 1985, USAID has provided \$15.5 million in support of 5,000 community projects.

## Strengthening USAID's Development Partners (\$49,500,000)

USAID supports activities which increase the capabilities of PVOs and cooperative development organizations (CDOs) to deliver sustainable development services at the grassroots level in priority areas such as child survival, microenterprise development, women's education, and the environment. These efforts are captured under a single strategic objective:

### Strategic Objective 1. Increased PVO capability to achieve sustainable service delivery.

A key dimension of these programs is strengthening the organizational capacity and programs of PVOs and CDOs in order to provide cross-cutting support for USAID's five strategic objectives. USAID will increasingly encourage collaborative partnerships between U. S. PVOs and CDOs and indigenous organizations to promote development at the local level and to enhance program sustainability and impact. In FY 1997, funds will be allocated to individual organizations through competitive grants which include a matching requirement to leverage additional private resources for development. Approved grants will also be consistent with USAID mission strategic plans. The major central grants programs are:

- **Matching Grants.** In FY 1997, this program will continue to strengthen U.S. PVOs' technical, planning and management capacity to carry out development programs in USAID-assisted countries. The U.S. PVOs contribute at least 50% of the total project costs and usually implement their activities through local organizations. For example, Food for the Hungry (FHI) has strengthened the ability of its overseas affiliates to provide credit services to microentrepreneurs. Faulu, FHI's affiliate in Kenya, last year made 3,365 loans totaling approximately \$845,000 to clients in the slum area markets of Nairobi. These loans benefited an estimated 20,000 people and led to the creation of approximately 700 jobs. FHI and Faulu stress women's empowerment, and more than half the beneficiaries are female. The program has a 100% repayment rate.
- **Child Survival.** This competitive grants program will enhance the participation of U.S. PVOs in reducing infant, child and maternal mortality in less developed countries, and strengthens their management and technical capability to implement child survival programs. These projects meet critical needs in child immunization, prevention of maternal and newborn mortality, nutrition improvement, child spacing, and improved treatment of diarrheal, respiratory and other diseases. The child survival projects work through partnerships with local

nongovernmental organizations or community-based groups. For example, since 1987, USAID grants to Rotary International have supported community mobilization to immunize 48 million infants in urban areas of India. In Senegal, the World Vision project, serving 9,300 children, more than doubled immunization from less than 3,000 children to over 7,400 between 1992 and 1994. These projects involve the active participation of beneficiaries at the community level and develop innovative solutions to address the health and child survival challenges facing developing countries.

- Cooperative Development. USAID's central programs will continue to support U.S. cooperative development organizations, enabling them to assist cooperative movements in developing and middle-income countries and new democracies. Cooperative development organizations will provide assistance and training to local counterpart organizations in such areas as microenterprise development, housing, credit delivery, dairy development, rural electrification, insurance protection and cooperative development. For example, in 1992, the National Telephone Cooperative Association (NTCA), in cooperation with its local partner, was responsible for establishing the first two privately owned and operated telephone companies in Poland. As a result of NTCA's assistance over a two to three year period, incomes in the service areas increased by 30%, and an investment of \$173,000 from USAID has yielded \$1.6 million in the purchase of U.S. goods and services.
- Development Education. USAID's development education programs will support the efforts of U.S. non-profit organizations to educate and create an atmosphere of national understanding and interest among American citizens about U.S. development activities overseas, especially as they relate to efforts at addressing global problems of poverty and hunger. Activities in FY 1997, building on program adjustments undertaken in FY 1996, will leverage additional financial and program support and will be required to demonstrate impact. The FY 1996 program is supporting small grants to U.S. not-for-profit organizations engaged in development who are forging links with U.S.-based domestic membership organizations. The domestic partner organizations must have a demonstrated interest in international development or foreign affairs and an institutional focus that parallels a sustainable development topic, e.g., health, agriculture, microenterprise or small business. Public awareness of issues relating to global interdependency, such as agriculture, health and environment, has reached approximately 37 million people through the Development Education program.
- Ocean Freight. USAID, through the Ocean Freight Reimbursement (OFR) program, will continue to reimburse registered PVOs for the costs of shipping equipment and supplies to developing countries in support of development and humanitarian assistance activities in the following areas: agricultural and rural development, health care, educational training, disaster assistance and relief, and rehabilitation. In 1995, the Agency funded 60 PVOs in the OFR program. These organizations shipped 5,075 tons of commodities valued at \$56 million at a cost of \$1.4 million to the program. This represents a ratio of 40:1 of commodities shipped to USAID dollars spent.
- Institutional Support. USAID will provide institutional support grants to strengthen the management and technical capacity of the PVOs that implement food assistance programs under the P.L. 480 Title II Food for Peace program. Grants awarded to date have helped the PVOs to plan programs for greater impact on food security, to initiate food assessments, to develop monitoring and evaluation systems, and to improve the technical skills of their staff.

## **American Schools and Hospitals Abroad (\$10,000,000)**

USAID, through its American Schools and Hospitals Abroad (ASHA) program, will continue to provide grants to private schools, libraries and medical centers overseas. These institutions are founded or sponsored by U.S. organizations and serve as demonstration centers for American ideas and practices. The ASHA program is captured under a single strategic objective:

### **Strategic Objective 1. Strengthen overseas institutions which demonstrate American ideas and practices.**

U.S. developmental and foreign policy goals are facilitated when we share values with others who are able to understand the United States. In FY 1997, the ASHA program will support a limited number of institutions that foster a favorable image of the United States and the local ability to better interpret events in which the United States is involved. American-sponsored schools and hospitals overseas create continuing relationships between Americans and citizens of other countries. They promote democracy, private initiative, free inquiry and innovative approaches to service delivery.

These private, non-profit institutions meet operating expenses primarily from tuition, fees, private contributions from U.S. and in-country sources, earnings from endowments, and the sale of services. ASHA grants help build and renovate facilities, purchase equipment and, in a few cases, meet operating costs for educational and medical programs.

ASHA-financed buildings and equipment provide the physical infrastructure which strengthens institutional services and permits realization of opportunities. This increase in reach has secondary benefits in mobilizing resources, attracting students and increasing scholarship support. ASHA-assisted institutions educate future leaders and those already in the work force in disciplines essential to broad-based, sustained growth.

The University of the Americas, an American style liberal arts campus in Puebla, Mexico, dedicated its Humanities Building in June 1995. The new facility, financed with ASHA support, will unify all academic programs in humanities and cultural studies and incorporate some novel, appropriate technology into new classrooms and lecture halls. Africa University in Mutema, Zimbabwe, dedicated its College of Agriculture and Natural Resources Building in February 1996. This new facility represents the first phase of a General Board of Education and Ministry of the United Methodist Church initiative to develop an independent, American-style university campus in southern Africa.

While ASHA grants have traditionally been awarded through an annual competitive review, USAID is planning to phase out this program and we do not expect to have a competitive awards process in FY 1997.

### **Learning from Experience**

USAID, through its Center for Development Information and Evaluation (CDIE), learns from development experience to improve development results. CDIE accomplishes this by assembling and synthesizing information on experience from throughout the Agency and sharing its findings and lessons learned with field units (missions), central technical and planning staff, Agency senior managers, and other partners. More specifically, the Center:

- Continually assesses the needs and priorities of its Agency and development partners and customers to assure the delivery of timely, relevant, and high-quality products and services;

- Maintains USAID's institutional memory through its core collections of documents and socioeconomic data and provides requested documents and data to customers;
- Summarizes and synthesizes development information for customers through annotated bibliographies, short research papers, briefs on current issues, and other vehicles;
- Conducts evaluations on Agency-wide policy and program issues to generate new learning for customers;
- Strengthens USAID's capability to learn from experience and achieve better results by providing technical support to Agency units in using strategic planning, performance measurement and evaluation tools;
- Coordinates the assembly and analysis of Agency-wide program performance data, develops and updates the Agency strategic framework, and prepares USAID's annual performance report; and
- Disseminates lessons learned and best practices in strategic planning, performance measurement, and evaluation through a variety of formal publications and electronic media.

USAID's priorities for the Center in FY 1997 are to:

- Identify and resolve emerging strategic planning, performance measurement, and evaluation issues and problems, especially as they relate to making sound resource allocations, given the greatly reduced budget, and to implementing the management reforms embodied in reengineering. Document best practices and disseminate information to policy makers. Refine USAID's results-planning and results-tracking capabilities;
- Help prepare the overall Agency strategic plan, update the Agency strategic framework, and prepare the annual performance report. Taken together these efforts should meet the basic requirements of the Government Performance and Results Act (GPRA) well ahead of schedule;
- Complete evaluations in the areas of *Rehabilitating War Torn Societies*, *Local Governance*, and *Food Aid*; complete review of experiences in working in *Countries in Transition*;
- Continue to maintain USAID's institutional memory and enhance staff access to information services and databases through a CDIE Corporate Web homepage and other electronic media; and
- Respond to customer needs by producing tailored reports that allow performance data and development information to be more fully used in policy formulation, program planning and design.

## CREDIT PROGRAMS

USAID's FY 1997 credit subsidy request approximates the Agency's FY 1996 appropriations levels. USAID continues to believe that there are significant instances in which the U.S. development priorities can be best funded through credit, and that the Agency should have the flexibility to use credit to support credit-worthy borrowers and projects.

### Micro and Small Enterprise Development Program

FY 1997 Micro and Small Enterprise Development Program Request:

• Guaranty Subsidy . . . . .	\$1,350,000
• Direct Loan Subsidy . . . . .	\$150,000
• Administrative Expenses . . . . .	\$500,000

Broad-based, sustainable, economic growth requires an expanding private sector, including thriving micro and small businesses. The success of micro and small enterprises depends, in large part, on their ability to access financing to support viable business ventures. Micro and Small Enterprise Development (MSED) program, the successor to the Private Sector Investment program, was originally established by Congress in 1983 to work with private financial institutions to correct "market imperfections" inhibiting the flow of credit to small businesses in developing nations worldwide. To date, the programs have helped mobilize in excess of \$200 million in private sector loans, substantially to support small businesses and, increasingly, microenterprises. Under the MSED program, USAID presently operates 58 facilities in 21 developing countries and maintains an active portfolio of over \$100 million in loans and guarantees.

USAID, through the MSED program, strives to build sustainable linkages between financial institutions and small and microenterprises lacking full access to formal financial markets. Its primary tool is the Loan Portfolio Guaranty (LPG) program, which provides loan guarantees covering up to 50% of the principal loss on a portfolio of small business loans, and up to 70% for micro-loans, made by financial institutions. Guarantees are combined with training and technical assistance to improve the capacity of banks to assess small and micro business credits, and to assist borrowers to present bankable proposals to lending institutions. In the last three years alone, the MSED program has trained more than 500 developing nation bankers from participating financial institutions.

The MSED program also uses direct loans and guarantees to provide capital for PVOs and NGOs engaged in microenterprise lending activities and to create sustainable relationships between PVOs and NGOs, and formal financial institutions.

The MSED program's performance is measured by the following: (1) the degree to which participating financial institutions increase their lending to micro and small businesses; (2) its success in strengthening the capacity of indigenous financial institutions to engage in micro and small business lending; and (3) the ability of the program to assist sustainable PVOs and NGOs to access formal sector financing for on-lending to microenterprises.

Data collected on the LPG program over the past four years (see table below) indicates that participant banks are making significant progress reaching new, smaller borrowers under the program. For example, two participating banks in Sri Lanka have provided loans of under \$1,000 to thousands of new borrowers who would not otherwise have had access to bank financing. Similarly, one bank in the South Africa program has issued more than 3,000 loans averaging \$215 to new South African borrowers.

Major Program Indicators Loan Portfolio Guaranty Program

	FY 1992	FY 1993	FY 1994	FY 1995
Average Loan Size	\$18,540	\$8,560	\$5,544	6,814
Average Borrower Asset Size	\$72,823	\$21,897	\$16,931	20,407
Average Borrower Collateral Requirements	N/A	46.5%	57.5%	38.0%
% of First Time Borrowers	33.9%	36.1%	73.5%	79.1

**Housing Guaranty Program**

FY 1997 Housing Guaranty Program Request:

- Guaranty Subsidy . . . . . \$5,000,000
- Administrative Expenses . . . . . \$6,000,000

The Housing Guaranty program provides for long-term financing, through the U.S. private sector, to support urban and environmental development initiatives in host countries. Since the program's inception, USAID has authorized over \$2.8 billion in loan guaranties, supporting more than 200 projects in over 40 countries. In addition to the over \$2.8 billion in authorized loan guaranties provided, this program has leveraged \$19.6 billion in host country and private sector matching funds. Much of this \$2.8 billion portfolio is active and, to-date, is continuing to provide funding for urban and environmental development initiatives in the host countries.

The Housing Guaranty program supports two of USAID's strategic goals, encouraging economic growth and protecting the environment, by improving host countries' capacity to deal with urbanization and by promoting the strategic objective of sustainable urbanization through increased urban environmental protection, improved urban environmental management, and increased public access to environmental and shelter services. Emphasis is placed on addressing urban and environmental problems that impair human health, decrease child survival rates, and prevent economic progress. In FY 1997, the Housing Guaranty program will leverage \$5 million of budget subsidy authority to provide approximately \$47 million for addressing these problems.

The Housing Guaranty program continues to achieve concrete results and has received numerous internationally respected awards as recognition for the results achieved. However, the most telling indicator of the results achieved by the Housing Guaranty program is the number of people benefited by the program. In July 1995, a beneficiary analysis was undertaken, and it concluded that over 28.7 million people have been directly benefited by the Housing Guaranty program. This analysis also concluded that although the program provides long-term financing, it is responsive to immediate development needs. For example, in FY 1995 alone, the Private Sector Guaranty program in South Africa, which was authorized at the end of FY 1994, guaranteed 26,000 loans for new houses, directly providing shelter for more than 200,000 low-income individuals.

Housing Guaranty Program, FY 1997

Country	Authorization Levels
<u>Asia and Near East</u>	
Indonesia	\$10,000,000
India	\$10,000,000
Morocco	\$7,000,000
<u>Africa</u>	
South Africa	\$10,000,000
<u>Europe and the Newly Independent States</u>	
Czech Republic	\$10,000,000
<b>Total:</b>	<b>\$47,000,000</b>

The administrative expense funds provide for operating costs associated with the Housing Guaranty program. USAID monitors and evaluates this portfolio on a periodic basis for both the attainment of programmatic goals and for compliance with a variety of laws, including the Chief Financial Officer's Act of 1990. The request of \$6 million is the minimum amount needed to meet these requirements and to authorize the five country programs presented above.



## INTERNATIONAL DISASTER ASSISTANCE

**FY 1997 REQUEST . . . . . \$190,000,000**

The International Disaster Assistance program of the United States assists the growing number of persons affected by natural and man-made disasters. The FY 1997 funding request consists of \$190 million for International Disaster Assistance. This includes \$165 million to respond to emergency relief needs worldwide and for disaster prevention, mitigation and preparedness activities, and \$25 million to support the Transition Initiative, which began in FY 1994. The FY 1997 request includes funding for assistance to the Kurdish refugees in northern Iraq, which until FY 1995 was funded through Department of Defense appropriations. The Administration also is requesting \$837 million in P.L. 480 Title II resources, a portion of which will be used for emergency food aid responses.

The number and intensity of disasters have been rising, and the upward trajectory of humanitarian assistance requirements is projected to continue. Complex emergencies--those involving political and military conflict--are a major contributor to these trends. Although these conflicts change in intensity, their resolution is very difficult, and relief assistance can be necessary to meet emergency needs of civilian populations for long periods. Large populations in Angola, Bosnia, Liberia, Somalia, Rwanda, Burundi and Sudan continue to require assistance to survive. Over 50% of assistance to complex emergencies goes to African countries.

Parallel to increases in the number of persons affected by complex emergencies, rapid population growth in many developing countries increases the numbers of people vulnerable to natural hazards such as earthquakes, hurricanes, tornadoes, and volcanoes. Urban areas are expanding, with unsafe habitation in many shanty areas and slums. Also, people move onto marginally viable and unsafe lands where natural hazards such as hurricanes, earthquakes and volcanoes and their side effects, such as flooding and mudslides, have disastrous human impact.

The goal of USAID humanitarian assistance is to save lives and minimize suffering. USAID must also work to prevent these costly crises and to assist countries to move from crisis to development. Humanitarian assistance programs are increasingly integrated with development programs to support this process, and there are some new programming dimensions through our Transition Initiative, as well.

There are three important principles that guide USAID's humanitarian assistance:

First, the emergency response, which focuses on saving lives and reducing suffering, can simultaneously assist the return to sustainable development by supporting local capabilities, providing safety nets, and strengthening human capacity. Programs in maternal and child feeding, emergency health care and shelter provision can be administered in ways that contribute to the regeneration of communities and to regional stabilization. The provision of seeds for food crops along with relief food to disaster victims in farming areas enables these producers to return to self-sufficiency. Medical emergency programs which draw on local medical staff and encourage on-the-job training, when feasible, are more likely to reduce the need for external resources in the future.

A second principle is that prevention and mitigation of the effects of disasters must be built into response programs. Prevention requires strengthening local response capacities. Disaster preparedness requires careful examination of relief and recovery planning. USAID's field missions play an important role in helping government, municipal, and community leaders to prepare for disasters and to design development projects that fully reflect the risk from disasters. One of USAID's most successful disaster preparedness initiatives is the volcano disaster assistance program, conducted in

cooperation with the U.S. Geological Survey. This early warning system has prompted evacuations of threatened populations before eruptions, saving hundreds of thousands of lives.

A third guiding principle is that timely, effective assistance to countries emerging from crisis can make the difference between a successful or failed transition. Countries experiencing a significant political transition, national conflict, or a major national disaster, such as a prolonged drought, may have special needs which are not addressed by traditional disaster response. Nor do these countries generally have the infrastructure that allows the resumption of long-term programs of sustainable development. The Transition Initiative responds to needs in this "gray area" between relief and development, funding programs, for example, in the reintegration of dislocated populations, including demobilized soldiers, and the creation and revitalization of political and civic institutions.

Effective humanitarian assistance requires that the USAID relief, mitigation, transition and development programs support each other, as described above. In addition, USAID must also collaborate closely with other assistance providers in the international community. This is particularly important both to coordinate programs and to share the burden of relief costs. U.S. private voluntary organizations (PVOs) are critically important partners and play an essential role in raising resources, providing assistance, and implementing programs. USAID's partnerships with U.S. PVOs and nongovernmental organizations, United Nations agencies and other donors include support for mechanisms to facilitate the exchange of information among international partners and to prevent duplicative efforts.

Pursuant to section 493 of the Foreign Assistance Act of 1961, as amended, the President has designated the USAID Administrator as his Special Coordinator for Disaster Assistance. USAID has a well-established management structure and disaster relief expertise which draw on public and private sector resources to enable a response within 24 to 72 hours after a disaster. USAID fields assessment teams to identify needs, and provides disaster assistance response teams (DARTs) to facilitate communication and organize a response. It also provides communication support equipment, search and rescue groups, medical assistance, shelter, food and potable water.

In 1995 USAID responded to 20 floods, 3 epidemics, 2 hurricanes, 4 droughts, a volcano, a fire, a volcanic mudslide and a locust outbreak. USAID is responding to numerous complex emergencies as well, such as those in Sudan, Rwanda and Bosnia-Herzegovina. In Bosnia-Herzegovina, USAID has a long-standing DART team in the region; World Health Organization surveys show that USAID programs there have contributed to the avoidance of mass starvation through targeted food aid and support for local coping mechanisms.

USAID works closely with the Department of State and the Department of Defense to coordinate American relief efforts. For urgent disaster situations, 24-hour coverage is provided by staff to ensure the transmission of accurate information across different agencies, and between the disaster area and important response centers. Satellite communication equipment augments USAID's ability to carefully target emergency assistance and to coordinate with donors and other U.S. Government and nongovernmental agencies. Cost-effectiveness and timeliness are important hallmarks of USAID humanitarian assistance.

Complex disasters, which generally involve a combination of factors including political and military strife and a breakdown of governance and social infrastructures, often mean prolonged provision of relief assistance to some affected populations. In these circumstances, USAID seeks to support interventions which encourage local participation and self sufficiency. The Greater Horn of Africa region, comprised of Sudan, Ethiopia, Eritrea, Somalia, Kenya, Uganda, Rwanda, Burundi and Tanzania, is a particularly disaster-prone area, drawing over 50% of the emergency funds to Africa. The United States has focused on this region with an initiative which includes collaboration with other donors and African leaders and institutions. Under this initiative, USAID is working to integrate its humanitarian

assistance and development strategies in order to more effectively link relief and development and better promote food security.

The increase in complex and prolonged disasters has led to other innovative strategy changes. The Transition Initiative provides a mechanism to rapidly assess and address short-term political and economic needs in the important recovery stage. Key areas for the Transition Initiative include the demobilization and reintegration of soldiers, electoral preparations and governance, and civil infrastructure. The transition program in Haiti promotes stability through demobilization, emphasizing skills development for ex-military personnel, and through efforts to create and strengthen civil governance structures. Demobilization and landmine awareness and removal are important elements of the transition program in Angola where militarization continues to represent a threat to a stable recovery. And in Bosnia-Herzegovina and Rwanda, transition programs are working with local communities to reduce ethnic conflicts. These interventions are fundamental to the successful recovery of these countries from political and natural crises.



**FOOD FOR PEACE**

<b>FY 1997 P.L. 480 Title II</b> . . . . .	<b>\$837,000,000</b>
<b>FY 1997 P.L. 480 Title III</b> . . . . .	<b>\$40,000,000</b>

On a global level, more than 800 million people today are chronically undernourished and more than 180 million children are severely underweight. For the United States, global hunger is both a humanitarian concern and a strategic problem. The U.S. Government gives of its resources to help those in need and in crisis even as it seeks to eliminate the food insecurity that fuels political instability and environmental degradation.

Despite economic growth and increased global food supplies, malnutrition persists and the longer-term trend is somber. A 1995 U.S. Department of Agriculture study entitled "Food Aid Needs and Availabilities: Projections for 2005", concludes that "global production capacity is projected to produce adequate supplies of grain ...." However, because of income distribution inequities, high population growth rates, and slow rates of development, in sub-Saharan Africa and south Asia in particular, the study finds that "Food aid needs will nearly double over the next decade, even with reasonably optimistic assumptions about recipient countries' ability to produce their own food or to import food commercially. Total food aid needs to maintain consumption and meet emergency needs are projected at 15 million tons in 1996, increasing to 27 million tons by 2005."

P.L. 480 Food for Peace is a people-to-people program, from the people of the United States to people who do not have access to sufficient food to meet the needs for a healthy and productive life. In FY 1995, Title II food assistance directly benefited 55.7 million poor people in some 58 developing countries. Of that number, 23.2 million were disaster victims and 32.5 million were beneficiaries of development projects. Most of these people were women and children who suffer most in emergencies caused by war or drought, or who took part in nutrition and health improvement activities, or in primary education and training programs. The hungry poor who received Title II assistance also included landless agricultural workers, small farmers and the urban poor - people below the poverty line with insufficient food and not enough money to buy the food needed for themselves and their families.

P.L. 480 programs benefit American businesses. Nine of the ten leading importers of U.S. agricultural products are former recipients of food assistance. For the first time in history in 1995, the United States exported more than \$1 billion in agricultural products a week. Some of this success must be attributed to P.L. 480 programs. Food aid positively affects almost every state in the union, with benefits accruing not only to farmers but also to food processors, packers, transporters, railroads, stevedores, ocean carriers and others.

One of the strengths of food aid is its immediate application in feeding people--either as part of a humanitarian relief effort, as part of a recovery strategy, or as part of a broader development effort.

Title II Emergency and Private Voluntary Organization Assistance Programs

Title II programs are managed by USAID, working in partnership with U.S. private voluntary organizations (PVOs), international and local nongovernmental organizations (NGOs) such as the International Committee of the Red Cross and United Nations agencies such as the United Nations Emergency Children's Fund (UNICEF), and the World Food Program (WFP). WFP is a prime instrument through which the U.S. provides multilateral food aid and U.S. food and cash contributions are estimated at nearly one third of WFP's overall operating budget. As a lead donor, the U.S. has been

in the forefront of working with WFP to improve its financial and management controls for distributing, monitoring and safeguarding donated commodities.

Title II works in the following areas:

-- In crisis, Title II assistance performs the most basic of functions, it saves lives. Drought, flood, and the ever increasing number of disasters caused by man rather than nature often lead to life-threatening food needs. The scope and level of global emergency food aid needs continue to increase. Worldwide estimates of people requiring emergency food aid in order to maintain minimum nutrition now exceed 26 million. Overall requirements for these vulnerable groups approximate 3.5 million tons of food at a cost of roughly \$2 billion. In FY 1995, the U.S. contributed over 1 million tons of food at a cost of over \$500 million toward these requirements.

-- In non-emergency settings, Title II programs focus on improving agricultural infrastructure to bring about sustained improvements in agricultural productivity. Labor-intensive, food-for-work activities support such diverse activities as the establishment of village-level grain and seed banks, the establishment of tree and shrub nurseries, the building of small-scale irrigation infrastructure, the construction of farm-to-market roads, promotion of terracing and reforestation, flood prevention embankments, and more. In areas where water is scarce, irrigation systems and more efficient use of water resources can increase agricultural productivity many times over.

-- Title II feeding programs at health centers encourage mothers to bring in their children. At these centers, children are immunized and mothers receive training in nutrition, health, family planning, community leadership, and even literacy.

-- Title II school and preschool feeding programs, in addition to increasing children's nutritional intake, promote and ensure school enrollment and attendance leading to improved educational benefits.

-- In Title II food-for-work efforts, impoverished people are paid in food for their work on projects that will improve their economies and increase economic opportunities for themselves and their neighbors: farm-to-market roads, water systems for irrigation and consumption, food storage facilities, flood prevention embankments, and more.

USAID policy provides for:

-- Priority to be given to programs in those countries that need food most and where food insecurity is greatest. Title II programs will focus on improving household nutrition, especially in children and mothers, and on alleviating the causes of hunger, especially by increasing agricultural productivity.

-- Allocation of resources and management of programs to increase the impact U.S. food aid has in reducing hunger; food aid will be integrated with USAID dollar and other development assistance resources through improved country-level planning that assures complementarity between food aid and other USAID assistance resources, and through greater cooperation with other donors.

-- Greater attention and resources allocated to strengthen the program development and management capacity of USAID's food aid partners.

-- Greater flexibility to respond to emergencies. Since overall U.S. food aid tonnages are likely to be reduced due to lower appropriations and higher commodity prices, this flexibility must come from such measures as expanding and improving multilateral coordination.

Most important, USAID expects its food aid and food security programs to result in local capacity for continued progress, even after U.S. assistance programs end. Building this local capacity is highlighted as an important objective of all USAID activities, since it is essential both to improved food security and to sustainable development.

Hence, USAID is committed to working closely with all partners to:

-- refine the concept of country (national) food security assessments through better definition of purpose, key elements, trends, data quality and discrepancies, and local government commitment. In this context, USAID and the European Community have agreed to take the necessary measures to promote the formulation of national food security strategies and an action program which will clearly define the roles and the contributions of recipient governments, donors and executing agencies by December 1996 in five low-income, food-insecure countries, Ethiopia, Eritrea, Malawi, Angola, and Bolivia;

-- continue the momentum on identifying common, generic performance indicators and mutually acceptable methodologies that USAID and PVOs can use in measuring the impact of food aid.

Financial resources also are specifically dedicated to strengthening the program development and management capacity of USAID's food aid partners. Funds authorized under section 202(e) of P.L. 480 and institutional support grants authorized by the Foreign Assistance Act assist cooperating sponsors toward: (a) improved country program capabilities to use Title II food as a resource to achieve food security; (b) better accounting for Title II commodities; and (c) enhancing management skills of our partners involved in Title II programs both overseas and at Headquarters. For FY 1997, it is anticipated that \$28 million in section 202(e) grants will be channeled to cooperating sponsors.

The following are examples of Title II programs implemented in FY 1995:

-- The successful use of food aid to feed Mozambique's 2 million returnees from six neighboring countries of asylum has allowed for peaceful resettlement, farming activity and infrastructure improvements to the point where 1997 will see the elimination of emergency food aid except where required to respond to drought.

-- In Bangladesh, WFP uses Title II food aid in its vulnerable groups development activity to help rural women move out of extreme poverty. It provides food aid assistance to over 500,000 women per year, many of whom are destitute, heading households, or considered most vulnerable by their communities. The project focuses on income generation and training, using a recognized and effective local nongovernmental organization, the Bangladesh Rural Advancement Committee. Over and above Title II and other donor inputs, Government of Bangladesh direct contributions for this project have grown from 11,500 metric tons (mts) of wheat in 1992-93 to 51,830 mts in 1995-96.

-- In northern Ethiopia, the nongovernmental organization Relief Society of Tigray, which for a number of years successfully implemented Title II food-for-work environmental rehabilitation and agricultural development activities through the Catholic Relief Services, is now recognized as a cooperating Title II sponsor. This is an excellent example of institutional development in food aid programming and implementation emanating from a partnership between a U.S. PVO and a viable, autonomous national NGO.

-- In Uganda, the U.S. PVO Agricultural Cooperative Development International, has monetized Title II vegetable oil imports through public auction, resulting in the wide participation of small marketers and reduced price fluctuations through provision of a fixed monthly sale schedule. Use of local

currency generated from the sale of P.L. 480 commodities has been used to expand local production, marketing and processing of edible oil seeds, with an expected 8,000 metric ton increase during 1996.

-- In the former Yugoslavia, USAID's Title II food aid has meant the difference between life and death for 1.4 million Bosnians over the past few years. U.S. food aid, in the form of wheat and wheat flour, has been one of the foremost demonstrations of the American people's concern for Bosnia's well-being.

#### Farmer-to-Farmer Program

Title II also is being used to support the Farmer-to-Farmer (FTF) Program (Title V, section 501 of P.L. 480) both worldwide and in a special initiative in the New Independent States (NIS) of the former Soviet Union, with particular focus on the Russian Federation, Ukraine and Kazakhstan. In the worldwide FTF program, over the past four years, approximately 1,200 volunteers have served overseas, providing technical assistance and training to farmer associations, cooperatives, and other farm groups to enhance their potential for substantial increases in food processing, production, and marketing to stimulate private-sector enterprises and democratic institutions. The objectives of the FTF program in the NIS are (1) to increase food availability to consumers in the near term and (2) to take steps to help ensure that existing food shortages and distribution problems do not continue over the long-term. Since 1992, some 2,000 volunteers have served through the NIS program. FTF volunteers have come from 49 of 50 states.

FTF achievements include:

-- FTF volunteers have helped form private farmer cooperatives, open supermarkets, improve food processing, start radio programs for farmers, develop commodity exchanges and build farmer's associations. They also help strengthen private banking, establish land appraisal and mortgaging systems, find project financing, advise on land reform and create extension services. Some 1,300 technical documents have been translated and disseminated for use in the NIS.

-- FTF volunteers have focused on skills essential to running farms as businesses and have a significant impact on agricultural marketing. They have worked with 293 food processing plants and introduced 317 improvements in food and fiber processing in local areas. They helped introduce 1,013 new products, services and crop varieties in different areas in the NIS. Working with 93 new private banks, volunteers have helped institute Western banking practices and create agricultural lending systems.

-- The FTF program has significantly affected the lives of 120,000 individuals in the NIS, of which 32% are women. FTF has trained over 53,000 individuals in workshops on farm management, cooperative development, farm insurance, banking, food processing and privatization policy. The FTF implementors have leveraged other funds to sponsor training missions to the U.S. for over 600 NIS citizens.

-- Over six million people in the U.S. have learned about NIS agricultural developments through press articles, radio and television programs, and speeches by volunteers and staff.

#### Title III Food for Development

The P.L. 480 Title III program is a key USAID instrument for enhancing food security in least developed countries. Since Title III is a government to government program, it provides USAID with an opportunity to address critical policy constraints within the context of national governments' food security and overall development agenda.

To address the persistent and growing need for food aid in low-income, food-deficit countries, USAID has made some fundamental shifts in the programming of Title III resources. USAID's food aid policy focuses the Title III program as follows: (a) Priority in allocating food aid will be given to countries most in need of food and that can demonstrate its importance for promoting long-term food security; and (b) highest priority will be given to programs with direct linkages to increased agricultural production and consumption.

Programs will continue to have a focus on policy reform by recipient governments. Examples of desired policy reform include: changing agricultural pricing policies that are unfavorable to producers and discourage productivity-enhancing technologies, ending import and export policies that reduce investment in agricultural enterprises, and generating investments in rural infrastructure which support economic growth. Local currencies generated from Title III programs are used to advance food security goals.

Title III achievements in FY 1995 include:

-- In Bangladesh, the Title III program helps increase food access by the poor through increased public investment and improved incomes. Policy reforms supported reduction in government interventions in food marketing. Local currency supported introduction of a "food for education" program and increased government expenditures for education, health, sanitation, family planning, and water.

-- In Ethiopia, four major government parastatals that formerly controlled food marketing were abolished. The Emergency Food Security Research Administration was established to manage food reserves in the context of disaster preparedness. A targeted Food Safety Net program, which reaches 250,000 destitute urban and rural people, was established.

-- In Guyana, Title III-driven policy reforms have leveraged an increase in agriculture's share of gross domestic product 24% in 1991 to 30% in 1994. Estimated annual household incomes have increased in one target area by \$263 per farm family. Local currencies generated by the program support rehabilitation of seawalls, repair of farm-to-market access roads and rural water supply systems, and an improved nutritional surveillance system.

-- In Haiti, wheat flour prices were reduced and stabilized, with a correspondingly positive impact on household incomes. Local currency support for the job-creation program has resulted both in positive impact on the income of workers and improved infrastructure in their communities. Nationally, liberalized trade policies leveraged through policy reform are expected to improve general food availability through increased trade.

-- In Honduras, a 1994 evaluation of previous Title III efforts demonstrated measurable impacts on the availability of and access to food among the rural poor through enhanced producer prices for basic grains, increasing availability of basic grains, increasing household income, reducing the proportion of the poor in rural areas, and reducing the percentage of rural households in the lowest income ranks. Local currencies continue to support the government's family assistance program, which provides a social safety net during adjustment.

-- For Mozambique, self-targeting yellow corn increases food availability among the poorest. The program has increased private sector activity in food marketing. Rural-urban market linkages have been strengthened which will eventually reduce the number of Mozambicans dependent on food aid for survival.

-- In Nicaragua, a food-security data-gathering and analysis program is supported by Title III local currency resources. The program has strongly boosted government delivery and coverage of primary health care in needy areas.

FY 1997 Title III country programs will be few in number and determined on a needs and performance basis.

Commodity availability has decreased and prices have risen accordingly in FY 1996, especially for wheat and corn, as for wheat and corn products. USAID used the U.S. Department of Agriculture's estimated commodity prices for FY 1997, which are low relative to current prices, in projecting metric tonnages to be purchased. Current availability and pricing constraints may continue when FY 1997 becomes the operating year, however. If this is the case, USAID will not be able to procure the tonnage projected in its P.L. 480 summary food table.

**FY 1997  
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Region/Country	FY 1995 Final Program Levels					FY 1996 Current Program Levels a/					FY 1997 Congressional Presentation				
	Total	Transport	Commodity			Total	Transport	Commodity			Total	Transport	Commodity b/		
			PVO/CDO	WFP c/	IEFR d/			PVO/CDO	WFP c/	IEFR d/			PVO/CDO	WFP c/	IEFR d/
<b>WORLDWIDE g/</b>	<b>874,852</b>	<b>385,066</b>	<b>277,527</b>	<b>95,393</b>	<b>116,867</b>	<b>882,954</b>	<b>335,926</b>	<b>377,960</b>	<b>86,047</b>	<b>83,022</b>	<b>816,307</b>	<b>270,413</b>	<b>372,945</b>	<b>115,737</b>	<b>57,211</b>
Regular	377,280	120,347	212,101	44,831	---	411,775	116,983	248,425	46,368	---	336,861	96,934	239,926	---	---
Emergency	497,573	264,719	65,425	50,562	116,867	471,179	218,943	129,535	39,679	83,022	188,314	85,743	25,337	20,022	57,211
<b>ASIA</b>	<b>182,042</b>	<b>54,988</b>	<b>90,195</b>	<b>36,859</b>	<b>---</b>	<b>163,002</b>	<b>44,471</b>	<b>89,907</b>	<b>28,624</b>	<b>---</b>	<b>131,364</b>	<b>38,078</b>	<b>84,210</b>	<b>4,826</b>	<b>4,250</b>
Regular	152,994	44,205	90,195	18,594	---	146,256	36,843	89,907	19,506	---	114,875	30,665	84,210	---	---
Emergency	29,048	10,783	---	18,265	---	16,746	7,628	---	9,118	---	16,489	7,413	---	4,826	4,250
<b>ENI</b>	<b>57,964</b>	<b>29,369</b>	<b>3,198</b>	<b>---</b>	<b>25,398</b>	<b>49,812</b>	<b>20,652</b>	<b>---</b>	<b>---</b>	<b>29,160</b>	<b>25,000</b>	<b>12,775</b>	<b>---</b>	<b>---</b>	<b>12,226</b>
Regular	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Emergency	57,964	29,369	3,198	---	25,398	49,812	20,652	---	---	29,160	25,000	12,775	---	---	12,226
<b>LATIN AMERICA</b>	<b>150,858</b>	<b>48,460</b>	<b>83,684</b>	<b>18,714</b>	<b>---</b>	<b>136,832</b>	<b>36,967</b>	<b>91,138</b>	<b>8,726</b>	<b>---</b>	<b>113,640</b>	<b>32,016</b>	<b>81,624</b>	<b>---</b>	<b>---</b>
Regular	136,022	42,358	75,939	17,725	---	133,426	35,670	89,031	8,726	---	113,640	32,016	81,624	---	---
Emergency	14,836	6,102	7,745	989	---	3,405	1,298	2,107	---	---	---	---	---	---	---
<b>AFRICA</b>	<b>483,987</b>	<b>252,250</b>	<b>100,450</b>	<b>39,820</b>	<b>91,469</b>	<b>339,421</b>	<b>149,212</b>	<b>97,220</b>	<b>39,127</b>	<b>53,862</b>	<b>220,170</b>	<b>88,259</b>	<b>75,979</b>	<b>15,196</b>	<b>40,736</b>
Regular	88,263	33,785	45,967	8,512	---	89,705	28,022	53,117	8,566	---	73,345	22,703	50,642	---	---
Emergency	395,724	218,465	54,483	31,308	91,469	249,716	121,190	44,103	30,562	53,862	146,825	65,556	25,337	15,196	40,736
<b>UNALLOCATED BALANCE:</b>															
Total	---	---	---	---	---	193,888	84,623	99,695	9,570	---	326,133	99,286	131,132	95,715	---
PVO Non-Emergency	---	---	---	---	---	7,604	2,509	5,095	---	---	---	---	---	---	---
Transition for Africa Region	---	---	---	---	---	20,500	9,225	11,275	---	---	---	---	---	---	---
WFP Pledge	---	---	---	---	---	14,284	4,714	---	9,570	---	95,715	---	---	95,715	---
Emergency	---	---	---	---	---	151,500	68,175	83,325	---	---	---	---	---	---	---
Sub-Sahara Africa Development	---	---	---	---	---	---	---	---	---	---	35,000	11,550	23,450	---	---
Overall Title II	---	---	---	---	---	---	---	---	---	---	195,418	87,736	107,682	---	---
Stock Adjustment	(4,252)					(49,431)					(4,981)				
PVO Fallout	(10,300)					(148)					---				
Funds from FY 94 for transport	(12,100)					---					---				
Funds to FY96 for transport	9,500					(14,800)					---				
Carryin	---					(18,576)					---				
DOT Reflows	(12,000)					(12,000)					(12,000)				
DOT Reflows (fm FY92)	(14,900)					---					---				
DOD MOU for Transportation	(7,300)					---					---				
Section 202(e)	13,500					23,500					28,000				
Farmer To Farmer	1,600					9,600					9,674				
Transfer from Title III	(17,500)					---					---				
<b>PROGRAM TOTAL</b>	<b>821,100</b>					<b>821,100</b>					<b>837,000</b>				

a/ As of April 1996

b/ Based on season average prices provided by USDA/FAS 1/24/96. Current purchase trends indicate that season average prices may be substantially understated.

c/ USAID approves World Food Program (WFP) distribution so as to assure we are in compliance with all laws and provides broad financial overview to ensure U.S. funds are appropriately accounted for.

d/ International Emergency Food Reserve (IEFR), implemented by WFP.

e/ Selected Transition countries included here for consistency with prior years.

f/ Response for WFP was for a regional appeal covering Burundi, Rwanda, Tanzania and Zaire. All data for this appeal listed under Rwanda.

g/ Worldwide total for FY 1997 includes addition of Regular, Emergency, and Overall Title II Unallocated Balance. WFP Worldwide total includes WFP Unallocated.

Total FY 1997 budget for WFP Pledge is \$131.3 million (\$46.3 million for development, \$85 million for emergency).

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Region/Country	FY 1995 Final Program Levels					FY 1996 Current Program Levels a/					FY 1997 Congressional Presentation				
	Total	Commodity				Total	Commodity				Total	Commodity b/			
		Transport	PVO/CDO	WFP c/	IEFR d/		Transport	PVO/CDO	WFP c/	IEFR d/		Transport	PVO/CDO	WFP c/	IEFR d/
<b>ASIA/NEAR EAST</b>	182,042	54,988	90,195	36,859	---	163,002	44,471	89,907	28,624	---	131,364	38,078	84,210	4,826	4,250
Afghanistan*	12,390	6,451	---	5,940	---	15,200	7,200	---	8,000	---	7,411	3,550	---	3,861	---
Bangladesh*	31,521	10,218	10,400	10,903	---	32,569	8,740	11,000	12,829	---	18,800	6,000	12,800	---	---
Bhutan	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Cambodia*	6,622	1,960	---	4,662	---	---	---	---	---	---	---	---	---	---	---
Egypt	---	---	---	---	---	603	171	---	432	---	---	---	---	---	---
Gaza	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
India	104,810	28,815	67,533	8,463	---	107,873	26,441	75,534	5,898	---	96,075	24,665	71,410	---	---
Indonesia	3,776	1,246	2,530	---	---	---	---	---	---	---	---	---	---	---	---
Iraq (Northern)*	---	---	---	---	---	---	---	---	---	---	7,725	3,475	---	---	4,250
Jordan	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Morocco	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Nepal*	510	189	---	321	---	637	212	---	425	---	---	---	---	---	---
Pakistan*	7,141	1,343	---	5,798	---	---	---	---	---	---	1,353	388	---	965	---
Philippines	14,132	4,399	9,733	---	---	4,793	1,419	3,374	---	---	---	---	---	---	---
Sri Lanka	1,141	368	---	773	---	---	---	---	---	---	---	---	---	---	---
Yemen	---	---	---	---	---	1,328	288	---	1,040	---	---	---	---	---	---
<b>ENI</b>	57,964	29,369	3,198	---	25,398	49,812	20,652	---	---	29,160	25,000	12,775	---	---	12,226
Bosnia* e/	57,964	29,369	3,198	---	25,398	49,812	20,652	---	---	29,160	25,000	12,775	---	---	12,226
<b>LATIN AMERICA</b>	150,858	48,460	83,684	18,714	---	136,831	36,967	91,138	8,726	---	113,640	32,016	81,624	---	---
Bolivia	20,095	10,477	9,618	---	---	25,191	10,214	14,594	383	---	21,563	10,045	11,517	---	---
Costa Rica	1,124	253	---	872	---	270	49	---	221	---	---	---	---	---	---
Dominican Rep	3,755	775	2,838	141	---	4,732	889	3,203	640	---	---	---	---	---	---
Ecuador	221	53	---	168	---	496	133	---	363	---	---	---	---	---	---
El Salvador	---	---	---	---	---	2,502	689	---	1,813	---	---	---	---	---	---
Guatemala	15,393	4,397	9,224	1,772	---	14,499	3,732	9,079	1,688	---	10,927	3,606	7,321	---	---
Guyana	743	173	---	571	---	316	74	---	242	---	---	---	---	---	---
Haiti*	34,090	12,402	21,119	569	---	27,470	7,632	19,408	430	---	18,621	5,075	13,545	---	---
Honduras	7,578	1,912	3,091	2,576	---	6,848	1,531	3,931	1,386	---	4,611	1,163	3,449	---	---
Mexico*	4,275	---	---	4,275	---	---	---	---	---	---	---	---	---	---	---
Nicaragua	4,944	1,168	---	3,776	---	1,435	253	---	1,183	---	2,319	527	1,792	---	---
Panama	---	---	---	---	---	588	210	---	378	---	---	---	---	---	---
Paraguay	64	8	---	57	---	---	---	---	---	---	---	---	---	---	---
Peru	58,576	16,844	37,794	3,938	---	52,484	11,562	40,922	---	---	55,600	11,600	44,000	---	---
<b>AFRICA</b>	483,987	252,250	100,450	39,820	91,469	339,421	149,212	97,220	39,127	53,862	220,170	88,259	75,979	15,196	40,736
Angola* e/	44,750	28,143	8,718	---	7,889	34,166	15,745	11,077	1,200	6,144	24,473	15,175	5,500	1,200	2,598
Benin	2,491	717	1,774	---	---	3,133	734	1,730	670	---	1,953	504	1,449	---	---
Botswana	2,279	1,363	---	916	---	---	---	---	---	---	---	---	---	---	---
Burkina Faso	14,802	6,539	5,866	2,398	---	12,407	4,726	7,171	510	---	---	---	---	---	---
Burundi* f/	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Cameroon	---	---	---	---	---	349	80	---	269	---	---	---	---	---	---
Cape Verde	4,869	1,868	1,484	1,517	---	3,798	1,190	2,054	553	---	---	---	---	---	---
C.A.R.	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

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Region/Country	FY 1995 Final Program Levels					FY 1996 Current Program Levels a/					FY 1997 Congressional Presentation				
	Total	Transport	Commodity			Total	Transport	Commodity			Total	Transport	Commodity b/		
			PVO/CDO	WFP c/	IEFR d/			PVO/CDO	WFP c/	IEFR d/			PVO/CDO	WFP c/	IEFR d/
Chad	1,406	582	---	824	---	4,795	2,057	---	2,739	---	---	---	---	---	
Comoro Islands	975	420	---	555	---	---	---	---	---	---	---	---	---	---	
Cote d'Ivoire	189	43	---	146	---	---	---	---	---	---	---	---	---	---	
Djibouti*	1,719	684	---	1,035	---	---	---	---	---	---	---	---	---	---	
Equatorial Guinea	161	41	---	120	---	---	---	---	---	---	---	---	---	---	
Eritrea*	5,653	1,542	2,562	---	1,549	4,275	961	3,314	---	---	3,700	964	2,736	---	---
Ethiopia*	53,840	25,271	23,648	2,383	2,538	40,340	14,821	20,840	4,680	---	31,558	10,414	21,144	---	---
Gambia	2,061	498	1,563	---	---	2,569	532	2,038	---	---	---	---	---	---	---
Ghana	7,361	2,683	4,555	123	---	12,178	3,337	8,057	783	---	9,739	3,109	6,629	---	---
Guinea	32	8	---	24	---	1,783	364	1,419	---	---	1,024	284	740	---	---
Guinea Bissau	859	171	688	---	---	867	161	705	---	---	834	139	695	---	---
Kenya*	7,748	3,100	4,648	---	---	---	---	---	---	---	4,228	1,380	2,680	168	---
Lesotho	3,224	1,964	---	476	784	---	---	---	---	---	---	---	---	---	---
Liberia*	51,643	21,393	8,794	21,456	---	61,281	25,108	10,292	25,882	---	44,496	17,840	13,328	13,328	---
Madagascar*	3,080	778	2,270	31	---	3,635	857	2,778	---	---	3,624	857	2,767	---	---
Malawi*	20,150	13,870	---	---	6,280	---	---	---	---	---	---	---	---	---	---
Mali	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Mauritania*	1,270	362	506	402	---	835	200	635	---	---	753	200	553	---	---
Mauritius	64	20	---	43	---	---	---	---	---	---	---	---	---	---	---
Mozambique*	24,458	12,015	7,738	3,645	1,060	13,291	6,595	6,696	---	---	12,500	4,125	8,375	---	---
Niger	272	133	---	139	---	230	104	---	127	---	---	---	---	---	---
Rwanda* e/	157,040	90,774	7,730	---	58,536	101,496	56,438	---	---	45,058	53,791	20,160	---	---	33,631
Sao Tome	---	---	---	---	---	732	209	---	523	---	---	---	---	---	---
Senegal*	1,454	811	---	643	---	---	---	---	---	---	---	---	---	---	---
Sierra Leone*	8,212	2,453	5,541	218	---	15,526	6,284	8,651	591	---	10,852	4,500	3,176	---	3,176
Somalia*	9,760	2,100	---	---	7,660	4,410	1,750	---	---	2,660	2,206	875	---	---	1,331
Sudan*	30,067	19,450	8,040	---	2,577	11,151	4,467	6,684	---	---	10,053	6,720	3,333	---	---
Swaziland*	1,746	1,110	---	---	636	---	---	---	---	---	---	---	---	---	---
Tanzania* e/	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Togo	2,117	627	1,306	184	---	---	---	---	---	---	---	---	---	---	---
Uganda*	10,439	4,875	3,021	2,543	---	6,173	2,493	3,080	600	---	4,387	1,014	2,874	500	---
Zambia*	7,800	5,840	---	---	1,960	---	---	---	---	---	---	---	---	---	---
<b>WORLDWIDE TOTAL</b>	<b>874,852</b>	<b>385,066</b>	<b>277,527</b>	<b>95,393</b>	<b>116,867</b>	<b>689,068</b>	<b>251,303</b>	<b>278,265</b>	<b>76,477</b>	<b>83,022</b>	<b>490,174</b>	<b>171,127</b>	<b>241,813</b>	<b>20,022</b>	<b>57,211</b>

\* Includes emergency program. Emergency levels are detailed in separate table (EMERGENCY PROGRAMS) on following page.



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Metric Tons**

Region/Country	FY 1995 Final Program Levels				FY 1996 Current Program Levels <i>a/</i>				FY 1997 Congressional Presentation			
	Total	PVO/CDO	WFP <i>b/</i>	IEFR <i>c/</i>	Total	PVO/CDO	WFP <i>b/</i>	IEFR <i>c/</i>	Total	PVO/CDO	WFP <i>b/</i>	IEFR <i>c/</i>
<b>WORLDWIDE <i>g/</i></b>	<b>2,108,958</b>	<b>1,105,308</b>	<b>427,450</b>	<b>576,200</b>	<b>2,038,776</b>	<b>1,306,776</b>	<b>440,840</b>	<b>291,160</b>	<b>1,916,829</b>	<b>886,219</b>	<b>377,000</b>	<b>230,610</b>
Regular	1,049,076	831,998	217,078	---	1,076,993	778,183	298,810	---	786,219	786,219	---	---
Emergency	1,059,882	273,310	210,372	576,200	961,783	528,593	142,030	291,160	407,110	100,000	76,500	230,610
<b>ASIA/NEAR EAST</b>	<b>495,208</b>	<b>336,388</b>	<b>158,820</b>	<b>---</b>	<b>383,106</b>	<b>263,676</b>	<b>119,430</b>	<b>---</b>	<b>317,321</b>	<b>277,321</b>	<b>25,000</b>	<b>15,000</b>
Regular	417,638	336,388	81,250	---	340,926	263,676	77,250	---	277,321	277,321	---	---
Emergency	77,570	---	77,570	---	42,180	---	42,180	---	40,000	---	25,000	15,000
<b>ENI</b>	<b>126,400</b>	<b>12,760</b>	<b>---</b>	<b>113,640</b>	<b>93,000</b>	<b>---</b>	<b>---</b>	<b>93,000</b>	<b>65,610</b>	<b>---</b>	<b>---</b>	<b>65,610</b>
Regular	---	---	---	---	---	---	---	---	---	---	---	---
Emergency	126,400	12,760	---	113,640	93,000	---	---	93,000	65,610	---	---	65,610
<b>LATIN AMERICA</b>	<b>423,272</b>	<b>321,172</b>	<b>102,100</b>	<b>---</b>	<b>269,379</b>	<b>238,019</b>	<b>31,360</b>	<b>---</b>	<b>222,966</b>	<b>222,966</b>	<b>---</b>	<b>---</b>
Regular	407,577	313,427	94,150	---	263,079	231,719	31,360	---	222,966	222,966	---	---
Emergency	15,695	7,745	7,950	---	6,300	6,300	---	---	---	---	---	---
<b>AFRICA</b>	<b>1,064,078</b>	<b>434,988</b>	<b>166,530</b>	<b>462,560</b>	<b>650,291</b>	<b>312,081</b>	<b>140,050</b>	<b>198,160</b>	<b>490,932</b>	<b>289,432</b>	<b>51,500</b>	<b>150,000</b>
Regular	223,861	182,183	41,678	---	229,988	189,788	40,200	---	189,432	189,432	---	---
Emergency	840,217	252,805	124,852	462,560	420,303	122,293	99,850	198,160	301,500	100,000	51,500	150,000
<b>UNALLOCATED BALANCE:</b>												
Total	---	---	---	---	643,000	493,000	150,000	---	820,000	96,500	300,500	---
PVO Non-Emergency	---	---	---	---	25,000	25,000	---	---	---	---	---	---
Transition for Africa Region	---	---	---	---	68,000	68,000	---	---	---	---	---	---
WFP Pledge	---	---	---	---	150,000	---	150,000	---	300,500	---	300,500	---
Emergency	---	---	---	---	400,000	400,000	---	---	---	---	---	---
Sub-Saharan Africa Development	---	---	---	---	---	---	---	---	96,500	96,500	---	---
Overall Title II	---	---	---	---	---	---	---	---	423,000	---	---	---
<b>STOCK ADJUSTMENT</b>	<b>(11,043)</b>				<b>(12,000)</b>				<b>(12,000)</b>			
<b>PROGRAM TOTAL</b>	<b>2,097,915</b>				<b>2,026,776</b>				<b>1,904,829</b>			
									MTGE = 2,108,953	<i>f/</i>		

*a/* As of April 1996

*b/* USAID approves World Food Program (WFP) distribution so as to assure we are in compliance with all laws and provides broad financial overview to ensure U.S. funds are appropriately accounted for.

*c/* International Emergency Food Reserve (IEFR), implemented by WFP.

*d/* Selected Transition countries included here for consistency with prior years.

*e/* Response for WFP was for a regional appeal covering Burundi, Rwanda, Tanzania, and Zaire. All data for this appeal listed under Rwanda.

*f/* MTGE = Metric Ton Grain Equivalent

*g/* Worldwide total for FY 1997 includes addition of Regular, Emergency, and Overall Title II Unallocated Balance. WFP Worldwide total includes WFP Unallocated.

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Metric Tons**

Region/Country	FY 1995 Final Program Levels				FY 1996 Current Program Levels a/				FY 1997 Congressional Presentation			
	Total	PVO/CDO	WFP b/	IEFR c/	Total	PVO/CDO	WFP b/	IEFR c/	Total	PVO/CDO	WFP b/	IEFR c/
<b>EMERGENCY PROGRAMS</b>												
<b>ASIA/NEAR EAST</b>												
	77,570		77,570		42,180		42,180		40,000		25,000	15,000
Afghanistan	40,000		40,000		40,000		40,000		20,000		20,000	
Bangladesh	8,220		8,220		1,180		1,180					
Cambodia	10,000		10,000									
Iraq (Northern)									15,000			15,000
Nepal	350		350		1,000		1,000					
Pakistan	19,000		19,000						5,000		5,000	
<b>ENI</b>												
	126,400	12,760		113,640	93,000			93,000	65,610			65,610
Bosnia-Herzegovina	126,400	12,760		113,640	93,000			93,000	65,610			65,610
<b>LATIN AMERICA</b>												
	15,695	7,745	7,950		6,300	6,300						
Haiti	7,745	7,745			6,300	6,300						
Mexico	7,950		7,950									
<b>AFRICA</b>												
	840,217	252,805	124,852	462,560	420,303	122,293	99,850	198,160	301,500	100,000	51,500	150,000
Angola	82,100	38,900		43,200	63,965	30,805	10,000	23,160	55,000	30,000	10,000	15,000
Burundi												
Djibouti	3,530		3,530									
Eritrea	7,290			7,290								
Ethiopia	77,840	45,840	11,000	21,000	1,000		1,000					
Kenya	3,800	3,800			668	668			500		500	
Lesotho	8,000			8,000								
Liberia	110,830	30,000	80,830		116,260	32,410	83,850		80,000	40,000	40,000	
Madagascar					100	100						
Malawi	60,000			60,000								
Mauritania	360		360									
Mozambique	69,870	42,640	17,230	10,000	37,370	37,370						
Rwanda	286,430	29,360		257,070	165,000			165,000	120,000			120,000
Senegal	522		522									
Sierra Leone	18,680	18,680			3,620	3,620			20,000	10,000		10,000
Somalia	15,000			15,000	10,000			10,000	5,000			5,000
Sudan	58,585	43,585		15,000	17,320	17,320			20,000	20,000		
Swaziland	6,000			6,000								
Tanzania												
Uganda	11,380		11,380		5,000		5,000		1,000		1,000	
Zambia	20,000			20,000								

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Region/Country	FY 1995 Final Program Levels				FY 1996 Current Program Levels <i>a/</i>				FY 1997 Congressional Presentation			
	Total	PVO/CDO	WFP <i>b/</i>	IEFR <i>c/</i>	Total	PVO/CDO	WFP <i>b/</i>	IEFR <i>c/</i>	Total	PVO/CDO	WFP <i>b/</i>	IEFR <i>c/</i>
Cape Verde	21,980	14,000	7,980	---	12,610	10,420	2,190	---	---	---	---	---
C.A.R.	---	---	---	---	---	---	---	---	---	---	---	---
Chad	3,160	---	3,160	---	9,140	---	9,140	---	---	---	---	---
Comoro Islands	2,320	---	2,320	---	---	---	---	---	---	---	---	---
Cote d'Ivoire	600	---	600	---	---	---	---	---	---	---	---	---
Djibouti*	3,690	---	3,690	---	---	---	---	---	---	---	---	---
Equatorial Guinea	450	---	450	---	---	---	---	---	---	---	---	---
Eritrea*	17,151	9,861	---	7,290	11,683	11,683	---	---	11,830	11,830	---	---
Ethiopia*	135,318	103,318	11,000	21,000	81,816	61,816	20,000	---	63,210	63,210	---	---
Gambia	3,983	3,983	---	---	4,253	4,253	---	---	---	---	---	---
Ghana	32,006	31,496	510	---	39,544	36,824	2,720	---	37,067	37,067	---	---
Guinea	90	---	90	---	2,910	2,910	---	---	2,270	2,270	---	---
Guinea Bissau	1,370	1,370	---	---	1,290	1,290	---	---	1,370	1,370	---	---
Kenya*	22,752	22,752	---	---	---	---	---	---	11,060	10,560	500	---
Lesotho	10,000	---	2,000	8,000	---	---	---	---	---	---	---	---
Liberia*	110,830	30,000	80,830	---	116,260	32,410	83,850	---	80,000	40,000	40,000	---
Madagascar*	6,145	6,035	110	---	6,855	6,855	---	---	6,855	6,855	---	---
Malawi*	60,000	---	---	60,000	---	---	---	---	---	---	---	---
Mali	---	---	---	---	---	---	---	---	---	---	---	---
Mauritania*	2,341	1,641	700	---	1,603	1,603	---	---	1,600	1,600	---	---
Mauritius	110	---	110	---	---	---	---	---	---	---	---	---
Mozambique*	69,870	42,640	17,230	10,000	37,370	37,370	---	---	46,500	46,500	---	---
Niger	570	---	570	---	460	---	460	---	---	---	---	---
Rwanda* <i>e/</i>	286,430	29,360	---	257,070	165,000	---	---	165,000	120,000	---	---	120,000
Sao Tome	---	---	---	---	1,550	---	1,550	---	---	---	---	---
Senegal*	5,500	---	5,500	---	---	---	---	---	---	---	---	---
Sierra Leone*	19,440	18,680	760	---	28,820	27,060	1,760	---	20,000	10,000	---	10,000
Somalia*	15,000	---	---	15,000	10,000	---	---	10,000	5,000	---	---	5,000
Sudan*	58,585	43,585	---	15,000	17,320	17,320	---	---	20,000	20,000	---	---
Swaziland*	6,000	---	---	6,000	---	---	---	---	---	---	---	---
Tanzania* <i>e/</i>	---	---	---	---	---	---	---	---	---	---	---	---
Togo	5,559	4,149	1,410	---	---	---	---	---	---	---	---	---
Uganda*	14,880	3,500	11,380	---	8,500	3,500	5,000	---	4,500	3,500	1,000	---
Zambia*	20,000	---	---	20,000	---	---	---	---	---	---	---	---
<b>WORLDWIDE TOTAL</b>	<b>2,108,958</b>	<b>1,105,308</b>	<b>427,450</b>	<b>576,200</b>	<b>1,395,776</b>	<b>813,776</b>	<b>290,840</b>	<b>291,160</b>	<b>789,719</b>	<b>789,719</b>	<b>---</b>	<b>---</b>

\* Includes emergency program. Emergency levels are detailed in separate table (EMERGENCY PROGRAMS) on following page.

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Metric Tons**

Region/Country	FY 1995 Final Program Levels				FY 1996 Current Program Levels a/				FY 1997 Congressional Presentation			
	Total	PVO/CDO	WFP b/	IEFR c/	Total	PVO/CDO	WFP b/	IEFR c/	Total	PVO/CDO	WFP b/	IEFR c/
<b>ASIA/NEAR EAST</b>	495,208	336,388	158,820	---	383,106	263,676	119,430	---	317,321	277,321	25,000	15,000
Afghanistan*	40,000	---	40,000	---	40,000	---	40,000	---	20,000	---	20,000	---
Bangladesh*	137,380	80,000	57,380	---	114,350	55,000	59,350	---	80,000	80,000	---	---
Bhutan	---	---	---	---	---	---	---	---	---	---	---	---
Cambodia*	10,000	---	10,000	---	---	---	---	---	---	---	---	---
Egypt	---	---	---	---	1,370	---	1,370	---	---	---	---	---
Gaza	---	---	---	---	---	---	---	---	---	---	---	---
India	222,421	195,731	26,690	---	211,531	197,321	14,210	---	197,321	197,321	---	---
Indonesia	14,668	14,668	---	---	---	---	---	---	---	---	---	---
Iraq (Northern)*	---	---	---	---	---	---	---	---	15,000	---	---	15,000
Jordan	---	---	---	---	---	---	---	---	---	---	---	---
Morocco	---	---	---	---	---	---	---	---	---	---	---	---
Nepal*	850	---	850	---	1,000	---	1,000	---	---	---	---	---
Pakistan*	19,000	---	19,000	---	---	---	---	---	5,000	---	5,000	---
Philippines	45,989	45,989	---	---	11,355	11,355	---	---	---	---	---	---
Sri Lanka	4,900	---	4,900	---	---	---	---	---	---	---	---	---
Yemen	---	---	---	---	3,500	---	3,500	---	---	---	---	---
<b>ENI</b>	126,400	12,760	---	113,640	93,000	---	---	93,000	65,610	---	---	65,610
Bosnia* d/	126,400	12,760	---	113,640	93,000	---	---	93,000	65,610	---	---	65,610
<b>LATIN AMERICA</b>	423,272	321,172	102,100	---	269,379	238,019	31,360	---	222,966	222,966	---	---
Bolivia	46,547	46,547	---	---	45,356	44,936	420	---	44,646	44,646	---	---
Costa Rica	2,190	---	2,190	---	390	---	390	---	---	---	---	---
Dominican Rep.	6,073	5,583	490	---	6,942	5,852	1,090	---	---	---	---	---
Ecuador	380	---	380	---	900	---	900	---	---	---	---	---
El Salvador	---	---	---	---	6,740	---	6,740	---	---	---	---	---
Guatemala	45,936	34,046	11,890	---	34,736	26,896	7,840	---	28,704	28,704	---	---
Guyana	1,670	---	1,670	---	700	---	700	---	---	---	---	---
Haiti*	79,720	77,820	1,900	---	56,974	55,554	1,420	---	40,600	40,600	---	---
Honduras	22,438	10,188	12,250	---	19,809	12,289	7,520	---	12,000	12,000	---	---
Mexico*	33,690	---	33,690	---	---	---	---	---	---	---	---	---
Nicaragua	9,280	---	9,280	---	2,280	---	2,280	---	4,215	4,215	---	---
Panama	---	---	---	---	2,060	---	2,060	---	---	---	---	---
Paraguay	60	---	60	---	---	---	---	---	---	---	---	---
Peru	175,288	146,988	28,300	---	92,492	92,492	---	---	92,801	92,801	---	---
<b>AFRICA</b>	1,064,078	434,988	166,530	462,560	650,291	312,081	140,050	198,160	490,932	289,432	51,500	150,000
Angola* d/	82,100	38,900	---	43,200	63,965	30,805	10,000	23,160	55,000	30,000	10,000	15,000
Benin	6,937	6,937	---	---	6,869	4,869	2,000	---	4,670	4,670	---	---
Botswana	7,210	---	7,210	---	---	---	---	---	---	---	---	---
Burkina Faso	31,701	22,781	8,920	---	21,673	21,093	580	---	---	---	---	---
Burundi* e/	---	---	---	---	---	---	---	---	---	---	---	---
Cameroon	---	---	---	---	800	---	800	---	---	---	---	---

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Region/Country	FY 1995 Actual Program Levels		FY 1996 Current Program Levels		FY 1997 Proposed Program Levels	
	(\$MIL)	MTN(000)	(\$MIL)	MTN(000)	(\$MIL)	MTN(000)
Asia - TOTAL	40.0	167.0	---	---	---	---
Bangladesh	40.0	167.0	---	---	---	---
Latin America - TOTAL	22.8	79.0	10.0	20.0	10.0	20.0
Guyana	3.0	14.0	---	---	---	---
Haiti	10.0	22.0	10.0	20.0	10.0	20.0
Honduras	5.0	20.0	---	---	---	---
Nicaragua	4.8	23.0	---	---	---	---
Africa - TOTAL	53.0	220.0	34.7	107.1	26.7	82.4
Ethiopia	40.0	160.0	34.7	107.1	26.7	82.4
Mozambique	13.0	60.0	---	---	---	---
<b>PROGRAM TOTAL</b>	<b>115.8</b>	<b>466.0</b>	<b>44.7</b>	<b>127.1</b>	<b>36.7</b>	<b>102.4</b>
Farmer-To-Farmer	0.3		0.1		0.1	
Contingency Fund a/	0.3		0.2		0.2	
Transfer to Title II	17.5		---		---	
DOT Reimbursement	(7.0)		(5.0)		(2.0)	
Additional Reflows	(9.5)		(12.3)		---	
Reserve	---		22.3		5.0	
<b>APPROPRIATION</b>	<b>157.4</b>		<b>50.0</b>		<b>40.0</b>	
<b>RESCISSION</b>	<b>(40.0)</b>		<b>---</b>		<b>---</b>	
<b>POST-RESCISSION</b>	<b>117.4</b>		<b>50.0</b>		<b>40.0</b>	
Includes estimated freight costs of	36.4		15.5		12.5	

a/ To provide flexibility in responding to unplanned logistics costs.



**OPERATING EXPENSES**

**FY 1997 Request: . . . . . \$ 495,000,000**

For FY 1997, USAID is requesting \$495,000,000 in Operating Expenses (OE). These funds, combined with other funding sources, such as local currency trust funds, will provide a total of \$547,065,000 to cover operating costs of the Agency. This is a reduction of \$31.5 million below amounts available in FY 1996. Within these totals, the Agency will utilize about \$4.9 million in FY 1997 local currency trust funds for overseas capital costs, compared to \$11.5 million in FY 1996, primarily for the purchase of land and construction of a new office building in Cairo, Egypt.

USAID has made great progress in changing the way it operates, and will continue to strive for improvements. By the end of FY 1996 we will have closed 23 missions and another 4 will be closed in FY 1997. These mission closings are continuing on schedule and have contributed to the Agency's ability to reduce its operating costs. Had these missions not been closed, the additional FY 1997 cost to the Agency would have been about \$62 million. However, more must be done if we are to operate at the requested funding level in FY 1997 and continue to provide adequate management oversight of development and humanitarian efforts in future years.

- Since 1992, USAID has reduced its staff by 19 percent, the second largest percentage staff reduction during this period in the Federal Government.
- At the beginning of the Clinton Administration in 1993, USAID was operating in over 120 countries, with over 70 full missions. By the year 2000, our programs will be targeted on approximately 75 countries, with no more than 30 full scale sustainable development missions.
- In 1993 the Agency was very paper-intensive, and managers found it difficult, if not impossible, to get up-to-date information on their resources and activities. With our new management systems (NMS) and restructured management operations, information will be available on-line to Agency managers and paperwork will be greatly reduced.
- The Agency has made considerable progress in decentralizing decision making. By giving those at the scene (missions, NGOs, PVOs, local governments, and the local population) more autonomy in developing activities, the activities undertaken are more likely to produce desired results.

Actions the Agency has taken, and will have to take in the future, have been painful and have caused some disruptions. To operate at the requested appropriation level of \$495 million, the Agency will have to reduce its total OE funded U.S. direct hire workforce by about 400 from the December 31, 1995 on-board levels. The combined impact of a hiring freeze (which has been in-place since July 1995), anticipated attrition (including early-retirements) will reduce these levels by about 200. The remaining 200 will have to be achieved through a reduction-in-force (RIF), which the Administrator has announced will begin in June, 1996.

These staff reductions, combined with corresponding reductions of foreign national direct hire, foreign national personal service contractors (PSCs) and U.S. PSCs, will sorely test the Agency's ability to carry out its responsibilities in the short-term. While the Agency develops longer term plans to reduce the total number of countries in which we operate, many missions, as well as Washington offices and bureaus, will simply have to re-prioritize their activities. Triage of less critical activities, whether programmatic or administrative in nature, will be required.

While there will be significant difficulties in managing Agency operations during the next year or two, complete implementation of the new management systems, expected by the end of FY 1997, combined with restructuring of overseas and Washington organizations, will enable the Agency to improve overall management even with reduced staffing.

The Agency must also plan for the requirement for relocating its Headquarters operations. Offices formerly located in an annex in the Columbia Plaza building have already been relocated to temporary office space, primarily in Virginia. Offices in the Department of State building will have to be moved prior to the end of FY 1997 to enable the Department of State to begin the renovation of that space. With these forced moves in mind, the Agency began examining the possibility of consolidating all Washington operations in a single building in FY 1993.

The following chart shows how the operating costs of USAID are being funded:

**Funding Sources for Operating Expenses**  
(\$000)

<u>Category</u>	<u>FY 1995</u> <u>Actual</u>	<u>FY 1996</u> <u>Estimate</u>	<u>FY 1997</u> <u>Request</u>
Appropriated Operating Expenses	517,500	465,750	495,000
Local Currency Trust Funds (Recurring)	40,056	39,776	32,165
Local Currency Trust Funds (Real Property)		11,535	4,900
Program Funds Used for OE	731	25,500	
Appropriation Transfer (Bosnia)		3,000	
Reimbursements	7,824	6,000	6,000
Unobligated Balance - Start of Year	21,953	27,004	9,000
Recovery of Prior Year Obl. (Sec. 511)	16,086	9,000	9,000
Reappropriation	2,000		
Rescission	- 6,163		
Unobligated Balance - End of Year	-27,004	- 9,000	- 9,000
End of Year Balance - Expired	<u>- 1,214</u>		
Total Obligations	571,770	<u>578,565</u>	<u>547,065</u>
Total Obligations excluding Real Property	571,770	567,030	542,165

**FOREIGN SERVICE RETIREMENT AND DISABILITY FUND**

**FY 1997 Request: . . . . . \$ 43,826,000**

In FY 1974, amendments to the Foreign Assistance Act of 1961, as amended, permitted USAID career foreign service employees to become participants in the Foreign Service Retirement and Disability Fund. An actuarial determination by the Department of the Treasury shows that, in FY 1997, \$43,826,000 will be required to amortize this liability and the unfunded liability created by pay raises and benefit changes since FY 1974. This appropriation is authorized by Chapter 8 of the Foreign Service Act of 1980.



**OPERATING EXPENSES OF INSPECTOR GENERAL**

**FY 1997 Request . . . . . \$ 30,000,000**

The FY 1997 budget request of \$30,000,000 for the operating expenses of the Inspector General provides the necessary resources to finance audits and investigations legislated under the IG Act and designed to promote economy and efficiency, to detect fraud and abuse in USAID programs and to administer the USAID worldwide security program.

These resources will allow the Office of Inspector General (OIG) to continue to focus on financial, information technology, and program audits of the five major strategic objectives of the Agency. FY 1997 will be the first full year of auditing USAID's Strategies for Sustainable Development. The OIG will continue audits that cover management systems and the traditional role of OIG oversight of operations, accounting, budgeting and procurement. OIG will continue to redirect its financial audit program to include audits of legislated Agency-wide financial statements, as required by the Chief Financial Officer (CFO) and Government Management Reform (GMR) Acts.

In addition, this request includes a limited amount of resources to effectively manage the OIG's Worldwide Physical, Personnel and Information Security programs, which are designed to supplement the efforts of local authorities and the Department of State to protect USAID employees against terrorism and criminal activity and protect national Security Information. This request also includes resources to provide light armoring for USAID-purchased vehicles and replacement of one Fully Armored Vehicle (FAV).

This request includes sufficient resources to fund increases in retirement costs in the Federal Employees Retirement System (FERS), Civil Service Retirement System (CSRS), contributions to the Thrift Savings Plan (TSP) and base pay increases due to the projected pay raise.

To enable the OIG to operate at the reduced level in FY 1997, the following have already occurred: reductions in the number of supervisors, managers, and senior Foreign Service designated positions; reductions in U.S. direct hire personnel and U.S. and Foreign National personal service contractors; and decreases in administrative and operational costs in Washington and Overseas. The Inspector General can effectively operate at the requested level by using the remaining \$4.3 million in no-year and multi-year funds to support FY 1997 operations.

Office of Inspector General

OCC	Category	FY 95 Act.			FY 96 Est.			FY 97 Req.		
		Hq.	Field	Total	Hq.	Field	Total	Hq.	Field	Total
11 1	Compensation, full-time permanent									
	U S Direct Hire	9,078	4,959	14,037	9,949	4,712	14,661	11,067	3,909	14,976
	Foreign National Direct Hire		87	87						
	Sub-Total	9,078	5,046	14,124	9,949	4,712	14,661	11,067	3,909	14,976
11 3	Compensation, other than full-time permanent									
	U S Direct Hire	135		135	32		32			
11 5	Other personnel compensation									
	U S Direct Hire	299	466	765	62	271	333	115	226	341
	Foreign National Direct Hire									
	Sub-Total	299	466	765	62	271	333	115	226	341
11 8	Special personal services payments									
	US PSCs		581	581		170	170			
	FSN PSCs		1,420	1,420		1,013	1,013		884	884
	Other personnel									
	Sub-Total		2,001	2,001		1,183	1,183		884	884
12 1	Personnel benefits									
	U S Direct Hire									
	Retirement Costs	1,301	772	2,073	1,449	794	2,243	1,628	659	2,287
	Health and Life Insurance	395	205	600	435	202	637	481	167	648
	Education Allowances		430	430		366	366		345	345
	Other Benefits	575	491	1,066	687	353	1,040	779	280	1,059
	Employee Compensation Claims *									
	Foreign National Direct Hire									
	Payments to FSN Separation Fund		1	1						
	Retirement and other Benefits		5	5						
	Foreign National PSCs									
	Payments to FSN Separation Fund		28	28		112	112		84	84
	Sub-Total	2,271	1,932	4,203	2,571	1,827	4,398	2,888	1,535	4,423
13 1	Benefits for Former Personnel									
	U S Direct Hire									
	FSN Direct Hire									
	Sub-Total									
	<b>Total Personnel Compensation</b>	11,783	9,445	21,228	12,614	7,993	20,607	14,070	6,554	20,624
21 0	Travel and Transportation of Persons									
	Operational Travel	747	1,844	2,591	820	1,524	2,344	820	1,248	2,068
	Mandatory/Statutory Travel									
	Training Travel	45	114	159	30		30	30		30
	Sub-Total	792	1,958	2,750	850	1,524	2,374	850	1,248	2,098
22 0	Transportation of Things									
	Post Assignment/Home Leave Freight		666	666		704	704		673	673
	Shipment of Furniture and Equipment									
	Sub-Total		666	666		704	704		673	673
	<b>Total Travel and Transportation</b>	792	2,624	3,416	850	2,228	3,078	850	1,921	2,771
23 1	Rental Payments to GSA	790		790	890		890	921		921
23 2	Rental Payments to Others	54	1,616	1,670	29	1,361	1,390		1,083	1,083
	Sub-Total Rental Payments	844	1,616	2,460	919	1,361	2,280	921	1,083	2,004
23 3	Communications, Utilities, and Misc Charges									
	Office and Residential Utilities		308	308		299	299		270	270
	Telephone Costs	31	134	165	33	134	167	35	125	160
	Other Miscellaneous	15		15	16		16	17		17
	Sub-Total	46	442	488	49	433	482	52	395	447
	<b>Total Rent, Communications, and Utilities</b>	890	2,058	2,948	968	1,794	2,762	973	1,478	2,451

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OCC	Category	FY 95 Act.			FY 96 Est.			FY 97 Req.		
		Hq.	Field	Total	Hq.	Field	Total	Hq.	Field	Total
24.0	<b>Printing and Reproduction</b>	23	19	42	23	25	48	24	26	50
25.1	Advisory and Assistance Services.	76	100	176	62	2	64		25	25
25.2	Other Services									
	Office and Residential Security Guards	70	236	306		140	140		218	218
	Staff Training	311		311	101		101	101		101
	ADP Systems Design/Analysis									
	ADP Systems Maintenance	90	9	99	60	10	70	95	22	117
	Other ADP Support Costs									
	Representation Allowances									
	Official Residence Expenses									
	Entertainment									
	Other Miscellaneous	2,113	678	2,791		190	190		238	238
	Sub-Total	2,584	923	3,507	161	340	501	196	478	674
25.3	Purchase of Goods and Services from Gov't Accts									
	Foreign Affairs Administrative Support		472	472		768	768		806	806
	U S Dispatch Agent Fees									
	DCAA Audits									
	Other Services	1,119		1,119	1,123		1,123	1,179		1,179
	Sub-Total	1,119	472	1,591	1,123	768	1,891	1,179	806	1,985
25.4	Operation and Maintenance of Facilities		212	212		225	225		163	163
25.7	Operation/Maintenance of Equipment & Storage									
	ADP and Telephone Systems	47	134	181	49	141	190	51	92	143
	Office & Residential Furniture and Equipment									
	Storage of Effects									
	Other Operations/Maintenance Costs	263	58	321	261	49	310	290	51	341
	Sub-Total	310	192	502	310	190	500	341	143	484
25.8	Substance & Support of Persons	42		42	42		42	44		44
	<b>Total Contractual Services</b>	4,131	1,899	6,030	1,698	1,525	3,223	1,760	1,615	3,376
26.0	<b>Supplies and Materials</b>	185	199	384	194	75	269	204	65	269
31.0	Purchase of Equipment									
	ADP Hardware	690	292	982	163	2	165	214	194	408
	Other Office/Residential Furniture and Equip	298	704	1,002		48	48		51	51
	Sub-Total	988	996	1,984	163	50	213	214	245	459
32.0	Lands and Structures	32		32						
	<b>Total Acquisition of Assets</b>	1,020	996	2,016	163	50	213	214	245	459
41.0	Grants, Subsidies and Contributions									
42.0	Claims and Indemnities *									
	<b>Total Grants and Fixed Charges</b>									
	<b>Total Costs</b>	<b>18,824</b>	<b>17,240</b>	<b>36,064</b>	<b>16,510</b>	<b>13,690</b>	<b>30,200 /1</b>	<b>18,095</b>	<b>11,904</b>	<b>30,000 /2</b>

\* Hq /Overseas distribution allocated on basis of USDH full-time compensation

/1 This distribution does not include the estimated \$3.4 million in no-year and multi-year funds to be used in FY 1996

/2 This distribution does not include the estimated \$4.3 million in no-year and multi-year funds to be used in FY 1997, as stated in the CP narrative\*

Office of Inspector General

Category	FY 95 Act.	FY 96 Est.	FY 97 Req.
Appropriated Operating Expenses	39,118	30,200	30,000
Rescission	(354)	0	0
End of Year Balance - Lapsed	(2,700)	0	0
<b>Total Estimated Obligations - O.E.</b>	<b>36,064</b>	<b>30,200</b>	<b>30,000</b>
<b>Category - No-year and Multi-year Funds</b>			
Prior Year Balance Carried Forward	3,997	7,762	4,300
Prior Year Recoveries - Section 511	3,765	0	0
No-Year and Multi-year Funds used	0	(3,462) /1	(4,300) /1
End of Year Balance - Carried Forward-No-year	7,762	4,300	0

Footnote:

/1 Approximately \$3.5 million in no-year funds will be used to support IG operations in FY96 and \$4.3 million will be used to support IG operations in FY 97.

Office of Inspector General

Organization	FY 1995					FY 1996					FY 1997				
	U.S.	U.S.	Foreign National	Foreign National	Total Staffing	U.S.	U.S.	Foreign National	Foreign National	Total Staffing	U.S.	U.S.	Foreign National	Foreign National	Total Staffing
	Direct Hire	PSCs	Direct Hire	PSCs	FTEs	Direct Hire	PSCs	Direct Hire	PSCs	FTEs	Direct Hire	PSCs	Direct Hire	PSCs	FTEs
<b>Washington</b>															
Inspector General	10				10	8				8	8				8
Office of Resource Management	21				21	30				30	30				30
Office Of Audit	63				63	69				69	76				76
Office of Investigations	22				22	22				22	23				23
Office of Security	33				33	35				35	35				35
<b>Total Washington Workforce</b>	<b>149</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>149</b>	<b>164</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>164</b>	<b>172</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>172</b>
<b>Overseas</b>															
Africa	12	1	3	21	37	24			16	40	18			12	30
Asia/Near East	39			25	64	20			12	32	19			12	31
Europe/NIS	8	4			12	16	2		6	24	8			4	12
Latin American & Caribbean	14	1		4	19	10			6	16	12			6	18
<b>Total Overseas</b>	<b>73</b>	<b>6</b>	<b>3</b>	<b>50</b>	<b>132</b>	<b>70</b>	<b>2</b>	<b>0</b>	<b>40</b>	<b>112</b>	<b>57</b>	<b>0</b>	<b>0</b>	<b>34</b>	<b>91</b>
<b>Total Worldwide</b>	<b>222</b>	<b>6</b>	<b>3</b>	<b>50</b>	<b>281</b>	<b>234</b>	<b>2</b>	<b>0</b>	<b>40</b>	<b>276</b>	<b>229</b>	<b>0</b>	<b>0</b>	<b>34</b>	<b>263</b>



**ABBREVIATIONS AND ACRONYMS**

AAEF	-	Albanian-American Enterprise Fund
AAFLI	-	Asian-American Free Labor Institute
AALC	-	African-American Labor Center
ABA	-	American Bar Association
ABEUSA	-	U.S. Participant Training Alumni Association
ACOR	-	American Center for Oriental Research
ADB	-	Asian Development Bank
ADC	-	Andean Development Corporation
ADS	-	Automated Directives System
AED	-	Academy for Educational Development
AFDB	-	African Development Bank
AIDS	-	Acquired Immune Deficiency Syndrome
AIDSCAP	-	Acquired Immunodeficiency Syndrome Control and Prevention Project
AIFLD	-	American Institute for Free Labor Development
AIHA	-	American International Health Alliance
ANE	-	Asia and Near East
APEC	-	Asia-Pacific Economic Cooperation
APENN	-	Association of Producers and Exporters of Non-Traditional Products
ARDC	-	Area Reintegration and Development Center
ARENTO	-	Arab Republic of Egypt National Telecommunication
ARI	-	Inter-Oceanic Authority
ASEAN	-	Association of Southeast Asian Nations
ASHA	-	American Schools and Hospital Abroad
ASSET	-	Agriculturally Sustainable System and Environmental Transformation
AUB	-	American University of Beirut
BAA	-	Business Area Analysis
BCN	-	Biodiversity Conservation Network
BIPRA	-	Bilateral Intellectual Property Rights Agreement
BIT	-	Bilateral Investment Treaty
BOG	-	Bangladesh Government
BOT	-	Build, Operate and Transfer
CAPEL	-	Center for the Promotion of Electoral Assistance
CARD	-	Council on Agricultural and Rural Development
CARE	-	Cooperation for Assistance and Relief Everywhere, Inc.
CASS	-	Cooperative Association of States for Scholarships
CDC	-	Cambodian Development Council
CDIE	-	Center for Development Information and Evaluation
CDO	-	Cooperative Development Organization
CEAL	-	Center for Studies and Legislative Assistance
CEDRO	-	Center for Drug Education and Information

CEE	-	Central and Eastern Europe
CEELI	-	Central and East European Law Institute
CEL	-	Country Experimental Laboratory
CFC	-	Chlorofluorocarbon
CFA	-	African Financial Community
CFL	-	Compact Florescent Lamps
CG	-	Consultative Group
CGIAR	-	Consultative Group for International Agricultural Research
CIAV	-	Commission of Support for Verification
CIDA	-	Canadian International Development Agency
CINGO	-	Citizen Initiated Nongovernmental Organization
CLD	-	Consortium for Legislative Development
CLUSA	-	Cooperative League of the United States of America
CNG	-	Compressed Natural Gas
CNV	-	Culture and Nature Visitor
CO <sub>2</sub>	-	Carbon Dioxide
CONAM	-	National Environmental Council
CONCAUSA	-	Central America-USA Alliance
CP	-	Congressional Presentation
CPP	-	Comprehensive Post Partum
CPR	-	Contraceptive Prevalence Rate
CRS	-	Catholic Relief Services
CRSP	-	Collaborative Research Support Program
CSE	-	Supreme Electoral Council
CSO	-	Civil Service Organization
CSM	-	Contraceptive Social Marketing
CYP	-	Couple Year's Protection
DA	-	Development Assistance
DAC	-	Development Assistance Committee
DAF	-	Development Assistance Fund
DART	-	Disaster Assistance Response Team
DEG	-	Developing Economies Group
DFA	-	Development Fund for Africa
DG	-	Democracy and Governance
DHS	-	Demographic Health Survey
DIMS	-	Democratic Indicators Monitoring System
DOE	-	Department of Energy
DOP	-	Declaration of Principles on Interim Self-Governing Arrangements
DNPW	-	Directorship of National Parks and Wildlife
DWG	-	Democracy Working Group
EAI	-	Enterprises for the Americas Initiative
EBRD	-	European Bank for Reconstruction and Development
EC	-	European Community
ECLA	-	Economic Commission for Latin America
EEA	-	Egyptian Electricity Authority
EIA	-	Environmental Initiative for the Americas

EIP	-	Environmental Impact Assessment
ENI	-	Europe and New Independent States
ENR	-	Environment and Natural Resources
EPA	-	Environmental Protection Agency
EPI	-	Expanded Program of Immunization
EPL	-	Environmental Pollution Licensing
EPRA	-	Economic Policy Resource Center
ERP	-	Economic Recovery Program
ESF	-	Economic Support Fund
EU	-	European Union
FA&H	-	Armed Forces of Haiti
FAO	-	Food and Agriculture Organization
FDA	-	Food and Drug Administration
FFP	-	Food for Peace
FISE	-	Emergency Social Investment Fund
FMLN	-	Farabundo Marti National Liberations Front
FP	-	Family Planning
FREEDOM	-	Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992 (FREEDOM Support Act)
FSN	-	Foreign Service National
FSRDF	-	Foreign Service Retirement and Disability Fund
FTAA	-	Free Trade Area of the Americas
FTF	-	Farmer to Farmer Program
G-7	-	Group of Seven (leading industrialized nations consisting of Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States)
GATT	-	General Agreement on Tariffs and Trade
GCA	-	Global Coalition for Africa
GCC	-	Global Climate Change
GDP	-	Gross Domestic Product
GEF	-	Global Environmental Facility
GHAJ	-	Greater Horn of Africa Initiative
GHG	-	Green House Gas
GIS	-	Geographic Information System
GNP	-	Gross National Product
GOA	-	Government of Albania
GOB	-	Government of Benin
GOE	-	Government of Ecuador, Egypt
GOES	-	Government of El Salvador
GOG	-	Government of Guatemala, Guinea, Guyana
GGOB	-	Government of Guinea-Bissau
GOH	-	Government of Haiti, Honduras
GOI	-	Government of India, Indonesia, Israel
GOJ	-	Government of Jakarta, Jamaica, Jordan
GOM	-	Government of Mexico, Mongolia, Morocco
GON	-	Government of Nicaragua

GOP	-	Government of Panama, Paraguay, Peru
GPRA	-	Government Performance Review Act (P.L. 103-62)
GSL	-	Government of Sri Lanka
GSP	-	General System of Preference
GTZ	-	Guatemala Trade Zone
HA	-	Hectare
HG	-	Housing Guaranty
HIV	-	Human Immunodeficiency Virus
HMO	-	Health Maintenance Organization
HFTE	-	Hemispheric Free Trade Expansion
IACCC	-	Inter-Agency Climate Change Committee
IARC	-	International Agricultural Research Center
IBRD	-	International Bank for Reconstruction and Development (World Bank)
ICITAP	-	International Criminal Investigation and Training Assistance Program
ICORC	-	International Committee for the Reconstruction of Cambodia
IDA	-	International Development Association
IDB	-	Inter-American Development Bank
IEC	-	Information, Education and Communication
IESC	-	International Executive Service Corps
IFES	-	International Foundation for Electoral Systems
IFRC	-	International Federation of the Red Cross
IFI	-	International Financial Institute
IFOR	-	Implementation Force (NATO)
IIDH	-	Inter-American Institute for Human Rights
ILO	-	International Labor Organization
IMF	-	International Monetary Fund
INADE	-	National Development Institute
INC	-	International Narcotics Control
INIFOM	-	Institute for the Promotion of Municipalities
INRENARE	-	Institute for the Management of Renewable Natural Resources
INS	-	Immigration and Naturalization Service
IPM	-	Integrated Pest Management
IPR	-	Intellectual Property Right
IPRF	-	International Planned Parenthood Federation
IQ	-	Intelligence Quotient
IREX	-	International Research and Exchanges Board
IRI	-	International Republican Institute
IRRI	-	International Rice Research Institute
JSE	-	Jakarta Stock Exchange
JUST	-	Justice Sector Support
KG	-	Kilogram

LAU	-	Lebanese American University
LGD	-	Local Government Development
LGU	-	Local Government Union
LMI	-	Lower Middle Income
LPG	-	Loan Portfolio Guarantee
LWOB	-	Lessons Without Borders
MAI	-	Multilateral Assistance Initiative
MCH	-	Maternal and Child Health
MDB	-	Multilateral Development Bank
MED	-	Ministry of Education
MENA	-	Middle East and North Africa
MEPU	-	Ministry of Pre-University Education
MINSA	-	Ministry of Health
MIS	-	Management Information System
MMR	-	Maternal Mortality Ratio
MOF	-	Minister of Finance
MOH	-	Ministry of Health
MOPH	-	Ministry of Public Health
MSED	-	Micro and Small Enterprise Development
MSH	-	Management Sciences for Health
MT	-	Metric Ton
MW	-	Megawatt
MWDR	-	Mid-Western Development Region
MWI	-	Ministry of Water and Irrigation
NACP	-	National AIDS Control Program
NAFTA	-	North American Free Trade Agreement
NAPA	-	National Association of the Partners of the Americas
NAPCP	-	National AIDS Prevention and Control Program
NATO	-	North Atlantic Treaty Organization
NCBA	-	National Cooperative Business Association
NDI	-	National Democratic Institute
NEA	-	National Electrification Administration
NEAP	-	National Environmental Action Plan
NED	-	National Endowment for Democracy
NGO	-	Nongovernmental Organization
NIC	-	Newly Industrialized Country
NIS	-	New Independent States of the former Soviet Union
NMS	-	New Management System
NPI	-	New Partnership Initiative
NRM	-	Natural Resource Management
NTE	-	Non-Traditional Exports
OAS	-	Organization of American States
OC	-	Oral Contraceptive
ODA	-	Official Development Assistance
ODA	-	Overseas Development Administration

OECD	-	Organization for Economic Cooperation and Development
OEFC	-	Overseas Economic Cooperation Fund
OFHEO	-	Office of Federal Housing Enterprise Oversight
OFR	-	Ocean Freight Reimbursement
OIC	-	Organization of Islamic Conference
OPDAT	-	Office of Professional Development and Training
ORS	-	Oral Rehydration Salts
PA	-	Palestinian Authority
PADCO	-	Pan American Development Corporation
PAHO	-	Pan American Health Organization
PAR	-	Policy and Administrative Reform
PARDEM	-	Participatory Democracy
PASA	-	Participating Agency Service Agreement
PCA	-	Panama Canal Authority
PCTC	-	Panama Canal Transition Commission
PHC	-	Primary Health Care
PHN	-	Population, Health and Nutrition
PLO	-	Palestinian Liberation Organization
PNFPP	-	Philippines National Family Planning Program
PIP	-	Parks in Peril
PRET	-	Program for the Recovery of the Economy in Transition
PSC	-	Personal Service Contract
PVO	-	Private Voluntary Organization
R-4	-	Results Review and Resource Requirement
RDA	-	Regional Development Account
REGO	-	Reinventing Government
RGC	-	Royal Government of Cambodia
RHUDO	-	Regional Housing and Urban Development Office
RIF	-	Reduction in Force
RIG	-	Regional Inspector General
ROYG	-	Republic of Yemen Government
RSM/EA	-	Regional Support Mission for East Asia
SADC	-	Southern Africa Development Community
SAI	-	Special Assistance Initiative
SAP	-	Structural Adjustment Program
SDC	-	Society for Democratic Culture
SEB	-	Small and Emerging Business
SEBI	-	Securities and Exchange Board of India
SEC	-	Securities and Exchange Commission
SEED	-	Support for East European Democracy
SET	-	Supreme Electoral Tribunal
SIECA	-	Permanent Secretariat of General Treaty of Central America Economic Integration
SO	-	Strategic Objective
SO <sub>2</sub>	-	Sulfur Dioxide

SOE	-	State-Owned Enterprise
SPA	-	Special Program of Assistance for Africa
SPRP	-	Sector Policy Reform Program
SPU	-	Strategic Planning Unit
STD	-	Sexually Transmitted Disease
STI	-	Sexually Transmitted Infection
STRI	-	Smithsonian Tropical Research Institute
TAF	-	The Asia Foundation
TFR	-	Total Fertility Rate
TNC	-	The Nature Conservancy
TR&D	-	Tropical Research and Development
UNAG	-	National Union of Farmers and Cattle Owners
UNDP	-	United Nation Development Program
UNESCO	-	United Nations Educational, Scientific and Cultural Organization
UNFPA	-	United Nations Population Fund
UNICEF	-	United Nations Children Fund
UNMIH	-	United Nations Mission in Haiti
UNRWA	-	United Nations Relief Works Agency
UPANIC	-	Nicaraguan Union of Agricultural Producers
USAEP	-	United States-Asia Environmental Partnership Initiative
USDA	-	United States Department of Agriculture
USDH	-	United States Direct Hire
WFP	-	World Food Program
WHO	-	World Health Organization
WID	-	Women in Development
WTO	-	World Trade Organization





