

U.S. AGENCY FOR  
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U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT  
 FY 1997 CONGRESSIONAL PRESENTATION  
 Volume II

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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 (Volume I) 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).

This CP volume (Volume II) includes country, regional, and central program narratives and activity data sheets by strategic objective.

A separate annex of Summary Tables is included with this Congressional Presentation. These tables illustrate the foreign assistance budget request for FY 1997 and provide a detailed tabular breakout of the foreign assistance budget for FY 1995 (actual), FY 1996 (estimate), and FY 1997 (request) for the entire International Affairs (Function 150) account.

A Statistical Annex providing details for the USAID-managed programs will be provided following enactment of the FY 1997 appropriations.

## RESTRUCTURING USAID'S OVERSEAS PRESENCE

Current and projected budget reductions have led USAID to reassess its overseas presence. The agency can no longer maintain comprehensive development programs in the wide range of countries in which it is now operating. The full implementation of the new management systems in FY 1997 also makes it timely to realign staffing. Consequently, we will be moving to withdraw our presence from additional countries and restructuring our presence in those countries where we will stay: The USAID of the future will be represented overseas by either a "full" mission or a "limited" mission. Most changes will be effected by FY 2000.

Full missions - and we have identified about 30 - will retain sufficient staff to design and implement a multi-objective sustainable development program. A common trait of many of the full missions is that they are in relatively less developed countries. Limited missions will be characterized by fewer staff, implementing a more targeted assistance program. Assistance will be generally targeted toward one or two global problems, e.g., environmental degradation or health and family planning.

Countries where USAID's primary rationale is to support transition or humanitarian programs will have a range of staffing levels, ranging from "full" to a single officer to no presence. Notably, in Eastern Europe and the former Soviet Union, most transitions to democratic and free market systems will be completed by FY 2000.

USAID took four factors into account in developing its restructuring plan:

**Need.** Does the country require concessional assistance? Primary determinants were income and various quality of life indicators.

**Quality of partnership.** Does the country make effective use of external assistance? Can we accomplish significant development results and is the political, social, and economic climate right?

**Significance of global problems.** Is the country a major factor or key contributor to global problems such as biodiversity, global warming, population growth, or HIV/AIDS?

**Foreign policy importance.** Does the assistance program and the nature of the USAID presence have significant foreign policy implications?

The Agency's overall plans for restructuring its overseas presence are well advanced and await the finalization of consultations with the Department of State, which is expected soon. Many of the country narratives which follow may make only a general reference to the Agency's restructuring efforts, given that the interagency consultative process is still ongoing. We will inform the Congress when final decisions have been made.

**AFRICA**

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

...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.

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<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%

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- 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.

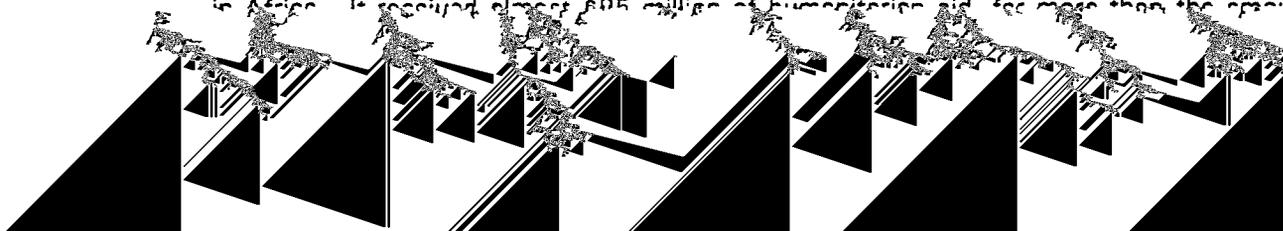
With a nascent but growing market and a population projected to grow to one billion by the year 2015, Africa has significant potential as a market for U.S. exports. These exports represent tangible benefits to Americans. At current growth rates, Africa would import U.S. goods and services worth \$600 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



- 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.

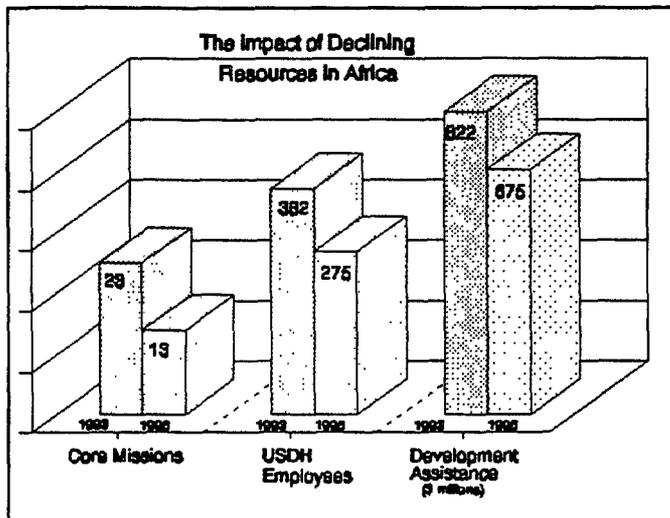
Through the GHAI, USAID can help break the cycle of despair in this region.

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

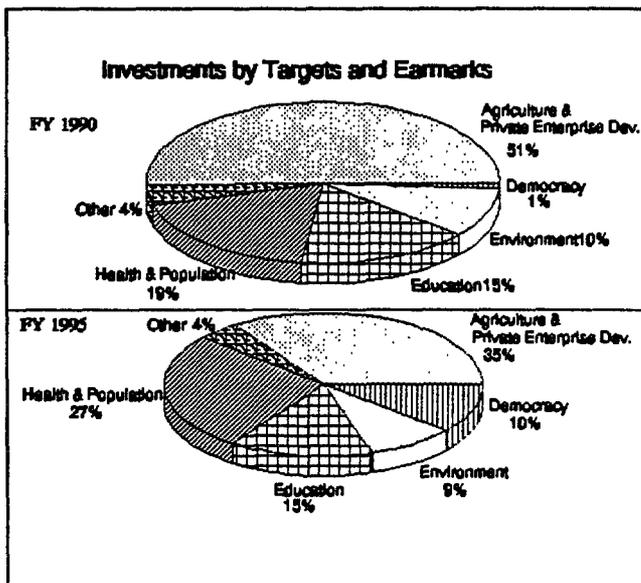
The Administration is strongly committed to promoting Africa's sustainable development. However, the key ingredients to achieving broad impact -- human resources critical to providing technical leadership and carrying on policy dialogue, and financial resources to develop new technologies and strengthen 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.

**AFRICA**  
**PROGRAM SUMMARY**  
**FY 1997 Funding Request (in Thousands of Dollars)**

COUNTRY	ENCOURAGING ECONOMIC GROWTH	STABILIZING POPULATION & HEALTH	PROTECTING THE ENVIRONMENT	BUILDING DEMOCRACY	HUMANITARIAN ASSISTANCE	TOTAL
<b>BILATERAL PROGRAMS</b>						
Angola						
-Dev. Fund for Africa	6,356	3,712	286	2,110	-	12,464
-Economic Spt. Fund	10,000	-	-	-	-	10,000
-P.L. 480 Title II	-	-	-	-	24,473	24,473
Benin						
-Dev. Fund for Africa	10,198	5,522	52	895	-	16,668
-P.L. 480 Title II	-	-	-	-	1,953	1,953
Burundi						
-Dev. Fund for Africa	-	-	86	2,506	-	2,591
Eritrea						
-Dev. Fund for Africa	6,067	3,512	1,261	588	-	11,428
-P.L. 480 Title II	-	-	-	-	3,700	3,700
Ethiopia						
-Dev. Fund for Africa	24,167	16,918	3,150	2,089	-	46,324
-P.L. 480 Title II	-	-	-	-	31,558	31,558
-P.L. 480 Title III	26,700	-	-	-	-	26,700
Ghana						
-Dev. Fund for Africa	26,410	14,253	2,165	2,146	-	44,975
-P.L. 480 Title II	-	-	-	-	9,739	9,739
Guinea						
-Dev. Fund for Africa	6,966	6,279	57	1,590	-	14,892
-P.L. 480 Title II	-	-	-	-	1,024	1,024
Guinea-Bissau						
-Dev. Fund for Africa	4,220	4	131	1,052	-	5,407
-P.L. 480 Title II	-	-	-	-	834	834
Kenya						
-Dev. Fund for Africa	6,178	13,469	1,238	2,129	-	23,013
-P.L. 480 Title II	-	-	-	-	4,228	4,228
Liberia						
-Dev. Fund for Africa	2,500	1,000	-	4,000	-	7,500
-P.L. 480 Title II	-	-	-	-	44,496	44,496
Madagascar						
-Dev. Fund for Africa	2,340	7,490	7,797	1,123	-	18,749
-P.L. 480 Title II	-	-	-	-	3,624	3,624
Malawi						
-Dev. Fund for Africa	12,921	12,855	14,591	2,611	-	42,980
Mali						
-Dev. Fund for Africa	18,101	11,555	7,060	1,650	-	38,366
Mozambique						
-Dev. Fund for Africa	11,166	14,584	7,763	3,374	-	36,887
-P.L. 480 Title II	-	-	-	-	12,500	12,500

COUNTRY	ENCOURAGING ECONOMIC GROWTH	STABILIZING POPULATION & HEALTH	PROTECTING THE ENVIRONMENT	BUILDING DEMOCRACY	HUMANITARIAN ASSISTANCE	TOTAL
Namibia -Dev. Fund for Africa	8,064	377	1,564	806	-	10,811
Niger -Dev. Fund for Africa	981	5,252	2,482	905	-	9,620
Nigeria -Dev. Fund for Africa	-	4,300	-	3,200	-	7,500
Rwanda -Dev. Fund for Africa -P.L. 480 Title II	- -	2,500 -	240 -	2,111 -	- 53,791	4,851 53,791
Senegal -Dev. Fund for Africa	7,874	8,573	10,587	391	-	27,425
Somalia -Dev. Fund for Africa -P.L. 480 Title II	2,500 -	1,000 -	- -	500 -	- 2,206	4,000 2,206
South Africa -Dev. Fund for Africa	47,656	12,824	4,244	18,000	-	82,724
Tanzania -Dev. Fund for Africa	3,071	14,042	5,556	844	-	23,513
Uganda -Dev. Fund for Africa -P.L. 480 Title II	23,539 -	15,541 -	8,307 -	644 -	- 4,387	48,030 4,387
Zambia -Dev. Fund for Africa	5,430	12,749	666	1,422	-	20,267
Zimbabwe -Dev. Fund for Africa	8,877	8,555	6,108	1,111	-	24,652
<b>REGIONAL INITIATIVES</b>						
AFR Regional -Dev. Fund for Africa -Economic Spt. Funds -P.L. 480 Title II	12,383 10,000 -	11,942 - -	15,863 - -	3,615 - -	- - 21,658	43,803 10,000 21,658
GHAI -Dev. Fund for Africa	7,500	3,500	-	4,000	-	15,000
ISA -Dev. Fund for Africa	27,720	-	10,792	200	-	38,712
REDSO/E -Dev. Fund for Africa	2,721	2,478	536	223	-	5,958
REDSO/W -Dev. Fund for Africa	792	13,112	50	415	-	14,369
SAHEL -Dev. Fund for Africa	202	102	168	50	-	522

COUNTRY	ENCOURAGING ECONOMIC GROWTH	STABILIZING POPULATION & HEALTH	PROTECTING THE ENVIRONMENT	BUILDING DEMOCRACY	HUMANITARIAN ASSISTANCE	TOTAL
<b>SUBTOTALS:</b>						
-Dev. Fund for Africa	296,900	228,000	112,800	66,300	-	704,000
-P.L. 480 TITLE II	-	-	-	-	220,170	220,170
-P.L. 480 TITLE III	26,700	-	-	-	-	26,700
-Economic Spt. Fund	20,000	-	-	-	-	20,000
<b>TOTAL</b>	<b>343,600</b>	<b>228,000</b>	<b>112,800</b>	<b>66,300</b>	<b>220,170</b>	<b>970,870</b>

Numbers may not add due to rounding.

Assistant Administrator, Bureau for Africa: John F. Hicks

## ANGOLA

<b>FY 1997 Development Fund for Africa:</b> . . . . .	<b>\$12,463,502</b>
<b>FY 1997 Economic Support Funds:</b> . . . . .	<b>\$10,000,000</b>
<b>FY 1997 P.L. 480 Title II:</b> . . . . .	<b>\$24,473,000</b>

### Introduction.

Angola is a large, mineral rich country of approximately 11.2 million inhabitants strategically situated along the Atlantic coast in southwestern Africa. It is roughly the size of Texas, California and Florida combined. Under more normal circumstances, the country's mineral wealth, combined with foreign private investment and minimal, strategically directed development assistance from donors, would permit sufficient economic growth to generate a steady increase in the standard of living of its citizens. Unfortunately, circumstances have been far from normal. War has ravaged Angola since the mid 1960s, first a war for independence, and then a bloody civil war that was fought from 1975 until November 1994 with only one brief respite. This civil war caused half a million deaths, 3.5 million displaced persons, and left a devastating legacy of landmines that continue to kill and maim innocent civilians. Consequently, Angola's needs are great. Angola has been the site of the world's largest relief effort. The United Nations estimates that 2.2 million Angolans inside the country still need emergency assistance over a year after the end of the war. Another 325,000 Angolans are still refugees in neighboring countries.

It is in the national interest of the United States to support activities that will bring lasting peace and prosperity to Angola. Until a durable peace accord is fully implemented, the Government of Angola (GOA) will not be able to commit the energy and resources necessary to meet the massive humanitarian needs of its people, stimulate the national economy or develop fledgling democratic institutions. U.S. commercial opportunities will lag and the current security threat to existing U.S. petroleum facilities will continue. On the other hand, a stable and increasingly democratic Angola will significantly reinforce political and economic prospects for the entire southern Africa region.

U.S. private investments in Angola, estimated to be over \$3 billion, are among the largest in sub-Saharan Africa. Despite the protracted warfare, U.S. oil companies continued to invest in Angola's petroleum pumping, refining and storage facilities, and cumulative U.S. investments in oil extraction there are now estimated at \$2.5 billion. The United States buys 70% - 80% of all Angola's oil, which accounts for 7% of all American oil imports. Other valuable minerals available for commercial exploitation once civil strife ceases definitively include diamonds, iron ore, manganese and copper. Angola was the world's fourth largest producer of diamonds before the outbreak of war in 1975. In addition, Angola possesses large tracts of land suitable for agricultural and livestock production, vast forests, rich coastal fishing grounds and considerable hydroelectric energy potential.

USAID's development assistance program to Angola began in 1992. It was suspended in 1993 due to a deterioration in security conditions and subsequently terminated in 1994. Development assistance resumed in 1995, with a grant for \$4.0 million for agricultural rehabilitation and \$2.0 million for assistance to displaced children and orphans. However, USAID has continuously provided humanitarian and emergency relief to Angola on a major scale since 1989. For example, in FY 1995, USAID's Office of Foreign Disaster Assistance and Food for Peace together provided approximately \$73.4 million in emergency humanitarian assistance. USAID's five-year preliminary transitional strategy for Angola encompasses the work of all Agency offices and programs operating in Angola. This strategy integrates all forms of aid to help move the country along a continuum from emergency relief to recovery, rehabilitation, reconstruction and sustained development of the country.

With regard to a graduation timeframe, in July 1995 USAID approved a five-year preliminary transitional strategy for Angola. Angola is endowed with enormous natural resources and has the potential to self-

finance, eventually, its development programs. Thus, as peace and stability return to Angola, USAID envisions undertaking a unique development partnership with the GOA which places emphasis on the Government to allocate an increasing share of its financial resources towards development and self-sustainability.

Angola is on the road to a durable peace. On November 20, 1994, a comprehensive peace agreement, the Lusaka Protocol, was signed by the GOA and its former combatants, the National Union for the Total Independence of Angola (UNITA). The aim of this protocol is to consolidate the peace process, promote national reconciliation, and achieve political stability. The peace accords called for a cease-fire, the quartering and disarming of UNITA troops, the formation of a unified national army, and participation of UNITA in the government alongside the ruling party, the Popular Movement for the Liberation of Angola. Since the signing of the peace accord, Angola's gross domestic product (GDP) has grown by nine percent and its capacity to import foreign products has also increased.

On March 1, 1996, President dos Santos and Dr. Savimbi held their fourth direct meeting in Libreville. After their meeting, they announced their intention to accelerate the implementation of the Lusaka Accord and agreed to: (a) quarter all UNITA troops, (b) form a joint senior military command and begin the integration of UNITA forces into the national armed forces by the end of June and (c) form a Government of National Reconciliation by the end of July.

#### **The Development Challenge.**

While oil exports currently generate sufficient revenues to provide the country with a per capita GDP of about \$410, this is only half the GDP per capita of 1990, a sign of the devastation experienced by Angola in the last few, but most intense, years of the war. Most indicators of social and economic performance rank Angola among the poorest countries in the world. The relatively low performance ranking is largely explained by three factors: (a) incessant warfare, which has claimed more than 500,000 lives, has made life in the countryside too insecure for agricultural production, and has destroyed the economic and physical infrastructure; (b) severe human resources constraints, due to a massive exodus of expatriates at independence and resulting skill shortages that the country has not been able to replace; and (c) highly inefficient economic management with excessive reliance on central planning and pervasive administrative controls. According to a UN Security Council report, up to 70% of the basic health system has been destroyed, only 18% of the population has access to sanitation and 34% to safe water, and approximately 70,000 people have been maimed by weapons and/or landmines.

As a consequence of these factors, Angola, which was formerly an important net exporter of agricultural products, has become increasingly dependent on food imports (and food aid) to supply its urban markets and camps for the displaced. However, as a result of the continued success of the peace process, Angola is less dependent on food aid today and USAID's humanitarian food aid has gradually reduced. For FY1997, food aid for Angola is expected to be reduced to less than half the level provided in FY 1995. Nevertheless, there continues to be shortages of essential consumer goods and services throughout the country. Marketing infrastructure and rural trading systems have been devastated. There is a shortage of trained personnel in all sectors. The concentration of war-displaced populations in various rural and urban fringe areas is a contributing factor to environmental degradation.

As peace returns, economic policy management must move rapidly to the forefront of GOA priorities. Angola needs to recover not only from the war, but also from the paternalistic approach to economic management that was inherited from the colonial era. In order to jump-start the economy and set it on the path to sustainable growth, it must shift from state-controlled economic policies to an open market-oriented economy. After three decades of devastating war characterized by authoritarian regimes and statist economic policies, the road ahead is long. With an abundance of natural resources, however, Angola's long-term economic potential is promising. The extent to which the country

succeeds will depend overwhelmingly on the nature of the economic policies that the GOA elects to pursue.

In FY 1995, USAID provided funding for a four-year Agricultural Area Clearance Project that is aimed at resettling displaced populations, demining agricultural land, and rehabilitating agricultural and health care systems. Solid progress has been made toward meeting established targets of the project, despite the early stage of implementation. Agriculture and health infrastructure rehabilitation will continue to be high priorities for development projects, particularly in rural communities where quartered troops, resettled persons and refugees, and demobilized soldiers will be concentrated. In addition, assistance for displaced children and orphans, other war-affected children, and for victims of landmine accidents will continue to be a high priority in USAID's program.

A grant of \$2 million was recently awarded to the Christian Children's Fund of Richmond, Virginia to support a three-year, five province program which trains adults to: (1) identify symptoms of psychological and social distress in children, including post traumatic stress disorder; and (2) provide participants with the necessary skills to be able to interact with traumatized children and conduct activities which will assist in their return to normal emotional growth and social adjustment. The impact and importance of this project has received very high marks from technical experts, international agencies including United Nations Children's Fund, and the GOA.

#### **Other Donors.**

The U.S. Government and the international donor community pledged approximately \$1 billion at the Angola Roundtable in September 1995. The funds are to be spent over 1996-1997 on community rehabilitation and national reconciliation projects. The United States is the largest provider of bilateral assistance to Angola. Other major contributors include: the European Commission, the UN World Food Program, the UN Development Program (UNDP), other UN agencies, the World Bank, African Development Bank, the International Fund for Agricultural Development, France, the Netherlands, Sweden, Italy, Norway, Portugal, and Germany. Donor coordination of activities and resources is a priority for the assistance strategy for Angola.

#### **FY 1997 Program.**

The first eighteen months of USAID's five-year transitional strategy for Angola focus on the transition from emergency relief and humanitarian assistance to more traditional sustainable development activities. As peace and stability return to Angola, emergency humanitarian and transitional assistance will progressively be phased out, as programs that address Angola's long-term development needs are launched. For instance, USAID support for agricultural rehabilitation activities will reduce food aid dependency. Likewise, USAID's Office of Foreign Disaster Assistance started to reduce its emergency relief support through non-governmental organizations (NGOs) in Angola due to decreasing humanitarian needs, and anticipates a major, if not total, phase-out by mid- to late FY 1997, if peace continues to hold. On the other hand, USAID's Office of Transition Initiatives plans to continue its transitional aid to the Angolan peace process in FY 1997, with further assistance for demining, demobilization and quartering of troops, and revitalization of rural communities essential to returning refugees and demobilized soldiers. In FY 1997, the Office of Transitional Initiatives plans to allocate up to \$8 million for Angola. As the peace process holds and national reconciliation begins to take shape and solidify in Angola, the Africa Bureau will, selectively, take over funding of non-governmental organization (NGO) programs that are currently being supported by the Office of Foreign Disaster Assistance as they make the transition from emergency to development activities. In support of Angola's rehabilitation program to generate broad-based economic growth, resources will be budgeted to fund NGO activities such as: resettlement and reintegration; agricultural production, including the distribution of seeds and tools; and health and immunization programs. Support to Angola's private sector is an important element in transforming the country from a closed, totalitarian-oriented, centrally planned economy to an open, free-market economy. This will be fundamental in building a stable and peaceful society based on

democratic principles and ideals. Funds will be allocated to private sector development and technical assistance for macro-economic reform. In addition, development funds will be spent to further the conflict resolution and democracy building activities begun in FY 1996, and fund human rights activities. It is anticipated that USAID will continue the important projects that are helping thousands of war-affected children and continue providing assistance to disabled soldiers and civilians, such as provision of much-needed prosthetics for amputees from landmine accidents. Strong emphasis will be placed by USAID on working as partners with the international donor community for all objectives, with a view of playing a leadership role in leveraging other donors' resources to support Angola's rehabilitation and reconciliation program. USAID will also look to the leaders of Angola, caretakers of a country endowed with immense resources, to re-direct a progressively increased amount of both human and financial resources, no longer needed for military purposes, to meet the development needs of its people.

**Agency Goal: Building Democracy**

Angola has been embroiled in civil war, with only one respite, since its independence in 1975. A peace accord signed in May 1991 provided for the country's first multi-party elections in September 1992. Unfortunately, UNITA, which was the losing party, refused to accept the election results and resumed fighting. With the signing of the Lusaka Protocol in November 1994, the GOA and UNITA again officially declared an end to the long-running civil war which has devastated as well as deeply divided the country. The United States has been a principal player in Angola's quest for peace, and USAID's strategy provides support for key elements of the peace process as well as support for the country's transition to a stable, democratic society and political system.

In addition to continued U.S. support for the United National Angolan Verification Mission III peacekeeping mission, USAID is providing grants to NGOs which are responsible for supporting five of the 15 UNITA quartering areas, as well as 5,000 metric tons of food commodities for quartered troops, and projects to assist demobilized soldiers to reintegrate into civil society. Economic Support Funds (ESF) will be used primarily for democracy/governance activities and community revitalization efforts. Grants for journalistic training, and to document success stories of conflict resolution and reconciliation of Angolans throughout the country have also been approved. A grass-roots level program of training trainers in conflict resolution techniques will soon begin, and another project designed to promote national reconciliation, political party building, and training of parliamentarians in the National Assembly in democratic values and procedures will also begin in FY 1996. Other planned activities to support Angola's transition to a peaceful and democratic society include broad-based civic education and human rights projects. USAID hopes to fund other creative, consultative efforts in this domain as opportunities present themselves, and as funds are available.

- Strategic Objective 2: Promote Angola's Transition From a Devastated, War-torn Country to a Stable, Peaceful and Democratic Society

**Agency Goal: Encouraging Broad-based Economic Growth**

Thirty years of war have destroyed the country's physical and economic infrastructure, debilitated the health care system, and displaced a large portion of the population. Land mines continue to injure innocent victims, restrict resumption of agricultural production, and impede movement of people, goods, and the delivery of humanitarian assistance. The GOA is faced with tremendous macro-economic problems and a weak private sector. USAID's objectives in support of broad based economic growth in Angola focus on population resettlement, community rehabilitation, macro-economic reform, private sector development, and trade and investment opportunities.

Also, in FY 1995, USAID initiated a \$500,000 Angola Agricultural Recovery Program that focuses on increasing farmer productivity for staple food crops through agricultural technology development and transfer. This project, which promotes the rapid recovery of food production systems in Angola, is

being jointly implemented by the Consultative Group on International Agricultural Research and the NGO community. For the Consultative Group on International Agricultural Research, the lead center providing technical expertise for this project is the International Crops Research Institute for the Semi-Arid Tropics, and the lead implementing NGO is World Vision. Already, 28 varieties of maize and a small number of other crops have been planted for testing and preparation for seed multiplication.

Macro-economic reforms are critical to the successful accomplishment of the GOA's development goals, as defined in its Community Rehabilitation and Reconciliation Program, as well as its objective to transform its economy to a market-oriented system. These reforms are also necessary to create an economic environment that is conducive to foreign trade and investment. In FY 1996, USAID will begin projects to provide economic technical assistance and training to key ministries, and to establish a base of economic data that will increase transparency of public sector spending activities as well as provide a basis for sound economic policy decision-making.

An IMF/World Bank-sponsored structural adjustment program for Angola will almost certainly require a commitment on the part of the GOA to sustainable, market-oriented economic development in which the private sector plays a key role. Accordingly, development of the private sector is one of USAID's objectives in promoting broad-based economic growth in Angola. In addition to training small and medium enterprise entrepreneurs and trade or business associations, USAID will conduct studies of: franchising feasibility, improving access of small and medium enterprises to start-up capital, and helping the GOA move toward the development of a privatization plan.

- **Strategic Objective 1:** Assist the GOA in Carrying Out Its Rehabilitation Program by Continuing to Provide Support for Resettlement and Rehabilitation Activities, in Particular, Its Agricultural Production Programs and Basic Health Infrastructure Projects
- **Strategic Objective 3:** To Stabilize Macro-Economic Conditions in Angola, Foster Private Sector Development, and Create an Enabling Environment to Encourage Foreign Trade and Investment

**Agency Goal: Providing Humanitarian Assistance**

The chief goal for the FY 1997 P.L. 480 Title II food program will be to reduce general food distribution while continuing to provide resettlement packages and food for work activities that facilitate reintegration of returnees (displaced, refugees, and ex-combatants) to communities. Food for work activities will continue to focus on agricultural rehabilitation and improved household nutrition.

Since FY 1985 - 1996, PL 480 Title II assistance, via USAID's Food for Peace Office, has amounted to \$195.5 million dollars (357,218 metric tons of food) for Angola. Emergency food assistance has been provided to over two million war effected Angolans directly through PVO partners and the World Food Program.

As emergency food aid to Angola has decreased, PL 480 Title II food aid has been channeled through American PVOs to improve household food security and agricultural rehabilitation.

- **Strategic Objective 1:** Assist the GOA in Carrying Out Its Rehabilitation Program by Continuing to Provide Support for Resettlement and Rehabilitation Activities, in Particular, Its Agricultural Production Programs and Basic Health Infrastructure Projects
- **Strategic Objective 2:** Promote Angola's Transition From a Devastated, War-torn Country to a Stable, Peaceful and Democratic Society

**ANGOLA  
FY 1997 PROGRAM SUMMARY**

	Encouraging Broad-based Economic Growth	Stabilizing World Population Growth & Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	TOTALS
USAID Strategic Objectives						
1. Assist the Government of Angola in Carrying Out Its Rehabilitation Program by Continuing to Provide Support for Resettlement and Rehabilitation Activities, in Particular, Its Agricultural Production Programs and Basic Health Infrastructure Projects - Dev. Fund for Africa - Economic Support Funds - P.L. 480 Title II	4,355,744	3,712,107	285,612	7,000,000	22,000,000	8,353,463 7,000,000 22,000,000
2. Promote Angola's Transition From a Devastated, War-torn Country to a Stable, Peaceful and Democratic Society - Dev. Fund for Africa - Economic Support Funds - P.L. 480 Title II				2,110,039 3,000,000	2,473,000	2,110,039 3,000,000 2,473,000
3. Stabilize Macro-Economic Conditions in Angola, Foster Private Sector Development, and Create an Enabling Environment to Encourage Foreign Trade and Investment - Dev. Fund for Africa	2,000,000					2,000,000
<b>Totals</b> - Dev. Fund for Africa - Economic Support Funds - P.L. 480 Title II	6,355,744	3,712,107	285,612	2,110,039 10,000,000	24,473,000	12,463,502 10,000,000 24,473,000

Office of Southern African Affairs: Wilbur Thomas

## ACTIVITY DATA SHEET

**PROGRAM:** ANGOLA

**TITLE NUMBER:** Assist the GOA in Carrying Out Its Rehabilitation Program by Continuing to Provide Support for Resettlement and Rehabilitation Activities, in Particular, Its Agricultural Production Programs and Basic Health Infrastructure Projects, 654-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$8,353,463 DFA; \$7,000,000 ESF; \$22,000,000 P.L. 480 Title II

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: To gradually reduce humanitarian food aid while concurrently engaging in quick-impact community rehabilitation projects, especially agriculture and health infrastructure rehabilitation, in rural communities where the quartering of troops and the resettlement of displaced persons, refugees and demobilized soldiers will be concentrated. Continue to provide assistance to war-affected children and victims of landmine accidents.

Background: Three decades of civil war in Angola left the economy devastated and the vast majority of the population in poverty. The war claimed over 500,000 lives and left over 3.0 million Angolans homeless. The annual inflation rate spiraled into 4 digit figures. Despite a wealth of natural resources, gross domestic product per capita declined from an average of \$820 between 1986-88 to \$410 in 1995. More than 70% of Angola's population is considered to be food insecure. The Ministry of Health estimates at least 20% of infants have been malnourished every year since the mid-1980s. Poverty and food availability are directly correlated to economic infrastructure and accessibility to markets. A formidable challenge facing the Government of Angola (GOA) is to restore the confidence of the people, and promote economic development and growth in rural areas. Notwithstanding the above, for FY 1997 P.L. 480 Title II food program will be provided at a reduced level while continuing to provide resettlement packages and food for work activities that facilitate reintegration of returnees to their communities. The provision of basic social and economic infrastructure throughout the country is essential to successfully meet this challenge. USAID's development objective is to work closely with the GOA in promoting economic growth at the community level.

USAID Role and Achievements to Date: The success of resettlement and development rehabilitation projects will be closely tied to: 1) the accomplishments of ongoing USAID projects in meeting the critical, life-threatening needs of the population through health and feeding programs; 2) demining and mine awareness activities; and 3) the provision of food security as displaced Angolans leave urban areas to return to their rural communities.

In FY 1995, USAID funded a four-year, multi-faceted Agricultural Area Clearance Project, implemented by Save the Children/U.S. The project is comprised of four principal components: (1) resettlement of displaced populations; (2) demining of agricultural land; (3) agricultural rehabilitation; and (4) health system rehabilitation. USAID provided humanitarian assistance to support primarily the resettlement and demining components whereas USAID has provided FY 1995 development assistance funds for the rehabilitation of the agricultural and health sectors. Steady progress has been achieved in meeting established targets despite the relatively early implementation stage of the Agricultural Area Clearance project, the Africa Bureau's first major effort in this area. Five of the eight health staff have been recruited in the first phase of the project. Of 6,583 displaced persons, refugees and war affected families targeted for resettlement, 4,444 have been resettled and seed and tool packs have been distributed to all of them. Another 6,715 families that were not previously targeted have received seed packs; and 1,456 women and children have been vaccinated.

Description: As USAID proceeds in phasing down P.L. 480 Title II and other humanitarian assistance to Angola, USAID Africa plans to step up its development assistance support for the non-governmental organization- implemented activities geared at resettling displaced persons, reintegrating demobilized

troops into civil society, addressing the food security needs of the rural population by assisting in agricultural production and distributing seeds and tools, and supporting the rehabilitation of basic rural health infrastructure and programs. In addition, projects assisting war-affected children and victims of landmine accidents will be continued through funding from the Displaced Children and Orphans Fund and the War Victims Fund.

**Host Country and Other Donors:** USAID development assistance activities have been coordinated closely with Save the Children/Holland; the European Union via Save the Children/UK; Norwegian People’s Aid, German Agro-Action, and the World Food Program. The GOA developed a Community Rehabilitation and National Reconciliation Program. Projects for this two-year program are being funded by the GOA and the international community.

**Beneficiaries:** Rural families and communities, resettled populations, demobilized soldiers, war-affected children, and victims of landmine accidents.

**Principal Contractors, Grantees, or Agencies:** Save the Children/US, International Crops Research Institute for the Semi-Arid Tropics, World Vision, and Christian Children’s Fund. Other partners are expected as the program evolves.

**Major Results Indicators:**

	<u>Baseline<sup>1</sup></u>	<u>Target<sup>1</sup></u>
<b><u>Agricultural Area Clearance Project:</u></b>		
Number of agriculture rehabilitation, health, and food staff recruited	TBD	TBD
Number of persons resettled	TBD	TBD
Number of seed and tool packs distributed	TBD	TBD
Number of fisheries groups identified	TBD	TBD
Number of fisheries kits distributed	TBD	TBD
Number of rural clinics rehabilitated	TBD	TBD
Number of essential drug kits distributed	TBD	TBD
Number of women and children vaccinated	TBD	TBD
<b><u>Christian Children’s Fund:</u></b>		
Number of adults trained to identify and assist traumatized children	TBD	TBD
Number of children who receive assistance	TBD	TBD
<b><u>Angola Agricultural Recovery Program:</u></b>		
Number of seed and tool packs distributed	TBD	TBD
Amount of adapted seed varieties tested, multiplied and distributed	TBD	TBD
Number of Angolan agronomists, technicians, extension agents and farmers trained in the use of the improved technology	TBD	TBD
<b><u>Other Projects:</u></b>		
Number of technicians trained to provide prosthetic assistance	TBD	TBD
Number of prosthetics produced within country	TBD	TBD

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<sup>1</sup>To be determined. Baseline and target data have yet to be established.

## ACTIVITY DATA SHEET

**PROGRAM:** ANGOLA

**TITLE NUMBER:** Promote Angola's Transition from a Devastated, War-torn Country to a Stable, Peaceful and Democratic Society, 654-S002

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,110,039 DFA; \$3,000,000 ESF; \$2,473,000 P.L. 480 Title II

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: To promote conflict resolution, national reconciliation, human rights, civic education, political party building, parliamentary training and reintegration of displaced populations and demobilized troops.

Background: This strategic objective seeks to further the peace process, including the Lusaka Protocol goal of national reconciliation, and provide training and institution-building capacities for a democratic society and political system. Although the country is moving along the path to a more durable peace, the difficult reality of twenty years of civil war, the failure of a previous peace accord after open elections were held in 1992, and the lack of trust between the two major groups who must work together in establishing a democratic political system, must be acknowledged and overcome. The National Union for the Total Independence of Angola (UNITA) must transform itself from a military machine to a political party, and former combatants must learn to work side by side in a democratic government of national unity. Displaced persons and demobilized soldiers must be reintegrated into civil society, and respect for democratic values and human rights must be developed.

USAID Role and Achievements to Date: The United States has been a principal player in the quest for peace in Angola, demonstrated by its active involvement in the peace treaty negotiations, continued support for humanitarian relief and the United National Angolan Verification Mission III peacekeeping mission, and continued application of diplomatic pressure on both the Government of Angola (GOA) and UNITA to meet their commitments in the Lusaka Protocol. So far, specific USAID activities have centered around the demobilization and quartering of UNITA troops, and grants to NGOs to assist in preparing demobilized troops to reintegrate into civil society. USAID has provided grants to Voice of America and Search for Common Ground to provide journalistic training and better reportage of events by both sides, and to provide TV and radio examples of successful instances of conflict resolution and reconciliation among Angolans throughout the country. Sustainable development activities which have been approved, but have not yet begun, include a \$190,000 grant to the Conflict Management Group of Cambridge, Massachusetts to provide training in conflict resolution techniques at the grass-roots level, including church groups, NGOs and community leaders. The International Republican Institute will soon begin a \$2 million, 2-year project, to promote national reconciliation, political party building and training of parliamentarians in the National Assembly.

Description: Principal activities supporting this strategic objective include conflict resolution, national reconciliation, political party building, parliamentary training, and reintegration of former troops into civilian society. Other planned activities include broad-based civic education, and human rights projects.

Host Country and Other Donors: While the GOA, UNITA, and other donors are working to further the peace process as a whole, the United States is the first country to develop specific democracy and governance projects for Angola.

Beneficiaries: Angolans in both the public sector, including the GOA and UNITA, and civic society.

Principal Contractors, Grantees, or Agencies: Voice Of America, Search for Common Ground, Conflict

Management Group, and the International Republican Institute. USAID envisions other partnerships as the program evolves.

Major Results Indicators:

	<u>Baseline</u> <sup>1</sup>	<u>Target</u> <sup>2</sup>
Number of conflict resolution trainers trained	TBD	TBD
Number of participants and represented groups participating in national reconciliation working groups	TBD	TBD
Viable policy recommendations emerging from national reconciliation working groups	TBD	TBD
Increased discussion and dialogue among the different political parties	TBD	TBD
Number of National Assembly parliamentarians trained	TBD	TBD
Increased knowledge by the parliamentarians of democratic values and procedures	TBD	TBD
Improved organization of political parties at the national and local level and their increased knowledge of democratic political procedures	TBD	TBD

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<sup>2</sup> To be determined. Baseline and target data have yet to be established.

## ACTIVITY DATA SHEET

**PROGRAM:** ANGOLA

**TITLE NUMBER:** To Stabilize Macro-Economic Conditions in Angola, Foster Private Sector Development, and Create an Enabling Environment to Encourage Foreign Trade and Investment, 654-S003

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,000,000 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To provide economic training and technical assistance to the Government of Angola (GOA) as it develops and begins implementation of a structural adjustment program, commences privatization of state-owned enterprises, and creates an environment conducive to private sector-led trade and foreign investment. To assist in the establishment of a data base of economic and financial information to increase transparency in GOA transactions and provide information for sound policy decision-making. To foster private sector development through training and technical assistance for small and medium enterprise entrepreneurs and business or trade associations, and by conducting appropriate studies concerning franchising feasibility and improving their access to capital.

**Background:** Over the past year, inflation reached an annual rate of 3,700% and in 1995, the deficit was 22.5% of gross domestic product. Restrictions on exports, price controls and subsidies adversely affect Angola's economic performance. The country debt has soared to \$11.2 billion, and state-owned enterprises continue to dominate the business sector. In December 1995, the International Monetary Fund (IMF) suspended its staff-monitored "shadow" program for Angola due to the failure of the GOA to implement agreed-upon structural adjustment measures. The shadow program was designed to permit the GOA to establish a track record of macro-stabilization efforts convincing enough to allow the IMF to negotiate a multi-year Enhanced Structural Adjustment Facility funding program in early 1996. As a result of the suspension of the IMF monitored program, USAID technical assistance to the GOA to address the chronic macro-economic difficulties of the country is more critical than ever.

The success of a technical assistance program for macro-economic reform will depend on a lasting peace in Angola, and the political will of the GOA to follow through with the necessary economic reforms. The success of a private sector development program depends in large part on the creation of an economic environment that is conducive to economic recovery and growth, as well as the access to capital by entrepreneurs of small and medium enterprises. USAID contends that a jump-start is all that Angola needs to stabilize its macro-economic conditions, if sufficient political will exists to follow through. Angola has the resource base for strong economic growth and increased trade and investment, but first it must dramatically improve the economic environment.

**USAID Role and Achievements to Date:** There are currently no USAID-funded economic reform or private sector development activities in Angola.

**Description:** Beginning in FY 1996, planned activities include training and economic technical advisory support for key ministries, and development of a credible economic data base, which will promote more transparent and sound GOA economic policy and reform decisions. Training for small and medium enterprise entrepreneurs, and business or trade associations, will be part of the initiatives undertaken in support of private sector development in Angola. In addition, studies for the feasibility of franchise development, and access for small and medium enterprises to capital, will be conducted.

Host Country and Other Donors: This activity will be coordinated with the International Monetary Fund, World Bank, and United Nation Development Program. Since 1993, the UNDP has been providing assistance to the GOA, implemented through the World Bank, to address the country's macro-economic problems.

Beneficiaries: GOA economic policymakers, small and medium enterprise entrepreneurs, trade and business associations, foreign traders and investors in Angola.

Principal Contractors, Grantees, or Agencies: Funding for projects has not yet been awarded.

Major Results Indicators:

	<u>Baseline</u> <sup>1</sup>	<u>Target</u> <sup>1</sup>
The establishment of a research unit to collect economic and financial data	TBD	TBD
Number of participants in training programs for small and medium enterprise entrepreneurs	TBD	TBD
Number of business and trade associations which receive training	TBD	TBD
Completion of the private sector development studies	TBD	TBD
The placement of economic technical advisors	TBD	TBD
Formalization of a privatization plan of state-owned enterprises	TBD	TBD

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<sup>1</sup>To be determined. Baseline and target data have yet to be established.

## BENIN

**FY 1997 Development Fund for Africa: . . . . . \$16,667,842**  
**FY 1997 P.L. 480 Title II: . . . . . \$1,953,000**

### **Introduction.**

U.S. interest in Benin, which has a constitutional democracy and a democratically elected president lie in broadening participation in Benin's economic and political development. Benin's peaceful transition to a civilian-led multi-party system of democracy is a model for other African nations. Democratic reforms are proceeding and the role of society in the decision making process is an important one.

### **The Development Challenge.**

Following its independence in August 1960, Benin went through a decade of political upheavals that nearly always resulted in a military coup. In October 1972, the civilian government was overthrown and replaced with a Marxist-Leninist regime which mismanaged the economy until its collapse 17 years later. In February 1990, the political landscape in Benin changed radically when a national conference was held that led to an interim civilian-led government dedicated to a multi-party system of democracy. By March 1991, Benin had held free, fair and transparent legislative and presidential elections. Benin is now one of the few countries in Africa carrying out comprehensive political and economic reforms that have resulted in deep-seated changes. The legislative and judicial branches of government have real power and effectively serve as checks on the executive branch. In 1995, the economy grew at over 6% while inflation was reduced to 3.2%. The cumulative effect, however, of almost two decades of state control of the economy and economic mismanagement has created imbalances as well as attitudes that plague Benin today.

Fundamental changes in political and economic policies have created a more favorable basis for economic growth. In 1989, Benin started a structural adjustment program (SAP) under the auspices of the World Bank and the International Monetary Fund (IMF). Major achievements were made under this program, including the reform of the fiscal and tax systems, the restructuring of the banking sector and significant changes in the monetary policy. Some progress was also made in restructuring public enterprises to the benefit of the private sector. All the inefficient parastatals that crowded out public investment under the Marxist-Leninist regime have been privatized. Decreases in imports coupled with an exceptionally good year in cotton production and export earnings have helped reduce the current account deficit. In 1994, immediately after the African Financial Community (CFA) devaluation, the inflation rate went up to 55% before dropping to about 13.5% in 1994 and then to about 3% at the end of 1995.

The country's third structural adjustment program is expected to begin in 1996 and aims to strengthen the market orientation of the economy, lessen the budget deficit, stimulate the level of domestic savings and investment, and achieve an annual gross national product increase of 5% in real terms. In the education sector, during the Marxist-Leninist rule, the education system deteriorated and parents pulled their children out of school. The gross enrollment rate was 49.7% in 1990 but increased to 60.7% in 1994. This was a result of the education sector reform program which was initiated in 1991 and supported by USAID-financed Children and Learning Equity Foundations program. In the health sector, substantial progress has been made in some areas. Oral rehydration therapy is understood and practiced throughout the country. Community participation and financing has started in rural areas. Vaccine coverage has increased. Yet infant mortality rates remain high because only half of the population has easy access to the general health care services and only one-fifth actually uses the services. Furthermore, progress in child health has not been matched by comparable advances in maternal and reproductive health, including family planning. We believe that unmet demand for family planning information and services is high. The need for increased access to HIV/AIDS prevention and

control measures is also high.

#### **Other Donors.**

In 1994, USAID and other donors pledged a total of \$310 million for development activities. Foreign assistance to the Government of Benin (GOB) was broken down as follows: 49% in capital projects, 22.1% in budget support, 25.3% in technical assistance and 3.0% in food aid. USAID was third out of the seven biggest bilateral donors, (1) Germany \$38 million, (2) France \$29 million, (3) USAID \$17 million, (4) Japan \$14.9 million, (5) Netherlands \$7.6 million, (6) Denmark \$7.4 million and (7) Switzerland \$4.9 million.

#### **FY 1997 Program**

The USAID strategy in Benin is designed to consolidate the country's economic and democratic transformation by strengthening the country's human resource base, as specifically mandated by the 1990 National Conference, in order to broaden the benefits of economic growth. USAID is strengthening Benin's human resources by improving the quality of and expanding access to basic education, providing family health services, and by strengthening civil society involvement in the conduct of public affairs.

USAID's strategy to strengthen Benin's human resource base combines three approaches: (1) USAID will help establish a quality and equitable basic education system that prepares the younger generations for a productive role and effective leadership within their society; (2) USAID will help consolidate the democratic process and create an enabling environment for participatory development by building modern leadership skills inside and outside government and by strengthening the civil society's capacity for advocacy and oversight; the FY 1997 funding will be used to continue leadership training and to strengthen the impact of human capacity building, and (3) given that rapid population growth adversely affects development objectives, USAID intends to provide family planning assistance to the country.

#### **Agency Goal: Encouraging Broad-based Economic Growth**

Benin's economic restructuring only can be sustainable if the majority of Beninese have access to an education system which enables them to become more literate, self-reliant, creative, confident, and entrepreneurial. These are the essential attributes of a labor force which is competitive in the international economy.

The primary focus of USAID's assistance is to improve the quality of and access to primary education. There are five mutually reinforcing targets:

- a. establish and maintain sufficient financing for primary education;
- b. improve the institutional capacity for education planning;
- c. upgrade key pedagogical systems to provide a quality learning environment;
- d. increase equity of access to a quality primary education; and
- e. promote widespread public participation.

To date, USAID's assistance to Benin's education system has helped strengthen the institutional capacity of the Ministry of Education by increasing access to education, reducing gender and regional disparities, and improving the availability of basic pedagogical needs -- textbooks, training materials and teacher training needed to improve overall quality. As a result, substantial improvements have been made in the education system, as publicly acknowledged by both government officials and parent associations.

Continued increases in financial support for primary education should help sustain these achievements. A special effort to support girls' enrollment is still required, since the enrollment of girls only increased from 36% to 48% in three years. Starting in 1996 and over a four-year period, USAID will support an activity aimed at improving girls' enrollment and retention rates.

As part of the education quality improvement target, teacher training will be initiated in 1996 to consolidate gains made under the Mission's basic education efforts and provide additional training opportunities for primary school leavers. In 1996 and 1997 some vocational activities will also be developed.

- **Strategic Objective No. 1:** Ensuring that an Increasing Number of School-aged Children Receive, on a more Equitable Basis, an Education which Adequately Prepares them for a Productive Role in their Society

**Agency Goal: Building Democracy**

USAID supports activities to improve democracy and governance. A grant to AFRICARE has paved the way for greater participation in the democratic process in Benin at the grassroots level. Prior to 1991, there were no non-governmental organizations (NGOs) involved in elections management in Benin. Due to USAID's continuous support through local and U.S private voluntary organizations (PVOs) such as the National Democratic Institute (NDI), the number of NGOs providing services related to elections management increased to 16 in 1994. The Beninese Women Jurist Association (AFJB) and the Social Justice and Equity Group (GAJES), for example, are now actively involved with information, education and communication (IEC) activities on women's rights issues at the grassroots level. NGOs such as the Beninese Coalition of Sustainable Development and the Study and Research Group on Democracy and Social Development, have started to play an important advocacy role in keeping the power balance between the government and the National Assembly.

- **Special Objective No. 1:** Improve Governance and Reinforce Democracy

**Agency Goal: Stabilizing World Population Growth and Promoting Human Health**

Benin is one of the few countries in the West African region without a population policy and where the colonial 1920 anti-contraception law is still in effect, even if not enforced. The estimated population of 5.2 million, (51% female and 49% male), is growing rapidly. Benin has one of the highest fertility rates on the continent: 6.8 children/woman on average compared to 6.4 for Africa as a whole. The population growth rate (1979-1994) was 2.8% and the contraceptive prevalence rate is estimated to be less than 2.5%. Since the 1995 Cairo Conference on Population, donor pressure forced the GOB to publicly acknowledge the correlation between demographic variables and the quality of life in Benin. A national conference on population and development was held in January 1995, which emphasized the urgent need for a clear Beninese population policy. A new family law, to replace the 1920 law, has been drafted by a group of private lawyers commissioned by the GOB, and submitted for the Cabinet's approval and transmission to the National Assembly. The government is implementing a health development policy that favors the integration of family planning into the general health care system.

Also under the objective is work to reduce the overall prevalence of HIV/AIDS in Benin. According to the 1992 statistics of the US Bureau of the Census, the overall HIV prevalence in Benin was between 1.3% and 4.5%, i.e., between 50,000 and 200,000 people. Although these figures are relatively low, compared with the surrounding countries, they mask serious imbalances between lower rural rates and higher urban rates. The number of HIV seropositive cases is expected to double annually. To complement government's efforts in this area, USAID initiated in 1990, a condom social marketing program, which is the largest AIDS prevention activity in the country. The success of this program resulted in 1.6 million and 2.2 million condoms sold, respectively, in 1994 and 1995, compared to

355,000 in 1990.

In 1993 and 1994, USAID financed a series of studies that revealed a need for immediate intervention to strengthen both governmental and non-governmental capacities to increase access to reproductive health care. Starting in 1996 USAID will initiate an activity to address this constraint. This activity will support the integration and improvement of the quality of Family Planning and HIV/STD prevention services in both the public and private sectors, focussing mainly on (1) increased information on and access to family planning services and commodities; (2) expanded community-based distribution of non-medical contraceptives through local NGOs; (3) expanded condom social marketing programs through community-based initiatives; (4) strengthening institutional capacities of both the governmental agencies and NGOs to provide sustainable family planning and HIV prevention services through improved training and supervision of service providers; and (5) creating an enabling environment through the effective implementation of a population policy and a family law.

Additionally, the government's current effort to promote girls' education, with USAID's assistance, will also have significant and lasting impact on fertility. Studies have shown that there is a high correlation between the years of girls' schooling and contraceptive use.

- **Special Objective No. 2: Expanding the Availability, Quality, and Use of Sustainable Family Planning and HIV Prevention Services**

**Agency Goal: Providing Humanitarian Assistance**

Catholic Relief Services (CRS) implements the P.L. 480 Title II food aid program in Benin. Although Benin is not a food deficit country, small pockets of malnutrition tend to persist. Factors responsible for malnutrition in Benin include: (1) deficient child care practices and inadequate diets for some children; (2) low income and lack of sufficient capital for income-generating activities in many households; (3) inadequate educational opportunities for school-aged children in rural areas; and, (4) lack of a social safety net for vulnerable groups in rural and peri-urban areas. Food aid will be distributed at the following venues: (1) maternal and child health centers, as an incentive for pregnant women and mothers with children aged 0-2 years to attend nutrition education sessions; (2) nutritional recuperation and education centers for the treatment and recuperation of children suffering from acute malnutrition; (3) other child feeding centers, such as schools for children aged 6-14 (primary and vocational schools); and, (4) general relief or welfare cases, orphanages, leprosy and tubercular hospitals, etc..

- **Special Objective No. 3: Decrease Infant Child and Maternal Mortality through Targeted Health and Nutritional Education and Complementary Activities**

**BENIN  
FY 1997 PROGRAM SUMMARY**

	Encouraging Broad-based Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	TOTALS
<b>USAID Strategic Objectives</b>						
<b>1. Ensuring that an Increasing Number of School-aged Children Receive, on a more Equitable Basis, an Education which Adequately Prepares them for a Productive Role in their Society</b> - Dev. Fund for Africa	10,198,289		52,274			10,250,563
<b>2. Promoting Governance and Reinforcing Democracy</b> - Dev. Fund for Africa				895,032		895,032
<b>3. Expanding the Availability, Quality, and Use of Sustainable Family Planning and HIV Prevention Services</b> - Dev. Fund for Africa		5,522,247				5,522,247
<b>4. Decreasing Infant Child and Maternal Mortality through Targeted Health and Nutritional Education and Complementary Activities</b> - PL 480 Title II					1,953,000	1,953,000
<b>Totals</b> - Dev. Fund for Africa - PL 480 Title II	10,198,289	5,522,247	52,274	895,032	1,953,000	16,667,842 1,953,000

USAID Mission Director: Thomas E. Park

## ACTIVITY DATA SHEET

**PROGRAM:** BENIN

**TITLE AND NUMBER:** Ensuring that an Increasing Number of Primary School-aged Children Receive, on a more Equitable Basis, an Education which Adequately Prepares them for a Productive Role in their Society, 680-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$10,250,563 DFA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2002

**Purpose:** To facilitate the development of a basic education system in Benin that is equitable, efficient, effective and sustainable.

**Background:** In 1990, after 17 years of Marxist-Leninist rule, the basic education system in Benin was in a period of crisis. Quality had declined, enrollment dropped and teachers were no longer being paid on a regular basis.

**USAID Role and Achievements to Date:** USAID support includes technical and budgetary assistance to the Government of Benin as it implements a comprehensive reform of the primary education system. As a result, enrollment has increased significantly, and progress is being made in the areas of equity (regional and gender) as well as the quality of education. For the first time in recent Beninese history, the Ministry of Education has developed a decentralized approach to several key planning functions, thus strengthening institutional capacity and encouraging broader participation.

**Description:** USAID focuses on five activity areas: establishing and maintaining sufficient financing for primary education; improving the institutional capacity for education planning; upgrading key pedagogical systems to provide a quality learning environment; increasing equity of access to a quality primary education; and promoting widespread public participation. USAID is specifically targeting vocational and technical training for primary school-leavers as a key area for new intervention. Other target areas are enhancement of pre-service teacher training and incentives to increase enrollment of girls.

**Host Country and Other Donors:** The French provide technical assistance to the Ministry of Education, and the World Bank assists in the areas of teacher-training, girl's enrollment, pedagogical materials and school buildings. The smaller European entities (official and Non-Governmental Organizations) are designed to complement the USAID-supported reform of the primary education system.

**Beneficiaries:** About 1 million children between the ages of 6-8 represent 19% of the national population. Approximately 676,000 children were enrolled in either public or private primary schools. The entire country benefits by an expanded educated citizenry..

**Principal Contractors, Grantees or Agencies:** Activities are implemented through private American companies and U.S. and local non-governmental organizations such as the Mitchell Group and World Education.

### Major Result Indicators:

	<u>Baseline</u>	<u>Target</u>
Gross Enrollment Rate	49.7% (1990)	78%(2002)
Girls Enrollment Rate (Girls/Boys ratio)	0.58 (1990)	1.00(2002)
Pass rate, primary school leaving exams	40% (1990)	80%(2002)

## ACTIVITY DATA SHEET

**PROGRAM:** BENIN

**TITLE AND NUMBER:** Promote Governance and Reinforce Democracy, 680-SP01

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$895,032 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To strengthen civil society and to improve transparency and accountability so that citizens have greater opportunity to be involved in the decision making process and Government institutions become more responsive to the needs of their constituencies.

**Background:** Although progress has been impressive, democratization in Benin is still in initial stages. Issues of transparency and accountability persist. This impedes not only relationships between the institutions and the government but can also jeopardize trust between the citizens and the Government.

**USAID Role and Achievements to Date:** USAID's support includes activities which will improve the conduct of elections and provide support to parents associations so they can effectively participate in school management. Through a USAID funded grant in May 1995, the national network of parents association was created and parents are beginning to reclaim their role of overseeing the primary education system. Also, USAID has reinforced the institutional capacity of Non-Governmental Organizations (NGOs) involved in strengthening civil society. In 1991, 12 NGOs were involved in civic affairs. Due to USAID continuous support through AFRICARE the number of NGOs providing services related to civic affairs has grown to 29.

**Description:** USAID focuses on programs to enhance the growth of non-governmental organizations that are democratic in nature in order to empower civil society. Activities are also geared to helping government institutions to be more accountable and responsive to the citizens by providing appropriate technical expertise and training, qualified technical and managerial personnel, and policy planners to strengthen development institutions, legislative and judicial (regulatory) support organizations.

**Host Country and Other Donors:** The German Konrad Adenauer Foundation is one of the most involved in democracy and governance in Benin. Its activities cover information, education and communication (IEC) programs on democracy and governance topics.

**Beneficiaries:** The beneficiaries are Beninese citizens at the grassroots level, indigenous communities and other local associations or organizations and government executive, legislative, judicial support institutions.

**Principal Contractors, Grantees or Agencies:** USAID will implement the activity through private nonprofit organizations, and U.S. and host country NGOs such as World Education and AFRICARE.

**Major Result Indicators:**

	<u>Baseline</u>	<u>Target</u>
Total number of registered NGOs	273 (prior to 1991)	1300 (year 2000)
Active NGOs in Civic Affairs	12 (prior to 1991)	80 (year 2000)
Active NGOs elections management	0 (prior to 1991)	30 (1999)

## ACTIVITY DATA SHEET

**PROGRAM:** BENIN

**TITLE AND NUMBER:** Expanded Family Planning and HIV Prevention Services, 680-SP02

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$5,522,247 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2002

**Purpose:** To Expand the Availability, Quality, and Use of Sustainable Family Planning and HIV Prevention Services

**Background:** Due to no studies being completed or specific activities undertaken, the exact dimensions of demographic pressure in Benin have not been fully determined. However, it is clear that continued rapid population growth will adversely affect the country's development objectives. In 1993 and 1994, USAID assisted the Government of Benin with a series of studies which indicated a need for immediate intervention to strengthen the Government's capacities in maternal and child health, to integrate family planning services into the ongoing public sector programs, and to develop initiatives in the Non-Government Organizations (NGOs) sector in order to increase access to adequate family planning and mother and child health care services.

The U.S. Bureau of the Census reported the overall HIV/AIDS prevalence rate to be between 1.3% and 4.5% of the population, i.e., between 50,000 and 200,000 people. Although these figures are relatively low, they mask serious imbalances between urban and rural areas while the number of HIV seropositive cases is expected to double annually.

**USAID Role and Achievement to Date:** USAID has supported HIV/AIDS prevention activities through condom social marketing. As a result, condom sales rose from 355,000 in 1990 to 2,200,000 in 1995. USAID also financed a series of studies to assess family planning needs and a demographic health survey, the first ever in Benin, which will be completed by the end of 1996. Several workshops were also held to sensitize decision makers. A GOB population policy was drafted in 1995 and is awaiting adoption. The Ministry of Health (MOH) has become more open to the views of and contributions from the non-governmental sector. USAID also financed U.S. and third-country training for family planning service providers and Beninese participation in international workshops and conferences.

**Description:** USAID will expand and improve the quality of family planning services and HIV/AIDS control and will strengthen their integration into the primary health care system, in both the public and the private sectors. Major project components will include institutional strengthening to ensure sustainability, training and supervision, technical assistance, access to commodities and information, education and communication.

A family planning component will focus on access to quality family planning services and expanded community-based distribution of non-medical contraceptives. An HIV/AIDS component will strengthen and expand ongoing condom social marketing programs and community-based interventions through local NGOs, and will promote behavioral changes through information, education and communication campaigns among targeted populations. The institutional strengthening component will help strengthen the GOB's capacity to implement appropriate policies and mobilize budget resources to improve family health.

To ensure efficiency and sustainability, the project also will draw on the capacities that are being developed among local NGOs and PVOs under the Benin Indigenous NGO Strengthening Project, implemented by AFRICARE.

Host Country and Other Donors: The World Bank supports the Ministry of Health in implementing a health care development project which provides the framework for the integration of family planning with the general health care system. The United Nations Population Fund supports family planning service delivery in the public sector. The International Planned Parenthood Federation provides assistance to the Beninese Planned Parenthood Association, the World Health Organization and the French Cooperation support the National AIDS Control Program.

Principal Contractors, Grantees or Agencies: USAID will implement the activity through the Ministry of Health, U.S. organizations (Medical Care Development, Inc. and Africare) and local NGOs.

Major Result Indicators:

	<u>Baseline</u>	<u>Target 1</u>
Infant mortality	105.5/1000 (1992)	TBD
Maternal mortality	800/100,000 est (1992)	TBD
Contraceptive prevalence rate	1-2.5% (1994)	TBD

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I To be determined

## BURUNDI

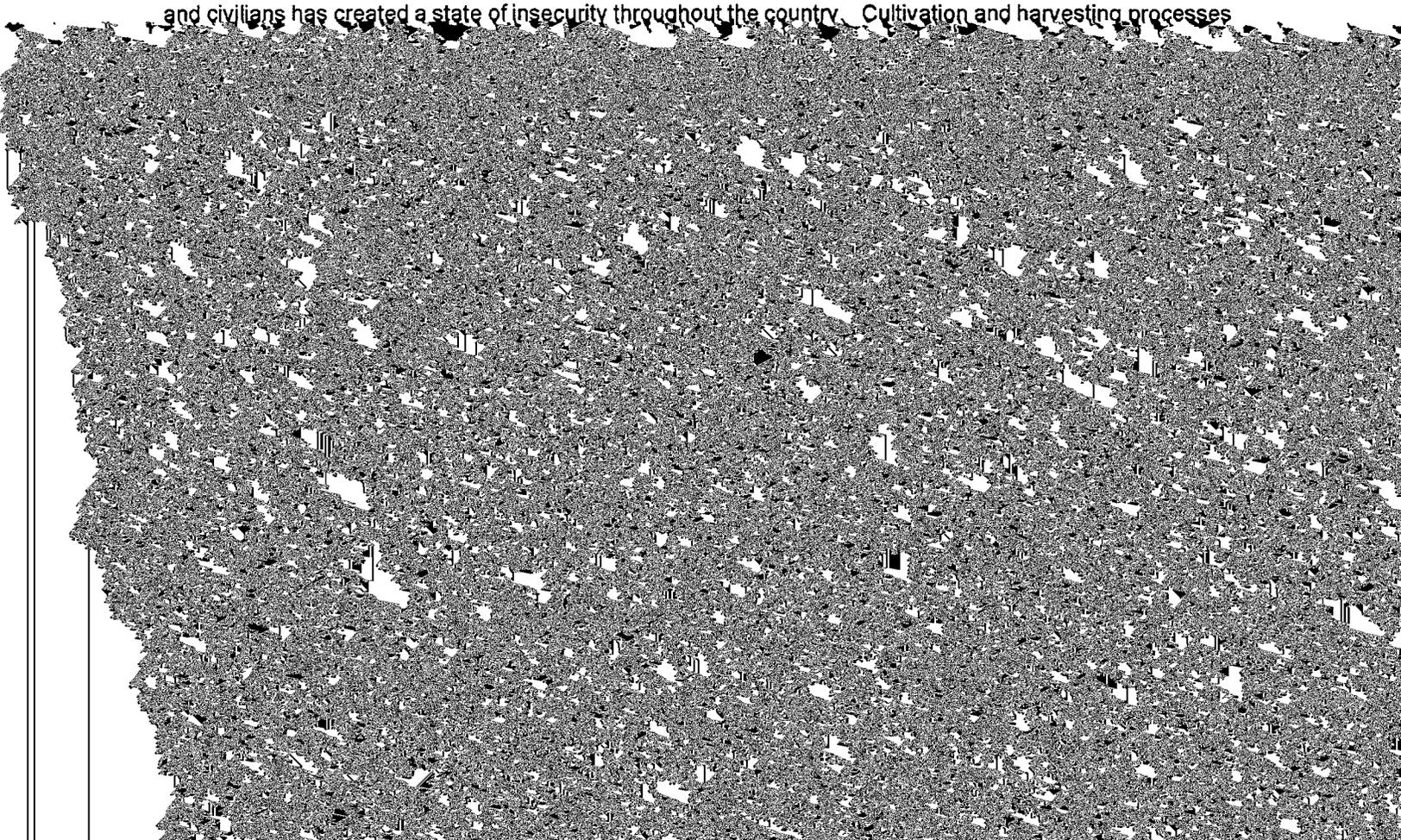
FY 1997 Development Fund for Africa: . . . . . \$2,591,186

### Introduction.

Burundi, a small central African country of 6.2 million people, is in a political crisis and a state of ethnic civil war. With an annual income per capita of \$94 (1994), it is among the world's poorest countries and, after Rwanda, is the most densely populated country in Africa. A military coup attempt by the Tutsi minority in 1993 resulted in the assassination of the newly-elected President in October 1993, and the untimely death of his successor in a suspicious plane crash in April 1994. The coup attempt triggered inter-ethnic massacres, displaced large populations, and threatened the democratically-elected government. An interim ethnic/political power-sharing agreement, the Convention of Government, was negotiated in October 1994 to stem the escalation of violence and to avoid what some feared might be a repetition of the genocide experienced in April 1994 in Rwanda. Through continued political harassment and assassinations during 1995, the Convention of Government has been eroded in favor of the Tutsi minority, leaving the government largely dysfunctional. Civil disobedience has become endemic in the absence of functioning institutions of law and justice. Burundi represents a potential destabilizing force in the Great Lakes Region (Burundi, Rwanda, Tanzania, Uganda and Zaire), a region already weakened by the 1994 Rwanda genocide and large refugee populations. This sub-region is part of the Greater Horn of Africa Initiative (GHA) where USAID, the Department of State and African governments have made a joint commitment to engage cooperatively in preventive diplomacy and coordinated assistance in an effort to prevent or mitigate the repetition of costly natural and man-made disasters.

### The Development Challenge.

The population of Burundi is 93% rural, largely employed in the traditional agricultural sector and economically dependent on a functioning subsistence agriculture. Armed political conflict by the military and civilians has created a state of insecurity throughout the country. Cultivation and harvesting processes



development. USAID was assisting Burundians in modernizing research and methods for small farming systems and in analyzing the difficult land tenure and allocation problems of its over-populated arable land base. In the public sector, with USAID funds, the country had started major reforms to decentralize public health services. USAID was training participants in fields of study critical to the country's future development. With the progressive intensification of civil war and insecurity since 1993, traditional medium-/long-term development programs have been suspended or stopped by USAID and other donors because of difficulties of implementation and insecurity for personnel. USAID's development assistance resources from conventional assistance projects are being redirected into focussed, shorter-term activities designed to assist the country's transition out of its current crisis. The assistance challenge for USAID has changed its focus from development to relief and rehabilitation for vulnerable populations and victims of war. If current pacification efforts both within and outside Burundi are successful, USAID will direct assistance back into post-war reconstruction and development. The development challenge will be to convert the program from almost a pure relief effort toward rehabilitation and lesser dependency of local populations on relief aid. The historic trend of repeated outbreaks of random violence around the country may hinder results by keeping the social and economic situation unstable and therefore making rehabilitation difficult. Although its pre-crisis performance was promising, Burundi is not an early candidate for rapid graduation from traditional development assistance. The country will have much rebuilding to do once such assistance is reinstated under stable social, political, economic and operating conditions. Burundi has no external debts with the United States.

#### **Other Donors.**

In 1995, the donor community pledged an estimated \$155 million to Burundi, including \$90 million in development aid and \$65 million in humanitarian assistance. The European Union has been the largest donor of development assistance (DA), while the United States has led in commitment of humanitarian assistance. In 1995, the United States was one of the largest bilateral donors (\$32 million humanitarian aid, \$5 million DA) together with France, Belgium and Germany. The United Nations has by far the largest active presence with the United Nations Special Representative to the Secretary General (UNSRSG), the United Nations Development Programme (UNDP), the United Nations High Commissioner for Refugees (UNHCR), the United Nations Human Rights Center (UNHRC), and the United Nations Children's Fund (UNICEF). During 1995, all donors have significantly reduced disbursement of development assistance and numbers of associated personnel. Humanitarian assistance continues, but activities have been slowed and jeopardized by harassment of international and non-governmental organizations (NGOs). An air of skepticism or a wait-and-see attitude pervades the assistance community until signs of political reconciliation and concrete evidence of improvements to security become evident.

#### **FY 1997 Program.**

The environment of instability and insecurity demands a USAID strategy relevant to the priorities created by the crisis and one that can operate in a manner that does not unduly burden a reduced American presence in the country. It is in the U.S. national interest to lower the relief costs by promoting stability within the Great Lakes Region and ending human rights abuses. USAID will maintain an effective proactive and re-active assistance presence to support ethnic/political conflict resolution while mitigating acts of social destabilization. The program will focus on human rights protection, consensus-building and ethnic/political conflict resolution from grassroots groups to significant political players.

#### **Agency Goal: Building Democracy**

Since the assassinations of Burundian leaders in 1993 and 1994, both the government and its institutions have been dissolving under inter-ethnic conflict, civilian and military violence, and mounting mortality rates. In October 1994, the Burundian political protagonists negotiated and signed the Convention of Government to serve as an interim power-sharing arrangement. This arrangement was to permit time for reviewing and developing renewed national consensus on a democratic process and institutions of governance for a multi-ethnic society. During the past year, the Convention of Government has remained in place. The power-

sharing intent of the Convention of Government, however, has been compromised due to ethnic minority dominance of government institutions including the military, and official civilian positions at national and local levels. Political positions have hardened, with moderates and consensus-builders pushed more toward one ethnic extreme or the other.

The USAID strategy works to reconstruct a civil society and to evolve indigenous institutions capable of governing fairly and providing minimal standards of security and services to all citizens. USAID has directly financed program activities and provided indirect support, especially to the Office of the U.N. Special Representative of the Secretary General, for conflict mitigation efforts and consensus-building. These include such activities as: peace radio programming through independent radio, exchanges with South Africa and other countries to understand conflict resolution models; creation of a national network of women's groups and a women's center in Bujumbura to support a nascent women's peace movement; and publication and distribution of a primer as part of the national education curriculum on how to live in a democracy. USAID has also supported regional mediation initiatives such as The Cairo Summit (November 1995) and subsequent actions to promote reconciliation.

The problems of social and political conflict are severe in Burundi and their resolution will take time. USAID activities, in collaboration with other donor programs, have a moderating influence and are the only hope in of helping Burundi return to peace and stability. USAID proposes continuation of these and similar activities, including strengthening local grassroots organizations in mediation, and providing supplemental support to the United Nations Commission of Inquiry, as necessary, to take the initial steps necessary toward ending the pervasive sense of impunity.

In addition to Democracy and Governance, Burundi will benefit from \$85,612 worth of Africa Regionally-funded environmental activities.

- **Strategic Objective 1: Promote Dialogue, Reconciliation and Stability within a Framework of Democratic Institutions**

**BURUNDI  
FY 1997 PROGRAM SUMMARY**

	Encouraging Broad-based Economic Growth	Stabilizing World Population Growth & Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	TOTALS
USAID Strategic Objectives						
1. Promote Dialogue, Reconciliation and Stability within a Framework of Democratic Institutions - Dev. Fund for Africa			85,612	2,505,574		2,591,186
Totals - Dev. Fund for Africa			85,612	2,505,574		2,591,186

Mission Director: Keith Brown

## ACTIVITY DATA SHEET

**PROGRAM:** BURUNDI

**TITLE AND NUMBER:** Promote Dialogue, Reconciliation and Stability within a Framework of Democratic Institutions, 695-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,591,186 DFA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2002

Purpose: To reconstruct a civil society based on respect for human rights and property; to support national reconciliation, peaceful conflict resolution, and restoration of stability; and to assist evolution of indigenous, culturally understandable and acceptable institutions capable of fair governance in a democratic context.

Background: Since the assassination of the country's first democratically-elected president in October 1993, the Government of Burundi and its institutions have become dysfunctional and largely unrepresentative as the country has descended into increasingly violent inter-ethnic (Tutsi and Hutu) and inter-clan conflict. Burundian protagonists negotiated an interim Convention of Government in October 1994 to stem the escalation of violence but its ethnic power-sharing basis has been eroded in favor of the minority. Much of the predominately rural society has been disrupted, with ethnic fears, suspicions and hatreds deepened by acts of civil war. In the early months of 1996, in conditions of a weakened economy and a population tired of conflict, the frequency and level of violence may be moderating. However, little political reconciliation and no real consensus-building have occurred among the inter-ethnic political protagonists orchestrating the current crisis.

USAID Role and Achievements to Date: In the field of democracy and governance (DG), USAID, through the National Democratic Institute, assisted Burundi, as did other donors, during 1991-93 to mount the first democratic elections and to strengthen democratically-oriented institutions of governance. With the onset of political crisis and civil violence in late 1993, these positive results have largely been lost. USAID redirected program efforts in 1993 to mitigate the potential destructiveness of the crisis. DG activities were re-gearred toward bringing opposing sides together, promoting non-violent solutions to resolve political conflict, developing popular understanding of basic democratic principles and evolving indigenous institutions of governance capable of governing fairly and equitably and ending the current state of criminal impunity.

USAID funded a democracy primer for primary and secondary schools, and launched an independent radio production studio for reconciliation. USAID also supported the United Nations Special Representative of the Secretary General (UNSRSG) to mount a major international seminar of political principals from which sprung the agreement to negotiate an interim Convention of Government, financed through the UNSRSG a national multi-media campaign for peace, and mobilized a movement for reconciliation and redevelopment among women leaders and local non-governmental organizations (NGOs). USAID also provided, through the UNSRSG, support to the work of the International Commission of Inquiry to bring putsch leaders from 1993 to justice; and support for the Cairo Summit which gathered key political leaders of the Great Lakes Region to negotiate strategies for resolving intra-regional civic violence and problems such as refugee populations destabilizing the region. Currently, USAID implements two activities under this strategic objective, one for DG activities and the other a human resources development activity which focuses on training in DG fields, but also serves as a cross-cutting resource supportive of other elements of the USAID/ Burundi program.

Description: USAID concentrates its DG efforts in five fields: (1) promoting conflict resolution and reconciliation of Burundian society and political leadership, in particular the activities of the Commission of Inquiry and regional African-led peace initiatives; (2) rebuilding popularly sustainable institutions of fair governance; (3) creating responsible and open print and broadcast media; (4) broadening school curricula and teaching to include lessons in respect for human and property rights, DG principles and institutions and

civic responsibility; and (5) developing a civic infrastructure and leadership potential for social responsibility through local NGOs, social and church organizations with emphasis on women's and youth activities.

Host Country and Other Donors: Most other donors have contributed to the democratic governance effort through the United Nations system, especially through UNSRSG and the United Nations Children's Fund (UNICEF); the European Commission has funded an independent "peace" radio initiative; there is broad bilateral support for a women's peace movement involving those who are largely victims rather than participants in the civil war but also key to restoring the social and economic viability of the rural society. Withholding of traditional development assistance budgets and withdrawal of technical personnel by most donors including the Bretton Woods institutions has heightened pressure for progress on DG matters.

Beneficiaries: Target groups for DG activities include government and elected officials and political leaders, military, radio and print journalists, leaders and members of women's and youth groups, local NGOs evolving civic roles in social and economic rehabilitation, teachers and school children, and the radio-listening public.

Principal Contractors, Grantees or Agencies: U.S. private voluntary organizations including Search for Common Ground, National Democratic Institute, AFRICARE; international non-governmental institutions such as International Alert; multilateral partners such as the UNSRSG and United Nations Children's Fund; and local NGOs.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Independent, open media with professional standards of objectivity, impartiality, and balanced treatment of subjects.	Non-existent (1996)	80 broadcast journalists/editors trained. (1997) 4 independent FM radio licenses approved and frequencies assigned. (1997) 100% increase in balanced radio programming and coverage, and absence of "hate radio." (1997)
Civil society re-assembled. Local communities and indigenous organizations functional in civic, social and development activities.	Largely absent (1996)	50 communities and NGOs involved in national dialogue on power-sharing. 60 new local NGOs supported in management, program development. (1997) Multi-ethnic women's peace and reconciliation movement with productive activities in 14-16 provinces. (1997)
Local participation and group organizing by private members of society to improve social and economic conditions.	Largely absent (1996)	50% increase in local mixed ethnic NGOs, involved in reconciliation, economic reconstruction and in mixed collaboration among NGOs, joint actions and resource utilization (1997) 20 magistrates, judges and lawyers in long-term training for greater ethnic balance and competence. (1997)
Human rights violations diminished. Establishment of professional justice system, civilian protection forces, separate from the army with non-military objectives. Humane conditions in prisons.	Violations continue (1996)	Joint initiatives between ITEKA and SONERA, separate and opposing mono-ethnic human rights associations. (1997) Constructive results realized by judicial reform process initiated by Commission of Inquiry to address impunity. (1997) Options for pursuing higher education by those excluded from national institutions of higher learning. (1997)

## ERITREA

FY 1997 Development Fund for Africa: . . . . . \$11,427,735  
FY 1997 P.L. 480 Title II: . . . . . \$ 3,700,000

### Introduction.

Eritrea is Africa's newest nation. Eritrea formalized its independence from Ethiopia by popular referendum in 1993 after a costly 30-year struggle. The long struggle for independence left Eritrea with a neglected and devastated physical and institutional infrastructure; however, it also forged a strong determination to build a self-reliant new nation, economically and politically. It is a small, arid and rugged country located north of the Horn of Africa along the southwestern coast of the Red Sea neighboring Saudi Arabia, Sudan, Ethiopia, Djibouti, and Yemen. Its multi-ethnic population (divided equally between Muslim and Christian religions) is estimated at three million. Even though predominantly rural and agro-pastoral, Eritrea is important to U.S. interests because it possesses major trade routes and Red Sea ports and islands. Eritrea's two deep water ports and shipping lanes in the Red Sea and the size and volatility of its neighbors give it strategic importance in the Mideast and Horn of Africa region. It is also a principal life line for humanitarian assistance to the Horn region, where war and famine recently threatened 25 million people.

Its income-producing natural resources include deposits of gold, copper, gas and oil, a large marine fishery, salt flats, broad grazing land, and potential tourist sites.

Eritrea's primary economic goals are rebuilding energy and transportation infrastructure, establishing sustainable education, health and pension systems, developing a broad-based private sector, and promoting foreign investment. Foremost among its political goals are a strong local and national government, a democratic constitution, and revitalized regional structures. The successful reintegration of ex-combatants and refugees has also been an important concern.

Eritrea presents a unique, determined effort to develop a stable society and self-reliant, broad-based economy in a region characterized by political extremes, instability, and collapse. USAID assistance to Eritrea supports U.S. interests by promoting both the recovery and growth of a market-based economy and the emergence of democratic governance to underpin national stability in this historically volatile region.

### The Development Challenge.

Eritrea's severe poverty has been exacerbated by decades of war. Even by African standards, Eritrea's health and nutrition indicators are poor. Infant mortality is 135 deaths per 1,000 and under-five mortality is 203 deaths per 1,000. Life expectancy is approximately 46 years. The population growth rate is a high 3%.

Most Eritreans depend on agriculture for their survival, but Eritrea's northern location in the erratic Sahelian rainfall zones limits foodgrain production. There are opportunities for export crop production, however. Food security is constrained by difficult physical conditions as well as a lack of income due to a paucity of enterprise. The capabilities of government and the private sector, notwithstanding dedicated personnel, are limited by a lack of education, training, and experience.

Despite these constraints, the potential for rapid rebuilding and development in Eritrea is high. The country was once the most industrialized in Africa and has the legacy of a hard-working labor force and good public and private management. Its location at the crossroad of the Middle East and Africa is advantageous to trade. Eritreans are united in their commitment to rebuild their country, and considerable remittances from Eritreans abroad demonstrate it.

A careful steward of limited resources, the new government is determined to build a new nation avoiding the mistakes of other African countries. With no country debt, a commitment to the principles of an open economy, and progress made in attracting foreign investment, Eritrea could achieve self-reliance within a decade.

Eritrea's leadership looks to East Asia rather than to Africa or the West for its development models. It is strongly supportive of (and a key participant in) the Greater Horn of Africa Initiative (GHAI) and the principles of African leadership, regional integration, conflict prevention, and food security. Given its strategic position geopolitically and in terms of trade and the high potential for instability in neighboring states, strong support of Eritrea's determined effort for self-reliance is in the U.S. national interest in the region.

USAID has been successful in helping Eritrea resolve two of the most sensitive issues in the region: the demobilization of thousands of ex-fighters and the resettlement of tens of thousands of refugees and internally-displaced through provision of considerable food and agricultural inputs. Recognizing that a healthy, productive population is Eritrea's most important resource, USAID also initiated a broad program to strengthen its primary health care system. Most recently, USAID is providing training and institutional partnerships linkages to build democratic governance and private enterprise.

#### **Other Donors.**

A formal mechanism for donor coordination is not yet established in Eritrea, and there has not been a Consultative Group meeting for Eritrea since 1994. Overall donor assistance for 1995 was on the order of \$150 million, of which the United States provided about 12%. Italy, Germany, the European Union (EU), and the United States, respectively, are currently the largest donors. The Scandinavian countries, the United Nations Development Program (UNDP), and the United Nations Children's Fund (UNICEF) also have sizeable assistance portfolios. The World Bank has recently negotiated its first major loan--a community development fund--and is considering loans for regional hospitals, primary education, and port rehabilitation.

USAID has been effective in collaborating with the World Bank, UNDP, and UNICEF in strengthening Eritrea's health system and building administrative and financial management capabilities. In the last two months, USAID was particularly successful in facilitating multi-donor concern leading to a major reform of food policy in Eritrea.

#### **FY 1997 Program.**

Supportive of U.S. interests and the GHAI, USAID's strategy is to help Eritrea achieve its goal of self-reliance within a decade. This will involve, above all, building the human capital and key institutions which underpin successful nationhood. Of particular concern are those problems which involve the most acute human need and the potential for crisis such as chronic food deficits, debilitating health problems, and limited government capabilities -- problems which are worse in the predominantly Muslim, and potentially destabilizing, lowlands.

To respond to Eritrea's determination and needs, USAID is entering into a "development partnership" with the Eritrean government to improve rural food security, mother and child health, and democratic governance. Food security was the earliest area of USAID involvement due to the large amounts of P.L.480, Title II assistance and agricultural inputs provided to assist the post-conflict recovery, demobilization, and resettlement. USAID plays a major role in dialogue on food policy and supports several smaller agricultural production-enhancing activities.

Last year, USAID initiated considerable health and population assistance which is now focused on primary health care services in the central zones of the country. Most recently, in response to the government's expressed needs, USAID launched a sizeable governance capacity-building effort through university, management institute, constitutional commission, and ministerial training.

### **Agency Goal: Encouraging Broad-based Economic Growth**

With Eritrea's liberal investment climate and a tradition of (and location for) commerce, the prospects are good for rapid economic growth in Eritrea's urban areas and their trade corridors. However, rapid growth in these areas without complementary growth and linkages in lowland, predominantly Muslim western areas of the country would leave half the population in poverty with likely destabilizing effects. Physical conditions also limit food production in these lowland areas.

Thus, consistent with U.S. economic interests and the GHAI, USAID's primary strategic objective in Eritrea is to help make food more available in these rural areas through increased enterprise and trade. USAID is building on the experience of its food and agricultural assistance—for example, breeding livestock for dispossessed farm households—to stimulate rural income growth. A combination of bilateral and GHAI resources are being programmed to support the formation of rural associations, cooperatives, and enterprises, and thus expand rural income and trade.

USAID assistance has contributed to several important achievements towards national and household food security: the successful repatriation of tens of thousands of refugee families from Sudan and the demobilization of thousands of ex-fighters; limiting the locust damage to the 1995 grain harvest; and spurring a shift away from government food handouts in order to create a cash food economy and safety net. Notwithstanding these achievements, Eritrea remains critically and structurally food deficient.

The primary guarantor of food security in Eritrea will be a robust and diversified rural economy. To have any catalytic impact on rural economic growth, even in selected areas of Eritrea, considerable resources will be needed for pilot interventions over the next several years.

- Strategic Objective 1: Increased Rural Income Through Growth of Rural Enterprise in Target Areas

### **Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

The indicators for maternal and infant mortality in Eritrea are among the worst in the world. A generation of neglect and war had obliterated health services in Eritrea. Due to relatively greater inaccessibility, traditionalism, and endemic diseases (e.g., malaria), maternal and child health is generally poorer in the predominantly-Muslim lowlands than in other areas of the country. This situation results in debilitation of the family, continued high rates of fertility, and increasing (and potentially destabilizing) disparities between regions.

USAID is responding to this dire situation by helping the government build an effective health care system. Specifically, USAID's special objective is improved access to sustainable, integrated primary health care services mainly for rural women and children. Through its broad health and population program with the Ministry of Health (MOH), and several grants to U.S. private voluntary organizations (PVOs) and UNICEF, USAID assistance will improve health care services and delivery. USAID also provides assistance to the logistical, management, and financial systems which support these services, along with increasing the awareness and demand for health care services by target groups.

While USAID has only provided assistance in this sector since last year, several results are already evident. USAID assistance enabled an expansion of child immunization. USAID-sponsored studies and technical assistance have enabled the MOH to streamline its staffing, initiate cost recovery for services, and upgrade the capabilities of the nurse practitioners who service rural health stations. To better achieve and assess its impact on a widespread rural health sector, USAID assistance is being focused in three rural zones. While disbursement of USAID assistance has been slow, primarily due to a lack of professional staff, substantial expenditures on technical assistance, training, and commodities are anticipated in 1996.

- Strategic Objective 2: Improved Access to Primary Health Care Services

### **Agency Goal: Building Democracy**

Since the popular referendum in 1993 to affirm the Eritreans' desire for independence from Ethiopia, Eritrea's leadership has moved convincingly, if cautiously, toward the establishment of democratic structures of government. While the government retains some tendencies towards authoritarianism, centralization, and distrust -- due in part to the proceduralism inherited from the earlier dictatorship and in part to the newness of government administration to former fighters -- the commitment to democracy is strong among those who fought for independence. This commitment is demonstrated by recent steps taken to ensure public education and debate on a constitution (with representative elections scheduled for 1997) and to strengthen local government and the judiciary.

USAID, in support of U.S. political interests and in close collaboration with the Embassy, the United States Information Service and the UNDP, has initiated a substantial "governance capacity-building" effort to support and reinforce the establishment of a democratic government in Eritrea. The focus of this effort is training at all levels: a university linkage to build the faculties of law, public administration, journalism, and political science; grants to enable broad education and outreach by the Constitutional Commission; cost-sharing for the establishment of an Eritrean management institute; in-country training for judges and local officials; and a broad participant training program. This broad effort, and the possibility of additional assistance to establish a legislature, indigenous non-governmental organizations, and other elements of a democratic system, will require significant--if incremental--funding over the next several years.

Although USAID's efforts in this area are relatively recent, intermediate results are already evident: a training agreement between a major American university and Eritrea's only university, and a broad and successful outreach effort by the Constitutional Commission. Nevertheless, USAID involvement in the democracy-building process in Eritrea can be sensitive, particularly to its proud and determined leadership. Thus, USAID must continue with a range of capacity-building assistance over a broad front and often through intermediaries such as the UNDP. This broader approach also requires adequate and skilled USAID staffing.

#### ● Strategic Objective 3: Increased Capacity for Democratic Governance

### **Agency Goal: Protecting the Environment**

Eritrea faces the environmental degradation common to many countries in Sahelian Africa: deforestation, marginal land agriculture, unprotected coastal resources, urban sprawl, etc. The new Eritrean government is keenly aware of these problems and has taken actions primarily through the Ministries of Agriculture and Marine Resources to mitigate them. These actions include large-scale reforestation and watershed treatment, research on and policing of coral reefs, and environmental education, planning and assessments.

While USAID has not defined a specific objective for environmental protection in Eritrea, the Strategic Objectives for food security and governance support this goal. U.S. food assistance has provided resources for considerable conservation work in upstream watersheds, improvements in food systems, whether actual production or storage, while taking pressure off of marginal lands. Local organizations and cooperatives provide a grassroots institutional structure for environmental awareness, planning and protection.

Governance activities are particularly supportive of environmental protection. Increasing knowledge and professionalism in law, journalism, and public administration will improve understanding and resolution of environmental issues. Building capacity of government officials in key ministries (including Agriculture and Marine Resources) through short and long-term training will improve the capabilities of those ministries.

Two successes are already evident: The Ministry of Marine Resources has been able to effectively protect coastal areas from overfishing; and the Ministry of Agriculture and targeted farmers have reduced per hectare application of locust control pesticides by 15%. Both achievements were largely due to USAID-funded training.

- Strategic Objective 1: Increased Rural Income Through Growth of Rural Enterprise in Target Areas

**Agency Goal: Providing Humanitarian Assistance**

Until recently, Eritrea needed and was a recipient of considerable humanitarian assistance (\$49 million from the United States, in 1993-94) to help sustain its population after the war and through a drought year. Eritrea is now completing this transition from emergency to development. Emergency Title II food aid is used for ongoing refugee repatriation and resettlement, a crucial component of Eritrea's transition to a stable and self-reliant society. USAID's regular Title II food assistance, as discussed above under Economic Growth, is now focused on helping Eritrea achieve food security over the longer term, as the need for emergency food assistance decreases. Nonfood humanitarian assistance has been effectively utilized to control locust outbreaks at their inception, a threat to food security, not only for Eritrea, but also for the entire Horn region.

- Strategic Objective 1: Increased Rural Income Through Growth of Rural Enterprise in Target Areas

**ERITREA  
FY 1997 PROGRAM SUMMARY**

	Encouraging Broad-based Economic Growth	Stabilizing World Population Growth & Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	TOTALS
<b>USAID Strategic Objectives</b>						
Special 1: Primary Health Care for Women and Children - Dev. Fund for Africa		3,511,946				3,511,946
1. Increased Rural Income Through Growth of Rural Enterprise in Target Areas - Dev. Fund for Africa - P.L. 480, Titles II	6,067,349		1,260,587		3,700,000	7,327,936 3,700,000
2. Increased Capacity for Democratic Governance - Dev. Fund for Africa				587,853		587,853
<b>Totals</b> - Dev. Fund for Africa - P.L. 480, Title II	6,067,349	3,511,946	1,260,587	587,853	3,700,000	11,427,735 3,700,000

USAID Mission Director: Glenn Anders

## ACTIVITY DATA SHEET

**PROGRAM:** ERITREA

**TITLE AND NUMBER:** Improved Access to Primary Health Care Services, 661-SP01

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,511,946 DFA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: To improve access to integrated primary health care services in focus regions through high quality services delivery; effective information, financial, logistical, and personnel systems; and increased awareness and utilization of the services by families.

Background: Maternal, child, and infant mortality rates are extremely high in Eritrea due to poverty and ignorance, and the deterioration of health infrastructure during the war. However, the independence movement proved adept at initiating health services in the field with "barefoot doctors" and minimal technology. The government is institutionalizing this approach in rebuilding the primary health care system. In 1994, USAID developed a major bilateral project and has since approved grants to U.S. private voluntary organizations (PVOs) and to the United Nations Children's Fund (UNICEF) to provide technical specialists, training, equipment, and renovations to assist the government in establishing an effective and sustainable primary health care system with a concomitant awareness and demand among local communities for the services delivered. The magnitude of the health problems, the number of donors, PVOs, and interested parties involved, and the limited capacity of a recently-downsized Ministry of Health (MOH) have complicated the start-up of USAID-funded activities.

USAID Role and Achievements to Date: Although there are many donors and PVOs assisting Eritrea in the health sector, USAID is now the MOH's primary donor-partner. USAID is providing the critical inputs necessary for MOH and associated organizations to develop effective and sustainable primary health care. Achievements to date include a 30% expansion in child immunization, the streamlining of central MOH staffing, and an increase in service fees to cover, in a first phase, from 1% to 25% of total costs.

Description: The major activity to achieve this Objective is the \$15 million Eritrea Health and Population Project. This project provides nine person-years of specialized assistance, 300 person-months of training, supporting vehicles (12), medical and office equipment with related supplies, and selected building renovations. These inputs, primarily for the MOH but also for women and youth groups, will be concentrated in the three central-west zones of the country over a period of five years. They will enable the development of the requisite management systems, institutional structure, technical capacity, and client awareness for effective and sustainable primary health care. This project is supplemented by several grants to U.S. PVOs and one to UNICEF to support smaller, complementary activities that improve individual health centers in rural areas, provide iodization facilities for the salt industry, and expand vaccination coverage. The MOH's cautious use of resources, prudent recurrent costs, and cost recovery policy ensures sustainability of these activities. The substantial capital investment in building and equipping new rural health care facilities by the government and other donors will also contribute to achieving this Objective.

Host Country and Other Donors: The MOH provides the total cost of its central and local staff, as well as salaries for medical staff at health centers and stations. The MOH also covers the major portion of its other operating costs. Several donors -- Germany, Italy, the European Union, and the World Bank -- provide concessional funding to build health facilities, particularly in the rural areas. Several international PVOs with whom USAID maintains close contact (e.g., Save the Children and Christian Outreach) provide assistance for the improvement and operation of individual rural health facilities. USAID has established close collaboration with the World Bank to facilitate a \$10 million loan for regional hospitals and regional planning which will complement USAID's assistance in the central-western zones.

Beneficiaries: Approximately 1,000,000 mothers and children under five in the central-western zones are the primary direct beneficiaries of these activities, although it is expected that these activities will have nationwide impact, benefitting an additional 500,000 mothers and children.

Principal Contractors, Grantees, or Agencies: Basic Support for Institutionalizing Child Survival and Family Planning Service Expansion And Technical Support (SEATS) Consortia, Macro International, Africare, World Vision, International Eye Foundation, and UNICEF.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
National health policy adopted	N/A <sup>1</sup>	Late 1996
Operating costs recovered	1%	25% by 1998
Health centers/stations trained/equipped	(TBD)	100% by 1999
Increased utilization of primary health care services	(TBD)	300% by 2000

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<sup>1</sup>Not available.

## ACTIVITY DATA SHEET

**PROGRAM:** ERITREA

**TITLE AND NUMBER:** Increased Rural Income Through Growth of Rural Enterprise in Target Areas, 661-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$7,327,936 DFA; \$3,700,000 P.L. 480, Title II

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2005

Purpose: To increase the ability of the rural population to access food in targeted rural areas through increased production, external trade, marketing, and distribution.

Background: Eritrea suffers from chronic food deficits and subsistence-level agriculture. Accordingly, for a country with a large rural population, agriculture contributes a surprisingly small share to national income: about 25%. Nevertheless, it is the source of sustenance and livelihood for almost three-fourths of the population, and thus, is of critical importance to the rural economy. With a view to this importance, USAID has, since 1993, provided significant amounts of food and agricultural assistance to sustain the livelihood of rural populations (particularly demobilized fighters and returning refugees) affected by the war and, later, drought.

The experiences gained from this assistance and USAID's considerable expertise with food aid and agricultural development led to the support of a number of other food and agriculture-related activities requested by the Ministry of Agriculture (MOA) and the Eritrean relief and rehabilitation agency (ERREC). While USAID assistance will not be able to have a substantial effect on large-scale foodgrain production, there are opportunities for USAID assistance to make a significant difference through the support of catalytic intervention and dialogue in several critical areas of the rural economy, including food policy analysis, crop protection, storage and processing, horticultural development and the formation of associated organizations, enterprises, and cooperatives. The linkage with the food security objectives and activities in the Greater Horn of Africa Initiative (GHAI) will be important. The use of P.L.480 food resources, combined with small amounts of Development Fund for Africa, have proven particularly effective as demonstrated by USAID-supported food monetization and the changes in government food aid policy. Nonetheless, the sector is large and subject to multiple physical variables such as weather and pestilence, complex socioeconomic interactions, and severe resource constraints.

USAID Role and Achievements to Date: USAID is a small, but key donor in the improvement of rural food security. When faced with critical issues, Eritrean decision-makers often request USAID support, most recently in locust control and food monetization policy. USAID assistance has facilitated the repatriation of 25,000 refugees from Sudan and provided livestock, seeds and tools which enabled 2,500 resettled refugee families to earn a livelihood. USAID-funded training and supplies helped contain a massive locust infestation to only 20% of the area planted this year, likely saving as much as a quarter of the grain harvest. USAID support has also enabled ex-fighters (55 women and 70 men) to develop food and agricultural enterprises. Finally, U.S. food assistance provided supplemental nutrition to approximately 200,000 needy beneficiaries -- about one-third of the most vulnerable rural households. USAID dialogue also spurred a major shift in Eritrea's food policy away from distortive feeding programs and towards monetization and targeted cash benefits.

Description: USAID has supported a range of diverse activities to help Eritrea achieve food security. These have included large USAID-Office of Foreign Disaster Assistance and Economic Support Fund grants (\$6.7 million) for construction, agricultural inputs and equipment, and other assistance in support of the government's resettlement and demobilization programs; P.L.480 Title II monetization grants (\$9.5 million) to two U.S. private voluntary organizations for agricultural and school projects; a number of pilot activities to test micro-enterprise and irrigated farming models; and several centrally-funded collaborative research

and training grants to resolve agricultural problems. USAID's assistance is now being focused on rural enterprise and trade in the central-western zones of Eritrea. The new activities currently being designed will build on the previous activities. Resources will be used to support the formation of rural associations, cooperatives, and enterprises involving food production, processing, storage and marketing; associated policy formulation; and local currency costs.

Host Country and Other Donors: Eritrea has mobilized considerable domestic and external resources for projects and imports to improve food security. Several donors, including Germany, Italy, the European Union (EU), and the World Bank are also providing considerable concessional assistance for rural road and agricultural development projects. Due to the number of donor-assisted activities in rural areas and the lack of any formal coordination mechanism, USAID has collaborative working relationships with other donors in the areas of food policy (EU) and irrigated farming (Israel). While USAID is now a comparatively small donor, it retains an importance due to its previous large-scale food assistance and the effectiveness of several of its current assistance programs.

Beneficiaries: The direct beneficiaries of USAID assistance will be approximately 10,000 rural households. However, the entire rural population of the central-western zone of approximately 1 million will ultimately benefit from greater food availability.

Principal Contractors, Grantees, or Agencies: U.S. Department of Agriculture, Africare, World Vision, Virginia Polytechnic Institute and Virginia State Universities, Centre for International Cooperation of Israel's Ministry of Foreign Affairs, and Agricultural Cooperative Development International.

Major Results Indicators: As the scope and specification of this Strategic Objective is not yet finalized, indicators and baselines are still under consideration and not yet determined.

Major Results Indicators:

<u>Baseline</u> <sup>2</sup>	<u>Target</u> <sup>2</sup>
TBD	TBD

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<sup>2</sup> To be determined.

Beneficiaries: The direct beneficiaries are the 3,000 officials who are expected to receive training and other assistance. However, the entire nation should benefit from more competent, democratic governance, with the establishment of the rule of law.

Principal Contractors, Grantees, or Agencies: University of North Carolina, EnCorps, and World Learning.

Major Results Indicators:

	<u>Baseline</u> <sup>3</sup>	<u>Target</u>
Press Law	TBD	Mid 1996
Constitution Ratified	TBD	Late 1996
Representative Elections	TBD	Mid 1997
Judiciary Trained and Equipped	TBD	Mid 1998

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<sup>3</sup> To be determined.

## ETHIOPIA

<b>FY 1997 Development Fund for Africa:</b> .....	<b>\$ 46,324,167</b>
<b>FY 1997 P.L. 480 Title II:</b> .....	<b>\$ 31,558,000</b>
<b>FY 1997 P.L. 480 Title III:</b> .....	<b>\$ 26,700,000</b>

### **Introduction.**

Due to devastating famine and civil war, Ethiopia has been a symbol of despair for decades. After five years of peace and effective governance, the building blocks for a better future are in place and despair has turned to hope. With 54 million people and located in the center of the Horn of Africa, Ethiopia has been a steady force and ally of the United States in dealing with regional and continental issues. It has played a critical role in seeking regional peace and stability and under the leadership of one of the brightest young leaders in Africa, is the current head and site of the Organization of African Unity and home of the United Nations Economic Commission on Africa.

With an estimated annual per capita gross domestic product (GDP) of \$120, Ethiopia remains one of the poorest countries in the world, but is moving with commitment and measurable success on a path of solid and sustainable development. Ethiopia has moved through the early phases of economic reform and structural adjustment over the past four years by working out a development path consistent with the World Bank and the International Monetary Fund (IMF) principles, but firmly under its own control. The government remains committed to ensuring that the 85% of the population, who still labor on farms in rural areas, benefit strongly from economic and social developments. The Federal Democratic Republic of Ethiopia (FDRE) was established in September 1995. Under a newly approved constitution and national parliamentary elections, the FDRE has maintained the policy directions of the Transitional Government of Ethiopia (TGE) while getting on with the tasks of establishing a parliament, functioning court system, and broadly decentralized government system. In a historically troubled region, it is a bulwark against the increasing problems of violent Islamic fundamentalism in Sudan and Somalia. If Ethiopia can successfully make this transition, it can become a model of relative peace and stability.

U.S. relations with Ethiopia are generally good, with strong mutual interests on regional and third world issues. The U.S. Government remains constructively critical of some aspects of political constraints and the human rights situation. Ethiopia is important to the success of the President's Initiative on the Greater Horn of Africa (GHA) because of its size, location and potential. Thus far, Ethiopia has been a key player in trying to use this Initiative to improve the ability of the countries in the region to prevent conflicts and improve overall food security and hence, avoid the crises of drought and war which have plagued the Horn. The FDRE has been helpful to U.S. and United Nations (UN) policy objectives in the region, including contribution of troops to the UN force in Rwanda in 1995 and mediation efforts between Yemen and Eritrea. The United States enjoys a growing trade surplus with Ethiopia. As the second most populous country in Africa, Ethiopia could become an increasingly important African market for U.S. goods.

### **The Development Challenge.**

To transform Ethiopia requires overcoming its widespread poverty, the historical lack of democratic traditions, weak or non-existent infrastructure, and extremely poor social services. Over the past 20 years, feudal imperialism, followed by a generation of authoritarian Marxism and recurrent famines have contributed to the deterioration of the quality of life in Ethiopia. Social indicators are among the worst in the world and, in many instances, are worse now than they were 20 years ago. Infrastructure is pitifully lacking, with transport, communications, and energy systems being one of the least developed in Africa. Over half of Ethiopia's population lives in abject poverty. In urban areas, three-quarters of the population lives below the poverty line and a third make up the "poorest of the poor." Against the World Health Organization's recommended daily minimum intake of 2300, the domestic calorie available to Ethiopians is 1500-1600 calories per person per day. This has caused severe malnutrition with approximately 60% of all children under five chronically undernourished. More than twice as many children die in Ethiopia each

year than in any other country in the world [est. 550,000 v. 200,000 in Mozambique]. Primary school enrollments of girls in Ethiopia is one of the lowest in the world.

The United States and the FDRE's other donor partners have an opportunity for the first time in a generation to seriously help rebuild Ethiopia and address the root causes of its problems. This has eliminated the need to use millions of dollars to feed starving children and, instead, help their parents move toward feeding themselves. However, the development process will take time, and as a result, does not make Ethiopia a candidate for graduation from donor or U.S. assistance in the near future.

In 1995, a combination of ample and well timed rains, increased modern agricultural inputs, and hard work by millions of farmers in response to better market prices have helped produce a record harvest. USAID assistance in liberalizing input and output markets and supply systems helped to bring this about, and can play an important part in the more difficult challenge of building on one good year to achieve sustainable food security in the medium term. USAID has been a leader among donors in providing support to the difficult process of building a strong institutional structure for a democratic system. USAID assistance has also helped the new democratic system operate under the rule of law, helping to support elections, the preparation and consideration of the constitution, and now the strengthening of the judicial and parliamentary systems. Major assistance is also being provided to help restructure and rebuild basic health and education systems in a country that slid to the bottom in all basic measures of human welfare and social services. Complementing this assistance to build a new future, USAID also works closely with the FDRE to build up the abilities of the massive vulnerable populations in the country in resisting drought and food shortages, as well as respond efficiently to the short term food shortages.

#### **Other Donors.**

USAID and the donor community provided a total of \$1.1 billion dollars in FY 1994 for development activities. During the transition period between 1991-1994, building on the recovery assistance coordinated by the World Bank, the donor community has worked closely together in coordination with the government. The year 1995 saw the establishment of the new democratic government ending Ethiopia's formal political transition, and a new beginning point in its efforts to rebuild and restructure its economy and social services. Both the FDRE and donors have agreed that the formation of the new government provides a new opportunity to regroup and work out new consultative and operational coordination mechanisms among donors and the government. The large donor community in Addis Ababa, many of whom also have regional responsibilities, also facilitate the local consideration and coordination of regional activities such as the GHAI.

In 1994, the United States was among the largest bilateral donors providing about 11.3% of all donor assistance to Ethiopia. The World Bank, the African Development Bank, the European Community, Germany, the United Kingdom (UK), the Netherlands, Italy, France, Sweden, Canada and the International Monetary Fund are other donors providing assistance to Ethiopia.

#### **FY 1997 Program.**

USAID's assistance strategy in Ethiopia focuses on helping to strengthen food security, rebuilding critical social services in education and health, creating a more democratic and responsive political system, and being prepared to respond efficiently to humanitarian crises until their root causes can be overcome. These priorities are shared by the government. USAID's close work with the government in assistance programs in primary health and primary education began to function for the first time in 1995. Results in these sectors have already begun to emerge. USAID's assistance in democracy and governance has advanced along with the transition process. With the formation of the permanent elected government, USAID's assistance in democracy and governance has moved away from elections and constitutional support to working with the newly elected National Parliament and strengthening local governments and judicial structures at both national and local levels.

Since 1991, USAID's overall assistance to Ethiopia has declined as a result of decreased food aid requirements due to relatively good weather and increased agricultural production. Program tightening has continued over the past years in Title III levels and development assistance. While we do not welcome the scarcity of USAID resources, improved conditions in food security, transportation, and the general Ethiopian operating environment will reduce the costs and obstacles to providing assistance. It would be a cruel paradox if our assistance levels fall short in critical areas such as agriculture production at this time of relative opportunity.

### **Agency Goal: Encouraging Broad-based Economic Growth**

In spite of the image popularized by two major famines in the last 20 years, Ethiopia is a country which is capable of feeding itself and producing a surplus of food. One of USAID's strategic objectives is to help the country realize this potential. The record harvest in 1995 has demonstrated that small farm holder production, backed by reliable supplies of agricultural inputs, credit, and relatively open market-driven incentives can grow enough food to feed the people of Ethiopia. While economic growth in the short and medium-term equates heavily with agriculture, in the longer term, it must be built on diversification and a solid base of physical and human infrastructure. USAID is focusing its assistance on helping to rebuild the devastated basic education system which is critical to the growth of an educated workforce and citizenry.

USAID and the FDRE have chosen to focus assistance in food security, thereby increasing the production of the most heavily produced and consumed grains upon which the diet, well being, and stability of the country depend. USAID assistance has focused on encouraging liberalized agricultural input and output marketing. Higher levels of fertilizer and improved seed usage resulted from stronger public and private sector efforts to competitively distribute these inputs. Continuing USAID assistance will focus on helping Ethiopia achieve sustainable economic development and get to a level of food security that will reduce the need for outside emergency assistance.

Over the past generation in Ethiopia, the deterioration of the education system has led to extremely low enrollments in schools as well as a poor quality and inapplicable education. Beginning in 1994, USAID launched an ambitious effort with the FDRE to restructure and revitalize primary education. Discussions and shared analyses of USAID's new basic education support activity over the past three years have begun to have a positive impact. This activity supports complementary top-down actions to correct and improve policies while supporting large-scale local and regional pilot activities to strengthen teacher training, school administration, staffing and operation. Education quality has received strong attention from our government partners and the Ministry of Education has begun setting minimum primary schooling standards to monitor the progress on quality and equity. A new promotion and salary structure has been put in place which rewards good performance, and not just seniority. Policy changes and incentives have led to more women being admitted into primary teacher training institutes with a better chance of finishing the institute with quality training. The government has lived up to its commitments and has increased both the share of the budget for education and the relative allocation of funding for primary education. For the first time in 20 years, legal changes have led to the opening of private primary schools.

- Strategic Objective 1: Increased Availability of Selected Domestically Produced Food Grain Crops
- Strategic Objective 3: Quality and Equity of Primary Education Improved in an Expanded System

### **Agency Goal: Stabilizing World Population Growth and Protecting Human Health.**

Ethiopia's gains in economic growth are seriously eroded by its rapidly increasing population. At a national population growth rate of over 3%, Ethiopia's population could exceed 145 million by the year 2025, seriously magnifying the challenge of providing even basic social services. Today, the average Ethiopian woman has seven children. Due to a profound lack of access to primary and preventive care, 23% do not survive past the age of five.

Fewer than 20% of Ethiopians have access to modern health care services. The health status of Ethiopians is among the worst in the world. Totally overwhelmed public sector health facilities are inadequate to provide for even rudimentary needs. By the year 2000, it is estimated that 1.4 million Ethiopians could be infected with the Human Immunodeficiency Virus (HIV). USAID's assistance focuses on encouraging the implementation of critical and central level policy changes as well as provide hands-on assistance in Acquired Immune Deficiency Syndrome (AIDS) education and prevention programs. In addition, by strengthening rural primary health programs in selected regions of the country, child survival and fundamental health problems will be addressed directly. The government has continued to increase the relative allocation of national budget to health (from 5.8% to 6.2% of the national budget), while improving internal allocations in favor of rural and preventive care and introducing mechanisms for cost recovery within the health care system.

In addition, a strong and well-thought-out National Population Policy provides the framework for USAID support to population planning, education, and control programs. U.S. technical assistance is provided to the national population policy unit. USAID assistance is provided to improve the availability of reproductive health care and contraceptives through public, private and non-government organization (NGO) channels. A consortium of local NGOs, facilitated by Pathfinders International, has come together to help women and children, reaching over 10,000 women in 1995 with reproductive health assistance. Primary health care facilities are also being strengthened to increase the access of rural populations to basic care and the means to improve their reproductive health and planning.

● **Strategic Objective 2: Increased Use of Primary and Preventive Health Care Services**

**Agency Goal: Building Democracy**

Ethiopia's prospects for stability and sustainable development depend heavily upon the country's ability to move away from its historically authoritarian mode of governance and centralized system. This transition process has made great strides since 1991, but it remains ambitious and risky. Since 1992, the policy of the United States has been to accelerate, facilitate, and guide the development of institutions and processes which underpin democratic societies and a decentralized form of government.

In 1995, USAID assistance to the final round of elections, which were conducted in a manner which suggests an increasingly effective electoral administration, helped bring about the new constitutionally established legislature and elected executive leadership positions, at both federal and regional levels. There was an increasingly effective devolution of authority and budget to regional states, suggesting a strong commitment to the principles of fiscal federalism. New forms of support to regional governments are under negotiation with the FDRE. USAID will increase support for an independent and responsible media. Training for the central and regional judiciary is being expanded. USAID will continue to support the new legislative leadership in thinking through a variety of structural, organizational and capacity-related issues, emphasizing the need for accountability and transparency in legislative decision-making, and the need for public access to the legislative process. Support will also go to strengthen civil society and to facilitate the consolidation of existing civic associations in order to have a sustained impact in this area. A network of civic NGOs has been successfully formed.

● **Strategic Objective 4: Increased Access to and Participation in a Democratic System**

**Agency Goal: Humanitarian Assistance**

A majority of the people of Ethiopia have been chronically undernourished with two major famines causing heavy loss of life in the past 20 years. Even when political relations have been poor, the U.S. Government has responded generously to prevent starvation. Since 1984, from the United States alone, food aid to Ethiopia has amounted to well over one billion U.S. dollars. In recent years, a more open and transparent government has allowed for the development of a system with much better responsiveness to drought and

A majority of the people of Ethiopia have been chronically undernourished with two major famines causing heavy loss of life in the past 20 years. Even when political relations have been poor, the U.S. Government has responded generously to prevent starvation. Since 1984, from the United States alone, food aid to Ethiopia has amounted to well over one billion U.S. dollars. In recent years, a more open and transparent government has allowed for the development of a system with much better responsiveness to drought and other crises through cooperative efforts by NGOs, international donors and the FDRE. As a result, hundreds of thousands of lives have been saved, and the widespread devastation and dislocation of 1974 and 1984 were averted.

In 1995, during an average production year, U.S.-supported indigenous and international NGOs continued to play an important role in meeting the survival needs of poor and vulnerable groups throughout Ethiopia. Ethiopian organizations also played an increasing role in this effort. Furthermore, the government, in close collaboration with donor and NGO partners, made major progress in implementing its disaster prevention, mitigation, and early warning capabilities. USAID food aid helped restock and increase the capacity of the food security reserve, increasingly allowing Ethiopia to internally manage small and medium scale shortages. USAID-supported NGO partners, working in food deficit areas of the country, help households and communities to move beyond the edge of survival by achieving the resources and knowledge needed to produce food. This improves their welfare in favorable seasons and helps vulnerable groups withstand minor shortages without sliding further back into poverty and suffering.

- Specific Objective 1: Emergency Humanitarian Assistance Provided to Most Vulnerable Groups

**ETHIOPIA**  
**FY 1997 PROGRAM SUMMARY**

	Encouraging Broad-based Economic Growth	Stabilizing World Population Growth & Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	TOTALS
<b>USAID Strategic Objectives</b>						
1. Increased Availability of Selected Domestically Produced Food Grain Crops - Dev. Fund for Africa - P.L. 480, Title III	12,083,690 26,700,000		3,150,285			15,233,975 26,700,000
2. Increased Use of Primary and Preventive Health Care Services - Dev. Fund for Africa		16,917,869				16,917,869
3. Quality and Equity of Primary Education Improved in an Expanded System - Dev. Fund for Africa	12,083,690					12,083,690
4. Increased Access to and Participation in a Democratic System - Dev. Fund for Africa				2,088,633		2,088,633
Specific Objective 1. Emergency Humanitarian Assistance Provided to Most Vulnerable Groups - P.L. 480, Title II					31,558,000	31,558,000
<b>Totals</b> - Dev. Fund for Africa - PL 480, Title II - P.L. 480, Title III	24,167,380 26,700,000	16,917,869	3,150,285	2,088,633	31,558,000	46,324,167 31,558,000 26,700,000

USAID Mission Director: Margaret P. Bonner

## ACTIVITY DATA SHEET

**PROGRAM:** ETHIOPIA

**TITLE & NUMBER:** Increased Availability of Selected Domestically Produced Food Grain Crops, 663-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION & FUNDING SOURCE:** FY 1997: \$15,233,975 DFA, \$26,700,000 P.L. 480, Title III

**INITIAL OBLIGATION:** FY 1996 **ESTIMATED COMPLETION DATE:** 2003

Purpose: Increase the availability of selected domestically produced food grain crops in Ethiopia through support to private and public sector and non-government organizations (NGOs) who promote sustainable small farmer production.

Background: Ethiopia can't yet feed itself. Amidst the war and famine in the past, the people of the United States have helped to keep Ethiopians alive with massive, costly shipments of food aid. In the last five years, peace and a new government have worked with USAID to begin to move Ethiopia from receiving relief to obtaining food security -- one of the two main objectives of the Greater Horn of Africa Initiative (GHA). The Federal Democratic Republic of Ethiopia (FDRE) is now helping small farmers to produce more food.

USAID Role and Achievements to Date: With the support and encouragement of a multi-donor consortium, including USAID, Ethiopia has made considerable progress in the liberalization of the agricultural economy since 1991. USAID promoted policies which helped develop a targeted food safety-net program to meet the needs of Ethiopia's vulnerable population, promoted a greater role for the private sector in agricultural trade, and increased productivity. Food commodities supported productive enterprises, supplemented relief efforts in poor years, and helped build up strategic grain reserves. By 1994, the market share of the parastatal grain trading agency has dropped from 40% to 3.6%. State monopolies on distribution and sales of basic commodities have been eliminated. By 1995, regional grain price differentials have dropped significantly due to greater private sector involvement and transport and market deregulation. USAID's effort to improve and strengthen Ethiopian grain markets means that farmers have received better prices for their products, market margins have declined, creating more stable prices for the consumer, and the number of traders competing in the markets has increased.

In addition, transport controls have been lifted. As a result, the private sector has been able to participate, and transport costs have become more competitive. Substantial progress has also been made on fertilizer liberalization. The FDRE has steadily increased fertilizer imports over the past four years, and in 1995, for the first time, financed fertilizer imports from its own funds. Private firms have obtained access to fertilizer distribution and retailing. The resulting increases in domestic production led to reductions in donor-supplied food aid imports. For every additional bag of fertilizer used, farmers can get up to five bags of grain with associated rates of return of approximately 150%. Together with good rains, these inputs and private sector initiatives have produced the largest harvest in Ethiopia's recent history.

Description: USAID supports key FDRE analytical activities, including a Ministry of Economic Development and Cooperation effort to understand and stabilize food price mechanisms in the emerging market economy. Together with the implementation of a food price information system, these steps will help small producers and merchants benefit from effective markets. USAID supports the Ethiopian Central Statistics Agency to expand the coverage and timeliness of its annual Agricultural Survey. This will help provide policy makers and donors with more accurate data on what is occurring in Ethiopia's eight million small farms. USAID will also support a test of a new organizational structure for farmer-owned cooperatives to improve their ability to provide farm input, banking, and output market services to their members. Lessons learned can be applied to the revived nationwide cooperative system.

The agriculture production support activity now in preparation with the government, NGOs, private sector

groups, and farmers will more systematically confront food-production constraints in selected crops in selected regions of the country. Through addressing policy and farm-level constraints, the new program aims to encourage farmers to increase production and productivity. The program will also support efforts to encourage increased participation of the private sector, while at the same time re-defining the role of government in the agriculture sector. This will include strengthening of agricultural and micro-enterprise information collection and analysis capability. Support for the development of a rural banking system related to production credit and financing for micro-enterprises will also be explored. The level of intervention, however, will need to be adjusted based on availability of USAID resources for food security activities, a sector with diminishing funds each year.

**Host Country and Other Donors:** USAID support for this objective complements program interventions by the European Union (EU), the World Bank, and other donors in agricultural production, transportation, infrastructure development, and related policy reforms. Private sector seed market development is underway by the World Bank and the Food and Agriculture Organization (FAO). Increasing access to fertilizer through more competitive and efficient markets is closely coordinated with the World Bank and five other major donors. Efforts to promote small-scale farm production complement current Swedish efforts to enhance grain production in the major growing areas and future World Bank efforts.

Proposed project activities complement and support a large government extension effort which is based on pilot approaches tested by Ethiopian and foreign NGOs, e.g., the Sasakawa Global 2000 Program. There are regular meetings of donors involved in fertilizer provision as well as a broader donor forum on agriculture issues. Several major studies, which USAID has designed and financed over the past year, have received wide attention and established USAID's technical staff as a reliable and well-informed source of information on the sector. The food security strategies of both the EU and USAID, which are under development, have been shared, and possible joint activities, such as grain/cereal market information systems development have been identified. A joint early warning newsletter being done by the EU and USAID helps keep the government, the donors, and the NGO community abreast of the latest information on food vulnerability in Ethiopia.

**Beneficiaries:** The beneficiary of the above investments will be Ethiopians who must purchase some or all of their food on the market. More immediate beneficiaries are the millions of small farmers and small agricultural businesses who will profit from the increase in demand for agricultural goods. In addition, as farm and non-farm activities expand, rural landless laborers will find new employment.

**Principal Contractors, Grantees, or Agencies:** U.S. Bureau of the Census, U.S. Department of Agriculture, National Agricultural Statistics Service, Chemonics International, Volunteers in Overseas Cooperative Assistance, Michigan State University and Addis Ababa University.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Real declines in food grain prices	To be Determined	
Maize	1993 base	- 10 %
Wheat	1993 base	- 7.5 %
Increased average production per hectare		
Maize	1.1 MT/ha	2.5 MT/ha
Wheat	1.3 MT/ha	1.8 MT/ha
Sales of Fertilizer annually	161,000 MT	500,000 MT
Increased private sector involvement in fertilizer		
Import	0 %	75 %
Wholesale	0 %	100 %
Retail	0 %	100 %

## ACTIVITY DATA SHEET

**PROGRAM:** ETHIOPIA

**TITLE & NUMBER:** Increased Use of Primary and Preventive Health Care Services, 663-S002

**STATUS:** Continuing

**PROPOSED OBLIGATION & FUNDING SOURCE:** FY1997: \$16,917,869, DFA

**INITIAL OBLIGATION:** FY1995 **ESTIMATED COMPLETION DATE:** FY 2003

**Purpose:** To increase the use of primary and preventive health care services in order to improve the health status of Ethiopians and reduce population growth. This will be done by promoting integrated rural child survival and general health care services in a major region of Ethiopia; by expanding comprehensive reproductive health service delivery through non-government organizations (NGOs) nationwide; and by instituting the private social marketing of condoms throughout Ethiopia. USAID's policy reform agenda focuses on increasing the Federal Democratic Republic of Ethiopia (FDRE) budget resources dedicated to basic health, with an emphasis on child survival and integrated sustainable rural health service delivery.

**Background:** The health status and access to health care of Ethiopians is among the poorest in the world, and far below the norm even by African standards. Fewer than 20% of Ethiopians have access to modern health care. At its current population growth rate of over 3%, Ethiopia's population will exceed 145 million by the year 2025. The average woman has more than seven children during her lifetime. Due to lack of access to primary and preventive health care, 23% of these children will not survive beyond the age of five. By the year 2000, it is estimated that 1.4 million Ethiopians could be infected with the Human Immunodeficiency Virus (HIV).

**USAID Role and Achievements to Date:** Only recently initiated, a number of significant accomplishments have been achieved. From 1994 to 1995, the budget for health increased from a 5.8% to 6.2% share of the total national budget. There have been significant shifts to primary service delivery which addresses child survival. A national health care finance policy, developed with USAID assistance, soon will be approved by the Parliament. It will institute revised fees and fee retention strategies, thus promoting sustainability of health care services at the local level.

NGOs have been in the forefront of USAID activities regarding reproductive and child health. Over 10,000 women have been reached through a consortium of local NGOs with reproductive health services over the past year. Through USAID support for contraceptive social marketing, it is anticipated that over 24 million condoms will be sold in 1996 to reduce HIV transmission, and over 20,000 women will have a broader choice of services. USAID-supported HIV/Acquired Immunodeficiency Syndrome (AIDS) activities have expanded sexually transmitted disease (STD) treatment to over 15,000 clients in urban areas.

Rural health service delivery efforts in the Southern Nations and Nationalities Peoples' Region (SNNPR) will initially reach about 1.6 million children under five years and almost two million women. Over the next five years, up to a total of eight million children and women nationally will have access to basic care. If implemented successfully, by the end of the project, over 150,000 child deaths could be saved annually. A reproductive health survey was completed in the SNNPR, which utilized state-of-the-art technologies developed in the United States. This study provides important information on causes of maternal and child illness and death, and presents options for improving maternal and child health which are directly suited to the specific needs of those communities. USAID is working hard in the SNNPR to promote public and private sector cooperation to maximize health care delivery services.

**Description:** USAID assistance focuses on policy reforms to: (1) increase resources budgeted to population, health, and nutrition activities, and expenditures on primary health care; (2) reorient services more toward prevention of infant and child mortality; (3) develop and implement a national health care financing strategy and implement cost recovery and local financing to promote a self-sustaining system; (4) focus resources on community delivery, particularly for child survival initiatives; and (5) liberalize the

provision of reproductive health care service delivery.

Project assistance will be concentrated in the SNNPR and will include: (1) enhanced rural health care service delivery to improve maternal and child health (including the reduction of communicable parasitic and infectious diseases); (2) developing and implementing a health care financing strategy and logistics management information system, which will move financial decision making closer to those providing care; (3) strengthening the national AIDS control program; (4) supporting indigenous NGO outreach programs; and (5) expanding contraceptive social marketing.

Host Country and Other Donors: The FDRE has demonstrated its commitment to improving the health of Ethiopians by continuing to increase the share of the national budget allocated to health, with emphasis on rural and preventive, not just curative, services. The government has adopted basic policies and strategies to shape programs in health and family planning. In addition, a policy on women recognized the need to improve their role in society.

Beneficiaries: At the end of this activity, beneficiaries will include 50% of the 16 million people in the SNNPR, and an estimated 10 million urban residents nationally who will benefit from family planning and AIDS control activities.

Principal Contractors, Grantees, or Agencies: Activities to achieve this strategic objective are being implemented by a wide range of international and local partners working in collaboration with the FDRE and local governments. These partners include Pathfinder, Family Health International, Population Services International, Partnership for Child Health, and the Family Planning Consortium of NGOs in Ethiopia.

Major Results Indicators:

	<u>Baseline</u> <sup>1</sup>	<u>Target</u>
Health as a percent of national budget	5.8 (TBD)	9.0 (2002)
Number of condoms distributed annually	5.8 (TBD)	9.0 (2002)
Use of essential services in rural areas of SNNPR	18 m (TBD)	24 m (2002)
	20-40 % (TBD)	40-60 % (2002)

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<sup>1</sup>To be determined.

## ACTIVITY DATA SHEET

**PROGRAM:** ETHIOPIA

**TITLE & NUMBER:** Quality and Equity of Primary Education Improved in an Expanded System, 663-S003

**STATUS:** Continuing

**PROPOSED OBLIGATION & FUNDING SOURCE:** FY1997: \$12,083,690, DFA

**INITIAL OBLIGATION:** FY1995 **ESTIMATED COMPLETION DATE:** FY 2002

Purpose: To improve the quality and equity of primary education in an expanded (and expanding) system by improving education sector policy, financing, and decentralized administration, as well as improving the supply of critical inputs such as teachers, curricula, and books.

Background: The educational system is not serving Ethiopia's future generations in terms of educational quality or access to schools. Only about 20% of eligible children nationally are enrolled in primary school, with even lower rates for girls and rural children. Most of those enrolled do not get a quality education. It is estimated that significantly less than half of the adult population can read or write, and the average education of the work force is a mere 1.1 years. These distressing statistics place Ethiopia among the worst of the world's developing countries in terms of the quality of its human capital. In Ethiopia, without a much broader and stronger human resource base, sustainable economic growth cannot be achieved.

USAID Role and Achievements to Date: USAID is providing technical and other assistance to the Federal Democratic Republic of Ethiopia (FDRE) for bringing about policy change, helping the government to improve education sector financing, and decentralizing administration. USAID is also helping the government by working with teacher training institutes to improve curricula, policies, facilities, and by assuring the sustainable availability of key inputs such as teachers, books, and improved curricula. While full-scale implementation is just beginning, gains are already evident. The Ministry of Education has begun setting minimum primary schooling standards to monitor progress on quality and equity objectives. A new career and salary structure for teachers has been enacted that rewards performance, not longevity. Other changes include improvements in curriculum development, more effective teaching methods by the instructors of teacher training institutes, and installation of computer-based planning and policy models. Progress toward gender difference objectives already include an additional 600 female trainees annually admitted into primary teacher training institutes and a public campaign initiated to encourage parents to send their daughters to school. Furthermore, FDRE education financing has also improved with an increase in the education budget share from 14.8% to 16%. Moreover, the financing of education is being diversified, with the opening up of private schools for the first time in over 20 years.

Description: USAID efforts are focused on: (1) improved quality and equity of the primary school environment; (2) improved efficiency and effectiveness of key quality-related services, such as teachers and books; (3) improved quality of teacher training; (4) improved decentralized management and administration of primary education; and (5) increased and more rational and efficient sectoral financing.

USAID interventions are targeted at the center to promote system-wide gains and to improve the administration of the newly decentralized system on the two focus regions (containing about 25% of the country's population). In addition, assistance will strengthen the skills of newly recruited primary school teachers (with particular attention to female students), development of more relevant curricula, and improvement in the supply of instructional materials to schools. Furthermore, within hundreds of rural settings, communities will identify problems which have eroded education and receive direct support to redress these problems. Finally, USAID supports the spreading of gains and lessons from the target regions to other regions.

Host Country and Other Donors: USAID aims to facilitate systemic change from within, not to impose pre-determined innovations from the outside. For this reason, USAID assistance had been explicitly designed

to conform to the stated education policies and priorities of the FDRE. While USAID is seen as the major donor in this area, others supporting primary education include the World Bank, United Nations Children's Fund, Sweden, Germany, Finland and Ireland.

Beneficiaries: Beneficiaries include the expanding pool of primary school pupils in the two target regions, expected to number over four million. In addition, about 4,000 students at the three teacher training institutes in the focus regions will benefit in the interim.

Principal Contractors, Grantees, or Agencies: Academy for Educational Development and Tigray Development Association.

Major Results Indicators: Indicators (apply to target regions)

	<u>Baseline</u>	<u>Target</u>
Primary school graduation examination raw scores	being collected (1996)	20% gain (2002)
Primary school female enrollment rates	24.7% (1994-95)	30% (2002)
Primary school rural enrollment rates	31% (1994-95)	40% (2002)
Share of females in grade 4	31.6% (1994-95)	40% (2002)
Primary schools meeting quality and equity standards (recently established by FDRE)	being established (1996)	To be determined

## ACTIVITY DATA SHEET

**PROGRAM:** ETHIOPIA

**TITLE & NUMBER:** Increased Access to and Participation in a Democratic System, 663-S004

**STATUS:** Continuing

**PROPOSED OBLIGATION & FUNDING SOURCE:** FY1997: \$2,088,633 DFA

**INITIAL OBLIGATION:** FY1995 **ESTIMATED COMPLETION DATE:** FY1999

Purpose: Increase access to and participation in a democratic system in Ethiopia by providing selected support and assistance to government and non-government organizations (NGOs) in Ethiopia.

Background: Emerging from centuries of feudal imperialism, capped by a generation of authoritarian Marxism, Ethiopia will require sustained support and technical expertise to build democratic institutions and procedures, and more responsive and transparent mechanisms for governance. Assistance is also required to establish a positive enabling environment for civil society and to assist indigenous NGOs to assume positive and active roles in economic development and the process of consolidating democratic governance.

USAID Role and Achievements to Date: Efforts to achieve this strategic objective began with support for the conduct and international observation of the first elections (June 1992) held after the transition in 1991. Subsequently, support for improved election administration, the drafting of and deliberations on a new federal constitution, support to investigate and prosecute war crimes, the formation and structuring of a new Parliament, the strengthening and administration of national and regional courts, and support to a more devolved federal system of government have been included. Assistance has also emphasized the strengthening of institutions of civil society, including indigenous civic NGOs and political parties firmly committed to democratic competition.

By 1995, based on elections for constitutionally established legislative and executive leadership positions at both federal and regional levels, the non-violent transition from a temporary to an elected government was completed. The emerging federal structure has shown strong commitment to the principles of fiscal federalism. Although regional administrative capacity remains uneven, an increasingly effective devolution of authority and budget to regional states has occurred. Although not broadly competitive in partisan political terms, compared to historically or recent year elections, the 1995 elections were conducted in a manner that suggests an increasingly effective electoral administration. USAID will continue to provide assistance in the area of electoral administration.

The newly elected Parliament is starting to take shape. This body should be able to help resolve inter-regional disputes, and facilitate the efficient and equitable distribution of revenue, both between the federal government and among the regions. As requested by the new legislative leadership, USAID has begun to offer support in thinking through a variety of structural, organizational, and capacity-related issues, emphasizing the need for accountability and transparency in legislative decision-making, as well as the need for public access to the legislative process. USAID has also begun to identify areas in which elements of the regional and local governments can be supported and strengthened, focusing initially on capacity and policy-making related to fiscal federalism and federal-regional economic policy coherence.

Efforts to strengthen civil society and to facilitate the organizational consolidation of existing civic associations are bearing fruit. Several networks of civic NGOs have been organized and coordination among organizations has improved. A cooperative NGO effort to monitor and report on the conduct of the on-going war-crimes trials has emerged and is being supported by USAID. Although the total number of civic NGOs remains limited, many of them are becoming increasingly confident and able to operate. USAID has played a leading role in encouraging the establishment of a positive enabling environment for the development of a vibrant civil society and its efforts will continue.

Description: USAID has focused on providing timely and appropriate support in key democratic institutions

and processes during the transition. Some of these activities, such as support for NGO coverage of the trials of former officials under the Mengistu regime, and support to the National Election Board are being continued. A new grant has been made to the United States Information Agency (USIA) to carry out training and support for local media. USAID is also supporting the development of indigenous NGOs in Ethiopia. Activities now being developed with government and non-governmental groups will organize judicial training programs at the regional level and provide support to the organization and functioning of the new Parliament.

Host Country and Other Donors: Considerable energy and funds have been devoted by the FDRE to developing democratic institutions and procedures. Under the guidance of a group of ambassadors, the coordination and collaboration among key donors, including the United Kingdom, United Nations Development Program (UNDP), the World Bank, France, Italy, Germany, the United States, and international NGOs has been extremely good.

Beneficiaries: Direct beneficiaries include individuals and communities who have chosen to participate in the new political, judicial, and legislative systems as well as civic society groups. Ultimate beneficiaries will include the population of Ethiopia.

Principal Contractors, Grantees, or Agencies: Carter Center, National Democratic Institute, Participating Agencies Cooperating Together, Fund for Peace, International Fund for Electoral Support, Thunder Associates, Inter Africa Group, USIA, UNDP, A-Bu-Gi-Da.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Increased access to the state and its decision-making via transparent mechanisms (e.g., elections, judiciary, media, effective regional government).	To be established	To be determined
Expanded and more active mechanisms for voluntary participation in social and political life (civic NGOs, political parties, civic education).	To be established	To be determined

## ACTIVITY DATA SHEET

**PROGRAM:** ETHIOPIA

**TITLE & NUMBER:** Emergency Humanitarian Assistance Provided to Most Vulnerable Groups, 663-SP01

**STATUS:** Continuing

**PROPOSED OBLIGATION & FUNDING SOURCE:** FY1997: \$31,588,000 P.L. 480, Title II

**INITIAL OBLIGATION:** As needed **ESTIMATED COMPLETION DATE:** As needed

Purpose: To enhance household food security of vulnerable populations (e.g., those affected by low rainfalls, extreme poverty, high population density, and inadequate or war damaged infrastructure) in target areas by channeling U.S. food donations through U.S. and Ethiopian non-government organizations (NGOs) to support emergency relief, reconstruction, and development.

Background: Ethiopia's growing inability over the past decades to cope with chronic food deficits, caused by civil war and recurrent droughts, has resulted in the need to provide well over one billion dollars in humanitarian assistance by the United States. War has now ended, and political stability exists, but the trend of the recent past remains--a period of good rains and harvests is followed by a period of drought and significant food aid needs. Part of this cycle can be broken through increasing overall national food production (USAID's first strategic objective), providing national improvements in income, surpluses, and food reserves in response to weather crises. But chronically vulnerable populations also require targeted help to build up their household economies and coping mechanisms to become more productive and be able to better withstand short-term food shortages.

USAID Role and Achievements to Date: Since 1984, the United States has provided one quarter to one third of annual donor-provided food in Ethiopia, which was needed to keep millions of people alive. Since 1991, peace and generally good rains have allowed for a steady overall decrease in total food imports and a sharp increase in the amount of food going into developing an economic base for vulnerable people. Food is being used now to prevent, rather than respond to, famine.

In 1995/96, Ethiopia has seen a record grain harvest, and overall import needs have decreased. However, in 1996, over two million people will still require emergency food assistance. The Federal Democratic Republic of Ethiopia's (FDRE) Commission for Disaster Prevention and Preparedness (CDPP) plans to fulfil this requirement through local procurement of food surpluses and has not requested emergency food imports. This year, the FDRE and NGOs will be able to concentrate on the longer term developmental impact of their programs instead of on relief feeding. The CDPP continues to make strong progress in implementing the National Policy on Disaster Prevention and Management, which focuses on ensuring that relief efforts directly contribute to the elimination of the root causes of vulnerability. The government's Emergency Food Security Reserve, supported by USAID, has also played a critical role in improving response time to critical food needs by maintaining a buffer stock that can be released to immediately respond to food shortages.

Description: In 1995, through relief and regular food-assisted development programs implemented by international and indigenous NGOs, the United States provided 110,209 metric tons (MT) of P.L. 480, Title II Emergency and Regular food to assist an estimated 5.7 million beneficiaries. Although relief efforts were significantly reduced from 1994, when drought stricken populations required over a million MT of food imports, the capacity of NGOs to respond quickly and efficiently remains critical. These development programs are targeted toward vulnerable populations which have supported productive and labor-intensive activities designed to increase agricultural production, stabilize environmental degradation, and improve access to preventive health and nutritional programs. Equally critical for the foreseeable future is that there be continued presence of NGO programs in high risk areas which provide the framework for the FDRE, the United States, and other donors to mount a relief effort quickly and efficiently, if needed.

In 1996, it is estimated that approximately 5.7 million Ethiopians will directly benefit from Title II food donations. As a result, sales of productive assets like oxen will be avoided by the majority of the families who face food shortages. P.L. 480, Title II resources have also supported a number of rehabilitation activities that address the root causes of these food shortfalls. For example, Food for The Hungry International (FHI) helped communities in three project areas produce over 6.3 million tree seedlings for fruit and firewood consumption. During 1995, Catholic Relief Service (CRS), working with its Ethiopian counterparts, helped communities begin the long-term process of reclaiming arable land by constructing check dams and hill-side terraces that prevent excessive water run off and restore marginal land to cultivation. Save the Children Fund/USA used P.L. 480, Title II resources to support community health workers in launching immunization campaigns against measles, whooping cough, and polio that reached over 11,000 children. In the Tigray Region, the Relief Society of Tigray (REST), in cooperation with Catholic Relief Services (CRS) used P.L. 480, Title II resources to construct over 100 kilometers of farm-to-market roads, thereby providing over 9,000 farmers and their families with direct access to the marketplace and other essential services such as health posts and schools.

Host Country and Other Donors: A number of government/donor/NGO groups and standing committees exist in Ethiopia to ensure coordinated planning and implementation of relief efforts. The World Food Program hosts weekly meetings that bring United Nations agencies, donors, NGOs, and the CDPD together to discuss all aspects of food assistance programming. The CDPD has also constituted a number of working groups composed of government ministries/NGO partners and donors to study issues and assist the FDRE in policy formulation and implementation of various aspects of preparedness and prevention, e.g., food program targeting. Starting in 1996, USAID will invest considerable staff time in improving the capacity of all donors and the FDRE to better target scarce food resources. Under the aegis of the Greater Horn of Africa Initiative, Ethiopia will also be the first country in the region to attempt to standardize how food assessments are done and how vulnerable groups are defined. This will enable more effective targeting of food and other resources.

Beneficiaries: Direct beneficiaries will be the most vulnerable populations in Ethiopia, approximately five million people.

Principal Contractors, Grantees, or Agencies: USAID implements its P.L. 480, Title II Emergency and Regular activities through a group of experienced international and indigenous NGOs - Cooperation for American Relief Everywhere, CRS, Food for the Hungry International, Save the Children, World Vision and Rural Development, the Ethiopian Orthodox Church and REST. USAID also works with the FDRE's Commission for Disaster Prevention and Preparedness.

Major Results Indicators: The major result indicators presented below were recently established in collaboration with NGO partners, other donors and the FDRE's CDPD in order to better capture the results of the varied approaches. The baselines and targets will be developed this year.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Decrease in deaths due to starvation	Being established	To be determined
Decrease in displacement of the population	Being established	To be determined
An increase in household income	Being established	To be determined
A increase in average household agriculture-related production	Being established	To be determined
An increase in the number of clients using primary preventive health services	Being established	To be determined
An increase in the number of farmers using and benefitting from conservation techniques	Being established	To be determined

## GHANA

FY 1997 Development Fund for Africa: .....\$44,974,776  
FY 1997 P.L. 480 Title II: .....\$9,739,000

### Introduction.

Ghana is a newly democratic country, and one in which the process of economic liberalization has been underway for more than a dozen years. The types of political and economic reforms undertaken by the Government of Ghana (GOG) are consistent with U.S. foreign policy interests, and the nation's success in these efforts encourages the growth of democracy and free markets elsewhere in Africa. The United States is Ghana's leading trade partner, with the U.S. private sector increasingly active in trade and investment. As a regional leader, Ghana has also played a key role in U.S.-backed efforts to find a negotiated settlement to the conflict in Liberia.

### The Development Challenge.

Ghana is a medium-sized West African country about the size of Oregon, with a population of 17.5 million. Since the start of a far-reaching Economic Recovery Program in 1983, the government has liberalized markets, prices, foreign exchange and international trade, and has reduced the state's role in the economy in favor of the private sector. Over the past 12 years, gross domestic product (GDP) has grown, on average, by 5% a year, but most of this increase has gone to support a growing population that has expanded by 3% annually. This is the main obstacle to improving living standards in Ghana. Ghana continues to be one of the world's least-developed countries, with a per capita income of only \$430 in 1993. The United Nations Development Programme's Human Development Index for 1995 ranks Ghana 129th out of 174 countries. The country remains highly dependent on the export of a few primary commodities, especially cocoa and gold, and GOG budgetary resources are insufficient to provide the level of social services and infrastructure needed.

Adult literacy rates are 60% for men and 40% for women, with 5.3 million adults illiterate. Primary school enrollment stands at 84% for boys and 69% for girls, but attendance is poor and educational achievement is low. Six and a half million people are without access to health services, 7.7 million do not have safe water and 9.3 million are without adequate sanitation. Life expectancy at birth is 56. Ghana has a good natural resource base, though its forests are being rapidly depleted, and with 70% of the population engaged in agriculture, soil degradation is a problem. External debt is \$4.9 billion, 90% of GDP. However, debt service equals only 27% of exports, and given healthy foreign exchange reserves and minimal arrearages, this debt is manageable.

To sustain increased economic growth, Ghana is expanding its export base from traditional commodities into more diversified nontraditional exports (NTEs), such as horticultural crops, wood products, and fish and seafood. NTEs have grown rapidly, from \$68 million in 1992 to an estimated \$180 million in 1995. On the education front, the government initiated reforms in 1987 to strengthen and decentralize the education system. Some progress has been made in lowering the fertility rate in Ghana, which dropped from 6.4 children per woman in 1988 to 5.5 in 1993. Over the same period, the rate of women of reproductive age using some form of contraception increased from 5% to 10%. A large unmet gap in contraceptive needs, however, continues to exist; 52.3% of women want to space or have no more children, but are not using any contraception. Ghana is also at an important stage in its transition to democracy and is consolidating the gains of past political reforms. Following the approval by referendum of a new constitution, free and fair presidential and parliamentary elections were held in 1992. The next round of national elections is scheduled for November 1996.

The GOG's long-range planning document, Ghana Vision 2020, lays out a strategy for raising the country to middle-income status by early in the next century. USAID can help Ghana achieve that goal

through a program that promotes accelerated economic growth and lays the groundwork for sustainable development.

#### **Other Donors.**

Assistance to Ghana, in the form of grants and concessional loans from over 20 multilateral and bilateral donors, totals approximately \$700 million a year, with the U.S. contributing about 7% of that amount. Donor assistance focuses on structural adjustment, economic growth and poverty alleviation, with USAID playing a lead role in providing support to the private sector, primary education and family planning. Other principal donors are the World Bank, Japan, Britain, Canada, Germany, the European Union, Denmark, France, the African Development Bank, United Nations Development Programme and the United Nations Children's Fund.

#### **FY 1997 Program.**

USAID's Mission goal is broad-based sustainable economic growth to help Ghana achieve its goal of middle-income status. This will be achieved through increasing the marketed value of selected agricultural products, increasing the effectiveness of the primary education system, reducing fertility and increasing use of proven prevention interventions for the human immunodeficiency virus (HIV) and sexually transmitted diseases (STDs). Improving economic viability through sustainable development will move Ghana toward graduation from donor assistance and further the U.S. policy goals of economic growth and political democratization in Africa.

If resources diminish, USAID's ability to help Ghana achieve middle-income status would be reduced, and reaching that goal would be delayed. Cutbacks in funding would mean slower growth in the marketed value of selected agricultural products, delays in completing the decentralization of education, fewer people having access to long-term family planning methods, and more cases of AIDS.

#### **Agency Goal: Encouraging Broad-based Economic Growth**

USAID sees economic growth as the chief factor affecting development in Ghana. It is the essential element for raising living standards, including the improvement of education and health, and for ensuring the success of democracy. The program focuses on strengthening markets, improving basic education and combatting the spread of HIV and STDs.

During the past year, the enactment of an Export and Import Act, together with the elimination of the exchange control form, resulted in the introduction of a new, simplified Ghana Export Form for NTEs. This resulted in substantial savings of cost and time for exporters. The value of NTEs increased by 50%, from \$120 million in 1994 to an estimated \$180 million in 1995. A principal constraint to more rapid growth in agriculture is the weak marketing system for inputs and products. Major obstacles include regulatory restrictions, high wastage and spoilage, excessive marketing margins, low input utilization, limited access to financing, and lack of knowledge of domestic and export market opportunities. Significant concerns that will be addressed in FY 1997 are continued streamlining of export regulations and procedures, and further improvements to business and export promotion support services.

Textbook production and distribution continued to improve over the past year, with more than 2,000,000 copies being printed and sent to schools. In response to poor student performance on standardized tests, more than 11,000 teachers received in-service training in English and mathematics. A survey was completed and disseminated on community attitudes and social factors affecting education. Learning is not taking place in the classroom because of poor teaching, poor management and insufficient community participation. The education system is producing large numbers of students who do not have basic skills in literacy and numeracy. In FY 1997 new activities will be initiated at the community level focusing on improved classroom instruction, better education management and

greater community participation.

An HIV/STD surveillance system was put in place, and the first annual report issued. Construction started on four public health reference laboratories to do confirming blood tests, with the one in Accra being completed. Drafting started on guidelines for the proper diagnosis and treatment of STDs. Many people do not recognize the symptoms of STDs and consequently do not seek medical attention. If treatment is sought, it may not be effective due to the presence of drug-resistant strains of the disease, poor medical practices or lack of compliance with treatment regimens. Funding in FY 1997 will be used for increasing knowledge of HIV transmission, ensuring the quality of lab work in the HIV/AIDS surveillance system and improving the diagnosis and treatment of STDs through training for medical personnel and greater access to more effective drugs.

- Strategic Objective 1: Increased Marketed Value of Selected Agricultural Products
- Strategic Objective 2: Increased Effectiveness of the Primary Education System
- Strategic Objective 4: Increased Use of Proven HIV/STD Prevention Interventions

**Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

Reduced fertility to lower population growth is critical for achieving sustainable economic development. If this rapid increase does not slow, the population will place unsustainable pressure on Ghana's food supply, energy resources, environment, education system, labor market and health services. The program focuses on reducing the total fertility rate.

The Ghana Registered Midwives Association doubled the number of new people practicing some form of contraception, and family planning commodity distribution, as a whole, exceeded planned levels of distribution. The first family planning center opened that provides, under one roof, all family planning services -- short-term, long-term and permanent methods. Fifteen doctor/nurse teams were trained in long-term contraceptive methods, while 97 nurses/midwives received instruction in counseling on long-term contraceptive methods. The major challenges to reducing fertility are low use of modern family planning methods, inadequate access to family planning services and low levels of female literacy. Concerns being addressed in FY 1997 are increasing the demand for family planning through strengthened information, education and communication activities; expanding the provision of family planning services; and improving the sustainability of family planning services.

- Strategic Objective 3: Reduced Fertility

**Agency Goal: Providing Humanitarian Assistance**

The P.L. 480 Title II program contributes directly to USAID/Ghana's strategic objective to increase the marketed value of selected agricultural products. Title II assistance enhances food security in vulnerable groups in Ghana through a program carried out by three nongovernmental organizations. Part of this program assists in increasing productivity and reducing soil erosion through agro-forestry initiatives and expanding access to potable water and improved sanitation. The monetization component of the Title II program helps to support PVO projects that work with farmer groups to enhance their business skills and improve production, post-harvest processing, storage and marketing capabilities.

- Strategic Objective 1: Increased Marketed Value of Selected Agricultural Products

**GHANA  
FY 1997 PROGRAM SUMMARY**

	Encouraging Broad-based Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	TOTALS
<b>USAID Strategic Objectives</b>						
<b>1. Increased Marketed Value of Selected Agricultural Products</b> - Dev. Fund for Africa - P.L. 480 Title II	17,409,747		2,165,196	500,000	9,739,000	20,074,943 9,739,000
<b>2. Increased Effectiveness of Primary Education System</b> -Dev. Fund for Africa	9,000,000			646,466		9,646,466
<b>3. Reduced Fertility</b> - Dev. Fund for Africa		11,500,000		500,000		12,000,000
<b>4. Increased Use of Proven HIV/STD Prevention Interventions</b> - Dev. Fund for Africa		2,753,367		500,000		3,253,367
<b>Totals</b> - Dev. Fund for Africa - P.L. 480 Title II	26,409,747	14,253,367	2,165,196	2,146,466	9,739,000	44,974,776 9,739,000

USAID Mission Director: Myron Golden

## ACTIVITY DATA SHEET

**PROGRAM:** GHANA

**TITLE AND NUMBER:** Increased Marketed Value of Selected Agricultural Products (641-S001)

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$20,074,943 DFA; \$9,739,000 P.L. 480 Title II

**INITIAL OBLIGATION:** FY1995; **ESTIMATED COMPLETION DATE:** FY 1997

Purpose: To improve policies, increase production and expand market sales for agricultural producers, input suppliers and market intermediaries.

Background: Growth in the agricultural sector is lagging, averaging less than 2% a year since 1983. With the population growing by 3% annually, accelerated growth in agriculture, both in domestic and export markets, is essential for achieving broad-based sustainable economic growth. USAID has been active in increasing non-traditional exports (NTEs) through the highly successful Trade and Investment Program. Continued support to promote increased NTEs will be provided under this strategic objective. The GOG recognizes the prime economic importance of agriculture, which employs 70% of the population, and stresses the need for demand-driven production. The external constraints for achievement of the Strategic Objective (SO) are lack of awareness of commercialization possibilities on the part of farmers and other market participants and inadequate infrastructure.

USAID Role and Achievement to Date: USAID has helped Ghana increase its NTEs since 1992. During that time, the value of NTEs has increased from \$68 million to an estimated \$180 million in 1995. Investments in the NTE sector increased from an average of \$4 million a year from 1986-92 to \$18.3 million in 1995. Export regulations and procedures have been streamlined with the elimination of exchange controls and the introduction of a simplified export form. The GOG has provided additional export handling equipment and granted port handling fee waivers for horticultural sea freight exporters. A new Customs Export Data Information System has been put in place to more accurately track data.

Description: The SO will be achieved through the implementation of better trade and investment policies, greater agricultural production and improved domestic and export marketing. The focus will be on agricultural producers, input suppliers and market intermediaries. Emphasis will be placed on improving production and marketing practices; increasing knowledge of prices, buyers and consumer preferences; and strengthening market linkages with suppliers and distributors. Farmers' groups, comprised largely of smallholders, and rural microenterprises will be helped to improve their production, post-harvest and marketing capabilities. P.L. 480 Title II resources will address food insecurity resulting from poor food utilization and limited access and availability. Sustainability will be achieved by strengthening the capacity and profitability of agricultural enterprises, helping them to maintain and expand their operations.

Host Country and Other Donors: Over the past nine months, the GOG has undertaken an extensive review of its agricultural strategy, resulting in a set of recommendations to put greater emphasis on the sector. Areas of focus are to be the multiplication of planting materials for exportable crops, the development of linkages with the private sector to increase agricultural productivity, extension packages to farmers and better information on investment opportunities. The World Bank is the leading donor in agriculture and trade development. USAID belongs to a second tier of donors that also includes the European Union, Canada and Britain. The work of other donors compliments USAID's assistance by supporting mutually reinforcing activities that benefit farmers in a variety of ways. Other donors are active in the following areas: research and extension (World Bank), rural poverty alleviation (Canada and the United Nations Development Programme), credit (World Bank, Canada and the European Union), rural feeder roads (World Bank and Denmark), and biodiversity and forest management (World Bank, European Union and Denmark).

**Beneficiaries:** The SO will focus assistance on approximately 100,000 small producing and marketing enterprises and 200 larger producers, manufacturers, and marketing and exporting intermediaries. The small producers will be dealt with in groups. In all, approximately 1.6 million people will benefit, either directly or indirectly.

**Principal Contractors, Grantees or Agencies:** Implementation will be through the following U.S. firms: Sigma One, Amex International, Incorporated, African Project Development Facility, International Executive Service Corps, Foreign Investment Advisory Service, and Technoserve; and local nongovernmental organizations will participate as well.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Marketed value of selected products	\$470 million (1994)	\$780 million (2001)

## ACTIVITY DATA SHEET

**PROGRAM:** GHANA

**TITLE AND NUMBER:** Increased Effectiveness of the Primary Education System, 641-S002

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$9,646,466 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

**Purpose:** To improve learning in the classroom, decentralize and improve school management, and increase community participation.

**Background:** Effective basic education is fundamental to achieving the literacy and numeracy levels required for sustainable economic growth. The present primary education system is characterized by poor teaching, inadequate management and insufficient community participation, with the result that children learn little and standardized test scores are low. USAID has been helping to strengthen the policy and institutional framework at the Ministry of Education, including the printing and distribution of textbooks. The limited results achieved from these efforts have shown the need to focus attention more at the classroom and community level. The Government of Ghana has recently issued a program outlining a framework for providing nine years of free compulsory education for the more than 2 million primary-school-age children by 2005. Any residual activities under the Primary Education Project will be subsumed under this Strategic Objective (SO). The external constraints are inefficient management at the ministry level, lack of experience in decentralization and poor physical infrastructure.

**USAID Role and Achievement to Date:** USAID activities have focused on stabilizing expenditures for primary education, supplying textbooks and other teaching materials, in-service training, developing policies on equity and providing resources to strengthen the decentralization of the education reform program. A major accomplishment has been the development and implementation of a standardized test, given to 5% of sixth-graders, to measure achievement in English and mathematics. The low test scores attained helped to focus the attention of the government and the public on the weaknesses of the education system.

**Description:** The SO will focus on improving primary education at the classroom and community levels, including support for decentralization and better school management. To improve classroom instruction, teachers will receive in-service training, while circuit supervisors will be instructed in the observation, monitoring and feedback techniques that best support teacher improvement. District planning, management and evaluation capacity will be strengthened, resulting in greater discipline and accountability at schools, with higher morale and reduced absenteeism. At the community level, parents will be encouraged to participate in school improvement programs through awareness campaigns, social mobilization activities and incentive grants to improve school quality. Revitalized parent-teacher associations and school management committees will play a major role in ensuring improvements in the quality of education.

**Host Country and Other Donors:** Education reforms, beginning in 1987, have led to the devolution of greater responsibility for local school facilities to the district level. At the same time, local Non-Governmental Organizations and religious groups have increased their involvement in education. The GOG's recent release of a major planning document for improving primary education will help set the agenda for improving schools in Ghana. The principal donors to education as a whole are the World Bank and the European Union. The United States is the major supporter of primary education. Other donors will play an important part in the achievement of the SO. School facilities will be improved by the World Bank; Britain and Germany will fund pre-service training; and the United Nations Children's Fund will help improve students' health and nutritional status. USAID has coordinated teacher training efforts with Britain, including holding joint workshops and sharing research information.

**Beneficiaries:** The primary beneficiaries will be approximately 200,000 students in 500 schools in five districts. Secondary beneficiaries will be the rest of Ghana's more than 2 million primary school children, who will profit as changes introduced into the initially targeted schools become more widespread throughout the educational system. Other beneficiaries include about 3,300 teachers and head teachers and 400 district education personnel.

**Principal Contractors, Grantees or Agencies:** A U.S. firm and NGO will be identified, along with local NGOs, for implementation of this project.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
% of students in beneficiary schools passing standardized test in English and math	3.6% English (1995) 1.8% math (1995)	30% English (2001) 15% math (2001)
% of students in beneficiary schools whose standardized test results fall with 15 points of passing score	TBD	TBD

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TBD: To be determined

## ACTIVITY DATA SHEET

**PROGRAM:** GHANA

**TITLE AND NUMBER:** Reduced Fertility, 641-S003

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$12,000,000 DFA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To increase the use of more effective family planning methods and improve the sustainability of family planning services.

**Background:** Reducing fertility to slow population growth is critical to achieving sustainable economic growth. At the current annual growth rate of 3%, the number of Ghanaians will double in 24 years, from 17.5 million to 35 million. An increase of that magnitude would put great pressure on the economy, the social infrastructure and the environment. USAID began its involvement in family planning in Ghana by helping to increase the use of and demand for family planning commodities and services. Following this successful effort that saw the total fertility rate fall from 6.4 in 1988 to 5.5 in 1993, more emphasis is now being put on providing long-term contraceptive methods, such as intrauterine devices, injectables and sterilization. The Government of Ghana strongly supports family planning and has set targets of reducing fertility to 5.0 in 2000, and 3.0 by 2020. The family planning part of the Ghana Population and AIDS Project will be subsumed under the Strategic Objective (SO). The external constraints are insufficient funds for the Ministry of Health to provide and maintain clinical facilities for providing long-term contraceptive methods and low levels of female literacy.

**USAID Role and Achievement to Date:** As a result of USAID-supported policy changes, contraceptives are now widely available throughout the country, including through the private sector; price controls have been eliminated; and contraceptives are no longer legally classified as dangerous drugs. Modern contraceptive prevalence increased from 5.1% in 1988 to 10.1% in 1993. The two-fold increase in modern contraceptive prevalence and the marked decline in the total fertility rate are significant achievements over a short period of time, making the Ghana program the first family planning success in West Africa.

**Description:** The SO will be achieved through increased use of more effective family planning methods and improved sustainability of family planning services. Demand for family planning services will be increased by strengthening information, education and communication activities and improving the quality of services. Campaigns, some aimed at special audiences such as men and adolescents, will disseminate messages about the benefits of family planning and information on specific methods through mass media, posters and brochures. Service providers will be trained in order to improve the quality of care and ensure that the most appropriate family planning methods are prescribed. Clients will be encouraged to move to long-term methods. The provision of both short- and long-term methods will be expanded through greater use of private-sector points of sale, increased distribution through Non-Governmental Organizations and private physicians, and better equipped and trained staff in the public health system. Policy reforms and GOG budgetary commitments will improve sustainability, as will greater involvement of the private sector, which is already providing 56% of family planning services. The price structure of the contraceptive market will be updated, and charges at GOG facilities will be revised to keep pace with inflation and increase cost recovery.

**Host Country and Other Donors:** The GOG strongly supports family planning. A National Population Council, located in the President's Office, was established in 1992, and the National Population Policy was revised in 1994. USAID is the lead donor in population and family planning, with a particularly strong advantage in working with the private sector. Japan is developing joint coordinated actions with USAID to complement efforts already under way. Other major donors are the World Bank, United Nations Population Fund, the United Nations Children's Fund and the United Kingdom.

**Beneficiaries:** Beneficiaries include all men and women of reproductive age in Ghana. Important target groups are women who wish to delay or limit their births but are not currently using family planning, adolescents, males and people in rural areas with limited access to services.

**Principal Contractors, Grantees or Agencies:** Implementation will be through the GOG, Ghanaian professional organizations, private non-profit Ghanaian associations, the Association for Voluntary Surgical Contraception, a private non-profit U.S. association, and local NGOs.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Total fertility rate	5.5 (1993)	5.0 (2001)

## ACTIVITY DATA SHEET

**PROGRAM:** GHANA

**TITLE AND NUMBER:** Increased Use of Proven HIV/STD Prevention Interventions, 641-SO04

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,253,367 DFA

**INITIAL OBLIGATION:** FY1995; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To improve diagnosis and treatment of sexually transmitted diseases other than AIDS, strengthen the surveillance system for AIDS, and increase knowledge about transmission and preventive measures for HIV.

**Background:** Infections in Ghana of the human immunodeficiency virus (HIV), which leads to acquired immune deficiency syndrome (AIDS), have not yet reached epidemic proportions, but if current trends continue, 1.2 million Ghanians will be infected with HIV by 2010. Ghana's neighbors are already experiencing HIV/AIDS prevalence rates as high as 10% of the population. USAID has been involved in raising AIDS awareness, fostering linkages between family planning and AIDS prevention, and monitoring the epidemiological progress of AIDS. Ghana was one of the first countries in Africa to recognize the threat of AIDS and since 1989 has had a plan in place, emphasizing information and education, to prevent the spread of the disease. The Special Objective will subsume the AIDS element of the Ghana Population and AIDS Project. The external constraint is lack of acknowledgement by individuals that they are at risk.

**USAID Role and Achievements to Date:** USAID's HIV/AIDS program has focused on increasing awareness and reducing transmission in the general population. Awareness has increased to the point where 97% of men and 93% of women have a fairly accurate understanding of the disease. A national sero-surveillance system has been designed and put into operation to track HIV prevalence.

**Description:** The Special Objective will change sexual behavior before HIV/AIDS reaches more serious proportions in Ghana. This will be accomplished through improved diagnosis, reduction of high-risk sexual behavior, better treatment and prevention of STDs, a strengthened system for sentinel surveillance and increased knowledge about HIV/AIDS transmission. The special attention being given to STDs stems from the fact that the presence of a sexually transmitted disease (STD) increases the likelihood of heterosexual transmission of HIV two to nine times. In Ghana, women account for 76% of AIDS cases and 68% of HIV seropositives.

**Host Country and Other Donors:** The Government of Ghana remains committed to fighting AIDS and has made funding available for HIV/AIDS and STD prevention and control activities. USAID is the lead donor in the battle against HIV/AIDS. Other donors have supported upgrading STD case management in government clinics (European Union), laboratory testing for STDs (Germany, Britain and the Netherlands), training for private physicians and pharmacists (Britain), and assistance to the Health Education Unit at the Ministry of Health for educational materials pertaining to AIDS and STDs (Britain). Donors cooperated closely in the establishment of public health reference laboratories; USAID undertook construction and furnished equipment, while other donors supplied reagents and provided training.

**Beneficiaries:** The beneficiaries include all Ghanians because of the negative impact AIDS has on affected individual, families, groups and the community at large. Sexually active men and women will benefit by having their chances of contracting HIV, and eventually developing AIDS, reduced. Children will benefit by having less chance of being orphaned.

**Principal Contractors, Grantees and Agencies:** Implementation will be through the GOG, Ghanaian professional organizations, private non-profit Ghanaian associations, local NGOs, and USAID will seek expertise from a private non-profit U.S. association.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Men and women reporting using a condom during sexual intercourse with non-regular partners	61% (1992)	75% (2001)
Providers using appropriate interventions for treatment of STDs	TBD (1996)	TBD (2001)
Men and women seeking treatment from health providers for STD symptoms	34%(1996)	TBD (2001)

## GUINEA

FY 1997 Development Fund for Africa: ..... \$14,892,350  
FY 1997 P.L. 480 Title II: ..... \$1,024,000

### Introduction.

Although rich in mineral resources and agricultural products, Guinea is one of the poorest countries in West Africa and ranked last in the 1994 United Nations Development Programme (UNDP) Human Development Report. Despite this poverty, in the last eight years Guinea has made significant strides to establish a constitutional democracy, liberalize its economy, and maintain a respectable annual growth rate of 4.1%. The U.S. interest in supporting Guinea's economic and political development is based on the country's role as a useful and stabilizing force in the region. In addition to supplying troops for U.S.-supported peacekeeping efforts in Liberia and Sierra Leone, Guinea accommodates a large population of refugees from these countries. Guinea also provides new investment opportunities in agriculture, mining, and telecommunications for U.S. investors attracted by the success of its ongoing reforms.

### The Development Challenge.

Guinea's human resources base and domestic economy are still recovering from twenty-eight years of authoritarian rule. During this era, civil society and the private sector were stifled, while transport, power, and communication systems deteriorated. The once-prosperous agricultural sector was devastated, while the education system produced poorly trained teachers, technicians and civil servants who could neither manage the economy nor the government. High infant mortality rates, low life-expectancy rates and one of the lowest per-capita income levels in the world reflect the legacy of that authoritarian regime.

However, these indicators mask the impressive progress made since 1984 when this regime was replaced by a new government that decided to undertake a program of dramatic political and economic reforms. The new Government of Guinea (GOG) negotiated an economic structural adjustment program with the World Bank and International Monetary Fund which led to the liberalization of the economy, restrained public sector spending, controlled inflation, and stabilized the exchange rate. Primary school enrollment increased significantly from 27.5% in 1991 to 43% in 1995, while girls' enrollment rose from 17% to 28% during this period. Rural primary school enrollment increased by 7.8% in 1995 alone. In the health sector, a national population policy was adopted that supports reducing the rate of annual population growth and facilitates the provision of family planning services in over half of the country's public health centers.

Guinea's first presidential elections, held in 1993, were well-organized but significantly flawed according to international observers. As a result, USAID placed Guinea on the "watch list" of countries that are making insufficient progress toward democratization. Legislative elections held in June, 1995 were considered peaceful and organized by a USAID-sponsored assessment team, but not completely satisfactory. Nevertheless, 37 of 114 seats were won and incumbered by opposition members. The strong role played by Guinea's multi-party legislature in the national budget review, the lively and critical independent print media, and the resilience of Guinea's democratic legislative and judicial institutions following the military mutiny of February, 1996 all indicate that Guinea is making substantial progress toward democratization.

This progress shows that Guinea has the potential to become both an economic and political success, although effective government institutions and public confidence in them will take a long time to rebuild. The country is richly endowed with agricultural and energy resources and has a high concentration of mineral wealth. As a result of government-implemented economic reforms and USAID activities, the agriculture sector has grown in recent years, creating higher rural incomes that in turn

are boosting overall economic activity, particularly trade. The value of rural entrepreneurs' assets increased 240% in areas affected by these activities between 1994 and 1995, while the volume of goods transported between major markets increased from 4.5 metric tons to 33.6 during this period.

However, without an improved human resource base and reduced dependence on mining sector revenues, economic growth and democratization in Guinea cannot be sustained. USAID has therefore focused its resources on Guinea's education and agriculture sectors, while supporting a program to reduce population growth and enhance the health of Guinean citizens. Taking into account both the low development base Guineans are starting from and the current positive trend toward economic growth and democratization, it is estimated that USAID assistance will be required for another fifteen to twenty years to ensure sustainability. Guinea is now well positioned to become a strong development partner, and with continued assistance, can achieve its development goals.

#### **Other Donors.**

In 1994, Guinea's largest bilateral donor was France, followed by the United States, which provides approximately 26% of all bilateral assistance. Japan, Ukraine, and Germany also are major donors. Multilateral donors include the World Bank, the African Development Bank, the European Union, and the International Monetary Fund.

#### **FY 1997 Program.**

USAID will assist the GOG to improve the economic and social well-being of all Guineans by enhancing Guinea's human resource base while promoting economic growth in the non-mining sector. Supporting education and human resources development will not only allow Guinean citizens to contribute to economic growth, but also will enhance their ability to participate fully in the transition to democracy. Enhancing family planning services and introducing a maternal and child health program will reduce pressure on the country's resources and slow the rate of environmental degradation. Overall, continued development assistance to Guinea will help ensure that the GOG continues on the path to democratization and liberalization of the economy. The current program also provides an increased level of direct support to U.S. private voluntary organizations (PVOs) working towards the development of civil society, improved governance capacity, and a market-based economy.

#### **Agency Goal: Encouraging Broad-based Economic Growth**

Guinea's traditional reliance on its mineral exports has undermined sustainable, broad-based economic growth due to an unpredictable world market and the limited number of Guineans who benefit from mining activities. Because an estimated 80% of Guineans are engaged in agricultural production, the country's potential for developing a comparative advantage in this sector is high. By reducing barriers to agricultural production and marketing, and thereby increasing rural incomes, USAID supported efforts can benefit the greatest number of Guineans while fueling growth nationwide.

By constructing rural access roads, USAID has succeeded in reducing high transportation and marketing costs in rural areas. As a direct result of this activity, 746 kilometers of rural roads have been completed, and the cost of transporting agricultural goods on these roads has decreased 34%. Time travel between markets has decreased by 86%, and the value of produce in markets served by these roads has increased 39%. In addition, more than 10,500 loans of \$266 on average have been made to rural entrepreneurs. Sixty-eight percent of loan recipients are women, and the overall repayment rate is an impressive 100%. These achievements have led directly to a greater flow of goods and services in affected regions. However, transport, cold storage and packing costs remain prohibitively high, while limited credit options for large-scale enterprises continue to constrain growth in this sector. Interest rate policy reform and improvements in financial services are therefore still needed, as well as better rules for the establishment of private businesses that will lower the cost of agriculture-related services.

To overcome these obstacles, in 1994 USAID supported the establishment of a farmers' association called the Agricultural Marketing Foundation that has since engaged the GOG in a dialogue on export and other agriculture-related policies. Members are provided valuable information on pricing strategies and marketing. A loan guarantee fund, which became operational in 1995, is simultaneously addressing the need for greater access to credit. With ongoing support, these two institutions will continue to successfully promote export contracts and help modernize agricultural production and marketing techniques, which will lead to increased trade, investment, and productivity in this sector.

Guinea's highly illiterate human resource base is another major constraint to economic growth and development. A 71% illiterate population means poor management in the public and private sectors, limited ability to take advantage of agricultural export opportunities, reduced capacity to understand and use family health services, and slower adoption of democratic principles. USAID's emphasis on increased primary school enrollment and female education is anticipated to strongly affect growth in agricultural productivity and microenterprise development, especially in view of the significant role women play in these areas. Expanded family education also will contribute directly to lowered fertility rates and improved health status.

Remarkable progress made in the education sector since 1990 reflects both the GOG's commitment to education reform and the success of a collaborative donor effort. USAID has provided both budgetary and technical assistance to the Ministry of Pre-University Education, resulting in a reallocation of GOG resources that has doubled the budget for primary education, improved staff planning and management, and led to the redeployment of over 1,800 teachers to the primary school level. Primary school enrollment has increased by approximately 173,000 new students, with increases exceeding 60% in the number of girls and rural children starting first grade. With an estimated 4% average annual increase in the gross enrollment rate, some 155,000 new students will be enrolled in FY 1996. However, delays in the transfer of funds from the central budget to the ministerial level, a lack of adequate internal controls, high repeater and drop-out rates, and cultural biases against girls' education remain obstacles. Future funds, therefore, will be used to continue the policy and management reforms already undertaken by the GOG, to sustain growing enrollment and graduation rates, and to assist the GOG in developing a standardized achievement testing system so that results such as literacy rates associated with improving the quality of education can be measured.

- Strategic Objective 1: Growth in Agricultural Markets
- Strategic Objective 3: Increased Enrollment in Primary School, with an Emphasis on Rural and Female Participation

**Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

Guinea's population growth rate of 2.8% annually constrains progress toward economic development and democratization by increasing pressure on already scarce resources. To reduce fertility and prevent the spread of disease, USAID assistance supports the distribution of family planning commodities through public and private sector facilities, and promotes awareness of family planning options and HIV/AIDS through mass media information campaigns. USAID also supported the GOG's adoption of a national population policy advocating smaller family size in 1992, and a program of working with religious leaders to address resistance to messages on family planning and disease prevention. As a result of these efforts, the message "Abstinence, Fidelity, Prudence" was developed and prominent religious leaders now actively support family planning and disease prevention in Guinea. 30% of the population has gained access to family planning services. This is expected to increase usage levels and condom sales have more than quadrupled during the last four years, including a 70% increase in the last year alone.

However, reproductive behavior changes slowly and depends on the continued availability of health services. Therefore FY 1997 funds will be used to continue existing activities as well as to design a

comprehensive program for improving mothers' and children's health. This program will be integrated into existing health-care systems, thereby increasing Guinea's low rate of child survival. Over the long term, this will ensure the sustainability of USAID-supported activities in this sector.

- **Strategic Objective 2: Increased Ability of Families to Determine Household Size**

**Agency Goal: Protecting the Environment**

USAID works with rural populations in watersheds in the fragile north-eastern Fouta Djallon Highlands, the source of headwaters for four major rivers in West Africa. The program is improving the management of natural resources to prevent the negative effects of environmental degradation such as soil erosion and the depletion of water resources. These activities have already resulted in the improvement of local wells that make potable water available throughout the year, thereby reducing the spread of disease and enabling women to devote more time to farming activities rather than fetching water. These activities also improve the quality and quantity of water supplies in the neighboring countries bordering the four rivers. This is a multi-donor effort in which USAID focusses on three of the twelve watersheds

- **Special Objective 2: Protecting the Environment**

**Agency Goal: Building Democracy**

USAID's experience worldwide is that the transition from a statist to a democratic society hinges on the role of advocacy groups that can champion democratic principles and influence institutional behavior. Solid economic growth requires the decentralization of decision-making processes to include citizens at the local level. Activities in this area will therefore focus on increasing the participation of all Guinean citizens in the nascent democratization process and helping to develop an environment of good governance.

Both Guinea's high illiteracy rate and legacy of authoritarian rule pose obstacles to the development of a democratic society. USAID therefore plans to strengthen the capacity of local-level citizens' organizations to articulate and represent their members' interests through training in basic literacy and management skills, as well as democratic principles. After completing a 1995 study to assess the capacity of existing governance structures and the current level of democratization in Guinea, USAID plans to support training and workshops that encourage participation in political life and decision-making processes in FY 1997. Through these interventions, the USAID program will promote greater citizen participation in the political process and increased accountability.

- **Special Objective 1: Fostering Civil Society Development and Good Governance**

**Agency Goal: Providing Humanitarian Assistance**

Food security in Guinea is impaired by low income levels, poor market access, poor nutritional practices and population pressures. USAID therefore is using P.L. 480 Title II resources to monetize wheat and vegetable oil for investment in a program to promote food security. Specifically, the program aims to improve maternal health, child nutrition, food production, and utilization and consumption practices through community education and training. These activities will be implemented by two U.S. PVOs, Africare and Opportunities Industrialization Centers International.

- **Strategic Objective 1: Growth in Agricultural Markets**

**GUINEA  
FY 1997 PROGRAM SUMMARY**

	<b>Encouraging Broad-based Economic Growth</b>	<b>Stabilizing Population Growth and Protecting Human Health</b>	<b>Protecting the Environment</b>	<b>Building Democracy</b>	<b>Providing Humanitarian Assistance</b>	<b>TOTALS</b>
<b>USAID Strategic Objectives</b>						
<b>1. Growth in Agricultural Markets</b> - Dev. Fund for Africa - P.L. 480 Title II	2,622,966		57,179		1,024,000	2,680,145 1,024,000
<b>2. Increased Ability of Families to Determine Household Size</b> - Dev. Fund for Africa		6,278,641				6,278,641
<b>3. Increased Enrollment in Primary School, with an Emphasis on Rural and Female Participation</b> - Dev. Fund for Africa	4,343,384					4,343,384
<b>4. Fostering Civil Society Development and Good Governance</b> - Dev. Fund for Africa				1,590,180		1,590,180
<b>Totals</b> - Dev. Fund for Africa - P.L. 480 Title II	6,966,350	6,278,641	57,179	1,590,180	1,024,000	14,892,350 1,024,000

USAID Mission Director: John Flynn

## ACTIVITY DATA SHEET

**PROGRAM:** GUINEA

**TITLE AND NUMBER:** Growth in Agricultural Markets, 675-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,680,145 DFA  
\$1,024,000 P.L. 480 Title II

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: To increase growth and efficiency in agricultural markets by improving the current policy and regulatory environment, developing effective financial and investment services, promoting product marketing, and transferring sustainable production technologies to farmers.

Background: Agricultural development offers the best opportunity to reduce the Government of Guinea's (GOG) dependence on revenues from the mining sector. The agriculture sector accounts for 24% of Guinea's gross domestic product (GDP) and employs 80% of the labor force. While agricultural output in Guinea compares favorably with that of other sub-Saharan African countries, public expenditures for agriculture have not generated the expected increases in value-added activities and overall productivity.

USAID Role and Achievements to Date: USAID supports growth in agricultural markets through four main activities: constructing rural roads to open isolated productive areas to local and regional markets, lending to rural microenterprises, promoting sustainable agricultural production through support for improved soil and water management techniques, and enhancing the capacity of the GOG to promote and facilitate private sector participation in agricultural marketing and production.

As a result of these activities, more than 760 kilometers of rural roads have been built to date. Transportation costs and transport time have been decreased by over 35%, and more goods are available at lower costs. 10,500 microenterprise loans have been made, two-thirds of which are owned and operated by women. To date the repayment rate on loans is 100%. The value of beneficiaries' assets has doubled. Their consumption and buying power have increased, and they are generating employment for thousands of employees. Simultaneously, the USAID-supported Agricultural Marketing and Investment Foundation is promoting agribusiness development through market analysis and business services. In order to promote lending to larger agribusinesses, USAID also is supporting the Agricultural Marketing Loan Guarantee Fund by providing training and insuring 37.5% of the value of loans made to members of the Marketing Foundation as an incentive for lending by commercial banks.

USAID activities also enhance soil fertility, check erosion, support reforestation, and help producers in isolated areas to find markets for their goods. Partially as a result of these efforts, onion production in areas targeted by the activity increased by 1300% in 1995. Honey production and marketing increased by 800%, and similar results are expected for potato production.

Finally, USAID supports enhanced agricultural sector management through improved planning, monitoring and evaluation of policy impact, increased government accountability, and transparency of the decision-making process. Under these activities, the Ministry of Agriculture's financial and management systems continue to improve, while Guinea's Central Bank has developed a framework for supervising, monitoring, and regulating private financial institutions to increase the amount of credit available to medium and large-sized rural businesses.

Description: USAID supports activities designed to reduce excessive transportation costs in moving agricultural produce to markets, to improve access to credit, to transfer sustainable production technologies to farmers in one of the most ecologically fragile areas in Guinea, and to foster an improved policy and regulatory environment. USAID is also using P.L. 480 Title II resources to

monetize wheat and vegetable oil for investment in programs to promote food security

USAID works with the Ministry of Agriculture and small and medium-sized construction firms to rehabilitate secondary roads in 13 areas throughout the country. These roads will open agricultural areas affecting approximately 279,000 farm families. In addition to lowering transportation costs, this activity contributes to sustainable agricultural production by improving market access to rural producers. Funding for management and entrepreneurial training and lending in rural areas is channelled through a U.S. private voluntary organization (PVO), which collaborates with a local nongovernmental organization (NGO). Through USAID-funded training and technical assistance, the Ministry of Agriculture and the Central Bank's management, planning and policy reform practices have become more supportive of agricultural production and trade. USAID support also is provided for the implementation of land code legislation, which is essential for ensuring ownership of cultivated land, concomitant investments in sustainable production technology, and the emergence of land markets.

Host Country and Other Donors: The World Bank finances agricultural marketing and export promotion. The World Bank, European Union, and French support rural infrastructure programs, including road construction. Natural resources management is also a multi-donor effort. The United Nations Development Programme, the U.N. Environment Program, the World Bank, France, Germany and Holland support activities in nine of the twelve ecologically fragile watershed areas targeted by the GOG for promoting conservation and sustainable agriculture.

USAID works in the remaining three watershed areas. The GOG contributes significantly to this activity in the form of counterpart funds generated from a recently completed USAID P.L. 480 Title III Program (\$15 million) and through in-kind contributions, including personnel, salaries, and tax exonerations for equipment and supplies.

Beneficiaries: Studies show that when women prosper, children benefit. Approximately 5,000 women and their children have prospered as a result of the small enterprise lending program. Similarly, the opening of previously isolated areas has benefited more than 1,000,000 agricultural producers (the majority of whom are women) by allowing them to increase marketing activities while providing greater access to services such as health, education, and tools and other agricultural inputs.

Principal Contractors, Grantees or Agencies: USAID implements these activities through three U.S. for-profit firms, the Development Assistance Corporation, Sheladea, and Chemonics, International; U.S. private voluntary organizations: Volunteers International in Technical Assistance, Africare and Opportunities Industrialization Centers International; and the GOG's Ministry of Agriculture.

#### Major Results Indicators

	<u>Baseline</u>	<u>Target</u>
Decrease in travel time (%) on rehabilitated rural roads	14% (1995)	48% (1998)
Agriculture exports of coffee	11,200 mt (1990)	28,000 mt (1997)
Agriculture imports of fertilizer	3,425 mt (1988)	9,100 mt (1997)
Agricultural Marketing Foundation Membership (members)	520 (1995)	800 (1997)
Female members (%)	10	20
Exports per AMF member	0.25 mt (1994)	1.70 mt (1997)
Packaging imports per AMF member	5 ea. (1994)	85 ea. (1997)
Number of microenterprise loans	1,375 (1992)	15,355 (1998)
Value of loans (000 Guinea Francs)	206,800 (1992)	3,115.8 (1998)
Female members (%)	61% (1992)	68% (1998)

## ACTIVITY DATA SHEET

**Program:** GUINEA

**Title and Number:** Increased Ability of Families to Determine Family Size, 675-S002

**Status:** Continuing

**Proposed Obligation and Funding Source:** FY 1997: \$6,278,641 DFA

**Initial Obligation:** FY 1995; **Estimated Completion Date:** FY 2001

**Purpose:** To increase the quality and use of family planning and disease-prevention products and services.

**Background:** Infant, child, and maternal mortality rates in Guinea are among the highest in the world. Even so, the population is rising rapidly with a fertility rate of 6.0 children per woman. Although the rate of HIV infection for the population as a whole remains relatively low at roughly 1%, the proportion of women infected has increased by 39% over the past eight years. The country's recent economic liberalization and nascent health-care system are based on the Government of Guinea's (GOG) desire to improve efficiency and service-provision in the public sector. However, the GOG's financial and management resources are inadequate to address basic health needs and to make family planning services available to the population.

**USAID Role and Achievements to Date:** As a result of USAID support for reducing population growth, the GOG 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 national 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. A nationwide network of commercial outlets for family planning and AIDS prevention products also has been established, which increased condom sales by 70% in the last year alone. As a result of these efforts, eight million retail condom sales were made through the private sector during the past four years, and during the first three quarters of 1995, two million condoms were sold. Nationwide, the contraceptive prevalence rate has increased 3.3% since 1992.

**Description:** USAID's health activities in Guinea focus on three areas: Improving the policy and legal climate for family planning; integrating family planning services into the national primary health care system; and establishing a social marketing system to provide contraceptive products and services through the private sector. These activities are implemented through a U.S. non-governmental organization that works with local NGOs to conduct policy workshops, AIDS awareness and condom-marketing activities. Modern contraceptive services are also provided to couples through USAID-supported health-care facilities.

**Host Country and Other Donors:** USAID and the United Nations Population Fund (UNFPA) are the two major donors supporting family planning in Guinea. UNFPA focuses on integrating family planning services into public health clinics in two regions of the country where USAID is not working. The United Nations Children's Fund is the principal provider of assistance for integrating family planning services into the primary health-care system nationwide. The World Bank is providing credit to the GOG for the construction of health facilities in two other regions of the country. The German development bank has approached USAID on possible co-financing of social marketing activities.

**Beneficiaries:** Women and adolescents of child-bearing age and sexually active adults are the primary beneficiaries of USAID assistance. Over two million sexually active Guineans now have access to USAID-supported health centers in the most remote regions of the country, and over 100,000 packages of year-long protection have been supplied to Guinean couples due to the success of this activity. Children under five years of age are indirect beneficiaries of child spacing activities, which increases their chances of having healthy young lives.

Principal Contractors, Grantees, or Agencies: USAID implements its activities under this strategic objective through Population Services International, a U.S. private voluntary organization.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Increase in Contraceptive Prevalence Rate (%)	2 (1992)	5 (2001)
Family planning services integrated in health centers (number of health centers)	0 (1995)	120 (2001)
Condoms sold in public sector (millions)	0 (1992)	15 (2001)

## ACTIVITY DATA SHEET

**PROGRAM:** Guinea

**TITLE AND NUMBER:** Increased Enrollment in Primary School with a Particular Emphasis on Rural and Female Participation, 675- S003

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$4,343,384 DFA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2002

Purpose: To increase enrollment and the quality of education in primary school, particularly for rural and female children, by developing the administrative and financial management capacity of the Ministry of Pre-University Education (MEPU), increasing community participation in education financing and decision-making processes, and training teachers.

Background: An insufficiently trained human resource base is one of the key constraints to broad-based economic growth and sustainable development in Guinea. Constraints to equitable and accessible education in Guinea include delays in the transfer of funds from the national treasury to MEPU, high repeater and drop-out rates, and cultural biases against girls' education. The government's need to reduce budgetary expenditures also can limit needed education spending, for example, on the expansion of primary education facilities.

USAID therefore is assisting the Government of Guinea (GOG) to implement its education sector reform program (ESRP) by providing budgetary incentives and technical assistance for MEPU to more efficiently manage its financial and human resources for primary education. The second phase of this project will focus on increasing local community participation in education policy planning and financing as well.

USAID Role and Achievements to Date: As a result of USAID's support for this multi-donor effort, the gross enrollment rate for primary school children rose from 28% in 1990 to 43% in 1995, while first grade enrollments increased 35% over the same period. The GOG's allocation for its education sector budget rose from 13% of the national budget in 1989 to over 26% in 1995, while primary education's share of this budget rose by 2% over the same period. Girls' enrollment rates rose from 17% to 28% and rural childrens' rates rose from 20% to 34% between 1990 and 1995.

Description: The education sector reform program helps leverage a greater share of GOG expenditure for primary education and provides critical training in administration, finance, curriculum development and teaching. The Mission will continue to provide education policy assistance to the Ministry while training teachers, delivering educational materials to primary school students and instructors, and working with communities and NGOs to ensure better school management and education financing at the local level. These combined activities will ensure increased enrollment rates, improved quality of teaching and therefore learning, fewer school drop-outs and ultimately a more literate work force.

Host Country and Other Donors: The World Bank is providing \$40 million during the next five years for education sector reforms. USAID has committed \$20 million, and the French organization French Cooperation is financing approximately \$5 million in education assistance over this period. The World Bank finances school construction, school nutrition programs, and school management micro-projects. The French organization provides technical advice on monitoring and evaluation of program impact, personnel issues, and curriculum reform, particularly at the secondary level. Donors coordinate their activities through a series of joint reviews and periodic meetings to collaborate on technical and policy issues. The GOG provides office space for technical advisors and pays the salaries of all Guinean participants in USAID's education activities as part of its contribution.

Beneficiaries: The direct beneficiaries of USAID assistance in the education sector are the approximately 1.1 million primary school-aged children in Guinea and 11,600 primary school teachers.

Principal Contractors, Grantees, or Agencies: USAID implements activities through the Education Development Center/LearnTech and local NGOs.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Gross Enrollment Rate	28% (1990)	47% (1997)
Girls' Enrollment Rate	17% (1990)	34% (1997)
Rural Enrollment Rate	21% (1990)	39% (1997)
First grade enrollment	34% (1990)	55% (1997)
Girls' share of first grade enrollment	34% (1990)	41% (1997)
Education share of GOG budget	13% (1989)	25% (1997)
Primary education share of education budget	34% (1989)	40% (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** GUINEA

**TITLE AND NUMBER:** Strengthening Civil Society Capacity, 675-SP01

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,590,180 DFA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To strengthen the capacity of Guinean citizens to participate more fully and equitably in Guinea's social, economic and political life.

**Background:** The critical transition to multi-party democracy and a liberal economy that Guinea began in 1984 continues today. This process is made difficult by the legacy of 26 years of authoritarian rule. During this time, civil society and democratic institutions were repressed, private sector activities and initiatives all but destroyed, the development of autonomous voluntary organizations stifled, and human rights repressed. Democratization under the government that succeeded this regime has permitted the development of an active, but still vulnerable, independent press, the emergence of human rights organizations, and the creation of political parties, a national electoral commission, and detailed procedures for conducting national and local elections. The transition from a statist to a democratic society also has given private firms, nongovernmental organizations (NGOs), rural development associations, and women's groups much freedom to organize and manage their own affairs.

**USAID Role and Achievement to Date:** The first phase of a democracy and governance (D/G) assessment to provide essential information on Guinean governance structures and political institutions was completed in 1995. Through a U.S. organization, Associates in Rural Development, USAID financed an in-depth study of local community organizations in the North-central (Haut) Region of Guinea. This study will provide the information necessary to effectively develop and implement a long-term institutional capacity-building effort for local-level organizations. The activity will be implemented in cooperation with a U.S. PVO, the National Cooperative Business Association (NCBA), which currently works with local-level organizations in the Coastal (Maritime) Region training members in how to organize and manage their organizations in a democratic manner.

**Description:** USAID plans to implement this special objective in the Coastal (Maritime) Region of Guinea where there is a high concentration of local associations as well as other USAID activities that will benefit from the training and other components of this project. Training and workshops are also being considered for the north-central region where the study was undertaken. These interventions will strengthen the capacity of local-level organizations and associations to articulate, advocate, and represent their community interests and to influence the Government of Guinea's (GOG) plans and policies.

Women will be one of the groups targeted by this project. To help strengthen the crucial role women play in Guinea's economic and social life, training in financial management, democratic principles, decentralized decision-making, and good governance practices will be an important goal of this special objective.

**Host Country and Other Donors:** While USAID does not work directly with the central government, it has supported the GOG's decentralization policies through training activities. USAID also collaborates with other donors working to strengthen NGOs and various grassroots organizations in other regions of Guinea. Other donors working in NGO development are the European Union, Canada, Germany, and the World Bank, which focuses on governance issues.

**Beneficiaries:** The project's beneficiaries include all members of local organizations associated with the project plus the communities and clients they serve in the Maritime region of Guinea.

**Principal Contractors, Grantees, or Agencies:** The National Cooperative Business Association (NCBA) and other contractors yet to be determined.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Grassroots level groups organized along democratic lines	0 (1996)	200 (2000)
Literate members involved in local/government issues	0 (1996)	3,400 (2000)
Number of people trained in mobilization of local resources, accountability and basic organizational management	0 (1996)	4,250 (2000)

## GUINEA-BISSAU

FY 1997 Development Fund for Africa: ..... \$5,407,414  
FY 1997 P.L. 480 Title II: ..... \$834,000

### Introduction.

Guinea-Bissau, a small, ethnically and religiously diverse West African country, continues to strengthen its democratic processes and to grow economically. While still fragile, these gains are increasingly important as a hedge against political instability which is rising in the region. Guinea-Bissau is important to the U.S. as a model of peaceful, fundamental economic and political transformation for other countries in the region.

USAID plans to close its offices in Guinea Bissau within the next 16 months. Following FY 1997, USAID plans to continue a small, non-presence program through its nongovernmental partners.

### The Development Challenge.

World Bank data for 1994 indicate that Guinea-Bissau's per capita income of \$234 places it among the least developed nations of the world. An official external debt load of \$813 million, more than three times its gross domestic product (GDP), makes the country one of the most heavily indebted in the world. Recent information indicates some improvement in government expenditures and borrowing and a consistent GDP growth rate of around 3%. Guinea-Bissau has recently completed a peaceful transition from a one-party Marxist system to multi-party democracy. Broader participation is also being seen in policy, legal, regulatory, and judicial reforms arising from increasing consultation with representative groups, also strengthening and empowering the private sector. The magnitude of these changes and their evolving nature make it imperative to continue assistance in order to consolidate ongoing efforts and accrue gains to economic growth and democratization. At this stage, policy, legal, regulatory and judicial reforms are not sufficiently strong to promote sustainable private sector-led economic growth.

The economy is heavily dependent on agriculture, with almost half the total land area under cultivation. Agriculture, fisheries and forestry represent almost 52% of the GDP (1994). However, with its valuable natural resources, Guinea-Bissau could provide a much higher living standard for its population if these resources, particularly fisheries and forestry resources, were managed in a more sustainable way. Both of these resources are coming under pressure from the international and domestic private sectors and subsistence farmers. The country also lacks enough people with adequate technical and professional skills and higher-level quantitative and analytical skills to undertake and sustain implementation of the necessary reforms in both the social and economic sectors. Lack of technical and professional skills constrains the private sector, and with the lack of expertise and knowledge by policy-makers, decision-making is often distorted by misleading and/or unreliable statistics.

### Other Donors.

In 1994 the United States was the second largest donor (after Sweden) to Guinea-Bissau, providing 21% of bilateral donor resources. Other major donors included France, China, and Japan.

### FY 1997 Program.

The focus of the FY 1997 program will be to implement ongoing activities to assure sustainability and to bring activities which require a U.S. presence to a logical termination. USAID's strategy will continue to focus on promoting private sector trade and investment in Guinea-Bissau through improved governance in order to consolidate Guinea-Bissau's broad-based economic growth. Through ongoing support to private sector associations, the USAID program will strengthen the civil society. Support

will continue to the courts and legislature for drafting and adjudicating laws more conducive to private sector economic growth. Finally, USAID will continue working with the GOGB to support policy reform in agriculture, private sector support services to financial institutions, the tax system, forestry codes, and commerce. USAID will also assist with privatization efforts and decentralization of decision-making.

The USAID program will allocate 78% of its DFA funding in FY 1997 to stimulate broad-based economic growth; 19% of the funds will be allocated to democratic participation to address the governance component of the strategy; 2% will be allocated to protecting the environment and a very small amount will be allocated to stabilizing population growth through decreasing the spread of AIDS and supporting family planning.

#### **Agency Goal: Encouraging Broad-based Economic Growth**

USAID's goal in Guinea-Bissau is to foster market-oriented economic growth that is broad-based and sustainable. USAID's single strategic objective reflects this longer-term aspiration by focusing on the increase in private sector trade and investment in the critical growth sub-sectors through improved governance.

USAID's efforts in recent years have taken advantage of the newly created enabling environment, encouraging and supporting the emergence of organized private interest groups. These efforts have resulted in the creation of a significant number of private business associations. The combined efforts of these associations have contributed to remarkable economic growth since 1990, culminating in 1994 when Guinea-Bissau registered an estimated increase in real GDP of 7%. This growth has been due in large measure to strong improvement in net agricultural private exports and buoyant private commercial activity. Thanks in part to past USAID assistance, cashew nuts are the leading export and the key foreign exchange earner for the country. Assistance to producer and trade associations will continue in order to ensure effective transmission of needed skills and knowledge to the private sector, thereby improving its ability to influence policy-makers in the ongoing policy, legal, judicial and regulatory reforms that govern private economic activities in a free-market economy.

USAID also contributes to this Agency goal through the P.L. 480 Title II program being implemented by a U.S. private voluntary organization (PVO). This PVO, Africare, is carrying out a small, and medium-sized enterprise development program in the southern region of Guinea-Bissau. The Title II-financed program is wholly complementary to the overall USAID strategy, especially in providing direct support to the private sector, including individual entrepreneurs, microenterprises and small-scale producer associations working in USAID's six critical growth sub-sectors. The program, carried out in over 20 demonstration villages, provides training in technical and managerial skills to support the private sector. It also has established agricultural and agribusiness training centers in two rural locations to better organize and train small-scale producers and processors in production techniques, marketing, and business development. Graduates of these centers serve as resource individuals and groups for other rural entrepreneurs. The program includes an experimental, small-scale credit program to address a key constraint to private sector growth in rural areas.

- **Strategic Objective 1: Increase Private Sector Trade and Investment Through Improved Governance**

#### **Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

USAID will provide very modest support to a U.S. private voluntary organization (PVO) to combat the spread of AIDS by financing commodities for social marketing in Guinea-Bissau. The program will also continue training in information, communication and education in AIDS prevention for the NGO community and public sector. Modest support to a national family planning non-governmental organization (NGO) for both family planning and AIDS prevention will also continue.

- **Strategic Objective 1: Increase Private Sector Trade and Investment Through Improved Governance**

**Agency Goal: Building Democracy**

USAID will devote 19% of its DFA funding to help build democracy in Guinea-Bissau. Following three years of carefully planned and executed constitutional changes and electoral law reforms (extensively supported by USAID) Guinea-Bissau made a highly successful transition from a one-party Marxist dictatorship to a multi-party democracy in 1994. The transition was well planned and executed, with Guinea-Bissau scoring an impressive list of achievements. Two rounds of free and fair elections during July and August 1994 produced the country's first multi-party legislature and the first democratically elected president. The civic education conducted through the mass media during the pre-election process was highly effective, resulting in an orderly election. The media was also successful in disseminating the messages from the various political parties to potential voters. The political behavior of the young opposition parties was mature and constructive, facilitating peaceful transition with no irregularities or human rights abuses.

USAID has been assisting the Ministry of Justice and the Supreme Court to restructure and decentralize. One major change has been the creation of sector courts (essentially small claims courts) around the country. Restructuring of the regional courts, the next higher level for adjudicating commercial law, is now the focus of the GOGB and USAID. USAID-financed training and technical assistance to the judicial system are helping it to strengthen its independence from the executive branch and its credibility with the Guinean population.

- **Strategic Objective 1: Increase Private Sector Trade and Investment Through Improved Governance**

**Agency Goal: Protecting the Environment**

USAID will allocate 2% of its Development Assistance resources to this Agency goal. Our focus on the sustainable management of the fisheries and forestry sectors shows strong commitment to help protect the environment, especially in the fragile conditions of the Sahelian region of Sub-Saharan Africa. To assist the GOGB, USAID has helped raise GOGB and private sector awareness about unsustainable industrial fishing activity by foreign vessels under licensing agreements. To increase indigenous participation in all aspects of the fishing industry, USAID will be assisting the GOGB to articulate and implement a management plan for the fisheries sector. USAID also will work with the GOGB, private sector, small farmers and local authorities to help them develop a forestry sector strategy which will allow Guinea-Bissau to sustainably use its forestry resources, balancing competing pressures from the timber industry, energy demand (charcoal and firewood) and itinerant agriculture.

- **Strategic Objective 1: Increase Private Sector Trade and Investment Through Improved Governance**

**GUINEA BISSAU  
FY 1997 PROGRAM SUMMARY**

	Encouraging Broad-based Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	TOTALS
<b>USAID Strategic Objectives</b>						
<b>1. Increase Private Sector Trade and Investment Through Improved Governance</b>						
- Dev. Fund for Africa	4,220,301	4,304	130,549	1,052,260		5,407,414
- P.L. 480 Title II					834,000	834,000
<b>Totals</b>						
- Dev. Fund for Africa	4,220,301	4,304	130,549	1,052,260		5,407,414
- P.L. 480 Title II					834,000	834,000

USAID Mission Director: Cheryl A. McCarthy

## ACTIVITY DATA SHEET

**PROGRAM:** GUINEA-BISSAU

**TITLE AND NUMBER:** Trade and Investment Promotion Support, 657-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997 \$5,407,414 DFA  
\$834,000 P.L. 480 Title II

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1998

Purpose: To increase private sector trade and investment in the Guinea-Bissau critical growth sub-sectors through improved governance.

Background: For the first decade after independence, the Government of Guinea-Bissau (GOGB) followed a command-economy development model guided by a single political party. This was a major factor in leaving Guinea-Bissau as one of the poorest and least developed countries in the world. A shadow structural adjustment program, started in 1986, opened the economy to private sector activity. From 1987 to 1989, real gross domestic product (GDP) increased over 5.8% per year. By 1990, however, real growth rates dropped to about 3% per year, largely due to an inexperienced private sector and mixed Government performance. Despite steady but slow progress, the 1990-1993 period was characterized by a less aggressive economic reform program, a less than independent and poorly functioning judiciary, and a less than fully democratic and transparent government which did not attract investors. The year of 1994 registered a remarkable record of estimated real GDP growth of 7%. This was due in part to the 100% devaluation of the African Financial Community Franc (CFA) in neighboring countries, which reduced inflation and significantly reduced costs for the private sector. It was also due to other stabilization and adjustment reforms. The advent of a multi-party democracy and a new, inexperienced government has slowed Guinea-Bissau's growth once more to slightly more than 3%. Nonetheless, the GOGB met International Monetary Fund and World Bank targets for 1995.

USAID Role and Achievements to Date: USAID recognizes that sustainable development and economic growth require building lasting individual, institutional and societal capacity to identify and respond to changing circumstances, new needs and evolving opportunities. Changing policies, laws and regulations have motivated a growing private sector, fueling real economic growth and increasing broader participation of Guineans in policy decisions and lawmaking. More directly, USAID's assistance to nascent agricultural producers and women's economic activity associations has increased income to their members, doubling the farmgate price paid to cashew producers and helping family units to market processed nuts rather than raw nuts. Through support to the Association of Small Merchants and Traders, USAID has increased the number of private sector firms which are able to fully and competitively participate in and benefit from Guinea-Bissau's economic opportunities. USAID's assistance to the judiciary and Ministry of Justice has created access by rural populations to an independent, objective adjudicator of civil conflict which responds and integrates traditional law with modern law.

Through these activities USAID has helped to create the beginning of a strong civil society of private interest groups, a more independent mass media, human rights advocates, private legal practice, a bar association, and an increasingly independent judiciary including an independent organization of magistrates.

Description: Virtually all USAID-financed activities are carried out under this strategic objective (SO). Through technical assistance and training, the Trade and Investment Promotion Support activities facilitate and implement: (1) policy formulation; (2) legal and regulatory reform; (3) judicial reform; and (4) assistance to the private sector to ensure that private sector interests are known and respected in policy, legal, regulatory and judicial reforms, and to ensure that the private sector responds to new

economic opportunities in the critical growth sub-sectors. USAID has identified six critical growth subsectors: cashew nuts, fruits, vegetables, rice, forest products, and fish products.

These subsectors are those areas of the economy that are creating and will continue to create economic growth in Guinea-Bissau, improving the economic well-being of the vast majority of the country's population.

**Host Country and Other Donors:** Other major donors operating in Guinea-Bissau are Sweden, The European Union, France, United Nations Development Program, China, Japan, United Nations Children's Fund, World Health Organization, Portugal, Food and Agriculture Organization, The Netherlands, and Canada. These donors assist in governance, structural adjustment and stabilization programs, agriculture, health and family planning, education and infrastructure building. Guinea-Bissau is a small poor country with considerable needs, in that regard the representatives of USAID and the other donors meet or communicate with others regularly to exchange views, and to share program and project information in order to complement each others work when and wherever possible. The GOGB has consistently supported USAID-funded activities with in-kind contributions such as personnel, equipment and other materials.

**Beneficiaries:** Primary beneficiaries are the private sector, represented by associations (including women), other social and legal interest groups and specific ministries (Fisheries, Commerce, Agriculture, Justice and Energy, Industry and Natural Resources).

**Principal Contractors, Grantees, or Agencies:** USAID implements its activities through a consortium of firms, with Labat-Anderson, Inc. being the prime contractor. Other members of the consortium are: Management Systems International; New York State University at Albany; Africare; and the Land Tenure Center at the University of Wisconsin.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
No. of Commercial Firms Registered	1,919.0 (1991)	2,400.0 (1998)
Export Earnings (\$million/FOB)		
-- Cashews	14.1 (1991)	17.6 (1998)
-- Fish and Fish Products	2.6 (1991)	3.3 (1998)
-- Total Exports	0.4 (1991)	25.5 (1998)
No. of foreign and domestic firms granted customs exemptions under new investment code	28.0 (1991)	36.0 (1998)

## KENYA

**FY 1997 Development Fund for Africa: . . . . . \$23,013,359**  
**P.L. 480 Title II: . . . . . \$ 4,228,000**

### **Introduction.**

Kenya has the potential to be one of the best economic performers in Africa. After a series of significant reforms, the economy posted a 3% gain in 1994 and a 5% gain in 1995. After having embarked on a major economic reform program, Kenya is currently in a transitional stage. While progress in democratization has not been satisfactory, with attendant problems of human rights violations and official corruption, Kenya continues to maintain a stable, pro-western government and a relatively free market economy with a vibrant private sector. As a regional financial center, Kenya is an economic engine for the region. Continued economic assistance to Kenya serves the U.S. national interest through: promotion of economic opportunity; prevention of humanitarian and other complex crises; enhancement of peace and stability in the Greater Horn of Africa; and protection against such global dangers as rapid population growth. The Mission goal of promoting "broad-based sustainable economic growth in Kenya contributing to crisis prevention in the Horn of Africa" directly reflects these interests. Kenya is pivotal in any effort to prevent future crises in the region. It is one of the few east African countries which has not faced a major internal conflict in the last 20 years. The cost of such a conflict in Kenya would be astronomical and would sharply increase the costs of relief and development to the neighboring countries of Uganda, Rwanda and the southern portion of Sudan. The bulk of trade and aid to these countries flows through the Kenya port, road and rail network. Thus, political and economic stability in Kenya remain key U.S. goals.

### **The Development Challenge.**

Significant progress was made over the last two years in economic liberalization and structural reforms: the Kenya Government has recently reached agreement with the International Monetary Fund/World Bank on the latest Policy Framework Paper. However, the challenge is to consolidate the economic gains accomplished to date and to commit the government to reforms in democracy and governance. The immediate challenge is for the United States to engage a reluctant Government of Kenya (GOK), with questionable political will, in constructive policy dialogue while maintaining effective donor coordination in pressuring for accelerated reforms in democracy and governance. The United States will work toward improving the political environment while continuing to address longer-term development challenges, including population, health, and other broad-based economic growth.

Kenya's macroeconomic environment is relatively stable and has greatly improved since 1993. The Government has, to date, maintained sound macroeconomic policies. Strong efforts in fiscal management have resulted in a substantial reduction in the budget deficit, good revenue performance and, for the most part, better expenditure controls. This has helped reduce the fiscal deficit to an estimated 2% of the gross domestic product in FY 1995 from 10.4% only two years ago. Inflation has been brought under control, to a single digit for the first time since 1987. Improved macroeconomic policies have stimulated resumption of economic growth.

Kenya has also made significant strides in implementing structural reforms. Exchange control restrictions have been eliminated and virtually all trade restrictions have been removed. Price controls have been abolished. Although Kenya has achieved some degree of success in macroeconomic management over the past two years, the reforms are still fragile and could suffer reversals, especially if evidence of corruption and economic mismanagement is not dealt with transparently and through an objective judicial process. A major challenge for Kenya is to maintain macroeconomic stability while continuing to make progress in civil service and parastatal reforms.

Kenya offers an emerging family planning success story. USAID is the key donor contributing to this success. The fertility rate has fallen from one of the highest in the world to one of the lowest in sub-

Saharan Africa. As a result, the population growth rate is now estimated to be below 3%. This makes it more likely that Kenya will be able to make sustainable gains in per capita income. The USAID-financed Kenya Family Planning Program is serving as a model for countries in the region as they develop their own strategies to meet family planning and health care financing challenges.

Political reform and progress in accountability and governance are a major challenge for the USAID program. USAID recognizes that political change is a difficult, long-term process, and setbacks in the short-term occur. Nevertheless, there is increased public awareness and debate on various democratic governance problems. This new awareness in Kenyan society is challenging the political leadership. USAID recently commissioned a Democracy and Governance Assessment to assist the United States and other donors in engaging the government in a dialogue on advancing the process of good governance and democratization. The study found that the degree of openness by the government to change is low. It recommends assistance to civil society to build demand for the reforms among citizens, while the U.S. Government urges repeal of oppressive laws and harassment of opposition parties. It also recommends--in consultation with other donors--working with the government to permit open, free and fair elections in 1997. When conditions improve, the United States could work with the government to promote constitutional and legal reforms.

Several of USAID's activities cut across the five Agency goals, particularly those of environment and democracy/governance. On environment, no problem may be threatening the biological resources of Kenya more than poverty and rapid population growth. These two interrelated problems are causing intensification of agriculture through farmer migration into forest and other fragile areas, particularly around Kenya's economically important national wildlife parks. USAID's environment initiative is using community groups around the parks to become engaged in decision-making about how best to develop these buffer zones. Enterprise activities, such as eco-tourism, are being supported by USAID. Other USAID activities also cut across the Agency's democracy/governance goal. USAID is counting on civil society organizations to extend USAID-supported microenterprise lending, where USAID is a leading donor. Business organizations assisted by USAID are increasingly important and effective advocates for encouraging legislation and policy reforms that serve their members. In addition, good governance has been promoted through insistence on rigorous, transparent, and fair tendering of contracts for USAID-financed farm-to-market roads.

#### **Other Donors.**

USAID coordinates closely with other donors. Other donors that complement the USAID program include Japan (the largest bilateral donor for the period 1992-1994), the World Bank (the largest multilateral donor for the period 1992-1994), the World Food Program, Germany, the United Kingdom, Sweden, the European Union, the United Nations, the International Monetary Fund, and the African Development Bank.

#### **FY 1997 Program.**

Kenya was classified as a limited assistance program due to concerns in the area of democracy and governance. The USAID Mission currently has 12 U.S. direct hire employees; this presence will soon be reduced by roughly one-half. Given declining resource levels, Kenya's new Strategic Plan has analyzed how best to consolidate strategic objectives. USAID's Country Strategic Plan for FY 1996-2000 includes the following special objective and two strategic objectives:

- Effective Demand for Sustainable Political, Constitutional and Legal Reform Created;
- Increase Commercialization of Smallholder Agriculture and Natural Resources Management; and
- Reduce Fertility and the Risk of HIV/AIDS Transmission through Sustainable, Integrated Family Planning and Health Services.

### **Agency Goal: Building Democracy**

The USAID democracy program seeks to increase civic participation by creating effective demand for sustainable political, constitutional and legal reform. This program directly supports the Agency's goal of building sustainable democracies. Our program will focus on two areas: 1) strengthening civil society, with an emphasis on women's participation, and 2) developing a more transparent and egalitarian electoral process. USAID will focus resources on civil society groups and the Electoral Commission in an effort to make the upcoming 1997 elections reflective of the will of the people. Over the past year, we have funded 16 grants to politically active civil society groups. The building of civil society capacity is also an element of USAID's other two strategic objectives. USAID conducted a thorough assessment of the democracy and governance situation in Kenya as well as an assessment of the potential for civil conflict in the country (e.g., ethnic clashes, electoral violence, etc.). Despite Kenya's move toward a multi-party system, Kenya continues to struggle with the transition to democracy and remains fragmented by political and ethnic strife that undermines movement toward increased democratic reform and economic sustainability.

- Strategic Objective 1: Effective Demand for Sustainable Political, Constitutional and Legal Reform Created

### **Agency Goal: Encouraging Broad-based Economic Growth**

To accelerate broad-based economic growth, Kenyans will have to make their economy grow by 7% a year. The key to economic growth in Kenya lies with the agriculture sector which is dominated by smallholder farmers. Thus, agriculture remains a primary focus of USAID's strategy in achieving economic growth. The Agency's objectives which support this goal include two areas in which we intend to invest: "Strengthened Markets" and "Expanded Access and Opportunity for the Poor." Commercialization of smallholder agriculture is based on strengthening the private sector and the competitiveness of markets. Our work with the cereals market has resulted in the GOK reducing control over grain marketing. Farmers are now receiving an estimated 80% of the market price compared to less than 70% in 1992. Improving efficiencies in the market alone, both domestic and within the Greater Horn of Africa, will not necessarily improve food security in Kenya. We are also focusing efforts on improving consumers' incomes through increasing employment. Our analyses indicate that the most effective way to maximize employment opportunity in the near future will be to focus our resources in the microenterprise sector. In 1993, more than half of the new jobs created in Kenya were in microenterprises. USAID, other donors and GOK efforts have continued to emphasize microenterprise growth as the major strategy for reducing poverty and thereby improving food security. A recent survey shows that total employment in micro-and small-enterprises (MSE) grew at rates of at least 10% in recent years, compared to only 5%- 6% in other sectors.

- Strategic Objective 2: Increase Commercialization of Smallholder Agriculture and Natural Resources Management

### **Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

A healthy and stable population is critical for sustainable development in Kenya. Despite encouraging achievements in improving health care and reducing the population growth rate, Kenya faces major challenges. High population growth is one of the significant impediments to sustainable development. USAID's strategic objective to increase the sustainability of family planning and HIV/AIDS service delivery systems will be achieved through activities which aim to reduce high fertility and risk of HIV/AIDS transmission. It will also improve health and enhance the ability of the Kenya family planning program to become financially and programmatically sustainable. These objectives directly support USAID's goal of stabilizing world population growth and protecting human health. Continued reduction in Kenya's population growth rate will facilitate broad-based economic growth and poverty alleviation mainly by reducing unemployment, increasing per capita investments in education and health, and increasing income per capita. Stabilizing population growth will lessen the degradation of Kenya's natural resources and maximize the attendant economic benefits. USAID, as the lead donor in the population and health sector, has

contributed to a substantial decrease in the fertility rate from 8.1% in 1978 to 5.3% in 1993, and averted an estimated 110,000 HIV infections. USAID assistance has increased Kenyan financial resources for Government curative and primary/preventive health and family planning services by an average of \$3 million a year through Kenya's national health care financing program.

- **Strategic Objective 3: Reduce Fertility and the Risk of HIV/AIDS Transmission through Sustainable, Integrated Family Planning and Health Services**

**KENYA  
FY 1997 PROGRAM SUMMARY**

	Encouraging Broad-based Economic Growth	Stabilizing World Population Growth & Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	TOTALS
<b>USAID Strategic Objectives</b>						
SPO1. Effective Demand for Sustainable Political, Constitutional and Legal Reform Created - Dev. Fund for Africa				2,128,800		2,128,800
1. Increase Commercialization of Smallholder Agriculture and Natural Resources Management - Dev. Fund for Africa - P.L. 480, Title II	6,177,520		1,238,467		4,228,000	7,415,987 4,228,000
2. Reduce Fertility and the Risk of HIV/AIDS Transmission through Sustainable, Integrated Family Planning and Health Services - Dev. Fund for Africa		13,468,572				13,468,572
<b>Totals</b> - Dev. Fund for Africa - P.L. 480, Title II	6,177,520	13,468,572	1,238,467	2,128,800	4,228,000	23,013,359 4,228,000

USAID Mission Director: George Jones

## ACTIVITY DATA SHEET

**PROGRAM:** KENYA

**TITLE AND NUMBER:** Effective Demand for Sustainable Political, Constitutional and Legal Reform  
Created, 615-SP01

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,128,800 DFA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: To create effective demand for sustainable political, constitutional and legal reform.

Background: Although Kenya in recent years has moved toward a multi-party system, the country continues to struggle with the transition to democracy. Political and ethnic strife fragment society and undermine democratic reform and economic sustainability. To achieve sustainable economic growth, Kenya will need to develop a political system which is fair, equitable, and transparent, and which offers an effective voice to all Kenyans, including women. USAID has designed the democracy and governance program as an exploratory "special strategic objective" which will emphasize strengthening civil society and working towards a more transparent and egalitarian electoral process.

There are several external constraints which might impede achievement of this special objective. Kenya's political system is fragile, unintegrated, and dominated by the governing Kenya African National Union Party. Since the inception of multi-party politics in 1991, progress toward a full and open democratic system has been unacceptably slow. The issue is whether donors collectively can successfully work with the Government of Kenya and civil society to assist in conducting the 1997 elections fairly.

USAID Role and Achievements to Date: Under the democracy and governance special objective, USAID will implement the Strengthening Democracy and Governance Project, the private voluntary organization (PVO) co-financing activity, and the Democracy and Human Rights Fund. USAID supports paralegal training, journalist training programs, an independent public policy research institute, and civic education and human rights awareness projects which have benefitted over 4,000 Kenyans in the last three years. It is still too early to determine the impact of this support. The PVO co-financing activity will build on the achievement of PVO Co-Financing I (1985-95), which strengthened the capacity of 27 non-governmental organizations (NGOs) and promoted NGO networks. USAID will continue to support these important efforts.

Description: This activity will focus on two intermediate results: (1) civil society strengthened, with emphasis on women's participation; and (2) an electoral process more transparent and egalitarian. USAID will advocate the suspension of laws restricting party competition and build technical know-how for legal and constitutional reform through support for NGO-based legal reform working groups. This activity will increase capacity to administer free and fair elections through civic education activities, involving local churches, and by assisting NGO-based monitoring during the campaign period and the election. In addition, USAID will work with local organizations for prevention of ethnic clashes and other social conflicts.

Host Country and Other Donors: Approximately 12 principal foreign donors and international NGOs contribute resources to democracy and governance activities in Kenya. Many of these donors look to USAID for coordination and leadership in policy dialogue and resource allocation. The World Bank contributes \$1.4 million for support to the Registrar General and Attorney General's Chamber; and the United Nations Development Program provides \$6.7 million to assist constitutional reform matters. Other donors include Finland, Austria, Germany and Switzerland.

Beneficiaries: The people of Kenya, through USAID's work with the politically active NGO community (e.g., the Law Society of Kenya, the International Federation of Women Lawyers and the Kenya Human Rights Commission), the NGO Council, the Institute for Policy Analysis and Research and the local churches, will be beneficiaries of this project.

Principal Contractors, Grantees or Agencies: To the extent possible, USAID will continue to implement this project through Kenyan NGOs. U.S. PVOs will be encouraged to enter into partnership with local NGOs in order to enhance the capacity of local NGOs and promote sustainability.

Major Results Indicators: Indicators which will measure project progress will include:

	<u>Baseline</u>	<u>Target</u>
Number of active NGOs providing providing civic education	10 (1996)	25 (2000)
Percent of parliamentary seats held by women	2% (1996)	5% (2000)
Number of NGO coalitions formed to promote conflict prevention/resolution	1 (1996)	10 (2000)
Percent of election results published on time	20% (1996)	95% (2000)
Percent of voters knowledgeable on voting procedures	5% (1996)	20% (2000)

## ACTIVITY DATA SHEET

**PROGRAM:** KENYA

**TITLE AND NUMBER:** Increase Commercialization of Smallholder Agriculture and Natural Resources Management, 615-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$7,415,987 DFA; \$4,228,000 P.L. 480, Title II

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: To increase commercialization of smallholder agriculture.

Background: The key to economic growth in Kenya lies with agriculture, which dominates the economy, providing employment for 70% of the country's work force and accounting for over one-fourth of gross domestic product. The commercialization of smallholder farmers, which comprises most of Kenya's agriculture, will require a transformation from a relatively subsistence-orientation to a market orientation.

USAID Role and Achievement to Date: USAID support for economic growth includes increased agricultural production, employment, income, and foreign exchange earnings. Between 1972 and 1993, agricultural investments by USAID in areas such as policy reform, research, education, grain storage, and non-traditional agricultural exports has contributed to growth in this predominantly agriculture-based economy. Total factor productivity in agriculture averaged 0.6% per year, a notable achievement when compared with the average for sub-Saharan Africa of 0.38% per year. Likewise, horticulture exports have been increasing annually at about 10% in recent years. USAID has been and continues to be a lead donor in microenterprise development, a sector that provides more opportunities for rural and urban labor than any other sector in Kenya. The P.L. 480, Title II food program was "suspended" in FY 1996 due to the Government of Kenya's assessment of duties and taxes on imports. We anticipate that the program will be reinstated in FY 1997, and that food assistance to the needy will continue.

Description: USAID's strategic objective will result in: increased strength and competitiveness of agricultural markets, increased services and labor opportunities for smallholders through microenterprise development, and increased growth of non-traditional agricultural exports. These results will contribute significantly to key Agency initiatives, particularly in the Greater Horn of Africa and microenterprise development. For example, USAID investments in markets and high-yielding inputs will support Kenya's role as a regional model for research and source of improved seed varieties. In addition, USAID's policy analysis will facilitate regional trade. USAID investments in non-governmental organizations (NGOs) that provide services to microenterprises include assistance to the first African microenterprise-lending NGO to become a viable banking facility, thus making it sustainable while dramatically increasing its outreach. These efforts will, in turn, contribute directly to increasing food security in Kenya and in the region. As smallholder agriculture is commercialized, agricultural productivity will increase, thereby stimulating positive growth in the agriculture sector. Such growth will, in turn, directly affect economic growth, employment creation, and income opportunities for all Kenyans.

Host Country and Other Donors: The Government of Kenya's role is to: ensure a policy/regulatory environment for growth, maintain/improve infrastructure, and develop and transfer agriculture technology. Other donors, such as the World Bank, the United Kingdom, and the European Union, will support applied agricultural research, agricultural policy analysis, sustainable financial institutions for microenterprise lending, infrastructure development, and macroeconomic stabilization.

Beneficiaries: Smallholder farmer households, who constitute 80% of Kenyan households and account for 75% of total agriculture production.

Principal Contractors, Grantees or Agencies: USAID will implement the activity through private and public

non-profit organizations, and U.S. and host country NGOs.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Percentage of smallholder maize production marketed	35% (1996)	50% (2000)
Percentage of maize/milk sales to state corporations	45%/40% (1995)	15%/25% (2000)
Employment in micro-and small-enterprises (millions)	1.2 (1994)	1.7 (2000)
Increase Non-Traditional Export earnings as a percentage of total export earnings	22% (1995)	35% (2000)

## ACTIVITY DATA SHEET

**PROGRAM:** KENYA

**TITLE AND NUMBER:** Reduce Fertility and the Risk of HIV/AIDS Transmission through Sustainable, Integrated Family Planning and Health Services, 615-S002

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$13,468,572 DFA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: To reduce high fertility and the risk of Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome (HIV/AIDS) transmission through sustainable, integrated family planning and health services.

Background: Kenya has the highest number of officially reported AIDS cases in Africa. The AIDS death toll in Kenya to date is estimated to be about 100,000 people and 2.7 million more people are expected to die from AIDS and related diseases during the next 10 years. AIDS will also impede Kenya's progress in improving child survival. Without strong HIV/AIDS interventions, we could expect a quarter of a million people to develop AIDS every year in Kenya. Within the next 10 years, the epidemic could reduce per capita income by 10% due to a staggering increase in AIDS-related health care costs, a decline in savings and a decline in formal sector employment.

The Kenyan population has grown from 8.7 million people at independence in 1963 to an estimated 27.5 million by mid-1995. Although notable progress has been made in recent years in reducing fertility, the current population growth rate, estimated at just under 3%, is still unacceptably high. Should family planning programs stall, by the year 2020 there could be 8.2 million more people to feed, educate and employ (a total projected population of 49.6 million). AIDS will likely have a significant impact on population size, but under the worst case AIDS scenario, the population growth rate would still be 1.7% per year in the year 2005.

Constraints which may impede achievement of this strategic objective include: declining public health sector resources per capita, particularly for preventive health care; demand for family planning greater than the supply of services; a lack of coordinated and comprehensive HIV/AIDS prevention programs; a dearth of cost-effective solutions to the worsening malaria problem; the persistence of significant geographic disparities in health and fertility status; inability of young adults to access information and services in order to protect themselves from unwanted pregnancies, sexually transmitted diseases (STDs) and HIV; the Government of Kenya's (GOK) high degree of dependence upon external assistance to meet public health needs; inadequate attention to sustainability; less than optimal coordination of external resources; and the existence of serious procurement and accountability problems which impede the effective use of external resources by the GOK.

USAID Role and Achievements to Date: Since 1984, USAID has been the lead donor to the Kenyan national family planning program, accounting for over one-half of annual program expenditures. USAID's financial and technical assistance has contributed to an increase in the modern method contraceptive prevalence rate among women of reproductive age -- from 9% in 1984 to 21% in 1990-1993; a decrease in the fertility rate from one of the highest in the world -- 8.1% in 1977-1978, to one of the lowest in sub-Saharan Africa -- 5.35% in 1990-1993; and a decrease in the population growth rate from 4.1% in 1980-1985 to just under 3.0% in 1994. Kenya has benefitted from USAID's technical expertise in family planning in the areas of policy; quality assurance; logistics; training; information, education and communication; research; management; clinical contraception and community-based service delivery. Since 1989, USAID has also been a lead donor to Kenya's national HIV/AIDS prevention program, providing an average of \$2.8 million annually for a private sector condom social marketing project, a public sector condom program and other AIDS prevention interventions implemented by various U.S. cooperating agencies and grantees. USAID continues to be the single most important donor to Kenya's widely-acclaimed health care financing program. Through this national policy reform initiative, more than \$12 million has been generated for public

sector facilities and primary health care services. This USAID-funded initiative serves as one of the Ministry of Health's most successful attempts to increase local level control and participation in health services.

**Description:** Under this program, resources will focus on two pre-eminent health challenges: stabilizing population growth and controlling AIDS. The activities to be supported by this project include policy dialogue, service delivery, training, limited commodities procurement and expert technical assistance. These activities are intended to: (a) expedite opportunity for replication of Kenya's successes in family planning and health care financing programs throughout Africa; (b) achieve people-level impact in HIV/AIDS prevention and disseminate the success story regionally; (c) improve child survival through targeted programs in family planning, AIDS control and malaria prevention; (d) assist selected Kenyan non-governmental organizations (NGOs) to become self-sustaining and encourage the rational growth of private sector services and insurance; (e) meet the immediate needs of over 1.5 million Kenyan women who want to protect themselves from unwanted pregnancies and sexually transmitted diseases (STDs)/AIDS; and (f) support the recent implementation of progressive GOK health policies designed to improve the efficiency, impact and sustainability of family planning and health services.

**Host Country and Other Donors:** There are about 15 donors active in Kenya's health and population sector. In addition to USAID, the major donors engaged in family planning activities are the United Nations Population Fund, the United Kingdom, Sweden, Germany, and the World Bank. In the area of HIV/AIDS and sexually transmitted diseases, donors include: the United Kingdom, Belgium, Japan, Finland, the World Bank, the United Nations Development Program and the European Community.

**Beneficiaries:** Beneficiaries under the USAID program include women of reproductive age, children under five and men.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities through the Government of Kenya, 25 international private voluntary organizations and 17 Kenyan non-governmental organizations.

**Major Results Indicators:** Indicators which will measure project progress will include:

	<u>Baseline</u>	<u>Target</u>
Cost-sharing revenue in the public sector	\$3.6 million/year (1996)	\$7.2 million/year (2000)
Contraceptive supplies maintained at service points	80%-required supplies on-hand at 60% of delivery points (1996)	90% of required supplies on-hand at 80% of delivery points (2000)
Private sector condom sales	500,000/month (1996)	1 million/month (2000)
External grant and loan resources available for family planning and HIV/AIDS activities (other donor assistance)	35% (1996)	50% (2000)
Modern contraceptive prevalence rate using modern methods	23% (1996)	31% (2000)

## LIBERIA

FY 1997 Development Fund for Africa: . . . . . \$7,500,000  
FY 1997 P.L. 480 Title II: . . . . . \$44,496,000

### Introduction.

Liberia is currently emerging from six years of a grisly civil war that devastated the country and caused an estimated 150,000 deaths. The war also resulted in the virtual total destruction of much of the nation's infrastructure, including schools, clinics, and even private dwellings. The human suffering resulting from the conflict has been enormous. An estimated 150,000 people, most of them civilians have been killed or maimed as a result of the six year civil war. Approximately 740,000 Liberians remain refugees in neighboring countries, and an estimated 1.2 million are displaced within the country or have fled to the United States. Since 1990, U.S. assistance, totaling over \$381 million through FY 1995, has centered on emergency relief efforts. Under the general coordination of United Nations (UN) agencies, USAID has concentrated on the needs of the displaced population and vulnerable groups.

Liberia has enjoyed a special relationship with the United States since it was founded by freed slaves 149 years ago. The United States has been the major provider of humanitarian relief for Liberians since the civil conflict began in 1989. Should the war continue, further de-stabilization in Liberia would occur, as well as in West Africa at large. If this continues, the United States will be called upon to continue to provide assistance to the millions of innocent victims of the war. It is in the U.S national interest to help restore democracy to Liberia in order for it to become economically viable, and reduce the need for humanitarian assistance.

### The Development Challenge.

The civil war that has wrecked this coastal state of West Africa for much of this decade is slowly coming to an end. However, the damage done to the country has been staggering. Liberia's prewar population numbered about 2.5 million people. Almost three-quarters of a million of them are now living as refugees, mostly in neighboring countries. At least one million more are internally displaced persons, many of whom have had to move several times, fleeing the fighting or the deprivation resulting from it. The war also has laid waste to Liberia's economy. Only petty commerce and the non-formal sector show any signs of vibrancy. Food production is down by 80% from pre-war levels. The country's rich natural resource endowment, including forests thick with valuable species, rubber, deposits of precious metals and minerals, plentiful rainfall, and rich topsoil, has fared better during the crisis, although the warring factions have exploited those natural resources in their territories, often profligately. Before the war, however, Liberia had shown real sustainable development promise, and with peace near, could become one of Africa's better performing developing states.

After six years of war, a new peace agreement was signed on August 19, 1995, by leaders of the three main warring factions and the Liberian National Transitional Government (LNTG). Under the Abuja Accord, the 13th such agreement, a new transitional government (LNTG II) and a Council of State, which includes the three main faction leaders plus three civilian representatives, were installed in September 1995 and a timetable for carrying out disarmament, demobilization and election was established. Recent events in Liberia point out the fragileness of the process and the fact that some faction leaders have not fully committed themselves to peace. In a bold effort to restore peace, the Economic Community of West African States (ECOWAS) peacekeeping group (ECOMOG) redeployed throughout Monrovia to disarm fighters and restore calm in the city. The U.S. is encouraged by these developments and continues to urge all factions to implement recommendations made by the ECOWAS Council of Ministers at the May 8 Summit in Accra, Ghana. These include: an immediate ceasefire, withdrawal of all fighters and weapons from Monrovia, and the return of Monrovia as a safehaven for the civilian population. The United States strongly condemned the recent factional fighting in Monrovia, which threatened to unravel the Abuja Peace Accord.

Liberia has been in continuous arrears to the International Monetary Fund since December 1984. The country was declared ineligible to use the general resources of the Fund and its right to use Special Drawing Rates (SDRs) was suspended on January 24, 1986. Liberia's arrears to the Fund as of February 1996 were \$239.7 million and \$13.3 million to the International Bank for Reconstruction and Development and the International Development Association, respectively. Its combined arrears to three institutions under the African Development Bank were \$140.7 million as of December 31, 1994. Because Liberia's debt problems are many and complex, the World Bank and the United Nations Development Programme (UNDP) have carried out a number of assessments to determine how to assist the country. In the interim, the UNDP is providing \$5 million to help restart Liberia's economy and to attract other investors.

#### **Other Donors.**

The only other major donor active in Liberia is the European Union (EU), which has a coordination office in Monrovia and an assistance program for the country totalling about \$26,000,000 in FY 1996. USAID and the EU are working hand-in-hand in country, particularly on resettlement and reintegration programs but also in humanitarian assistance efforts. Other donors include the British who will provide communications equipment for use during disarmament; the French pledged approximately \$3 million to help establish a community/demobilization center; the Japanese plan to provide approximately \$7 million in food assistance; and the Canadians pledged approximately \$14 million for humanitarian assistance and food aid.

#### **FY 1997 Program.**

The current USAID program came into being as a response to the emergency conditions of the civil war. The goal of U.S. policy and assistance to Liberia has been to seek a return to peace and the installation of a democratic form of government, while simultaneously providing relief for the victims of the civil war. USAID is developing a two-year post-crisis transition strategy, to be implemented in FYs 1997-98. Plans are to build on the partnership that has already been established with the international and local private and nongovernment organizations already working in Liberia. In order to consolidate the transition from emergency to recovery, USAID will implement reintegration/recovery and democratization programs.

USAID's proposed strategy for helping Liberia make a successful transition from post-war crisis and disaster relief to socio-economic recovery and sustainable development concentrates on reintegrating communities through reviving productive sector activities, particularly in agriculture, and fostering democratic processes at both the national and local levels. In the short run, demilitarizing the country and restoring stability will promote U.S. humanitarian and related interests of resolving the conflict, reduce human suffering and help get the country back on its feet. In the longer run, peace and recovery will reduce Liberia's destabilizing influence on the region and put the country on a sustainable development path.

#### **Agency Goal: Building Democracy**

Since FY 1992, the Carter Center of Emory University has implemented activities dealing with civic, human and women's rights issues, peace building, and conflict resolution. In FY 1994, a grant was provided to the International Foundation for Election Systems (IFES) to assist Liberia prepare for national elections. The Elections Assistance project was put on hold, however, shortly after the grant was awarded because the civil war resumed. Over the life of the grant, the Carter Center has carried out a number of democratization activities which include: (a) the establishment of the Liberian Network for Peace and Development (LNPD), comprised of indigenous nongovernmental organizations working to revitalize civil society at the grassroots level; (b) the promotion of conflict resolution, mediation, and reconciliation, primarily through Liberian nongovernmental organizations, and (c) support to the Election Commission, the United Nations Development Programme, the United Nations Observer Mission in

Liberia, the International Foundation for Elections Systems, and others working on preparations for a national election. The proposed program aims to consolidate the achievements made to date by the Carter Center grant in these areas and to introduce media campaigns in support of reconciliation, human rights, democracy, and post-election democratic consolidation. The Foundation will establish an office in Liberia in late 1996 to assist the Liberia Elections Commission to prepare for national elections.

- **Strategic Objective 1:** Successful Democratic Transition Including Free and Fair National Elections

**Agency Goal: Providing Humanitarian Assistance**

USAID has developed a strategy for establishing a community-based reintegration program which is a crucial step in Liberia's transition from civil war to peace and recovery, using funding from a variety of accounts, including those managed by USAID's Office of Food for Peace, Office of Disaster Assistance, Office of Transition Initiatives, the Global Bureau, and the Africa Bureau. The program provides grants to international nongovernmental organizations and United Nations agencies to establish eight area reintegration and development centers (ARDCs) to facilitate community revitalization and reassimilation, primarily through implementing projects based on local initiatives. In the process, the ARDCs will promote the establishment of decentralized local administrative structures that accommodate community participation and self-reliance. Another component of the reintegration program is vocational training for ex-combatants, returning refugees and those displaced in country. The strategic objective of using humanitarian assistance and other funds to support the transition from relief to recovery in Liberia also is supported by community reintegration projects designed to provide trauma counseling and nonformal education training for child soldiers, orphans and other children severely affected by the crisis. Finally, this objective is pursued through disaster relief grants and a P.L. 480 Title II program in which Catholic Relief Services, which is the cooperating sponsor, provides targeted food aid for distribution at the community reintegration centers. The reintegration program will provide continuing support for the key components of the community demobilization program through a private voluntary organization umbrella grant.

- **Strategic Objective 2:** Successful Transition from Relief to Recovery through a Community Reintegration Program

**LIBERIA  
FY 1997 PROGRAM SUMMARY**

	Encouraging Broad-based Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	TOTALS
<b>USAID Strategic Objectives</b>						
<b>1. Successful Democratic Transition Including Free and Fair National Elections - Dev. Fund for Africa</b>				4,000,000		4,000,000
<b>2. Successful Transition from Relief to Recovery through a Community Reintegration Program -Dev. Fund for Africa - PL 480 Title II</b>					3,500,000 44,496,000	3,500,000 44,496,000
<b>Totals - Dev. Fund for Africa - PL 480 Title II</b>				4,000,000	3,500,000 44,496,000	7,500,000 44,496,000

USAID Representative: Lowell E. Lynch

## ACTIVITY DATA SHEET

**PROGRAM:** LIBERIA

**TITLE AND NUMBER:** Democratic Transition Support, 669-S001

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$4,000,000 DFA

**INITIAL OBLIGATION:** FY 1997; **ESTIMATED COMPLETION DATE:** FY 1998

**Purpose:** To enable a successful democratic transition in post-crisis Liberia, including post-election consolidation of democratization gains.

**Background:** The Liberian civil war, even with all its horrors, offers an opportunity to carry out a political reconstruction process based on the establishment of democracy and good governance. The faction leaders have agreed that a democratic national election is to be an integral part of the transition from civil crisis to recovery. The power-sharing governance arrangements incorporated in the two Liberian National Transitional Governments, while clearly far from perfect, have at least raised questions about the country's pre-war political processes and systems. The war also has exacerbated existing political problems and created new ones, however. Establishing real democracy and good governance will be a major challenge. In the crisis to date, USAID/Liberia has provided democratization through grants to the Carter Center of Emory University and the International Foundation for Election Systems.

**USAID Role and Achievements to Date:** USAID's support includes rebuilding civil society, promoting conflict resolution, mediation, and reconciliation, conducting media campaigns on democracy and human rights, and providing support for elections. The Carter Center grant has made several important contributions to the search for peace and to the beginnings of a democratic transition in Liberia: Senior officials at the Carter Center have participated in several negotiating conferences and other aspects of the peace process. The Carter Center was instrumental in the creation of the Liberian Network for Peace and Development, a consortium of 20 Liberian nongovernmental organizations collaborating on specific projects to encourage demilitarization, reintegration of soldiers into civil society, trauma counseling, and reconciliation. The Carter Center underwrote the attendance of the Liberian Interfaith Mediation Committee at the peace talks in Cotonou, Benin, in July 1993. Six Liberian NGO representatives were sponsored to attend a training and workshop program in Atlanta in October 1993. A peace-building workshop was conducted in Akosombo, Ghana, that led to the creation of the Liberian Initiative for Peace-Building and Conflict Resolution, a Liberian group composed of civic leaders and key players from the major warring factions. The group played an active role in organizing the 1994 Liberian National Conference, and facilitating development of community policing in 1995. The Carter Center organized a mission in July 1994, led by Archbishop Desmond Tutu of South Africa, to encourage Liberian leaders to redouble their efforts in the peace process. In addition, former President Carter has effectively intervened at various levels to promote the peace process. IFES will provide technical assistance to the Election Commission in preparations for a national election as stipulated by the Abuja peace agreement.

**Description:** The eventual holding of free and fair elections is the most critical political benchmark that will help determine the transition of Liberia away from its long civil crisis to a national society with a legitimate order.

Following national elections, USAID will focus on four areas: conflict resolution, mediation and reconciliation; human rights; and post-election democratic consolidation. Funding is to be channeled through U.S. nongovernmental organizations. Activities will include: (a) seminars and workshops to continue pre-electoral efforts to build a vigorous civil society; (b) technical assistance to Liberian civic

organizations that play a continuing role in overseeing the work of governmental institutions and in improving aspects of the new democracy such as the electoral system; and (c) sponsoring meetings of international investors and development agencies to generate interest in and support for Liberia's economic recovery program.

By strengthening local NGOs and mobilizing them in various Liberian communities, citizen activism and self-governance in civil society will be enhanced. The expected result is an increase in social capital of local government structures, and an enhancement of their legitimacy.

Host Country and Other Donors: The United Nations Development Programme is planning to provide funding and technical assistance for the national election and may also contribute to post-election democracy and governance activities. The only other major donor in country is the European Union, which is planning to provide funding for the elections. Other donors, including the Danish and Canadians, have been approached and are considering providing funds for the elections. The Liberians will pay the salaries of the Elections Commission staff and provide some technical assistance.

Beneficiaries: Local NGOs and other organizations constituting civil society will be the main direct beneficiaries. The ultimate beneficiaries will be the people of Liberia.

Principal Contractors, Grantees, or Agencies: USAID will implement these activities through several U.S. private and nongovernmental organizations, including the Carter Center, the International Foundation for Elections Systems, the National Democratic Institute, the African American Institute, and the Friends of Liberia.

Major Results Indicators:

	<u>Baseline 1</u>	<u>Targets 1</u>
To be established	TBD	TBD

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<sup>1</sup> To be determined.

## ACTIVITY DATA SHEET

**PROGRAM:** LIBERIA

**TITLE AND NUMBER:** Community Reintegration Assistance, 669-S002

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,500,000 DFA  
\$44,496,000 P.L. 480 Title II

**INITIAL OBLIGATION:** FY 1997; **ESTIMATED COMPLETION DATE:** FY 1998

**Purpose:** To enable a successful transition from relief to recovery in post-crisis Liberia by supporting resettlement and reintegration of internally displaced persons, ex-combatants and refugee-returnees into their home communities upcountry.

**Background:** Thousands of Liberians have been dislocated and most of the country outside the capital city of Monrovia was devastated by the six-year civil war. The humanitarian assistance during the crisis has been intended to reduce the dislocation and other suffering resulting from the conflict. Now that a peace process is under way, the focus of our assistance needs to shift to aiding the transition to rehabilitation, recovery and, ultimately, sustainable development. Pre-war Liberia was essentially an agrarian society and economy. Rural resettlement and reintegration, primarily through investments in community-based, productive-sector micro-projects up-country, are crucial to peace, stability, and recovery. Support for the resettlement and reintegration effort will be the main thrust of USAID programs for FY 1997 and the medium term thereafter.

**USAID Role and Achievements to Date:** Under the community-based resettlement and reintegration program, four international nongovernmental organizations (NGOs) and one United Nations agency are to establish eight area reintegration and development centers (ARDCs) upcountry to facilitate community revitalization and reassimilation, primarily through the implementation of "micro-projects" based on local initiative. The USAID/Liberia portfolio includes other programs that complement the ARDC program. Those programs include war victims and vocational training projects, food aid, and disaster relief grants for emergency health care, water, sanitation, and seeds and tools distribution.

**Description:** In FY 1997, USAID will concentrate on the resettlement and reintegration effort. That effort will include a national micro-projects program to fund small-scale, labor-intensive, capital-saving projects that are identified, designed and implemented by communities upcountry. The micro-projects will include clearing of farm-to-market roads, establishment or rehabilitation of marketplaces, building or repair of schools, and refurbishing of health clinics. The reintegration portfolio also will include a continuation of support for war victims, including child soldiers and those crippled during the war or who have polio which is implemented by the United Nations Children Fund through Liberian nongovernmental organizations. These programs target youth ages 8-17 and include trauma counselling, nonformal education, and family tracing; the vocational training program includes family tracing and trauma counseling, targets youth ages 18-24, and is implemented by the Opportunities Industrialization Centers (OIC). An evaluation of the war victims projects will be carried out in mid-FY 1996 to identify areas in which the program can be expanded. USAID will continue to help revive agricultural production through provision of seeds, fertilizer, tools, and technical assistance. Current seeds and tools activities are implemented by the Catholic Relief Service, Africare, and Lutheran World Service. USAID will continue to channel assistance through international nongovernmental organizations and United Nations agencies.

**Host Country and Other Donors:** The European Union is a full partner in the resettlement and reintegration program, serving as the sponsor of four of the 12 area centers. In addition, the French,

Japanese, and Canadians have pledged to assist with reintegration. The United Nations Development Program also is planning to provide funding for the national micro-projects program and to other components of the reintegration program.

**Beneficiaries:** Communities, local NGOs, and other organizations constituting civil society up-country will be the main direct beneficiaries. The ultimate beneficiaries will be the demobilized ex-combatants, the resettled internally displaced persons, and the repatriated refugee-returnees.

**Principal Contractors, Grantees, or Agencies:** USAID will implement these activities through grants to several U.S. and other expatriate NGOs, international organizations, and UN agencies, including such organization as the Catholic Relief Service, Lutheran World Service, Africare, Opportunities Industrialization Centers International, the United Nations Children's Fund, Save the Children, and World Vision.

**Major Results Indicators:**

	<u>Baseline 1</u>	<u>Targets 1</u>
To be established.	TBD	TBD

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<sup>1</sup> To be determined.

## MADAGASCAR

FY 1997 Development Fund for Africa: ..... \$18,748,772  
FY 1997 P.L. 480 Title II: ..... \$3,624,000

### Introduction.

Madagascar, the world's fourth largest island with a population of 13.25 million, is a paradox of poverty and promise. One of the world's poorest nations with a per capita gross national product (GNP) of \$223 per year, Madagascar has moved peacefully from a dictatorship to a multi-party democracy, while making important strides toward a liberalized, market economy. Supporting these positive trends, the USAID program aims to accelerate economic growth by stimulating private investment and employment and by balancing population growth with the country's unique natural resources.

Assistance to Madagascar supports United States interests by promoting free enterprise, opening new or formerly protected markets for American firms (e.g., tourism, exotic natural materials) and U.S. products (e.g., telecommunications, construction and agriculture); fostering democratic values and institutions; and preserving one of the planet's most exceptional sources of biodiversity, where 80% of the flora and fauna are found only in Madagascar and whose agricultural, pharmaceutical, and commercial potential still is neither fully known, nor even partially exploited.

### The Development Challenge.

Madagascar is a rural, subsistence agricultural society where rice is the heart of the economy, diet and culture. High population growth at 2.8% contributes to the relentless decline in the standard of living, while severely threatening Madagascar's rich and unique ecology. Indeed, with half the households now below the poverty line, widespread poverty itself has become a serious threat to the fledgling democracy. Fifty-one percent of children under five are chronically undernourished. Infant and child mortality is also high at 163 per 1,000 live births. Forty-five percent of the population is under 15. These factors produce a high labor-force growth rate and increasingly high unemployment levels.

This bleak picture is in striking contrast to the country's rich resource base. The adequate rainfall, reasonably good soils, agro-climatic variation, mineral wealth and good education levels found in Madagascar are inconsistent with the World Bank's 1995 World Development Report which ranks Madagascar as the 13th poorest country out of 132 nations and with the degree of abject poverty evident everywhere.

Transformation to a market economy began toward the end of the socialist dictatorship. Between 1986 and 1990, the economy grew by 13%. The transition to democracy followed in 1991. Four free-and-fair elections later, Madagascar has an invigorated civil society and an improved human rights record, but the institutions and traditions of a democratic market economy, such as an independent judiciary and rule of law, are in their infancy. However, the successful democratic transition was not costless as the economy declined, further increasing poverty. Since 1994, the Government of Madagascar (GOM) has carried out several difficult reforms, but a coherent macroeconomic reform program is still hostage to political infighting, institutional immaturity and individual self-interest.

Madagascar's main debt accumulation occurred in the 1980s. External debt was \$5 billion in 1995, leading to a crushing debt service equal to 57% of export receipts. In the face of a stalled economy, Madagascar suspended and is seeking to reschedule debt service payments. The U.S. Government provided debt relief for Title I food in 1992. Because of its extreme poverty and lack of viable institutions, Madagascar is not an early candidate for graduation from development assistance.

### **Other Donors.**

In FY 1994, the United States provided about 7.6% of all donor assistance to Madagascar, in addition to France (31.9%), International Development Association (18.5%), Japan (11.9%), Economic Development Fund (8.5%). Currently, major donors include the World Bank, France, the European Union, Switzerland, the United Nations, Italy, Germany and Japan.

### **FY 1997 Program.**

USAID assistance supports Madagascar's efforts to redress its poverty through accelerated economic growth in the near term, while addressing two longer-term challenges: natural resource degradation and high population growth.

To restart economic growth, USAID is working on financial, marketing and legal systems and institutions. USAID's purpose is to open access to poor people and to micro and small businesses. USAID provides business and financial services and helps firms identify new markets and business opportunities in agricultural production and processing, leading to higher productivity and incomes in two neglected, but high potential regions. USAID also supports farm-to-market road rehabilitation by small, local contractors and with maintenance by local citizens. USAID works nationally with non-governmental organizations (NGOs), with women's groups, and with human rights groups, and business and civic organizations to strengthen civil society and democratic participation.

To sustain economic growth, establishing a balance between population growth and natural resource use is vital. The primary threat to long-term economic growth in Madagascar is the persistence of traditional, extensive agricultural and land management practices which are inappropriate in the face of increasing population pressure on the land.

To reduce natural resource degradation and advance the U.S. Government's goal to preserve biodiversity, USAID was a founding member and is the biodiversity leader in Madagascar's innovative, 15-year Environmental Action Plan (EAP) -- Africa's first. USAID is a partner with international and local environmental NGOs to: conserve biodiversity within Madagascar's national parks, improve the management of national parks and forests, encourage environmentally-sound income-producing activities for the rural poor, and strengthen Malagasy natural resource management institutions.

High population growth is a major contributor to the country's declining standard of living. USAID strategy will reduce the total fertility rate to take pressure off the country's natural resource base. USAID supports a rapid expansion of culturally acceptable family-planning and child-survival services throughout Madagascar.

A plan will be developed over the next year to reduce the USAID program in Madagascar. The program currently addresses four goals. Over the next three years, the program's focus on Economic Growth will be reduced.

USAID expects to remain engaged in Natural Resources Management, Family Planning and Child Survival and Democracy and Governance. The USAID Mission currently has 13 direct hire employees; this presence will be reduced by roughly one half.

### **Agency Goal: Encouraging Broad-based Economic Growth**

Madagascar's widespread poverty can be alleviated only by rekindling economic growth and creating jobs for the rapidly growing labor force. USAID strategy combines financial market reform and Government policy changes to create an overall environment which will encourage private sector investment and growth. At the same time, lack of market access for high-potential, but neglected, agricultural zones has restrained Madagascar from producing the agricultural surpluses needed to raise incomes and to sustain higher

economic growth rates. Agricultural productivity is limited by the lack of technology and inputs, while marketing is constrained by inadequate transportation and communication infrastructure. By increasing access to domestic and international markets for these high potential zones, USAID will help raise small farmer incomes and boost the sales and employment of rural small and medium-sized agribusinesses.

Since 1994, USAID's financial market reform efforts have achieved a steady stream of successes. For the National Savings Bank (NSB), they include a major restructuring, independent management and repayment of a long-standing debt of \$1.5 million by the GOM. The NSB was profitable in 1995 for the first time in recent history as it provided better services and increased interest rates for customers. The number of depositors grew from 254,770 in September 1993, to 323,863 by September 1995. The Central Bank improved its monetary-policy management as inflation was reduced from 55% in 1994 to 37% in 1995. USAID also promotes commercial law reform and increased civil-society participation in public policy debates. The GOM has requested USAID's help in modernizing the legal and judicial framework to encourage private sector growth. Finally, civic organizations are seeking USAID assistance to become more effective advocates in the public policy arena.

USAID commercial agricultural promotion efforts are also showing results. More Malagasy agribusinesses are purchasing U.S. agricultural and manufacturing equipment. USAID rice-research shows that new rice seed varieties can double yields without fertilizer and achieve 300-400% increases with fertilizer. USAID assistance led to sales of \$5.9 million in non-traditional exports to South Africa, Europe and the United States in the past two years.

Inadequate transportation infrastructure is a major rural constraint to development. By increasing market access of high potential zones, USAID will quickly help raise small farmer incomes and boost rural sales and employment. USAID will rehabilitate 170 miles of farm-to-market roads in 1996, opening highly productive areas for the first time in decades.

- Strategic Objective 1: Establish Competitive Market Environment for Micro and Small Firms
- Strategic Objective 2: Increase Market Access for Neglected Regions

#### **Agency Goal: Protecting the Environment**

Madagascar's natural resource base is seriously threatened by human poverty and unsuitable government policies. Slash-and-burn agriculture has destroyed over 80% of the tropical forest cover, and the resulting greenhouse gases impact negatively on global climate change. Soil erosion is among the worst in the world. An estimated 80% of Madagascar's species are found nowhere else on earth. The destruction of this treasure trove of biodiversity, the loss of habitat and the extinction of rare plants and animals are of global concern, most critically with regard to new genetic materials needed for advances in medicine and agriculture.

To preserve this unique heritage of biodiversity, USAID partners show local people alternative income-producing activities which reduce pressures on the rain forests. Rural people are being taught how to manage their natural resources in non-destructive and sustainable ways. USAID-funded efforts build the capacity of local communities and help change policies which empower local populations. For example, local community groups now receive 50% of park-entry receipts and a share of forest-cutting fees. USAID support has created Madagascar's first environmental impact assessment law, and has established an innovative private environmental foundation. A debt-swap supports agro-forestry and tree planting and has reduced uncontrolled burning by 71% from 1991 to 1995.

USAID supports the Malagasy EAP through innovative activities which maintain biodiversity and strengthen national and local institutions responsible for natural resource management. USAID support has expanded the amount of land under protection and developed Madagascar's first National Parks Service. Using sophisticated spatial analysis, including geographic information systems, of the pressures on these parks,

USAID partners, including Peace Corps, PACT, Conservation International, World Wildlife Fund, Cooperative for American Relief Everywhere (CARE), Wildlife Conservation Society, and universities such as Cornell and State University of New York/Stonybrook, are decreasing destructive practices and making local populations responsible for sustainable resource use. Activities with the Malagasy Forest Service have doubled its field presence by adding 400 field agents, set market rates for valuable tropical hardwoods, increased revenue to the National Forestry Fund by seven-fold in 1995, and developed participatory forest-management plans which involve local beneficiaries in forest management. Also, revenue-sharing with local populations increased 47% in protected areas in 1995, while tourist visits to parks and reserves increased by 111%.

The EAP second phase starts in 1996 and USAID will again be a major financial and technical contributor. USAID support will further shift management responsibility to Malagasy institutions, expand local participation, increase ecotourism and private sector involvement, and encourage Madagascar's strong commitment to the country's expanded National Parks system.

● **Strategic Objective 3: Reduce Natural Resources Depletion in Target Areas**

**Agency Goal: Stabilizing World Population and Protecting Human Health**

At Madagascar's current annual population growth rate of 2.8%, the population of 12.2 million (1993) will double by the year 2018. This poses a serious development obstacle as the island's carrying capacity is limited by low agricultural productivity. Such growth also requires unprecedented increases in jobs, health care services and schools, none of which meet present needs. The 1992 Demographic and Health Survey confirmed that Madagascar meets all the criteria for selecting a population and health strategy focus. The USAID program focuses on the rapid expansion of family planning, with an increasing emphasis on child survival. Increased access to quality family planning and child survival services together will lead couples to desire fewer births. Quality family planning services and fewer children dying in infancy should decrease the number of children that couples have.

USAID's support responds to the priorities of the GOM and its people. Madagascar's National Population Policy (NPP) calls for a reduction in fertility, increased access to family planning services, and improvements in child survival. The NPP was developed by representatives of non-governmental organizations (NGOs), religious groups, and GOM agencies from many different sectors. Over the last three years, government and non-government representatives have demonstrated their interest and support not only by participating in USAID-financed activities, but also by playing lead roles in coordination, monitoring and service delivery.

USAID interventions have increased availability and use of modern contraception, enabling women to reduce the number of unwanted births and, therefore, improve reproductive health. Increased availability and use of condoms supported by USAID will also reduce the risk of contracting the Human Immunodeficiency Virus (HIV) and sexually transmitted diseases for men and women.

By 1992, earlier USAID family planning support had contributed to a dramatic drop in the average number of children born per woman, to 6.1. Current efforts have expanded the volume of activities and range of approaches. Contraceptive protection provided through the public and NGO sectors has increased from 124,000 couple-years of protection in all of 1994 to 136,000 in the first half of 1995 alone. The number of sites providing family planning services has increased seven-fold, from 72 in 1987 to 492 in 1995. A recent world-wide audit of USAID population programs by the Inspector General's Office found that the USAID exceeded planned outputs in six of eight performance indicators.

USAID is supporting Malagasy child survival efforts to increase the use of effective child survival practices and services. Program interventions focus on an integrated approach toward the major causes of childhood death and disease: diarrheal disease, poor nutritional practices, acute respiratory infection, and lack of

essential immunizations. USAID child survival activities will focus heavily on the family and on local communities, encouraging those who care for children to know how to prevent illness and what to do in case of sickness.

The major challenge for FY 1997 and beyond is to further expand the number of sites providing quality family planning and child survival services, increasingly in the rural areas, while enhancing local capacity to provide these services. The significant impact to date in this entire sector reinforces broader interest and will support greater success.

- **Strategic Objective 4: Reduce Total Fertility**

**Agency Goal: Building Democracy**

Stability, greater participation, accountability, rule of law and decentralized decision-making are all necessary to attain USAID's goal of broad-based, market-led sustainable economic growth in Madagascar. Under the headings of democracy and improved governance, USAID will undertake activities in accountability and transparency; information, openness and free press; rule of law and legal reform; and effective civil society within an expanded public policy dialogue. These activities are interrelated and will be found throughout the USAID program. Specifically, USAID will increase support for democratic institutions by improving the capacity and the role of civil society in the public policy arena, through assistance to the National Assembly, by supporting legal and judicial reform, and by increasing financial accountability and transparency. USAID encouraged the Government of Madagascar to establish a Commercial Law Reform Commission. Last December, the Prime Minister created the Commission by executive order. Over one hundred Malagasy judges and lawyers have been trained in free-market based legal systems.

- **Strategic Objective 1: Establish Competitive Market Environment for Micro and Small Firms**

**Agency Goal: Providing Humanitarian Assistance**

USAID's Title II program, locally managed by Catholic Relief Services (CRS), reached approximately 78,000 beneficiaries participating in maternal child health, school feeding and general welfare programs in 1995. CRS has redefined its country program structure by decentralizing responsibility for program management and developing plans for a Food Assisted Child Survival/Focused Nutrition Program. This new approach features resource targeting to high-risk children under two and pregnant women, and community-based programs, both of which offer tremendous potential for enhanced program impact. In addition, data from the 1995 Knowledge, Practices and Coverage survey suggest that the mothers who participate in the CRS Title II program have a higher level of knowledge and employ better health practices than non-participating mothers. When compared to data for the 1992 Demographic and Health Survey for Madagascar, participating mothers use oral rehydration therapy more frequently for a child suffering from diarrhea (40% versus 29%); are more likely to have a child immunized against measles (65% versus 54%); and are more likely to have at least two tetanus injections prenatally (94% versus 44%). Although the results from these two surveys are not completely comparable, they strongly suggest that the child survival activities associated with the Title II program are improving the health status of Malagasy children.

- **Strategic Objective 4: Reduce Total Fertility**

**MADAGASCAR  
FY 1997 PROGRAM SUMMARY**

	Encouraging Broad-based Economic Growth	Stabilizing World Population Growth & Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	TOTALS
<b>USAID Strategic Objectives</b>						
1. Establish Competitive Market Environment for Micro and Small Firms - Dev. Fund for Africa	1,000,000			1,122,800		2,122,800
2. Increase Market Access for Neglected Regions - Dev. Fund for Africa	1,339,800					1,339,800
3. Reduce Natural Resource Depletion - Dev. Fund for Africa			7,796,600			7,796,600
4. Reduce Total Fertility - Dev. Fund for Africa - P.L. 480, Title II		7,489,572			3,624,000	7,489,572 3,624,000
<b>Totals</b> - Dev. Fund for Africa - P.L. 480, Title II	2,339,800	7,489,572	7,796,600	1,122,800	3,624,000	18,748,772 3,624,000

USAID Mission Director: Donald R. Mackenzie

## ACTIVITY DATA SHEET

**PROGRAM:** MADAGASCAR

**TITLE AND NUMBER:** Establish Competitive Market Environment for Micro and Small Firms, 687-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,122,800 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: Foster an environment in which private competitive markets can flourish.

Background: The standard of living in Madagascar is lower than it was twenty years ago as a result of a prolonged period under a socialist dictatorship. A democratically-elected government has been in place since 1993, but much of the policy and regulatory structure of the socialist era has yet to be replaced by a modern framework which supports and encourages private initiative.

USAID Role and Achievements to Date: USAID has concentrated on the financial sector where we support a revitalized, financially strong National Savings Bank and a strengthened and independent Central Bank. The National Savings Bank mobilizes private savings and investment and is the only financial institution serving low-income households throughout the country. The number of depositors has increased by 70,000 since U.S. assistance began in 1993 and deposits are two-and-a-half times higher. Despite high budget deficits, the Central Bank has used prudent monetary policies to reduce annual inflation from 55% at the end of 1994 to 37% at the end of 1995 and to meet monthly monetary growth targets agreed to with the International Monetary Fund.

Description: USAID focuses on three activity areas: commercial law reform; financial sector modernization; and broader participation by citizens in the public policy arena. The first activity responds to the desire of the business community to have access to a judicial system that will provide swift and fair treatment. In FY 1996 and FY 1997, USAID efforts will publish legal texts which are currently unavailable to judges and lawyers, train Malagasy judges and lawyers in commercial law, and provide expert assistance in legal reform and court administration. The second area is implemented through the Financial Market Development program. The variety and quality of financial services offered to low-income households has expanded and these service improvements will continue. In the third area, under the Participation and Poverty program, USAID will improve the ability of civil society groups to represent the interests of their members in public policy arenas and to become more active advocates of those interests. USAID will involve groups currently excluded from public policy debates. Support will also be provided to Government specialists to improve the quality of policy analysis.

Host Country and Other Donors: As a condition for USAID assistance for the National Savings Bank, the Government of Madagascar (GOM) recapitalized the National Savings Bank with a \$1.5 million transfer. The GOM also agreed to tie the rate of interest received by the Bank on its deposits at the Treasury to the Treasury Bill rate. This action increased Treasury interest payments to the Bank by \$775,000 in 1995, much of which went to depositors through higher interest rates. The World Bank provides assistance to privatize two state-owned banks, strengthen the Bank Supervisory Board, and computerize the Central Bank. USAID and the World Bank are jointly supporting commercial law reform.

Beneficiaries: All Malagasy households and businesses will benefit from an improved policy environment and an improved judicial system, except those who are able to take advantage of current weaknesses in public administration and the legal system for personal gain. Civil society groups around the country will benefit from increased capacity and increased advocacy.

Principal Contractors, Grantees, or Agencies: USAID implements current activities through a minority-owned U.S. firm and local training institutions. Future activities will be implemented through a U.S. university, a U.S. private voluntary organization, local non-government organizations and U.S. firms.

Major Results Indicators:

	<u>Baseline<sup>1</sup></u>	<u>Target<sup>1</sup></u>
Deposits at National Savings Bank	\$3.25 million (1992)	\$9.50 million (1997)
Number of depositors	254,770 (1992)	428,000 (1997)
Backlog of commercial court cases	1,053 (1994)	TBD
Increased number of civil society groups as active advocates in public policy arena	TBD	TBD

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<sup>1</sup>To be determined.

## ACTIVITY DATA SHEET

**PROGRAM:** MADAGASCAR

**TITLE AND NUMBER:** Increase Market Access for Neglected Regions, 687-S002

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,339,800 DFA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2004

Purpose: To increase access to domestic and international markets for high potential but neglected regions.

Background: Lack of market access for high-potential, but neglected agricultural zones has restrained Madagascar from producing the agricultural surpluses needed to raise incomes and to sustain higher economic growth rates. Agricultural productivity is limited by the lack of technology and inputs while marketing is constrained by inadequate transportation and communication infrastructure. By increasing the access of high potential zones to domestic and international markets, USAID will help raise small farmer incomes and boost the sales and employment of rural small and medium agribusinesses.

USAID Role and Achievements to Date: USAID supports the revitalization of agricultural markets in the neglected regions to generate sustainable economic growth. USAID is also working with the private sector to ensure that farm households and small agribusinesses have the resources to sustain increases in commercial production and marketing activities. The major commercial agricultural promotion activity under this strategic objective started in September 1994. Through an input supply fund, Malagasy firms import and use U.S. equipment, materials and commodities in their agricultural marketing activities. USAID is currently awaiting delivery of Chevrolet trucks, Caterpillar equipment and John Deere tractors totaling \$513,000. As a result of targeted USAID assistance, 62 agribusiness clients are increasing production and marketing and improving product quality. During the 1995-96 dry season, USAID funded the rehabilitation of 78 miles of farm-to-market roads, opening up rich agricultural production areas, many for the first time in decades. Farmers have reported on national radio that the prices for their products have improved substantially because of better market access due to USAID road rehabilitation. These producers have formed local associations to ensure maintenance of the roads.

Another USAID activity has shown farmers that new rice seed varieties can double yields without fertilizer and achieve 300-400% increases with fertilizer. Nine new varieties of rice have been released for public use since 1994 and three new varieties resistant to the Rice Yellow Mottled Virus will be released in 1997. The ongoing non-traditional, agricultural-export effort has clearly demonstrated that rural-based enterprises can generate production and sales with appropriate technical assistance and market information. During the last two years, these activities have led to direct sales of \$5.9 million by bypassing traditional export brokers and developing South Africa, Europe and the United States as alternative markets for Malagasy agricultural products.

Description: USAID's commercial agricultural promotion program will: (a) help rural small and medium agribusinesses expand operations and improve productivity; (b) find new domestic and international markets for Malagasy agribusinesses; and (c) rehabilitate 437 miles of farm-to-market roads in two neglected but high-potential zones. Private importers pay in local currency for the equipment, materials and supplies made available through our input supply fund. That local currency is then programmed, with the Government of the Republic of Madagascar (GOM), to fund contracts with local construction firms to rehabilitate farm-to-market roads. Labor-intensive methods of road rehabilitation provide an additional source of income to farmers in the target areas and give them the training needed to undertake basic road maintenance as well.

Host Country and Other Donors: The World Bank and the European Union will construct and/or rehabilitate key primary and secondary roads into which the USAID farm-to-market roads will feed. In addition, Japan provided \$1 million to help fund the rehabilitation of selected USAID rural roads in 1995-96. USAID is

exploring additional financing from Japan and the European Union for 1996-97. The World Bank and France also support institutional strengthening and urban infrastructure in four urban areas within USAID's two high potential zones. The GOM contribution involves local currency for road contracts, managing the local-currency fund, and helping with technical oversight of road rehabilitation activities. Private sector contributions from Malagasy firms include funding of complementary road maintenance works and monetary as well as in-kind contributions toward the cost of technical assistance and training offered under this strategic objective.

Beneficiaries: Agribusinesses and rural producer associations in the high potential zones of Mahajanga and Fianarantsoa provinces, exporters of non-traditional products, and the import-export centers of Antananarivo and Tamatave.

Principal Contractors, Grantees, or Agencies: USAID implements activities through two U.S. firms, three Malagasy sub-contractor firms, and the International Rice Research Institute.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Volume production of key indicators products (tons)	698,218 (1992) <sup>1</sup>	1,040,000 (1999)
Total petroleum sales in Fianarantsoa and Mahajanga (liters)	67.01 million <sup>2</sup> (1992)	155.0 million (1999)
Number of annual truck registrations in Fianarantsoa and Mahajanga	3,238 units <sup>3</sup> (1992)	4,260 units (1999)
Export of spices and essential oils	\$6.1 million (1992)	FMG 30 Billion (1999) <sup>4</sup>

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<sup>1</sup> Source: GOM Ministry of Agriculture

<sup>2</sup> Source: GOM National petroleum company

<sup>3</sup> Source: GOM Ministry of Commerce

<sup>4</sup> Foreign exchange rate to be calculated at the end of the target year

## ACTIVITY DATA SHEET

**PROGRAM:** MADAGASCAR

**TITLE AND NUMBER:** Reduce Natural Resources Depletion in Target Areas, 687-S003

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCES:** FY 1997: \$7,796,600 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

**Purpose:** To reduce natural resources depletion in target areas by conserving biodiversity in national parks; improving management of forest resources; increasing income opportunities for resources users; and increasing natural resource institutional capacity.

**Background:** Madagascar's natural resource base is seriously threatened. The scale and intensity of deforestation, loss of biological diversity, soil erosion and associated declines in overall land productivity are unparalleled. The economic cost of decreased agricultural productivity due to soil loss and fertility decline, loss of productive forests, damage to infrastructure because of soil erosion, and the costs of infrastructure maintenance and redesign is estimated to equal between 5% and 15% of Madagascar's gross domestic product (GDP) annually. Awareness of these problems led the Government of Madagascar (GOM) and the donor community to develop a 15-year national Environmental Action Plan (EAP) in 1990 as a framework for investment to protect natural resources and, at the same time, foster ecologically and economically sustainable development.

**USAID Role and Achievements to Date:** USAID has been a lead donor to the EAP since 1990, providing support in the areas of biodiversity conservation, forest management, policy development, and institutional strengthening. Key results include the establishment of a Malagasy institution to manage national parks and reserves and coordinate regional development plans to diminish pressure on the national parks. USAID also supports the National Office of the Environment in policy formulation and monitoring. In 1995, the National Assembly approved a new law requiring environmental review for all investments in Madagascar and the GOM established a private environmental endowment fund to finance local-level environmental management efforts. Community-based management plans have been developed for four natural forests and will guide increased local community involvement in the management of natural resources. Revised stumpage fees for commercial timber species have resulted in a seven-fold increase in forest revenue collection which supports the sustainability of the National Forest Service operations.

**Description:** The second five-year phase of the EAP (1996 - 2001) focuses on the transfer of natural resource management responsibility to Malagasy institutions. USAID will focus on results in six different areas: (1) development and application of environmental policies, legislation and procedures; (2) national parks management and ecotourism development; (3) promotion of multiple-use forest ecosystems and sustainable soils and water management; (4) participatory community management of renewable natural resources; (5) environmental information management system; and (6) sustainable financing mechanisms. All USAID activities will concentrate on local empowerment to ensure consideration of social and cultural dimensions, local participation and customer focus.

**Host Country and Other Donors:** The Government of Madagascar strongly supports the EAP, providing 20% of the total program costs. The EAP provides an overall framework for the intervention of all donors in the environmental sector with the goal to maximize the use of available resources and to avoid the duplication of efforts. Other donors active in the EAP are the World Bank, Switzerland, Germany, United Nations Development Program (UNDP), France and Japan.

**Beneficiaries:** The primary beneficiaries of the Environmental Program are the subsistence farmers and natural resource consumers who live in the villages surrounding the national parks and protected areas. Notably, 35% of the households in priority areas in those zones have adopted alternatives to destructive practices, and 39 community associations/non-government organizations are recipients of grants which

promote sustainable natural resource management and capacity building of village groups. Further, 13 village development committees last year received a share of park entrance fees for community-managed projects thereby establishing a conservation/development link.

Principal Contractors, Grantees, or Agencies: USAID implements activities through U.S. firms, the Peace Corps, the United States Geological Survey, U.S. and local NGOs, and U.S. universities.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Natural habitats contained in Malagasy National Park System (no. of hectares)	1,045,865 (1989)	1,500,000 (1998)
Number of qualified national park and reserve management plans implemented	0 (1992)	39 (1998)
Number of qualified forest-management plans developed/implemented	0/0 (1992)	8/4 (1998)
Percent of village households in priority zones that have adopted program-sponsored alternatives to destructive practices	0% (1992)	50% (1998)

## ACTIVITY DATA SHEET

**PROGRAM:** Madagascar

**TITLE AND NUMBER:** Reduce Total Fertility, 687-S004

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997, \$7,489,572 DFA; \$3,624,000 P.L. 480, Title II

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2002

Purpose: To reduce the total fertility rate from 6.6 in 1991 to 5.6 in 1999.

Background: Madagascar's 2.8% per year population growth rate is characterized by both high fertility and high infant-child mortality rates. Less than 10% of Malagasy women are current users of contraception and have access to and use of key child-survival, and nutrition interventions remain low. Stunting is found in 51% of children under five.

USAID Role and Achievements to Date: USAID supports increased access to services through expanded numbers of sites and outreach programs, training for service-providers and program managers, and improved standards, supervision, logistics and information systems. As a result, contraceptive prevalence has increased from 5% in 1992 to an estimated 9% in 1995. The number of service sites has increased from 150 in 1992 to 492 in 1995. Successful outreach programs are underway and contraceptive social-marketing will begin in 1996.

Description: USAID focuses on three activity areas: (a) increasing the use of modern contraceptives; (b) expanding the use of key child survival and nutrition interventions by health workers and caretakers; and (c) improving sustainability through improved data for decision-making and better policies. USAID works with a wide range of public and private sector partners to implement its family planning and child survival programs. These organizations are responsible for developing service delivery systems, clinical and management training, contraceptive and equipment purchases, communications programs and community mobilization resulting in increased access to and use of quality family planning and child survival services. Integration of these services is particularly important for child survival, since appropriate case management of the sick child is key to reducing mortality.

The P.L. 480, Title II program is an integral component of USAID's child survival programming. Three prominent features of this program are resource targeting to pregnant women and high-risk children age two and under, a transition from a center-based to community-based focus, and community health education.

Host Country and Other Donors: United Nations Population Fund (UNFPA) and Germany provide strong, complementary assistance for family planning. Japan is becoming more active. The World Bank assists national drug policy formulation and Acquired Immunodeficiency Syndrome/Sexually Transmitted Disease prevention. The United Nations Children's Fund plays the lead role in childhood immunization programs. The Government of Madagascar provides an estimated \$8 million in host country contributions annually.

Beneficiaries: Women of child-bearing age and children under five years represent 42% of Madagascar's estimated 1996 population of 13.25 million. USAID programs will reach approximately 2.5 million women and children by 1999.

Principal Contractors, Grantees or Agencies: USAID implements activities through a U.S. non-profit institution, the Peace Corps, local public sector institutions, and a wide variety of U.S. and local NGOs.

**Major Results Indicators:**

	<b><u>Baseline</u></b>	<b><u>Target</u></b>
Contraceptive prevalence rate (%)	3% (1991)	14% (1997)
Couple years protection	72,000 (1992)	240,000 (1997)
Percent of children with diarrhea receiving ORT	26% (1992)	55% (1998)
Percent of young children fully vaccinated.	43% (1992)	65% (1998)

## MALAWI

**FY 1997 Development Fund For Africa: . . . . . \$42,979,872**

### **Introduction.**

Malawi is a small land-locked country about the size of Pennsylvania located in southeastern Africa. It is one of the poorest democracies in the world. With a population of about 10.3 million and limited land resources, the population density is high relative to the amount of arable land available. Malawi has maintained a strong relationship with the World Bank (IBRD) and International Monetary Fund (IMF) since the early 1980s, and is regarded as a star macroeconomic performer. U.S. assistance to Malawi supports U.S. foreign policy interests in a democratic and economically prosperous southern Africa. Malawi has been a strong supporter of U.S. positions in international fora, including participation in international peacekeeping missions. U.S. assistance is also strongly linked to consolidating Malawi's fledgling democracy, following the free and fair presidential and parliamentary elections in May 1994 which ended thirty years of authoritarian rule. Promoting private sector-led free-market development, and programs to advance the U.S.'s global health, population, and environmental agenda are also fundamental to USAID'S program. Finally, U.S. humanitarian interests are linked to improving Malawi's food production capabilities to counter droughts and reduce dependency on international relief.

### **The Development Challenge.**

Malawi's development is impeded by its narrow economic base, concentrated ownership of assets, limited foreign and domestic investment, meager mineral resources, and poor employment opportunities. Its growth potential is hindered by high population growth (2.9% per year) and low education levels. Less than half of Malawi's population is literate. Social welfare indicators and per capita incomes have worsened since independence. Life expectancy at birth is under 45 years. The infant mortality rate (134 per 1,000) and malnutrition are among the highest in Africa. Only half the population has access to safe drinking water and the prevalence of tuberculosis and HIV/AIDS is increasing. Annual per capital gross domestic product (GDP) is estimated at about \$100.

The vast majority of Malawians live and work in rural areas, making both survival and economic growth dependent on agriculture. The country's food and agricultural problems have been exacerbated by three serious droughts in the past four years. The modern commercial economy is small and is dominated by a few firms that hold monopoly or near-monopoly power over trade, agribusiness, and the financial sector. High population density, small land holdings, traditional agricultural techniques and pervasive poverty contribute to deforestation, overworked soils and low agricultural output.

In spite of Malawi's development problems, peace in the southern Africa region and Malawi's own transition to be pluralistic and open political and economic system have brought a spirit of hope and opportunity. Macroeconomic management and the policy framework are fundamentally sound, marked by aggressive and realistic fiscal management, good monetary policy, and market-determined exchange rates. Many of the most serious economic distortions particularly in agricultural marketing and financial sector concentration, are being reduced with clear benefits accruing to the poor majority. A comprehensive assault on poverty began in 1995 with significant government, private sector, and donor support. New education policies have increased enrollment in primary schools by more than 50%. The Government of Malawi's (GOM) emphasis on poverty alleviation gives hope to the rural poor and has ignited a new sense of purpose throughout may previously disadvantaged groups. Given the magnitude and complexity of the country's developmental problems, however, Malawi is not a candidate for rapid graduation from development assistance. To build on the country's economic progress and its commitment to restructure its economy to benefit all Malawians, U.S. assistance to Malawi will be required for the foreseeable future.

## **Other Donors.**

The United States vies with the United Kingdom as Malawi's largest and most influential bilateral partner. Other major contributors include: the World Bank, the International Monetary Fund, the United Nations (UN) agencies, the African Development Bank (ADB), Germany, Japan, Canada, and the European Union. In recognition of Malawi's potential to invest development assistance wisely, the Netherlands and Denmark recently announced significant expansions in their development programs in Malawi.

## **FY 1997 Program.**

USAID's strategy for helping Malawi achieve broad-based sustainable economic growth concentrates on raising agricultural incomes, improving environmental management, reducing population growth, improving primary education, and building democratic institutions. Increasing rural incomes through institutional reforms and capacity building that increase competition, liberalize markets, and improve management of the country's constrained natural resources is essential to improving the standard of living of the majority of the population. Improving access to family planning services, child health programs, primary education, especially for girls, and awareness of HIV/AIDS transmission reduce the pressure on Malawi's limited resources. Improving the quality of primary education leads to a greater human capacity and potential. Building the public, private and voluntary institutions for Malawi's democratic future will ensure that resources are best used to benefit and protect all Malawians.

The USAID program in Malawi focuses on the agriculture and natural resources sectors to stimulate economic growth, health and population, primary education, and democracy and governance efforts.

### **Agency Goal: Encouraging Broad-based Economic Growth**

Increasing competition and access to agricultural markets while improving the management of Malawi's natural resources are the first steps to increasing per capita incomes and ensuring national food security. In the agriculture and natural resources areas, USAID programs develop market-based service institutions, increased economic opportunities for smallholder, develop public capacity for policy reform, and introduce low-cost agroforestry practices to improve soil fertility and increase crop yields. During the past year USAID has expanded its successful activities to further liberalize agricultural input and commodity markets. GOM seed and fertilizer subsidies have been eliminated for the 1995/96 season. These reforms provide private traders with the environment required to expand their activities and begin building a dynamic rural economy based on markets rather than state controls. Traders are responding by aggressively entering the market.

USAID also expanded on-going efforts to enhance market competitiveness and reform GOM parastatal institutions whose operations directly impact smallholder farmers. The GOM reviewed agricultural sector parastatals and government sponsored organizations to begin the task of privatizing them. The role of the marketing parastatal in consumer and producer pricing was reduced and a wide price band was established as an alternative to fixed pricing to stabilize maize prices. Previous administrative restrictions on smallholder cropping have also been eliminated, leaving smallholder farmers free to cultivate any crop they desire and sell it to whomever they wish. The result has been greater food security and higher incomes for those smallholder that have been able to take advantage of the liberalized markets. The rapidly increasing number of smallholder farm families (from 7,000 to over 90,000 in the past four years) producing for the export market as well as the substantial increases in non-maize food crops represent the most visible expansions in smallholder crop production resulting from USAID-sponsored activities. In fact, combined with USAID support the multiplications and distribution of improved cassava and sweet potato planting material to smallholder farmers, USAID assistance has led to dramatically expanded hectareage and significant increases in yield for these low-input, drought-resistant food security crops.

A significant reduction in transportation costs is essential to improving financial returns to Malawi's small farmers. The restructuring of Malawi Railways and the development of a transport policy to encourage domestic and regional competition is crucial to achieving this. During the past year Malawi Railways took bold steps that included liquidating the old company and its redundant assets; cutting its loss-making passenger service; and structuring a new railroad through a major retrenchment. Preparations are now well underway for privatization. Meanwhile rail haulage is saving substantial amounts in transport costs for inputs and export products as competition between rail and road routes increases.

The GOM is committed to economic liberalization. Faced with an inherited and seriously distorted macro-economic framework, the new government moved quickly during its first year in office to drastically cut expenditures, increase revenues, stabilize the country's currency and eliminate subsidies. Tight monetary and fiscal policies have eliminated the GOM's ability to provide incentives to farmers through any method other than market forces; i.e., price policy. That said, the elimination of fertilizer, seed and credit subsidies at the same time that the Malawi kwacha depreciated almost four-fold resulted in a dramatic increase in the domestic price of inputs. In addition, three years of drought during the 1991-95 period reduced maize production. These factors have placed even greater upward pressure on the consumer price of maize than would normally be expected from price liberalization alone. In this climate of dynamic change, liberalization has unleashed the powerful incentive of higher prospective prices and incomes for farmers and traders.

The results of the USAID program over the past year have been impressive indeed. Smallholder incomes improved significantly. Led by tobacco producers, smallholders also saw high returns from a record harvest of cassava, sweet potatoes, and sorghum. Area planted to non-maize and drought resistant crops increased significantly, reducing Malawi's vulnerability to drought and that trend is continuing. Liberalization of the input market led to an increase in both fertilizer use and quantities marketed through small, private traders. This will positively impact on 1996 yields of both smallholder maize and tobacco. FY 1997 funds will continue on-going programs to further transform the sector by expanding smallholder agricultural enterprise development to support the continued development of crop diversification and sustainable agro-forestry technologies, and the expansion of food security monitoring and early warning systems.

Malawi's economic growth potential is currently limited by high levels of illiteracy. The country's basic education system is weak and overtaxed. While there has been a significant policy turn-around that now encourages school enrollment, this has exacerbated the problems facing a primary school system in which schools remain overcrowded, many teachers are poorly trained, and teaching materials are inadequate. Access to primary education is a serious problem, especially for girls. High dropout and repetition rates further reduce the efficiency of the system. With USAID's assistance since 1992 and the introduction of free primary education in 1994, access has improved. Key results achieved in the past year include an increase in enrollment rates (and an increasing share of girls in total enrollment) in primary schools; a dramatic increase in the GOM's budget and budget share for primary education; reduction in girls' repetition and dropout rates in primary schools and a notable increase in girls' admissions to secondary schools in USAID's pilot district. In addition, the GOM has prepared a policy and investment framework for the education sector, with inputs from non-governmental groups and donors, that provides good direction for solving the system's many problems. For example, it has recruited over 20,000 new teachers and has solid plans for training them.

Under the Girls' Attainment in Basic Literacy and Education (GABLE) Program, USAID is providing support to improve planning for the education sector. A classroom construction program is underway with support from GABLE and other donors. Quality of education will continue to be a major concern. USAID, through the GABLE program, the GOM and other donors should continue to work closely together to ameliorate factors inhibiting quality. In addition, although the GOM's budget commitment to primary education is strong, it is constrained by the overall macroeconomic situation. Donors,

including USAID, should continue working with the GOM to make the difficult macro and sectoral reforms to achieve budgetary self-sufficiency after this transitional period.

Together, high infant and child mortality rates contribute to reducing the rate of economic growth. Nearly one-half of all children are chronically malnourished. In an average year a child contends with six bouts of diarrhea, three or more episodes of malaria, and repeated respiratory infections. Vaccination coverage increased steadily from the mid-1980s to a high of about 81% of all children in 1992. Since then it has fallen to around 75%.

In 1995, the GOM demonstrated its priority for public health services by allocating increasing proportions of a restricted budget to the health sector and ensuring that greater percentages of that funding went to finance rural health services. However, progress in management and institutional reforms in the health sector were stalled for most of the year. The result was a dire shortage of drugs and medical supplies. One notable exception to this, however, was anti-malarial drugs. Supplies of first line treatment provided by USAID were available throughout the year and preliminary data indicate that morbidity and mortality due to malaria have declined. USAID also sponsored two initiatives to promote greater use of impregnated bed nets and curtains in pilot areas, and initial acceptance is promising. FY 1997 funds will finance the further expansion of rural health partnerships to build capacity for improved rural services.

- Strategic Objective 1: Increased Agricultural Incomes on a Per Capita Basis
- Strategic Objective 4: Increased Access to and Quality and Efficiency of Basic Education, Especially for Girl

#### **Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

Malawi's population growth rate, one of its key development constraints, is presently among the highest in the world. High population growth is both a cause and effect of poverty, illiteracy, poor health, and low levels of female education. One of USAID's objectives in Malawi helps to lower the population growth rate through encouraging the adoption of modern contraceptive methods, while another targets the specific problems associated with girls' educational attainment.

Although the total fertility rate dropped from an estimated 7.2 children per woman in 1984 to 6.7 in 1992, the rate remains high. Since 1992, regulations restricting the provision of contraceptive methods to married women with children have been removed. But only in 1994 did the GOM adopt an aggressive national population policy that recognized that Malawi's population growth rate was too high. The GOM is striving to transform progressive policies into action programs and has intensified its efforts, following the International Conference on Population and Development. Also, the GOM resolved to expand voluntary family planning services. During this past year it enacted guidelines aimed at improving access to services and streamlined its contraceptive management system.

In 1995 USAID assistance helped update the curriculum for training family planning providers. Also, USAID assistance enabled the National Family Welfare Council to conduct an orientation briefing for new parliamentarians on Malawi's reproductive health program. The USAID-supported Chishango condom social marketing campaign that was launched in September 1994 has greatly exceeded expectations. After only one year on the market, over 4 million condoms were sold. In a recent survey, Moreover, 50% of respondents stated that they used condoms for family planning purposes and 80% were aware that condoms protect against unwanted pregnancy as well as sexually transmitted diseases. These ratios chart remarkable progress in a country where until recently even the word condom was seldom used. The implementation of activities through the GOM has been delayed due to the lack of qualified personnel, inadequate financing and problems requiring substantial ministerial restructuring. USAID has pledged to assist in this area in 1997 and will also focus on training to

increase the number of family planning providers and update the knowledge and skills of those currently providing services.

Although an alarmingly high 12% of the adult population is infected with HIV, data from several studies conducted in 1994 suggest the rate of HIV transmission may be slowing in both urban and rural areas. However, continued investments in activities aimed at behavioral change and expanded service delivery are crucial. USAID's substantial on-going investments in this activity will continue unabated.

The positive relationship between greater female educational attainment and lower fertility has been extensively documented. In Malawi, a major USAID activity aims directly at identifying and eliminating constraints placed on girls that keep them out of school. A community level social mobilization campaign was completed in one of Malawi's 24 districts with dramatic results, including: a marked increase in girl's enrollments; a substantial reduction in female dropouts (for the first time the drop-out rate for girls was lower than that for boys); and a dramatic increase in the number of girls accepted to secondary school. FY 1997 funds will continue to support the nation-wide expansion of the campaign.

- Strategic Objective 3: Increased Adoption of Measures that Reduce Fertility and HIV Transmission, While Promoting Child Survival Practices

#### **Agency Goal: Protecting the Environment**

Soil erosion and deforestation have reached alarming proportions in Malawi. As a result, smallholders are increasingly facing chronic shortages of wood for fuel and shelter. Another serious concern is the loss of biodiversity and wildlife resources, which results in a loss of tourism potential. Diminishing surface and ground water supplies are causing intermittent water and power shortages. Concomitant siltation and contamination of streams, rivers, dams, and lakes have far reaching effects, including the increased danger of flooding. Land access and ownership issues abound and negatively affect farmers' willingness to invest scarce resources in protection activities. USAID efforts, only recently initiated, focus first on the establishment of a unifying, comprehensive policy and legislative framework governing natural resources management; strengthened capacity of the public and private institutions responsible for managing natural resources and the environment; introduction of management systems that focus on achievement of community-level performance targets (i.e., that link financial disbursements with achievement of specific results at the community level); and achievement of sustainable financing for private initiatives. Efforts in this area are relatively new, but build on USAID's limited, but highly successful involvement with pilot programs in agroforestry and land management. Major program activities to support this goal were initiated in FY 1996, so it is still too early to assess progress and results. FY 1997 funding will support the expansion of community-based action programs, environmental monitoring efforts, an environmental education program, and strengthening wildlife conservation activities.

- Strategic Objective 2: Increased Sustainable Use, Conservation and Management of Renewable Natural Resources

#### **Agency Goal: Building Democracy**

After 30 years of repressive one party rule, Malawi joined the family of democratic nations with free and fair national elections in May 1994. The United States, through USAID, has a significant opportunity to contribute to Malawi's efforts to consolidate its democratic system. One of USAID's major objectives in Malawi is to increase dramatically Malawian participation in transparent and accountable political and economic institutions.

Over the past two years, USAID efforts have helped to strengthen the parliament by establishing a women's caucus and oversight committees; strengthen the judiciary through training; and, expand the electoral commission by establishing a permanent secretariat and improving the administration of

elections. However, Malawi's democratic institutions are young and fragile and the executive branch remains dominant after 30 years of dictatorship. Continued assistance is required, and there is ample evidence that this assistance is making a difference. Moreover, the parliament is holding open debates, making amendments to legislation introduced by the executive and has recently passed comprehensive anti-corruption legislation. The electoral commission has successfully conducted free and fair parliamentary by-elections in several districts with no outside support. Civic groups are beginning to lobby parliament and GOM ministries. Finally, the judiciary overturned several important decisions made by the executive branch. The political parties and the GOM have increased their efforts to communicate the rationale for, and consequences of, economic policies and are now discussing important policy issues publicly with civil society.

Malawi's institutions of civil society and democratic governance have made plans and taken steps to increase their capabilities. But, institutional development is a long-term process, especially when enthusiasm and vulnerabilities are particularly high. Strong support from USAID and other donors is most critical.

- **Strategic Objective 5: Institutional Base for Democratic Participation Strengthened and Broadened**

**MALAWI  
FY 1997 PROGRAM SUMMARY**

	Encouraging Broad-based Economic Growth	Stabilizing World Population Growth & Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	TOTALS
USAID Strategic Objectives						
1. Increased Agricultural Incomes on a Per Capita - Dev. Fund for Africa	7,321,426					7,321,426
2. Increased Sustainable Use, Conservation, & Management of Renewable Natural Resources - Dev. Fund for Africa			14,591,467			14,591,467
3. Increased Adoption of Measures that Reduce Fertility and HIV - Dev. Fund for Africa		12,855,491				12,855,491
4. Increased Access to, and Quality and Efficiency of Basic Education, Especially for Girls - Dev. Fund for Africa	3,600,000					3,600,000
5. Institutional base for Democratic Participation Strengthened and Broadened -Dev. Fund for Africa	2,000,000			2,611,488		4,611,488
<b>Totals</b> - Dev. Fund for Africa	12,921,426	12,885,491	14,591,467	2,611,488		42,979,872

USAID Mission Director: Cynthia F. Rozell

## ACTIVITY DATA SHEET

**PROGRAM:** MALAWI

**TITLE AND NUMBER:** Increased Agricultural Incomes on a Per Capita Basis, 612-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$7,321,426 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: To increase smallholder access to agricultural inputs, output markets, and cash crop production alternatives using policy dialogue and project assistance.

Background: Agriculture is the backbone of the Malawian economy. It employs 85% of the economically active population, accounts for 38% of the GDP, involves 91% of the labor force and produces over 90% of Malawi's foreign exchange earnings. The elimination of policies and practices that discriminate against smallholders, while improving market access by restructuring parastatal monopolies, are the first steps to increasing incomes and ensuring national and household food security. Increased agricultural incomes will improve access to education and health services.

USAID Role and Achievements to Date: USAID has focused its efforts on increasing smallholder cash incomes. Its joint effort with the GOM has significantly reduced the economic control of the parastatal marketing organization and is proving instrumental in gaining legal access for smallholders to world markets for their cash crops. The USAID program has already helped increase smallholder production and incomes. Smallholder farmers are growing more cash crops of their choice, marketing those crops freely, and retaining a higher proportion of the selling price. The number of women farmers selling export crops directly to the international market has increased by almost 30%. The program has also increased employment and income for rural labor as well as those producing goods and services for farmers with higher disposable incomes.

Description: Achieving broad-based economic growth in Malawi depends on increasing rural agricultural incomes. Rural income growth is restricted first and foremost by the prices farmers receive for their crops. In the past the GOM controlled input and output prices, and maintained policies that inhibited the development of competitive markets and kept a lid on farm gate prices. High transportation costs for imported inputs, such as fertilizers, also constrained agricultural productivity and rural income growth. USAID's primary focus is on increasing per capita rural incomes as the foundation for broad-based economic growth. This will be achieved through activities aimed at: (1) decontrolling agricultural input and output markets, thereby creating a conducive environment for; (2) expanding farmer-owned rural agribusiness and cooperative marketing activities; and (3) reducing the transportation costs of imported agricultural inputs and exports.

Host Country and Other Donors: Other major donors include the World Bank and European Community (EC). The World Bank provides agricultural research, extension services, rural credit assistance and rail transportation commodity assistance. The EC provides assistance in improving household food security through expanded use of fertilizers, agroforestry and other land husbandry techniques. While other donors are also involved in the sector, their contributions are more limited and geographically focused. Host country contributions include in kind and budgetary support to activities contributing to the achievements of this objective.

Beneficiaries: The 1.8 million smallholder farm families with limited access to resources, including 390,000 female-headed families, and all farmers who rely on imported inputs and exporters.

Principal Contractors, Grantees, or Agencies: USAID implements activities through University of Arizona/Clark University, Harvard Institute for international Development, Washington State University, Lincoln University (Jefferson City, Missouri), Agricultural Cooperative Development International, Bunda

College of Agriculture (Malawi), International Institute for Tropical Agriculture, and several government ministries.

<u>Major Results Indicators:</u>	<u>Baseline</u>	<u>Target</u>
Real per capita incomes for smallholder tobacco producers	\$153 (1992)	\$255 (1997)
Share of smallholder cultivated area planted to non-maize crops	19% (1990)	36% (1997)
Ratio of smallholder root crop area to smallholder maize area	6.8%(1990)	15% (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** MALAWI

**TITLE AND NUMBER:** Increased Sustainable Use, Conservation and Management of Renewable Natural Resources, 612-S002

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$14,591,467 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To increase sustainable use, conservation and management of renewable natural resources by establishing a policy framework and an environment that will empower Malawi to reverse the current destruction of the natural resource base.

Background: Income increases and food security can only be assured if Malawi protects its inherited resource base. Rampant depletion of the country's forests, soil and water resources is undermining its agricultural base - upon which 95% of Malawians depend for food, employment and energy. Failure to undertake policy and institutional reforms along with community-based protection activities entails enormous risks for chronic malnutrition, worsening national incomes, civil strife and long-term donor dependence. Improved natural resource management is also linked to achievement of other U.S. Government objectives in Malawi (i.e., agriculture and population). Improved land management contributes to increased agricultural productivity and hence increased rural incomes. The latter enhances economic security leading to reduced family size. Increasing rural incomes of 85% of the poorest Malawians is the major challenge to consolidating the country's fragile democracy. Finally, economic growth in Malawi will not be self-sustaining without preservation of the resource base.

USAID Role and Achievements to Date: This strategic objective, initiated in FY 1995, significantly expands on USAID's limited but highly successful involvement with pilot programs in agroforestry and environmental monitoring. The primary vehicle for achieving this objective is the new Natural Resources Management and Environmental Support Program (NATURE). NATURE activities began in FY 1996 with the Government of Malawi's (GOM) satisfactory completion of initial program conditions. It is too early to assess progress and results.

Description: Under this strategic objective, the GOM will establish a unifying, national policy and legislative framework governing natural resource management; strengthen the human, institutional and legal resources responsible for managing natural resources; introduce a management system that focusses on achievement of field-level accomplishments (i.e., links financial disbursements to achievements of specific performance targets); and establish mechanisms for the sustainable financing of private environmental initiatives. Supporting these objectives are activities in such areas as environmental policies, environmental education, community-based natural resources management and overall provision of technical support.

Host Country and Other Donors: Other donors, primarily the World Bank, European Community and the British Overseas Development Administration, are actively developing assistance programs directed at natural resource management and addressing constraints and opportunities that complement USAID's program. USAID's efforts focus on enabling the policy and institutional environment to enhance feasibility, success and sustainability of all GOM and donor financed program and project activities in this sector.

Beneficiaries: The 85% of Malawi's population live and work in rural areas. Improved natural resource management contributes to increase agricultural productivity and hence increased sustainable rural incomes and food security.

Principal Contractors, Grantees, or Agencies: Activities under this strategic objective will be implemented primarily through the University of Arizona/Clark University, Academy for Educational Development, and six government ministries.

Major Results Indicators:

	<u>Baseline</u> <sup>1</sup>	<u>Target</u> <sup>1</sup>
Area of indigenous woodland under community based management	TBD 11996)	TBD 11997)
Cultivated land under improved conservation practices	TBD 11996)	TBD (1997)

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<sup>1</sup> To be determined.

## ACTIVITY DATA SHEET

**PROGRAM:** MALAWI

**TITLE AND NUMBER:** Increased Adoption of Measures that Reduce Fertility and AIDS/HIV Transmission, While Promoting Child Health Practices, 612-S003

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$12,855,491 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: To reduce fertility by supporting the Government of Malawi and private sector family planning, HIV/AIDS and child survival programs.

Background: Malawi's fertility, HIV infection and infant and child mortality rates are among the highest in the world. High fertility and mortality are closely interlinked. Both are a cause and effect of poverty, illiteracy, and the poor health, educational attainment and socio-economic status of women. Because studies have shown that contraceptive use is low where infant and child mortality is high, improved child survival contributes significantly to reducing fertility. About one in seven adults is HIV positive in Malawi. HIV/AIDS afflicts those in their most productive years, which adversely affects economic growth and per capita incomes.

USAID: Role and Achievements to Date: Malawi's total fertility rate declined from 7.2 to 6.7 between 1984 and 1992. Infant mortality rates dropped from 138 to 134 deaths per 1,000 live births, while under five mortality is now reported at 234, as compared with 246 five years earlier. USAID efforts have also contributed to the increased decentralization of health services and management; a revised family planning policy; the training of over 600 community health workers; provision of potable water for some 40,000 persons; and improved quality of health care. USAID-sponsored research has led to a revised malaria control program resulting in the introduction of fansidar as the first line treatment for malaria. While the fight against the spread of the AIDS virus is beyond USAID's manageable interest, there has been progress in the number of condoms marketed, improved treatment of sexually transmitted diseases (STDs), and noted changes in behavior as a result of HIV/AIDS education programs.

Description: USAID focuses on increasing access to family planning and services. USAID and its partners also develop and disseminate HIV/AIDS and STDs prevention materials among high-risk groups and the general population. This includes: increasing access to condoms and condom education messages; providing greater access to family planning information and the private and public clinic-base services; increasing couple-years-of protection through modern methods; and expanding the community of family planning service providers. USAID also works to expand the capacity of district health providers to deliver primary health interventions; improve the effectiveness of treatment of malaria; increase safe water supplied to rural communities; and increase the use of oral rehydration therapy for diarrhea.

Host Country and Other Donors: Other donors include the European Community, World Bank, Overseas Development Agency (ODA) United Kingdom, United Nations Children's Fund, World Health Organization, United Nations Population Fund (UNFPA), United Nations Development Program and German aid. UNFPA supports a number of training and communication initiatives. The ODA is working with non-government organizations to expand the number of subsidized family planning clinics in urban and semi-urban areas. Injectables and Norplant are provided by ODA. The World Bank supports training health workers and improving clinic facilities. The Germans provide funds for the social marketing of contraceptives.

Beneficiaries: Women of child-bearing age, infants and children under five.

Principal Contractors, Grantees, or Agencies: USAID implements activities through John Snow International, Inc., Save the Children Federation U.S., Project HOPE, International Eye Foundation,

Population Services International, World Vision International, Adventist Development and Relief Agency, Malamulo Hospital, National Association of Business Women, Adventist Health Services, Malawi Association of Spices and Herbs, and the Ministry of Health and Population.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Contraceptive Prevalence Rate (percentage using modern contraceptive methods)	7.4 (1992)	12.6 (1997)
Average number of sexual partners reported in last 4 weeks (male/female)	TBD <sup>1</sup> (1996)	TBD <sup>1</sup> (1997)
Percentage of condom use reported - male	7.2 (1992)	20.0 (1997)
Percentage of condom use reported - female	1.4 (1992)	20.0 (1997)
Oral Rehydration Therapy use rate (percentage of children under five with diarrhea who have been treated for two weeks with oral rehydration salts)	63 (1992)	80 (1997)

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<sup>1</sup>To be determined.

## ACTIVITY DATA SHEET

**PROGRAM:** MALAWI

**TITLE AND NUMBER:** Increased Access to, and Quality and Efficiency of Basic Education, Especially for Girls, 612-S004

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,600,000 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: To increase children's attainment, especially that of girls, in basic education by increasing access to and quality and efficiency of primary education.

Background: Malawi's primary education system is weak and overtaxed. While there has been some improvement in the past three years, schools are overcrowded, teachers are poorly trained, and teaching materials are inadequate. Access to primary education has been a serious problem, especially for girls. High dropout and repetition rates further reduce the efficiency of the system. With USAID's assistance and the introduction of free primary education, the situation has improved and most children now have access to school, but not necessarily to a quality education.

USAID Role and Achievements to Date: With USAID's assistance, and in spite of its fiscal problems, the Government of Malawi (GOM) has demonstrated its strong commitment to primary education by allocating more resources to this subsector than any other. The GOM introduced free primary education and promoted gender programs to advance girls' education. The total education budget devoted to learning materials has increased from about one percent in 1993/1994 to 8.6% in 1994/1995. USAID-funded activities also work directly with communities to encourage enrollment and persistence in school, especially for girls. USAID provides technical expertise to the GOM to introduce more efficient and better quality teaching methodologies. The mission's focus on girls has paid off as all statistics indicate rising numbers and proportions of girls in school at both the primary and tertiary levels. The utilization of Malawi's teacher training college has been improved. Nationwide registration of all primary pupils is now done regularly, providing basic planning and management data for school administration. A pilot social mobilization campaign was completed, and the campaign was launched nationwide in October 1995.

Description: USAID's Girls' Attainment in Literacy and Education Program (GABLE) focuses on three areas: increasing the long-term financial resource base for primary education; improving the quality, availability, and efficiency of primary education; and improving the relevance of primary education for girls. GABLE technical assistance, training, research, limited commodities, and support of policy reform help to: improve education sector planning and support for policy reform help to: improve education sector planning and budgeting; construct schools; recruit and train teachers; privatize distribution of learning materials; develop gender-sensitive curriculum and establish a girls' scholarship fund. Among GABLE's innovative programs are its social mobilization campaign to develop community action programs for increasing girls' enrollment and retention and a Grant to Save the Children Federation (U.S.) to test new approaches for community governance of schools.

Host Country and Other Donors: The World Bank provides support to primary and secondary education. While the Overseas Development Agency, until recently, concentrated on secondary and tertiary education, it has recently launched a community schools project at the primary level. United Nations Children's Fund has been involved in several small projects supporting adult literacy, pre-school and out-of-school youth. United Nations Development Program and United Nations Educational, Scientific and Cultural Organization support curriculum development and the Ministry of Education's efforts to decentralize planning and management. The European Community provides assistance for school construction, equipment and teacher training. Germany supported teaching of science in primary schools and is about to launch a basic education project. The African Development Bank supports building and equipping primary and secondary schools, and is developing a new education sector credit.

Beneficiaries: All children in Malawi's primary school system, estimated at over three million.

Principal Contractors, Grantees, or Agencies: USAID implements activities through Creative Associates, Save the Children Federation U.S., Academy for Educational Development, University of Malawi, Center for Social Research, Center for Educational Research and Training, and Three Government Ministries.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Net enrollment rate in primary school - overall	64.7% (1992)	75.0% (1997)
Net enrollment rate in primary school - girls	65.7% (1992)	75.0% (1997)
Primary promotion rate - overall	66.0% (1993)	70.0% (1997)
Primary promotion rate -girls	65.1% (1993)	70.0% (1997)
Primary pupil:teacher ratio	72.0% (1992)	64.0% (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** MALAWI

**TITLE AND NUMBER:** Strengthened and Broadened Institutional Base for Democratic Participation, 612-S005

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$5,011,488 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To establish and consolidate democratic and civic institutions in Malawi by supporting efforts to establish and strengthen participatory and transparent governance.

**Background:** After 30 years of repressive one-party rule, Malawians freely elected a president on May 17, 1994 and adopted a new constitution guaranteeing basic human rights, including equal rights for women. With these steps, Malawi joined the family of democratic nations, and since then has continued to make impressive strides. The new parliament has established committees and procedures and has debated and challenged the new executive. The high court has demonstrated its independence in decisions concerning the conduct of a new government. Malawians, who are enjoying their newfound freedoms, agree that their democratic experience has only begun.

**USAID Role and Achievements to Date:** USAID has incorporated throughout its portfolio activities aimed at the development of indigenous organizations important to civil society. These organizations promote human rights, civic education, services to smallholder agricultural families, primary education and basic health services. USAID played a significant role in supporting the remarkable political transition that began in 1992 and ended with the successful multiparty democratic elections in 1994. USAID identified a niche early and developed a democracy project, the Democratic and Civic Institution Development project (DECIDE). The mission was thus able to respond quickly to unforeseen and eleventh-hour crises, such as the need for a crash voter education program and election night radio coverage. The mission also worked with a myriad of partners "a necessary task in the pre-election period.

**Description:** USAID focuses on strengthening newly-formed and weak institutions to ensure that Malawians will benefit from the democratic transition. Technical assistance, training and limited commodities are helping: the parliament to establish standing orders, committees and a women's caucus to better represent the Malawian people's interests; the judiciary to improve its standard and to more effectively manage and dispose of its caseload; the Electoral Commission to strengthen its independent capacity to organize and supervise elections; civil society (including grants for strengthening democracy and human rights); and selected ministries to make the economic reform process more participatory and transparent.

**Host Country and Other Donors:** Donors developed a common position at the 1992 Consultative Group meeting to promote Malawi's political liberalization, and USAID has subsequently collaborated with the donor community to promote the 1993 referendum and 1994 elections. UNDP supports constitutional and legal reform. United Nations Development Program and International Monetary Fund, working with the Government of Malawi, are leading donors on the issue of public sector capacity building. The European Community is interested in media development, reform of the legal system, and human rights for which it has provided a human rights advisor. Overseas Development Agency helps the Ministry of Justice improve administration, by providing lawyers to reduce the current backlog of cases and training for court interpreters. It will also provide support to improve police training and a code of conduct. Donors work together and with the Ministry of Justice, the judiciary, and the Malawi Law Society to form a strategy for overall legal reform. The Germans are planning support for civic education and government decentralization.

**Beneficiaries:** All Malawians will benefit from a more transparent and responsive political and

governance system. Direct beneficiaries include court users, civil society organizations, the judiciary, women, parliament, disadvantaged citizens, and local non-government organizations.

Principal Contractors, Grantees, or Agencies: USAID implements activities through the National Democratic Institute, Center for Advice Research and Education on Rights, International Foundation for Electoral Systems, World Learning International, Inc., Christian Service Committee and Winrock International Local NGOs, Parliament, The Electoral Commission, and Four Government Ministries.

Major Results Indicators:

	<u>Baseline<sup>1</sup></u>	<u>Target<sup>1</sup></u>
Number of occasions Parliamentary Committees consider submissions by non-governmental and/or private sector associations	TBD (1996)	TBD (1997)
Percentage of people who feel that the courts are providing justice	TBD (1996)	TBD (1997)
Percentage of laws discriminating against women amended or overturned by Parliament	TBD (1996)	TBD (1997)
Percentage of people who are aware of a public meeting organized by their MP	TBD (1996)	TBD (1997)

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<sup>1</sup>To be determined

## MALI

FY 1997 Development Fund for Africa: . . . . . \$38,365,680

### Introduction.

Mali is important to the U.S. interests of promoting stability within West Africa and encouraging the political and economic liberalization necessary for increased U.S. trade and investment. Mali's success in peacefully resolving an armed ethnic conflict in the North has enhanced Mali's credibility as a leader in West Africa. Mali has made remarkable progress in liberalizing its economy. At the same time, it has laid the foundation for a model system of democratic governance, which though still fragile, is regarded as a potential model for Africa. The establishment of peace in 1995 has enabled the Malian Government to focus its complete attention on promoting decentralized development. However, as Mali's leaders further liberalize the private sector and continue to strengthen the democratic process, they run the risk of creating a backlash from groups accustomed to preferential treatment. Continued U.S. assistance is an important support in meeting these challenges.

### The Development Challenge.

A landlocked Sahelian country with a per capita income of \$310 and a population of about 9 million, Mali has a natural resource-based economy in which cotton, livestock and cereals predominate, and gold mining is becoming increasingly important. Socioeconomic indicators put the country's living standards among the worst in the world, with an infant mortality rate of 108 per 1000 births, a literacy rate of 19%, and a primary school enrollment rate of 35%. Mali faces several development challenges: (a) a growing population (two-thirds of it under age 25); (b) producers still struggling to take full advantage of the 1994 devaluation of the country's currency; (c) a fragile natural resource environment; and (d) community-level organizations not yet able to assume leadership in the Malian Government's strategy for decentralization.

Mali has embarked upon an ambitious path of social, economic and political liberalization. The March 1991 youth-led overthrow of the 23-year-old, one-party state stimulated the formation and growth of civic organizations (over 500 new nongovernmental organizations have been registered), as well as 30 private radio stations and more than 25 newspapers and periodicals. Twelve parties contested Mali's 1992 presidential election, and now over 60 parties freely and vigorously express their opinions on public policy.

The World Bank classifies Mali as a severely indebted, low-income country. Despite its difficult debt situation, Mali has had outstanding performance in economic reform, garnering praise from the International Monetary Fund as a model for other countries in the region. For the third consecutive year, Mali has met or surpassed all targets set by international financial institutions. It is the only country in the region to have liberalized virtually all consumer prices, including those for food and fuel. The Malian Government's reform strategy for liberalization accords priority to the private sector as the engine of economic development and to a radically decentralized administrative structure as the basis for strengthening democratic governance.

USAID has been an important partner of the Malian Government and people in their political and economic reform efforts; these efforts have produced tangible results. USAID financed election training and voting booths for the country's first free and open elections. Due substantially to USAID efforts, the cereals market was liberalized, export taxes were eliminated, commercial and administrative courts became operational, the enrollment of girls in school increased from 16 to 27% over six years, and the contraceptive prevalence rate increased from 1.3% to 7% in eight years. USAID support for agricultural research, extension, credit and environmental management has helped contribute to significant increases in agricultural production and export. International and Malian private voluntary organizations

(PVOs) are the implementing partners for a substantial portion of the USAID program and their participation has frequently amplified the impact of U.S. assistance.

Mali's ability to decrease its dependence on foreign assistance hinges upon the progress it makes in two key areas: (1) increasing economic growth, and (2) decreasing population growth.

#### **Other Donors.**

In 1994, bilateral, multilateral and nongovernmental organization donors provided about \$426 million in assistance to Mali. The United States, as the third largest donor, provided about 8% of this assistance. Other major donors include: France, Germany, the World Bank, the European Union, the Netherlands, Canada, Japan and Switzerland.

#### **FY 1997 Program.**

USAID/Mali's strategic focus, established with significant and very broad-based Malian participation, addresses the obstacles to increasing economic growth and decreasing population growth--the major factors inhibiting socioeconomic development. The goal set forth in USAID's strategic plan is to help Mali eventually eliminate its need for foreign aid. In support of this goal, USAID activities will aim to: (1) give youth the necessary education and skills to play responsible roles within Mali's economy and democratic society, (2) increase economic growth through investment in major economic subsectors, and (3) help community organizations work with government to govern the country. The impact of these activities will be increased by the plan's focus on improved access to, and facilitated use of, information to advance knowledge and respond to the increasing demand for information resulting from increased liberalization. Also included are plans to connect Mali to the information superhighway.

The USAID strategy serves the U.S. national interest in three ways. First, through increasing the capacity of youth, it helps them become responsible citizens, a precondition for preserving national and regional stability. Second, with its goal of eliminating the need for foreign aid, it will ease the burden of foreign aid on the U.S. Government budget. Finally, through alleviating the obstacles to increasing productivity of economic subsectors, it will help translate political and economic liberalization into increased opportunities for U.S. trade and investment.

#### **Agency Goal: Encouraging Broad-based Economic Growth**

Economic growth in Mali has been inhibited by poor management of natural, financial and human resources. USAID's sustainable economic growth strategic objective identifies and addresses the obstacles to increasing the value added by each stage of production, processing and marketing in the most important economic subsectors. The youth strategic objective will focus on developing in young people behaviors, such as reading, writing, calculating and working with basic tools, that will increase their productivity when they become adults. It will also raise their awareness of the relationship between economic growth and environmental conservation. The governance strategic objective seeks to help community organizations to advocate for improved policies and infrastructure. The information and communication special objective will make market information available widely to Malian business people and will provide the international business community with information on investment opportunities in Mali.

With USAID support in 1995, the Malian Government made significant progress in privatizing four large rice mills, thus opening the rice sector to competitive forces and private initiative. USAID also helped the government put into operation administrative courts which allow private sector firms to challenge the actions of government agencies. USAID's efforts to promote community-managed and community-financed schools contributed to increasing primary school enrollment rates by 4% in 1995. For girls, enrollment increased by 6% during the same period. Support to Mali's livestock marketing efforts has helped Mali to boost export levels by two-thirds since the 1994 devaluation. Also, USAID was

instrumental in leveraging private and other donor funds for financing agricultural commodity export programs. Due in part to these and other USAID efforts, the value of agricultural exports increased by 61% in 1995. USAID also was instrumental in leveraging private bank and other donor funds for financing agricultural commodity export programs. In all of its programs USAID seeks to establish the capacity needed to sustain activities into the future.

USAID believes that broad-based economic growth can only occur in a supportive political and economic environment. Therefore, USAID is helping the Malian Government in its liberalization efforts as well as in its campaign to decentralize policy-making to locally elected governments.

- Strategic Objective 1: Youth--Changed Social and Economic Behaviors Among Youth in Targeted Geographic Areas
- Strategic Objective 2: Sustainable Economic Growth--Increased Value-Added from Specific Economic Subsectors to National Income
- Strategic Objective 3: Democratic Governance--Targeted Community Organizations are Effective Partners in Democratic Governance, Including Development Decision-Making and Planning
- Specific Objective 1: Information and Communication--Improved Access to, and Facilitated Use of, Information.

**Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

Mali's high population growth rate of 3.2% is an obstacle to economic growth and political stability. USAID is targeting youth under 25 years old as the demographic group whose behaviors must change in order to reduce population growth. USAID is helping young mothers to improve their child care skills, encouraging young people to practice contraception, and supporting basic education.

In 1995, USAID's child survival work with private voluntary organizations (PVOs) led to a significant reduction in infant mortality, malnutrition and child morbidity in several geographic areas. Primary school enrollment increased by 4%, with USAID assistance. As the major donor in the family planning sector, USAID claims much of the credit for the 59% increase in national contraceptive prevalence rates in 1995. While nationally, contraceptive rates increased to 7%, USAID-funded PVOs in several limited geographic zones helped raise contraceptive prevalence rates to above 55%. These levels are especially noteworthy given that, in 1987, the national rate was 1.3%.

Despite the significant progress made, the percentage of couples practicing modern birth spacing is extremely low. Government family planning and health services need continued strengthening at the central level, but they are not capable of meeting the needs of the entire country. Since health services are delivered at the regional and local levels mainly through the initiative of local communities, USAID is targeting a large portion of its assistance directly to communities and using the private sector to respond to the large latent demand for family planning. Mali's extremely low school enrollment and literacy levels are barriers to increasing the use of contraceptives. Therefore, USAID is convinced that its investment in primary education, and particularly girls' education, will increase the impact of its family planning activities.

The Malian Government's campaign to pass decision-making authority to locally elected bodies will create a more supportive environment for community initiatives in family planning, health and education. Communities will have greater liberty and greater resources to organize their own health centers and schools. USAID, working through PVOs, plans to provide significant resources in FY 1997 to support these activities.

- Strategic Objective 1: Sustainable Economic Growth--Increased Value-Added from Specific Economic Subsectors to National Income
- Strategic Objective 3: Democratic Governance--Targeted Community Organizations are Effective Partners in Democratic Governance, Including Development Decision-Making and Planning
- Specific Objective 1: Information and Communication--Improved Access to, and Facilitated Use of Information.

**Agency Goal: Building Democracy**

Following the revolution of 1991, Malians installed a stable system of constitutional democratic governance. The transition government oversaw elections leading to the first democratically elected government in 30 years. The advent of democracy inspired Malians to create thousands of citizens' groups. However, Malian institutions, both governmental and nongovernmental, are very weak. As a result of the current decentralization campaign, new local governments will be elected. As part of a multi-donor effort to improve governance at all levels, USAID is focusing on preparing the civil society to be a full partner in governance with the newly elected local governmental bodies.

In FY 1995, USAID sponsored several activities to support democratic governance. With USAID support: (a) the Association of Mayors met to plan a strategy for improving the confidence of the population in local institutions; (b) a seminar on local finance helped a locally elected city council increase tax and service revenues by 400%; (c) a survey of citizen opinions on rural services will now guide decision-making by community organizations and local governments, (d) civic education training sessions took place in three regions in preparation for redistricting, the first step in decentralization; (e) women parliamentarians were trained in constitutional law; and (f) 17 private voluntary organizations received grants during the year for work in a variety of development sectors.

Mali's community organizations face numerous obstacles in playing responsible roles within a system of democratic governance. Their members are frequently illiterate and lack basic organizational skills. Poorly developed advocacy skills impair their ability to carry out development activities. Under the democratic governance strategic objective, USAID will help Malians to address all of these issues. Under the information and communication special objective, community radio stations and facilities for printing local newspapers will take on a stronger role in civic education.

By 1997, new locally elected governments are expected to be in place. These fledgling governments will benefit from working in partnership with community organizations. USAID funding will help these organizations to be ready for the new partnerships.

- Strategic Objective 3: Democratic Governance--Targeted Community Organizations are Effective Partners in Democratic Governance, Including Development Decision-Making and Planning
- Specific Objective 1: Information and Communication--Improved Access to, and Facilitated Use of, Information.

**Agency Goal: Protecting the Environment**

Mali is a Sahelian country with a fragile environment. Population growth is putting increasing pressure on natural resources. While the country is now able to export more food than it imports, the effort to feed increased numbers of Malians will force some farmers to use environmentally risky farming practices. USAID has addressed these issues by funding agricultural research, extension, and private voluntary organization (PVO)- managed natural resource management activities, and by encouraging

the revision of the country's Forestry Code. The sustainable economic growth strategic objective will address environmental constraints to increasing productivity on a sustainable basis. The youth strategic objective will encourage the integration of environmental education into the primary school education curriculum. It also will train youth in income-generating activities that are natural resource-based and designed to protect the environment. The governance strategic objective will help community organizations advocate for more appropriate natural resource management policies. The information and communication special objective will help Malians learn about environmental policy, issues and practices.

USAID's investment in agricultural research and extension has resulted in considerable increases to production. USAID interventions have influenced 14,000 farmers in one geographic zone to adopt 17 environmentally appropriate technologies for increasing their production. USAID also helped animal slaughterhouses to better manage their waste products. With USAID support, the revised Forestry Code was widely distributed in 1995. Communities throughout Mali increased their income through working with USAID-funded PVOs to better manage their natural resources.

The newly elected rural governments will be delegated significant authority to manage the resources in their districts in 1997. USAID will help them to identify those environmental issues that have the greatest impact on sustainable economic growth. Environmental education relevant to local conditions will be integrated into primary school curriculums. If other environmental issues at the regional and national levels are judged to constrain economic growth, USAID will help to address them in partnership with the Malian Government and other donors.

- Strategic Objective 1: Youth--Changed Social and Economic Behaviors Among Youth in Targeted Geographic Areas
- Strategic Objective 2: Sustainable Economic Growth--Increased Value-Added from Specific Economic Subsectors to National Income
- Strategic Objective 3: Democratic Governance--Targeted Community Organizations are Effective Partners in Democratic Governance, Including Development Decision-Making and Planning
- Specific Objective 1: Information and Communication--Improved Access to, and Facilitated Use of, Information.

**MALI  
FY 1997 PROGRAM SUMMARY**

	Encouraging Broad-based Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	TOTALS
<b>USAID Strategic Objectives</b>						
<b>1. Youth--Changed Social and Economic Behaviors Among Youth in Targeted Geographic Areas - Dev. Fund for Africa</b>	6,678,000	11,555,032				18,233,032
<b>2. Sustainable Economic Growth--Increased Value-Added from Specific Economic Subsectors to National Income - Dev. Fund for Africa</b>	10,823,336		7,059,555			17,882,891
<b>3. Democratic Governance--Targeted Community Organizations are Effective Partners in Democratic Governance, Including Development Decision-Making and Planning - Dev. Fund for Africa</b>				1,499,757		1,499,757
<b>SP 1: Information and Communication--Improved Access to, and Facilitated Use of, Information - Dev. Funds for Africa</b>	600,000			150,000		750,000
<b>Totals - Dev. Fund for Africa</b>	18,101,336	11,555,032	7,059,555	1,649,757		38,365,680

USAID Mission Director: Joel Schlesinger

## ACTIVITY DATA SHEET

**PROGRAM:** MALI

**TITLE AND NUMBER:** Sustainable Economic Growth, 688-S002

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$17,882,891 DFA

**INITIAL OBLIGATION:** FY 1997; **ESTIMATED COMPLETION DATE:** FY 2002

Purpose: To increase the value-added of specific economic subsectors to national income.

Background: Mali's past economic performance has led to low per capita incomes. The long-awaited 1994 currency devaluation needs to be joined with a variety of technical, regulatory and economic factors to enable Malians to take full advantage of the resulting economic opportunities. Continuing macroeconomic reform now needs to address comprehensively the structural constraints in some of the subsectors contributing most to economic growth: livestock, cereals, financial services and non-traditional products. This USAID program consolidates the ongoing Animal Productivity and Export and the Upper Niger River Development projects, and also incorporates all or part of the following projects: Food and Agricultural Policy Support, Strengthening Research Planning and Commodities Research, and Private Voluntary Organization Co-Financing. This new program supports the Malian Government's commitment to a focus on subsectors. Improved policy coordination among West African countries will contribute to the success of this program.

USAID Role and Achievements to Date: USAID's assistance focuses on agricultural research and extension, resolution of marketing problems, privatization, export promotion, mobilization of savings, and microenterprise. USAID-sponsored research resulted in the adoption of two new cropping practices and eight new technologies in several geographic zones, increasing farm productivity and income. USAID has contributed to achievement of a 30% increase in agricultural production and a 25% increase in the value of agricultural exports since 1988. Growth in grain production outpaced growth in population during this same period. With USAID assistance, rural credit has more than doubled since 1989. USAID investments in the livestock sector helped producers and traders to increase the value of exports by two-thirds following the 1994 devaluation.

Description: For each subsector, results sought will include an improved policy and regulatory environment, better use of technology, improved skills, and increased access to relevant information. For livestock, activities include improving commercial transport and regional trade policy, improving production techniques, business training, and development of a livestock information system. For cereals, activities include developing the analyses needed for the Malian Government to improve trade policy and land tenure, funding business training, developing information systems, funding research and extension, promoting exports, and encouraging diversification in food processing. For financial services, activities include developing an appropriate regulatory framework, funding business training, and encouraging the creation of and training of non-bank financial institutions. For non-traditional products, activities include eliminating export policy constraints, establishing a market information system, improving export infrastructure, and helping financial institutions to understand the needs of exporters. Together, the private sector emphasis of this program and USAID's participatory approach are expected to create the demand needed to sustain these activities after USAID funding ends.

Host Country and Other Donors: In 1993, USAID, the World Bank and France were the largest donors in agriculture and natural resources. Other major donors included Germany, the Netherlands, the European Union, Denmark, the African Development Bank and Japan. Several donors, along with the Malian Government, jointly manage a cereals marketing reform project;

USAID is an active player in this body. In its work with another group focused on reform of the rice sector, USAID identified the need for and supported the privatization of four large rice mills. Donor coordinating bodies in the sectors of livestock and agricultural research meet regularly. While the donors finance the investment budget of the Malian Government, the government funds the human resources associated with donor projects.

**Beneficiaries:** The program will have its greatest impact on the rural areas, where 80% of the population lives. It also will help increase employment and income in the urban areas, particularly through support of the microenterprise activities of women and artisans. Increased personal income will have the indirect effect of increasing both consumption of locally produced products and government tax revenues.

**Principal Contractors, Grantees, or Agencies:** USAID will implement these activities through contracts with Title XII universities, such as Washington State and Texas State Universities; a disadvantaged enterprise, RONCO; and grants to U.S. PVOs, such as Appropriate Technology International.

<u>Major Results Indicators:</u>	<u>Baseline (1995)</u>	<u>Target 1</u>
Value-added from financial services	\$40,000	\$150,000
Value-added by the livestock sector	\$208 million	\$252 million
Value-added by the cereals sector	\$56 million	\$80 million
Value-added by non-traditional products	\$630,000	\$1.2 million

## ACTIVITY DATA SHEET

**PROGRAM:** MALI

**TITLE AND NUMBER:** Democratic Governance, 688-S003

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,499,757 DFA

**INITIAL OBLIGATION:** FY 1997; **ESTIMATED COMPLETION DATE:** FY 2002

Purpose: To make targeted community organizations effective partners in democratic governance, including development decision-making and planning.

Background: After the March 1991 revolution, Mali committed itself to a multi-party democracy and a policy of decentralization. Malians demanded a democracy in which local populations could participate in decisions related to their daily lives. After extensive analysis of democratic governance in Mali, USAID concluded that its program impact would be increased significantly through promoting a system of democratic governance in which community organizations, as the base of civil society, participate as equal partners in sustainable national development efforts.

USAID Role and Achievements to Date: USAID's efforts have focused on policy reform and support to local nongovernmental organizations (NGOs) and community organizations (such as community school management committees, producer associations, health committees and village associations). As a result, these community organizations have been able to manage their own schools and community health centers effectively and to manage their income-producing activities better. More importantly, they have engaged in civic actions for the benefit of their members. USAID activities contributed to the participation of civil society in development decision-making and advocacy, resulting in increased primary school enrollment and basic health coverage in Mali. USAID funded two private voluntary organizations in their efforts to help dozens of villages form school committees to build, manage and finance their own schools. The Cooperative League of the USA received USAID funding to help village committees lobby successfully for privatization of rural transportation. With support from USAID, the Near East Foundation helped community organizations to lobby for reform of the government's forest management policy. USAID also helped community health centers throughout Mali to federate. World Education received USAID funds to improve the capacity of student-parent associations to advocate and work for better school conditions.

Description: USAID focuses its activities on two major areas: (1) helping target community organizations to engage in democratic governance and civic actions primarily at local levels; and (2) helping put in place an enabling environment that empowers community organizations and representative partner organizations. To help community organizations engage in democratic governance and civic actions, USAID will strengthen the capacity of local NGOs, federations and representative partner organizations, fund local NGOs and federations to support community organization democratic self-governance and civic actions, and assist target representative partner organizations to represent community organization interests effectively at the local level and beyond. To help put in place an empowering enabling environment, USAID will identify and address constraints in existing regulations affecting community organizations. It also will carry out civic education campaigns on decentralization, voter education, and laws and policies affecting community organizations.

Host Country and Other Donors: The Malian Government is in the process of implementing decentralization. Many donors are supporting the government in these efforts, including the World Bank, the United Nations Development Programme, France, Germany, the European Union, the Netherlands, Switzerland and Canada. The government is funding the costs of personnel and management.

**Beneficiaries:** Community organizations at village and commune levels are the major beneficiaries. These institutions are regarded as the most representative of Malian civil society. Over the planned life of this program, USAID Mali will reach approximately 750 community organizations in 20% to 25% of the country's communes.

**Principal Contractors, Grantees or Agencies:** USAID will implement activities through private nonprofit organizations, including U.S. PVOs such as World Education.

<b><u>Major Results Indicators:</u></b>	<b><u>Baseline 1</u></b>	<b><u>Target 1</u></b>
Percent of total target community organizations that have affected two or more development decisions.	TBD	TBD
Number of regional/national government decisions that target intermediary non-governmental and community organizations have affected.	TBD	TBD
Percent of target community organizations that have formed good partnerships with local governments in delivering services.	TBD	TBD
Percent of target communes in which new community organizations have formed during the year.	TBD	TBD
Percent of target communes in which non-target community organizations adopt civic action practices.	TBD	TBD
Percent of target community organizations that have expanded their development services and activities.	TBD	TBD

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1 To be determined

## ACTIVITY DATA SHEET

**PROGRAM:** MALI

**TITLE AND NUMBER:** Youth, 688-S001

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$18,233,032 DFA

**INITIAL OBLIGATION:** FY 1997; **ESTIMATED COMPLETION DATE:** FY 2002

Purpose: To change social and economic behaviors among youth in targeted geographic areas.

Background: USAID has made significant investments and achieved important results in the sectors of health, family planning and basic education. While these activities are essential for Mali's development, USAID concluded that they could be more effective if they were better integrated and coordinated. Mali, like many developing countries, has a population where over two-thirds are younger than 25. Reducing population growth and increasing economic growth cannot be accomplished without targeting those younger than 25. Many young people are now making child-bearing decisions and engaging in economic and environmental management activities that will impact Mali's future. Eventually, these Malians and those even younger will constitute the country's most productive human resources. Therefore, USAID will target its child survival, family planning, basic education, environmental education and job skill development activities to youth. The Malian Ministries of Health and Basic Education, as well as the Presidency, understand and support this approach. They believe that in addition to improving the quality of life, a true focus on youth will lead to greater political stability. The program integrates activities in four ongoing projects--Community Health and Population Services, AIDS and Sexually Transmitted Diseases Awareness and Prevention, Malaria Prevention, and Basic Education Expansion--as well as several grants under the Private Voluntary Organization Co-Financing project. To maximize impact, program services will be concentrated in targeted geographic areas.

USAID Role and Achievements to Date: USAID is targeting children and youth from birth to the age of 25. Activities include child survival, basic education with an emphasis on girls, environmental education, job skills, reproductive services, HIV/AIDS, and development of youth groups. With USAID assistance, infant mortality has decreased, in some targeted areas dropping from 108 to 49 per 1,000 since 1989. Out of each 1,000 girls entering primary school, the average number completing sixth grade has increased from 236 in 1990 to 388 in 1993. The number of girls entering first grade has increased by 83% since 1990. Enrollment in grades one through six has increased by 60% in the six years of USAID intervention, 1990-1995. As the main donor involved in family planning, USAID can claim much credit for the increase in the national contraceptive prevalence rate from 1.3% in 1987 to 7% in 1995. In Bamako, the rate increased to 13%. Due to USAID efforts, almost 100% of women with the highest risk of contracting AIDS report that they use condoms. Use of condoms is key to reducing the transmission of the HIV virus.

Description: The results sought by USAID with respect to youth include increased availability and access to targeted social services, improved quality of targeted social services, and increased demand for targeted social services. For child survival, activities include the training of traditional birth attendants in safe birthing, post-natal and first-aid techniques, the development of child-to-child health education programs, and assistance to youth in the management of village pharmacies. For basic education, activities include renovating, building and equipping schools with community participation, revising curricula and training teachers, supporting policy reform and consciousness-raising regarding girls' education, performing market research into appropriate employment opportunities, and improving training in basic employment skills. For reproductive health services, activities include helping Malian leaders and health service providers to be aware of key concerns in this area, focusing social marketing of condoms on youth, establishing youth clinics within health centers, supporting the health information system, and financing a demographic health survey. For

environmental education, job skills and youth groups, activities include: training youth groups in literacy, numeracy, management and technical skills; helping youth groups engage in social marketing of contraceptives and natural resource management activities; and developing a microenterprise program for youth. Investing in youth rather than in the population at large is an effective way to focus resources and sustain the desired behavior changes, since young people will pass on the behavior to succeeding generations.

Host Country and Other Donors: USAID was the fourth largest donor in health, social development and human resources in 1993, after the World Bank, Canada, and the United Nations Children’s Fund. Other major donors include Japan, the Netherlands, Germany, and Switzerland. The World Bank coordinates two multi-donor projects, one in health and family planning and one in education, which provide fora for donor coordination. Under the multi-donor education project, USAID is the second largest donor. Other major donors include France and Canada. USAID coordinates its assistance in basic education with other donors’ assistance to secondary education. The Malian Government funds the human resources associated with these projects.

Beneficiaries: Youth in targeted geographic areas will be the major beneficiaries of this program. However, services will not be denied to Malians over the age of 25. Services will be integrated within targeted geographic areas to have the maximum effect on the youth in those areas.

Principal Contractors, Grantees, or Agencies: USAID will implement these activities through contracts with private firms, such as John Snow, Inc., and grants to U.S. PVOs such as Africare and Save the Children.

<u>Major Results Indicators:</u>	<u>Baseline 1</u>	<u>Target 1</u>
Youth increase their use of family planning services.	TBD	TBD
Youth stay in school to complete the primary six grade cycle.	TBD	TBD
Youth increase use of health services.	TBD	TBD
Youth have income-generating activities, once they are trained.	TBD	TBD

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1 To be determined

## ACTIVITY DATA SHEET

**PROGRAM:** MALI

**TITLE AND NUMBER:** Information and Communications, 688-SP01

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$750,000 DFA

**INITIAL OBLIGATION:** FY 1997; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** USAID seeks to achieve improved access to, and facilitated use of, information.

**Background:** Reliable and timely information is essential to any society's social, economic and political development. In Mali, full access and capacity to utilize information are limited. Information is difficult to access and manage because telecommunication systems are underdeveloped, mass media have just begun to spread throughout the country, literacy rates are low, access to official data is controlled and limited, and national libraries do not exist. These factors, combined with Mali's present economic, political and social environments, indicate the great value of activities concerned with expansion of information and communication. Malians need information that is useful, well-organized, and applicable to their lives to benefit both themselves and their country.

**USAID Role and Achievements to Date:** USAID is collaborating with French Cooperation, the Food and Agricultural Organization, and the Canadian International Development Agency (CIDA) in developing this program. These donors plan to complement USAID's efforts in expanding Internet access. CIDA's efforts focus on financing telecommunications infrastructure (i.e., making it available), while USAID will build on its experience in developing development information and communications systems. Several private voluntary organizations (PVOs) in Mali have launched well-received activities to provide information access over the past few years. For example, the Near East Foundation sponsors a rural radio station in northern Mali, the Cooperative League of the U.S.A. is sponsoring a rural newsletter, and CARE (the Cooperative for American Relief Everywhere) and Africare sponsor newsletters on various technical topics.

**Description:** Activities under this program will not produce or create information per se, but rather will focus on expanding the dissemination of existing information.

The information and communication program consists of four main areas of activities:

- (1) Right of access to public information--this component will involve a thorough telecommunications policy analysis, and propose legislation similar to the U.S. Freedom of Information Act to make public information readily accessible to all Malians;
- (2) Access to information in rural areas--this activity will promote the dissemination of information in rural areas through the funding of community-operated radio stations and printing facilities;
- (3) Access to information through national and local institutions--under this activity, selected schools, nongovernmental organizations (NGOs), PVOs, the local Chambers of Commerce and Agriculture, and others will have access to information via Internet connections and hook-up to local networks. Also under this component, an information resources center will be established at USAID for providing access to the Internet and CD-ROM libraries.
- (4) Access to information on Mali via an Internet Web site--under this activity, a number of "pages" will be set up on the Internet's World Wide Web to provide business, investment, cultural, tourist, educational, and other information on Mali.

Activities under this program will draw expertise as appropriate from the Leland Initiative, the newly authorized Internet connectivity project of USAID's Africa Bureau.

**Host Country and Other Donors:** The Malian Government is interested in information and communications as one of the eight themes it presented at the Donor Round Table for Mali held in 1994. It has established policies supporting community-owned rural radio and is working with USAID to insure its policies promote the use of the Internet and increased access to government information. USAID has collaborated with the Canadians in the development of its information and communications program. Canada is expected to become a significant donor in this area.

**Beneficiaries:** It is expected that all levels of Malian civil society will benefit from this program.

**Principal Contractors, Grantees or Agencies:** USAID will implement this program primarily through the private sector and with grants through private nonprofit organizations, including U.S. PVOs and local NGOs. These organizations have not yet been identified.

**Major Results Indicators:**

	<u>Baseline 1</u>	<u>Target 1</u>
Percentage of total population covered by radio	TBD	TBD
Increased access by public and institutions to Internet	TBD	TBD
Freedom of Information Act legislation passed	TBD	TBD

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1 To be determined.

## MOZAMBIQUE

FY 1997 Development Fund for Africa: . . . . . \$36,886,502  
FY 1997 P.L. 480 Title II: . . . . . \$12,500,000

### Introduction.

U.S. interest in Mozambique lies in the role it plays in the development of the southern African region as a growing market for U.S. exports. An American firm, ENRON, signed an accord with the Government of the Republic of Mozambique (GRM) in late 1995 to develop a natural gas project worth roughly \$700 million, potentially the largest recent American investment in sub-Saharan Africa. In addition, given Mozambique's importance in providing ocean access for several landlocked countries and its proximity to the Republic of South Africa, political stability and economic growth in Mozambique contribute to U.S. national interests of peace, stability, and economic growth throughout the entire southern Africa region.

The transition from brutal civil war to peace that began with the signing of the Peace Accords in October 1992 has encompassed the demobilization of opposing armies, resettlement of almost five million displaced persons and refugees, successful democratic elections, and the installation of a new government that gives high priority to economic reform. Mozambique is moving away from central planning toward a market-oriented economy with increasing emphasis on private sector-led growth. Economic growth has begun to rebound since the Peace Accords. The GRM has recently streamlined the investment code, making the playing field more level for both domestic and foreign investors. Multi-party democracy there is only two years old and the institutions of democracy are just beginning to function as they must. The emergence of a multi-party National Assembly and plans to decentralize government are additional positive indicators. Recent increases in the prevalence of corruption and signs of poor management in the public sector are troubling signs, however. The task of consolidating Mozambique's economic and political reforms is complicated by its poverty.

### The Development Challenge.

With an official average per capita income of \$90 annually, Mozambique is among the poorest countries in the world. The overwhelming majority of Mozambicans live in poverty. Eighty percent of the total population lives in rural areas, two-thirds of them in absolute poverty. Rain-fed subsistence agriculture leaves the rural poor particularly vulnerable to recurring drought and natural disasters. The average daily caloric intake in Mozambique is just 77% of the daily estimated requirement (the average for sub-Saharan Africa is 93%). Chronic malnutrition is estimated to affect 30% to 40% of Mozambique's children, with 6% believed to be acutely malnourished.

Meanwhile, the population's growth rate of 2.7% per annum erodes improvements in the standard of living. Mozambique's social services were decimated by war. One-third of all rural health units were either destroyed or closed during the long civil war there, with the result that roughly 60% of the population still lacks access to health services. Fifty percent of child deaths in Mozambique's hospitals are attributable to common, treatable diseases. HIV infection in USAID's program focus area is estimated to be 10%. Illiteracy rates are 25% higher than the average for sub-Saharan Africa and nearly 70% of the primary school network has been closed down.

*A sine qua non* for both rapid economic growth and democratization is continued policy reform. USAID has been a leader among donors in setting the economic and political reform agenda in Mozambique. USAID has urged rapid privatization of state-owned firms, actively promoted private American investment in Mozambique, and pressed the GRM to move swiftly on financial sector reform and clamping down on corruption. An unusually high level of donor collaboration exists both with respect to economic policy reform and good governance. The policy dialogue with the GRM's economic team is very productive and open as well, which sets a positive framework for assistance programs.

The GRM recently outlined an ambitious program of financial sector reform, customs and tax reform, investment promotion, privatization, decentralization, and combatting corruption. Implementation has slipped somewhat, a high rate of inflation continues to retard investment, and reforms of the banking sector and customs are still not fully implemented. The donor community has placed concrete achievements in these areas at the top of the policy agenda for 1996. Mozambique, however, has a particular vulnerability with its external debt burden of approximately \$5.2 billion, or nearly four times the Gross Domestic Product (\$1.5 billion), as well as its exceptionally high dependence on external assistance (\$1.1 billion).

Mozambique's new democracy is very fragile. Power sharing with an informed National Assembly is beginning, but will require years of nurturing and strong political commitment. Internalizing the electoral process so that it becomes a permanent feature of Mozambique's new democracy will also take time and effort. Greater community participation in local decision-making depends upon effective implementation of GRM decentralization goals. Delivery of social services, such as health care, also requires innovative approaches involving local community participation in order to ensure sustainability.

#### **Other Donors.**

The United States is one of the largest donors in Mozambique and in FY 95 committed \$44 million, plus an additional \$19 million of P.L. 480 assistance. The donor community at large pledged roughly \$780 million last year for development assistance. Other major contributors are: the World Bank, the International Monetary Fund, the United Nations agencies, the European Union, Sweden, Denmark, Italy and the Netherlands.

#### **FY 1997 Program.**

USAID's strategy focuses on the enhancement of human productivity through 1) increasing rural household income, 2) supporting efforts to ensure that government is more accountable to its citizens, and 3) improving the health of women and children through increased use of innovative, community-based child health and family planning services. Increasing rural income will not only provide resources to improve the quality of life, but will also lead to on-farm investments and expansion of nascent rural enterprises. Good government and democracy, which require informed participation, accountability, and respect for human rights are inextricably linked to sustainable development. Primary health care is critical to enhancing human productivity. Healthy people contribute to increased economic productivity and participation in government and are better able to devote time and resources to improving their families' well-being.

#### **Agency Goal: Encouraging Broad-based Economic Growth**

As one of the world's poorest countries, Mozambique requires broad-based, sustainable economic growth to reduce the number of its citizens living in poverty. USAID will continue its leadership role in promoting policy reform as the foundation of its strategy to accelerate economic growth. Mozambique is well endowed with agricultural resources and possesses one of the best arable land-to-population ratios in sub-Saharan Africa. USAID's strategy will focus on the central provinces which provide homes for over half of the population and the highest agricultural potential. USAID, in collaboration with its private voluntary organization (PVO) partners, undertook a food security assessment and implementation strategy in March 1996. This assessment, and the subsequent development of a food security strategy, are necessary to guide USAID's work toward fulfillment of its country strategic plan sub-goal of enhancing national food security. These activities will serve as the basis for the design of a new multi-year Title III program and Title II development activity proposals.

The strategy supports improved access and market development, expanded rural enterprise, and increased agricultural production through improvements in the policy environment, technology/skill transfer, and rehabilitation of basic infrastructure. In the post-war period, USAID funded PVO activities

that provided nearly 5 million returning refugees and internally displaced persons with seeds and basic tools to enable them to re-establish their farms. Transport access is critical to increasing rural income. Recent USAID projects have demined and opened over 600 miles of rural access roads and reopened the bridge that links the north to the south, thereby significantly increasing local capacity to move surplus food crops to food-deficit areas. USAID has also identified an additional 900 miles of high priority access roads for rehabilitation in its target areas that will further encourage agricultural production, lower the cost of marketing food crops and thus contribute to improved national food security. Support for the formation and expansion of rural enterprises will provide additional opportunities for value-added transformation, expanded services delivery and employment generation.

- Strategic Objective 1: Rural Household Income Increased in Targeted Areas

**Agency Goal: Building Democracy**

Emerging from 16 years of civil war and single-party socialistic government, Mozambique held successful multi-party presidential and legislative elections in 1994. A legitimate, democratically elected opposition now has substantial representation in the parliament. Democracy and participatory government are new concepts to Mozambique and institutionalization of these concepts is in an early stage. Further assistance will be required to firmly establish these democratic principles. Mozambique is a large country with poorly developed transportation and communications systems. Furthermore, the central government does not have the resources to effectively address local issues. The GRM has embarked on a program of decentralizing authority and resources to the provincial and district levels. Local elections are also planned for 1997. During the post-election period, USAID provided assistance to help establish a multi-party parliament. New legislation is being actively and openly debated. However, the lack of transparency and accountability in government continues to be a serious problem.

- Strategic Objective 2: Government More Accountable to Citizens

**Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

Current estimates of infant, child (under 5 years) and maternal mortality suggest that conditions in Mozambique are among the worst in the world. Life expectancy is 44 years for males and 48 years for females. At all levels of the health care infrastructure, the health sector lacks the institutional, human and financial resources to deliver quality health services, especially in the rural areas. USAID has been a world leader in developing innovative, low-cost mechanisms to deliver basic lifesaving health services to mothers and children. USAID's comparative advantage in the health sector lies in health services delivery as evidenced by past achievements in its Primary Health Care Support Project, USAID supplied essential drugs to rural health facilities, and the provision of technical assistance and in-service training for improved management and increased use of data for planning purposes in several provinces. USAID/Mozambique and its PVO partners have earned a reputation for service delivery in emergency health and nutrition. In the post-emergency period, these low-cost/community-based health service delivery mechanisms will be improved and expanded to newly resettled areas. While the allocation of government resources to the social sector increased dramatically last year, allocations are nonetheless inadequate to provide basic services. Close collaboration with the PVO community has helped in the formulation of USAID's strategy, and both USAID and the government are relying on community-led initiatives, with PVO assistance, to expand the availability of and access to adequate health care.

- Strategic Objective 3: Use of Essential Maternal/Child Health/Family Planning Services Increased in Focus Areas

**Agency Goal: Providing Humanitarian Assistance**

Drought is becoming increasingly common in Mozambique and food security for a significant percentage of the population is threatened on a regular basis. Improvements in food crop marketing and transportation will help to diminish this problem but, for the near term, periodic emergency assistance will likely be required. USAID retains its capacity to provide humanitarian assistance using a combination of P.L. 480 Title II Emergency and Office of Foreign Disaster Assistance resources. The USAID food security assessment looked at phasing down the historical support of Title II emergency feeding programs and instead increasing the role of both Title II and Title III efforts further along the relief to development continuum.

- Strategic Objective 1: Rural Household Income Increased in Targeted Areas

**MOZAMBIQUE  
FY 1997 PROGRAM SUMMARY**

	Encouraging Broad-based Economic Growth	Stabilizing World Population Growth & Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	TOTALS
USAID Strategic Objectives						
1. Rural household income increased in targeted areas - Dev. Fund for Africa - P.L. 480 Title II	11,165,504		7,762,959		10,700,000	18,928,463 10,700,000
2. Government more accountable to citizens - Dev. Fund for Africa				3,374,474		3,374,474
3. Use of essential maternal/child health/ family planning services increased in focus areas - Dev. Fund for Africa - P.L. 480 Title II		14,583,565			1,800,000	14,583,565 1,800,000
<b>Totals</b> - Dev. Fund for Africa - P.L. 480 Title II	11,165,504 10,700,000	14,583,565	7,762,959	3,374,474	12,500,000	36,886,502 12,500,000

USAID Mission Director: James T. Smith (Acting)

## ACTIVITY DATA SHEET

**PROGRAM:** MOZAMBIQUE

**TITLE AND NUMBER:** Rural Household Income Increased in Targeted Areas, 656-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$18,928,463 DFA; \$10,700,000 P.L.480 Title II

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To increase household income of the rural poor in the central provinces of Mozambique by increasing access to markets, expanding rural enterprises and increasing agricultural output.

Background: Mozambique's economy was shattered by years of civil war and economic mismanagement. With the arrival of peace and stability, a concerted effort to economically develop the country is now possible. This rural, largely agrarian, society will depend upon smallholder agriculture to propel export and overall economic growth for the foreseeable future. Therefore, USAID will direct its resources to help in creating the conditions for improving rural incomes through labor-intensive activities such as farming and expanding small and microenterprises to stimulate rapid growth of the direct incomes of the rural poor. This approach will produce growth with equity and contribute significantly to enhanced national food security.

USAID Role and Achievements to Date: Although the Mission's Country Program Strategic Plan was only approved last year, this strategic objective builds upon the highly successful Transition Program that removed economic policies constraining the private sector, supplied a broad safety net through the provision of food aid and the seeds and tools needed to re-establish agricultural production, and improved the market infrastructure. While the focus of the Transition Program was on averting hunger and starvation, bringing peace to the land, and reintegrating dislocated populations into the social and economic life of the country, the current strategy focuses on the development of the productive capacity of the rural population. The resurgence of agricultural production and economic activity is readily apparent. In the past year, the country as a whole moved from producing 57% to 72% of its own cereal food requirements. The production of the important cash crops, cotton and cashews, increased 41% and 67%, respectively.

Description: To increase sustainable agricultural output and expand rural small and microenterprises, the Private Voluntary Support II Project finances the work of private voluntary organizations (PVOs) to deliver improved seed and farming know-how to smallholders and increase the value-added processing and marketing of their production, while transferring business and entrepreneurial skills. Developmental food aid programs contribute significantly to these objectives by using food-for-work and monetized local currencies for the same purposes. To increase market access, the Private Sector Support Program and Technical Assistance Project is promoting an improved economic policy environment and disseminating market prices that provide incentives to agricultural production while the Commodity Import Program supports the importation of U.S. capital goods. Perhaps most importantly, the new Rural Access Project is continuing to rehabilitate rural access roads, thus linking surplus food-producing areas with food deficit areas.

P.L. 480 Title II and anticipated Title III activities fall under strategic objective one and contribute to the third strategic objective, Increased Use of Essential Maternal Child Health and Family Planning Services. The Mission has a Food Team to address food security issues and the programming of Title II and III resources. The food security objectives of access and availability are both addressed through strategic objective one; food utilization is addressed under strategic objective three. The special strategic objective of Providing Humanitarian Relief is for Emergency Programs only.

USAID activities under Title II and III have moved from a relief focus to a developmental focus. Under Title II, USAID will work with its PVO partners (World Vision, CARE, Africare, ADRA and Save the Children) to design and implement programs to promote greater food access, availability and utilization. The earlier Title III commercial food aid program successfully engaged the private sector, and especially microenterprises, in the cereals market trade. If a new multi-year Title III program is approved, it will work to expand local oilseed production and processing, as well as to continue to leverage policy reforms in the areas of liberalizing prices and marketing, and de-regulating private formal and informal trade of agricultural commodities. The commodities being considered for both Title II monetization and possible Title III programs are wheat, crude vegetable oil, and possibly rice.

Host Country and Other Donors: Other donors are also very active in the rural development of the central provinces. On a technical level, key donors (World Bank, United States, Sweden, Denmark, Germany, Great Britain) meet regularly to coordinate efforts. The Ministry of Public Works and Housing effectively coordinates donor assistance into the rehabilitation of rural roads under the World Bank-led Roads and Coastal Shipping Project. A donor working group is chaired by the Vice-Minister of Agriculture and Fisheries, and a sub-working group coordinates the assistance of donors to the reform and implementation of land use policies. Donors are even more active in discussion and coordination of macroeconomic issues (in which USAID plays a key role) and sectoral policy formulation with the Government of the Republic of Mozambique (GRM).

Beneficiaries: An estimated nine million people, 52% of Mozambique's population, live in the target areas for the USAID strategy. Virtually all of these will benefit from the improved policy environment and market information system. In conjunction with other donors, the overall multi-donor roads program and market information system will improve market access for 65% of the population. Food aid assistance, either through food for work programs or monetized food commodities (programs that permit the use of local currency from the sale of U.S.-provided food aid), will provide a food safety net for 2.5 million people.

Principal Contractors, Grantees, or Agencies: PVOs include World Vision, Care, Africare, Food for the Hungry, National Cooperative Business Association, Heifer Project, Save the Children, World Relief, and the Adventist Relief and Development Agency. U.S. universities include Michigan State University and the University of Wisconsin. Contractors for the road rehabilitation and maintenance work are still to be determined.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Increase in real average household income	\$ 55 per annum (1995)	\$98 per annum(2001)
Change in volume and value (corn)	83,000 tons (1995)	134,000 tons(2001)
of marketed goods (beans)	12,500 tons (1995)	20,100 tons(2001)
(cashews)	22,000 tons (1995)	35,400 tons(2001)
Change in the size and number of small and micro-enterprises <sup>1</sup>		
Increase crop production (corn) (in four target provinces)	346,500 tons (1995)	449,000 tons (2001)
Increase livestock production -small ruminants (in four target provinces)	90,500 (1995)	145,500 (2001)

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<sup>1</sup>Survey in early FY-97 to establish baseline for small and micro-enterprise.

## ACTIVITY DATA SHEET

**PROGRAM:** MOZAMBIQUE

**TITLE AND NUMBER:** Government More Accountable to Citizens, 656-S002

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,374,474 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATE COMPLETION DATE:** FY 2001

Purpose: To increase citizen influence on government policies and actions impacting on their lives.

Background: The Government in Mozambique has historically been unresponsive, due to lack of will, capacity and resources, to the needs and interests of the vast majority of the population. The central government's power and authority in much of the rural countryside is marginal at best--and parasitic at worst. In much of the countryside, traditional authorities are the most legitimate form of leadership. Over the last year or two, however, slow improvements in governance were discerned. In 1994, with crucial U.S. leadership and support, the country conducted its first multi-party national elections. A more representative legislature is now functioning and civil society is increasingly able to make its views known. Legislation supporting representative local government is now law. Given USAID's worldwide experience in the democracy and governance (DG) sector, the Agency's significant role in affecting recent DG improvements in Mozambique, and the receptivity on the part of both government and civil society to assistance in this area, this strategic objective was a natural choice. This program includes the final two years of DG activities under the Democratic Initiatives Project.

USAID Role and Achievements to Date: Achievements in the DG sector include support for the 1994 national elections, including training of some 32,000 political party monitors, civic/voter education reaching an estimated 1.7 million eligible voters, and logistics. The election, in which 80% to 85% of the total estimated electorate voted, is considered a model by international observers. Since the election, efforts have focused on strengthening the capacity and/or understanding of various actors in the political arena, including the legislature, non-governmental organizations (NGOs) representing civil society interests, and traditional authorities. USAID will continue to work, as it has in the past, very closely with other members of the U.S. Country Team to achieve further results in this area.

Description: USAID activities will focus on four main areas: 1) civic education programs implemented by U.S. and local NGOs designed to inform citizens about their rights and responsibilities, such as voting, in a pluralistic democratic system; 2) technical assistance to support decentralization through strengthening the ability of community-based organizations to participate in local governance, and of local governments to effectively respond to voiced priorities and interests; 3) through policy dialogue and technical assistance, support to the process of raising civil society viewpoints on key public policy issues, e.g., the role of central government, to the attention of government policy makers through increased, informed public debate; and 4) strengthening the electoral process through technical assistance aimed at building the capacity and knowledge of key actors in the process, namely the electorate, political parties and the government's administrator of elections. The sustainability of these efforts is predicated on the belief that once a government becomes more accountable, those in civil society benefiting from that responsiveness will be very reluctant to see accountability decline, and will therefore act on their own behalf to preserve it.

Host Country and Other Donors: Based largely on USAID's past contributions to the DG sector, both the central government and civil society actors are receptive to most aspects of this program. Many of the donors active in Mozambique are involved to some extent in the sector. The World Bank and the United Nations Development Program (UNDP) will likely continue their significant DG programs. In terms of resource levels, the USAID program ranks perhaps fourth or fifth in overall size, and second or third among bilateral programs. In terms of influence, however, the U.S. effort ranks near the top. Other major donors are primarily working to strengthen central government institutions. In contrast, no significant efforts are being made through other donors to increase government accountability. It should be noted that in

the DG sector, in particular, USAID works extremely closely with other donors, in this case through the Aid to Democracy Group chaired by the UNDP.

**Beneficiaries:** In order to increase the chances of measurable impact given resource constraints, USAID will focus civic education and decentralization activities in three out of the four central provinces selected as the target of the overall USAID program due to their large population concentrations and potential for agriculturally-led economic development. Given the national scope of other activities under the program, achievement of the strategic objective will benefit all Mozambicans. Women and other historically disenfranchised groups will be specifically targeted for impact monitoring.

**Principal Contractors, Grantees, or Agencies:** Activities under the strategic objective will be implemented primarily through U.S. and local NGOs. U.S. organizations involved with the current program include the National Democratic Institute, the International Republican Institute, the African American Institute, and the State University of New York.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Within focus areas, perceptions of influence on public decisions by Political actors (citizens, political party leaders, national and local level assembly deputies, civil society actors)	National Level - 1% (1995) Local level - 0% <sup>1</sup> (1995)	National Level-25% (2001) Local Level In Target Area-50% (2001) In Focus Area-25% (2001) Nationally-15% (2001)
Key macro-political reforms implemented	(1995)	7 to 13 reforms implemented (2001)
Increase citizen participation in governance at the national and local levels. Citizens in focus areas who have had contact with national and local assembly deputies	National Level - 1% (1995) Local Level - 0% (1995)	National - 25% (2001) Local - 50% (2001)
National assembly deputies who have consulted constituents in focus areas within the last six month period	35% (1995)	100% (2001)
Local assembly deputies who have consulted constituents in focus areas within the last six month period	0% (1995)	50% (2001)
Government and civil society institutions are effective and accountable at the national and local levels. Citizens in focus areas understand how and why public decisions are made and implemented by executive branch at the national and local levels	National Level - 5% (1995) Local Level - 5% (1995)	National Level - 50% (2001) Local Level - 75% (2001)

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<sup>1</sup>Unless otherwise indicated, "local level" refers to six to eight targeted areas, or districts, within four central Mozambican provinces.

## ACTIVITY DATA SHEET

**PROGRAM:** MOZAMBIQUE

**TITLE AND NUMBER:** Use of Essential Maternal/Child Health/Family  
Planning Services in Focus Areas, 656-S003

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$14,583,565 DFA; \$1,800,000 P.L. 480  
Title II

**INITIAL OBLIGATION:** FY 1996; **ESTIMATE COMPLETION DATE:** FY 2001

**Purpose:** To increase use of essential community-based maternal child health services by increasing access and demand for services and improving management in focus areas.

**Background:** Current estimates of infant, child and maternal mortality suggest that health conditions in Mozambique are among the worst in the world. The infant mortality rate is estimated to be 140 to 173 per 1,000 children, while child maternal mortality is estimated between 260 to 275 per 1,000. The official maternal mortality rate is 300 per 100,000 life births, but the actual rate is much higher since approximately 60% of births occur without assistance from a trained provider (thus, data are not captured). In addition, due in part to massive population movements during and after the civil war, it is estimated that 10% of the population in USAID focus areas is infected with HIV/AIDS. Access to health information and service remains the major constraint to increased use of health services. Only an estimated 30% of the population has access to health care, and as many as 40% of the facilities have no trained staff. The health sector lacks the institutional, human and financial resources to deliver quality health services, as well as an adequate information base on which to make decisions and set priorities.

**USAID Role and Achievements to Date:** Through its Primary Health Care Support Project, USAID has supplied essential drugs to most rural health facilities throughout the country. The project also provides technical assistance and in-service training for improved management and increased use of data for planning purposes in three provinces. This technical assistance will continue with the new strategy approved last year. Through the Private Voluntary Organization (PVO) Support Project, USAID provides grants to 11 U.S. and international PVOs to improve rural health by delivering basic health, water and sanitation services. This support has evolved from an emergency-oriented approach to one stressing long-term development and sustainability. Under USAID's new strategy, support for the child survival activities of PVOs will continue, with increased emphasis on child survival and reproductive health issues.

This strategic objective was a logical choice, one in which USAID's comparative advantage can make a significant difference, given that 1) USAID's acknowledged leadership in maternal and child health and years of experience supporting innovative low-cost approaches to health service delivery, 2) the Mission's credibility and experience in the sector, and 3) the GRM's receptivity and recently revised policy framework.

**Description:** This strategic objective will focus on the delivery of basic essential community based maternal and child health services and practices, such as diarrheal disease prevention and treatment, vaccination, child spacing, prenatal care, nutrition, health education, breast-feeding promotion, and HIV/AIDS and sexually-transmitted diseases prevention and treatment. This will entail working with communities, the Mozambican Government, NGO's and the private sector to assure and expand cost-effective service delivery, while increasing community responsibility for and family knowledge of essential health behaviors and interventions.

**Host Country and Other Donors:** Mozambique relies heavily on donor support for its health services, particularly in rehabilitating or refurbishing rural health facilities which were destroyed during the war. However, few donors are dealing directly with community-based support for maternal child health services. Swiss Cooperation, at the request of the Ministry of Health, has taken the lead in coordinating donor

activity in the area of health. At the same time, donors are "buying-in" to central and provincial-level plans for health activities as the government moves from centralized to provincially-based, decentralized administrative and financial systems. As a result, USAID is participating with the Ministry of Health and other donors in areas agreed upon as high priority.

Beneficiaries: Children under five years of age and women of child-bearing age in Mozambique represent almost 40% of Mozambique's population. The USAID-supported program will focus on the most densely populated provinces and will reach approximately five million people.

Principal Contractors, Grantees, or Agencies: USAID will continue to make grants to eligible PVOs and indigenous NGOs to carry out activities in support of this strategic objective. Also, USAID will use U.S.-based cooperating agencies to provide technical assistance for information, education and communication programs, logistics management, data collection and analysis and training. An institutional contractor will provide technical assistance to assist the Ministry of Health's decentralized management.

Major Results Indicators:

	<u>Baseline</u> <sup>1</sup>	<u>Target</u>
Proportion of living children between ages 12 and 23 months who have received diphtheria, pertussis, and tetanus vaccine	35% (1994)	65% (2001)
Proportion of infants less than four months of age who receive no foods or liquid other than breast milk	10% (1990)	25% (2001)
Proportion of all cases of diarrhea in children under five treated with oral rehydration salts and/or a recommended home fluid.	15% (1994)	25% (2001)
Proportion of women of reproductive age who are using (or whose partner is using) a contraceptive method at a particular point in time	3% (1994)	10% (2001)

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<sup>1</sup>Baseline information provided above are estimates based on available information and are in specific cases of uncertain reliability.

## NAMIBIA

**FY 1997 Development Fund For Africa: . . . . . \$10,810,551**

### **Introduction.**

Namibia, now in its sixth year of independence, is actively engaged in a multi-racial effort to consolidate its new multi-party democracy and remove the last vestiges of a century of colonial rule and decades of apartheid, the results of which are socioeconomic disparities and inequalities. The U.S. Government is providing resources to improve basic education and adult non-formal education systems and to improve management training. Resources will also be provided to protect Namibia's fragile natural resource base at the community level and to strengthen the legislative branch of government to ensure an open and free democracy. It is in the U.S. Government's interest to assist Namibia in strengthening and maintaining a viable, multi-party democracy and in improving the economic and social condition of its people. The United States played an important diplomatic role in helping Namibia achieve independence. Namibia is not only a potential model for democracy and development in southern Africa, but a positive force for conflict resolution throughout the region. Conversely, if Namibia fails as a democracy or in its efforts to increase growth and improve social equity, this could have a destabilizing effect throughout southern Africa. Namibia's failure to achieve its development goals would also be a major setback to the cause of economic and social progress in this important region. Namibia is in a strategic area of southern Africa and its capacity to make a peaceful transition from minority domination -- politically and economically -- to majority rule and empowerment improves the stability of the entire southern Africa region.

### **The Development Challenge.**

Namibia's highly skewed distribution of income favors the five percent minority that receives 70% of the Gross Domestic Product (GDP), that occupies most of the cultivable land and that enjoys incomes on a par with developed countries. This is contrasted with the majority black population which lives predominantly in the rural north on less productive communal lands, relies on subsistence farming, survives on annual incomes of \$100-\$200 per annum and has limited access to basic social services. Namibia's statistics on under-five child mortality (164 per 1,000), illiteracy rates (60%), high unemployment (40%), and high population growth rate (3%) compare with those found in relatively least developed countries (RLDCs). The rising incidence of HIV/AIDS is also a growing concern. In addressing the inequality issue, USAID focuses on increasing the social, economic and political opportunities of the majority population through interventions in four areas: adult training and human resources development; primary education; environment and natural resources management; and democratic institution building. Namibia will continue to have substantial requirements for training and technical assistance until such time as there is a critical mass of educated, trained and skilled Namibians. Two-thirds of USAID assistance is channelled through U.S. and local/indigenous private and non-governmental voluntary organizations.

In FY 1995, there were impressive achievements and progress in the area of policy and planning. A major cabinet reshuffle brought talented new people into the Government of the Republic of Namibia (GRN) and resulted in a split of the education portfolio into two separate ministries: (1) Basic Education and Culture and Higher Education and (2) Vocational Training and Science and Technology. The GRN completed its first National Development Plan (NDP#1) in early November 1995 following extensive consultations and donor involvement. NDP#1 approval was followed by a successful first Round Table donors' meeting in Geneva in late November 1995. The GRN has met one of its major Round Table commitments by completing a draft national family planning policy paper, which is currently being vetted within the Government. Namibia's first Planned Parenthood Clinic was opened in January 1996. In addition, the GRN is moving ahead on introduction of legislation to reverse generations of race discrimination and legislation on equality of women, which will update old South African laws in accordance with its Constitution. The GRN is firmly committed to development as evidenced by the

large allocation of budgetary support to education (25%) and health and social services (17%). This reflects its strong commitment to the primary objective of NDP #1 -- human resource development and investment in people. Regionally, the GRN is actively involved in Southern Africa Development Community (SADC) at various levels. Namibia has been asked to spearhead the newly created Regional Parliamentary Forum for SADC countries and USAID will be working closely with the Speaker of the House -- the Interim President of the Forum -- to identify ways to assist him to carry out this important mandate.

Since FY 1991, most of USAID/Namibia's resources have been invested in education. Recently, the USAID focus expanded into a comprehensive human resources development strategy which provides funds for degree-level training in United States colleges and universities and short-term management training. New, grade 1 curricula have been developed in school readiness, math, environmental studies, and language. These curricula have been translated into 11 Namibian languages and are in use in 925 schools, reaching 65,258 students. In FY 1995, additional regional Natural Resources Management Support (NRMS) funds enabled the expansion of USAID/Namibia's environmental focus on community level activities linked to income generation. Policy discussions with GRN officials have resulted in GRN action to present legislation which, when passed, will allow communities to derive direct income benefits from their natural resources assets. Work with local women's groups on better utilization of natural resources has resulted in grass thatching operations that generate income in lieu of the former destructive "slash and burn agricultural practices", and trained community game rangers are now based in three major regions of the country to help protect wildlife, including endangered species. In FY 1995, previously *ad hoc* small-scale democracy and electoral support activities were incorporated into a comprehensive, democracy program.

The GRN has exhibited fiscal and monetary prudence and to date has been reluctant to borrow to finance its development plans. In August 1995, the Ministry of Finance commissioned a study and published a "white paper", *Towards a Sustainable Fiscal Policy*, which set forth its policies for macroeconomic management and the efficient and equitable allocation of resources to achieve social objectives. External debt has been reported as \$600 million, most of which is pre-independence debt owed to South Africa, denominated in Rand. Namibia has one of the lowest debt ratios in Africa. Since independence real gross domestic product has grown at an annual average of 3.6% compared to a population growth rate of 3.1%. The country's balance of payments position is strong, and since independence the GRN has recorded five years of surpluses.

To achieve sustainable development, the Government -- and its development assistance partners, including the United States -- must be willing and able to provide the level of resources required to fully sustain Namibia's development effort. USAID envisions that it will require ten years (through 2005) of sustained U.S. assistance to develop a critical mass of skilled Namibians able to fully participate in the economy and to achieve meaningful results in all three areas of focus.

#### **Other Donors.**

GRN figures for external donor assistance fluctuate between \$78 and \$100 million per annum. In FY 1995 USAID, with obligations of \$15.3 million, was the third major bilateral donor after Germany and Sweden. The NDP#1 indicates that bilateral donors provide up to 80% of all external aid, followed by multi-lateral organizations who account for 18%, with the remaining two percent being provided by non-governmental organizations (NGOs). Per GRN statistics, 50% of development spending for the period 1995/1996 is from external donors. Recently, the GRN has requested donors' technical assistance to support its efforts to improve aid coordination and tracking of funds in order to improve the effectiveness of all development activities. In the past year, the United Nations Development Program has held bi-monthly meetings with donors to discuss development issues. These have included discussions of NDP#1 and the Round Table.

## **FY 1997 Program.**

USAID's goal is the strengthening of Namibia's new democracy through the social, economic and political empowerment of its majority population. This is being accomplished through institution building, training and education, by assisting local communities to better manage their natural resources and by increasing dialogue and accountability between parliament and the citizenry. The United States has a key interest in fostering an environment for a viable democracy and regional stability in southern Africa, and Namibia's constructive, indeed exemplary, role as a major player in the region is being enhanced through U.S. assistance. Management training and skills development will create more opportunities for the majority population to increase incomes and participate fully in the country's development. With increased control over surrounding natural resources, poor, rural communities will receive higher revenues from tourism and other natural resources, while conserving wildlife and other resources. In FY 1997, program emphasis will be on human resource development, where USAID supports long-term, basic education and short- and medium-term training and skills development, and voter education.

### **Agency Goal: Encouraging Broad-based Economic Growth**

The challenge is to help Namibia reverse a century of colonial and apartheid rule in which the country's human and physical resources were exploited for the benefit of a small minority. Prior to independence, the educational system was designed to support the unskilled labor requirements of the apartheid system, rather than to provide the necessary human resource base to promote equitable social and economic development. USAID's program helps Namibians and the Namibian government address the injustices of "separate development," which relegated the majority of the population to a life without dignity or opportunity while creating race-based disparities even more severe than those experienced within South Africa. USAID also focusses on Namibia's potentially bright future as a democracy and on the need for preparing Namibians to lead their country into the 21st century and prosper as a nation in a highly competitive international environment.

Results expected by the end of FY 1997 include introduction of the new, lower primary curriculum, reaching 10% of students in the most disadvantaged areas of the rural north where the majority of the population resides; upgraded skills of teachers in 10% of the most disadvantaged schools, through on-site training to enable correct usage of the new curriculum and materials; a minimum of 38 historically disadvantaged men and women having completed USAID-supported training, including internships and degree/diploma training at accredited U.S. institutions; and fifteen new adult training programs introduced and implemented by NGOs.

- **Strategic Objective 1:** Improved Training Opportunities for Historically Disadvantaged Namibians
- **Strategic Objective 2:** Improved Delivery of Quality Primary Education to Grade 1-4 Learners in the Most Disadvantaged Schools

### **Agency Goal: Building Democracy**

Namibia established itself at independence as a modern democratic state with a liberal constitution and strong commitment to protecting the civil liberties of all its citizens. However, this democracy is fragile. Whereas the GRN has upheld the basic tenets of the constitution, established a National Assembly and a second house of Parliament, as required by the constitution, and has conducted free and fair elections at all levels (national, regional and local), the GRN has been slow in removing old laws that inhibit their objectives for equality. In addition, linkages between legislators and citizens have remained weak. Furthermore, many of Namibia's new political institutions still lack the capacity to operate effectively, due primarily to lack of trained personnel and undeveloped systems and procedures. In addition, the

need for transparency and for a political system that is accountable to its citizens are new concepts in this newly emerging democracy.

USAID's strategy is to strengthen the Namibian Parliament's accountability to the people by (1) improving public participation in public hearings and other fora; (2) training Parliamentarians and staff; and (3) strengthening advocacy capacity in civil society. By the end of FY 1996, the number of Parliamentary hearings will increase from two to five, and the amount of legislation introduced reflecting the concerns and needs of citizens will increase by 200%. Three ad hoc committees will have been created to facilitate citizen input in the public fora. In FY 1997, the GRN's ability to support local and regional elections will depend on USAID funding, one-third of which is targeted in support of this agency goal. A major assumption for our support in this area is that the GRN -- and the country's major political parties -- remain firmly committed to the building of a multi-party, democratic state and to the protection of the human rights of all its citizens. We have no reason to doubt the assumption. The GRN, opposition parties and the Parliament have repeatedly stressed this commitment. Support for non-government organization (NGO) efforts in advocacy will also be supported under Strategic Objective #1 in order to improve the capacity of service and training-oriented NGOs to represent constituency needs in the formulation of GRN policies and programs.

- **Strategic Objective 4:** Increased Accountability of Parliament to All Namibian Citizens

**Agency Goal: Protecting the Environment**

Namibia, like most countries in southern Africa, faces critical environmental challenges that are exacerbated by frequent drought. Unlike its neighbors, Namibia has two major deserts within its borders, 65% of its land mass is unsuitable for cultivation of any kind and the country lacks interior perennial rivers. Owing to the latter, Namibia is heavily dependent on rainfall. Competition between humans and animals (domesticated and wild) for water and suitable terrain is intense. Given this fragile eco-system, USAID is assisting the GRN to develop strategies to maximize the renewable aspects of its natural resources and is assisting communities to capture benefits of wildlife and natural resources.

By the end of FY 1996, income from community-based activities, totalling \$350,000, will directly benefit 1,250 households, who will share these resources. A minimum of 200 men and 90 women will have participated in local management structures and training. Two Namibian organizations will have the capacity to provide community-based natural resources management and environmental education information, and 15 inter-regional field trips and study tours involving NGOs, private institutions and GRN staff for the purpose of information exchange on NRMS issues will have been completed. Also 10,000 hectares will be under management by local communities in the targeted areas of USAID focus, and the number of natural resource management structures built will have increased four-fold.

- **Strategic Objective 3:** Increased Benefits to Historically Disadvantaged Namibians From Sustainable Local Management of Natural Resources

**NAMIBIA  
FY 1997 PROGRAM SUMMARY**

	Encouraging Broad-based Economic Growth	Stabilizing World Population Growth & Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	TOTALS
USAID Strategic Objectives						
1. Improved Training Opportunities for Historically Disadvantaged Adults - Dev. Fund for Africa	6,963,698					6,963,698
2. Improved Delivery of Quality Primary Education to Grade 1-4 Learners in the Most Disadvantaged Schools - Dev. Fund for Africa	1,100,000	377,242				1,477,242
3. Increased Benefits to Historically Disadvantaged Namibians from Sustainable Natural Resources - Dev. Fund for Africa *			1,563,697			1,563,697
4. Increased Accountability of Parliament to all Namibian Citizens - Dev. Fund for Africa				805,914		805,914
<b>Totals</b> - Dev. Fund for Africa	8,063,698	377,242	1,563,697	805,914		10,810,551

\*NOTE: Funding for Strategic Objective 3 comes from a regional attribution from the Initiative for Southern Africa and will be justified and obligated within the regional program.

USAID Mission Director: Edward J. Spriggs

## ACTIVITY DATA SHEET

**PROGRAM:** NAMIBIA

**TITLE AND NUMBER:** Improved Training Performance and Education/Training Opportunities for Historically Disadvantaged Namibians, 673-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$6,963,698 DFA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To develop a critical mass of trained managers in both the private and public sectors.

Background: Two major constraints to Namibia's ability to attract foreign investment are the lack of historically disadvantaged Namibian entrepreneurs with mainstream business skills and the lack of well-trained Namibians in middle- and upper-level management in mainstream companies and the public sector. Strategic Objective #1 addresses these problems. The planning capacity of the Government of the Republic of Namibia (GRN) to carry out many of its development objectives is constrained by a lack of mid level managers to implement its program. In May 1994, USAID funded an assessment of human resources development to identify the gaps within both the public and private sectors and the type of intervention that could be undertaken. Using a regional activity called "Human Resources Development for Africa", USAID is undertaking a two year pilot activity that will be followed by a longer-term bilateral activity based on successful pilot activities and lessons learned.

USAID Role and Achievements to Date: The current short-term management training intervention addresses a critical need for managerial training in both the public and private sectors. To date, two advisory boards have been selected to oversee each of the major components -- public and private -- and twenty-five candidates have been identified for short-term management training courses. Most of the identified courses will be held in the United States and are of three months duration, with shorter courses identified for neighboring countries and one in-country seminar is planned. As designed, the pilot activity focuses primarily on the private sector, which will benefit from two-thirds of the \$3 million funding and will be under the direction of the U.S. private and voluntary organization (PVO). A Cooperative Agreement with a U.S. PVO was signed in December 1995 to implement the private sector component and oversee in-country, third country and U.S.-based training. To date, private sector and public sector management boards have been established for the activity, and several of the estimated total of 160 managers have commenced training. USAID is among the top five bilateral donors providing assistance in the human resources category.

Description: The objectives of this intervention will be to develop various modules for short-term management training programs (up to one year duration) which will, over the life of this activity, produce some 400 well-trained, highly competent managers in both the public and private sectors, many of whom will, after learning advanced business skills on the job, elect to use this expertise to form their own companies. USAID's intervention will build on the lessons learned during the "pilot" phase to identify the types of internships and firms/organizations for placement of selected trainees. Medium and long term technical assistance will be used to plan more in-country workshops and seminars on management and allow USAID to reach more beneficiaries. Technical assistance will identify and assist local institutions (public and private) to strengthen their capacity to conduct management training programs and to design curricula and materials for that purpose. In the public sector, USAID will continue to identify ministries and parastatals in need of managerial-training assistance, although the primary focus will continue to be on the private sector. Training opportunities in the public sector will be identified in conjunction with recipient organizations and will require that each organization has a training assessment plan in operation. In the private sector, short-term management training will assist Namibian companies to meet their diversity objectives. Programming of more in-country workshops on management and strengthening of the capacity of local institutions to carry out such training will be a secondary focus of this longer-term intervention.

**Host Country and Other Donors:** The Ford Foundation is also working in this area, assisting the Namibian National Chamber of Commerce and Industry to establish an Affirmative Action Advisory Service that will help businesses make the transition to a more open approach. The UN Development Program (UNDP) is assisting the GRN to identify human resources development requirements. USAID, which is among the five largest donors, has been working with the GRN National Planning Commission to develop a comprehensive human-resources plan as part of their National Development Plan just published for the five year period: 1996-2000. The UNDP convenes monthly donor meetings for coordination and information-sharing purposes. The GRN, which is extremely committed to human-resources development, also facilitates donor meetings.

**Beneficiaries:** Most current and future historically disadvantaged Namibian managers in the private sector and a substantial portion of those in the public sector. By focussing on the training of these Namibians, USAID assistance will assure that more Namibians can contribute to the economic development of their country.

**Principal Contractors, Grantees, or Agencies:** Currently, USAID is implementing training activities through U.S. PVOs, including World Education, Inc., the African American Institute, and AFRICARE, as well as through Namibian government partners and local NGOs.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Number of target organizations that use staff development plans that support enhanced roles for trained historically disadvantaged Namibians	0 (1995)	4 (1997)
Number of historically disadvantaged men and women successfully completing USAID supported training	17 (1995)	160 (1997)

**Intermediate Results:**

Number of candidates nominated for USAID training programs by target organizations	33 (1995)	160 (1997)
Number of USAID supported private and public sector organizations involved in organizational transformation	0 (1995)	15 (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** NAMIBIA

**TITLE AND NUMBER:** Improved Delivery of Quality Primary Education to Grade 1-4 Learners in the Most Disadvantaged Schools, 673-S002

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,477,242 DFA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2005

**Purpose:** To increase the Namibian Government's capacity to implement its new lower primary curriculum while improving learner outcomes in the most disadvantaged schools.

**Background:** The education system that the Government of the Republic of Namibia (GRN) inherited at independence was fragmented along racial and ethnic lines, with vast disparities in the allocation of available resources. The education system had been administered by 11 different race-based departments of education. Education was designed to support the apartheid system rather than provide the necessary human resource base to promote equitable social and economic development. The majority of teachers were unqualified, particularly at the lower primary level -- grades 1 through 4. Initial GRN reform efforts and donor attention focused on the upper grade levels (grades 8 -10) to maximize immediate impact. Over the last two years, with USAID assistance, attention has been refocused on the foundation of the education system -- the lower primary level.

**USAID Role and Achievements to Date:** The Basic Education Support (BES) activity has placed USAID in a strong, supportive policy dialogue role with the GRN on education policy, and has enabled USAID to help the GRN refocus its resources and personnel on primary education and the lower primary level in particular. This will result in fundamental, long-term benefits for Namibia with respect to reduction of illiteracy and improved efficiency of the entire education system.

**Description:** USAID's ongoing interventions are on two levels. At the national level, USAID is supporting curriculum design and development, the production of new teacher and student materials, and the development of new, more appropriate approaches to student assessment and testing. At the school level, USAID will support on-site teacher training in at least 500 of the most disadvantaged lower primary schools in Namibia. This latter element is being implemented through one of the largest USAID - Peace Corps cooperating agreements in the world. Commencing in 1996, a new component will be added to the BES activity: training of key personnel in the National Institute for Educational Development, which will enable the Institute to take over the curriculum development and other work now being supported by a USAID-financed U.S. technical assistance team.

**Host Country and Other Donors:** Human-resources development is a high priority for the GRN, which remains committed to allocating more than a fourth of its national budget to education, representing approximately 10% of GNP. USAID is the primary donor providing assistance at the lower-primary level. Other donors supporting the GRN in areas complimentary to USAID's lower-primary focus include ODA (British Overseas Development Agency), FINNIDA (Finnish Aid), NORAD (Norwegian Aid), DANIDA (Danish Aid), SIDA (Swedish Aid), the Netherlands, UNESCO (United Nations Educational, Scientific and Cultural Organization) , and the EU ( European Union).

**Beneficiaries:** All Namibian school children in grades 1 through 4, as well as their teachers and principals.

**Principal Contractors, Grantees, or Agencies:** USAID has engaged the contractual services of an experienced U.S. firm, the International Institute for Education, as well as U.S. Peace Corps for the implementation of this activity.

Major Results Indicators:

	<u>Baseline</u>	<u>Targets:</u>
Percentage of most disadvantaged schools meeting established criteria for improved quality education services	0 (1995)	10% (1997)
Percentage of boys and girls in the most disadvantaged schools with access to improved quality education services	0 (1995)	10% (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** NAMIBIA

**TITLE AND NUMBER:** Increase Accountability of Parliament to all Namibian Citizens, 673-S004

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$805,914 DFA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: To strengthen the responsiveness of elected representatives by increasing citizen participation in the election process.

Background: Increased accountability of parliament to all Namibians will enable citizens to participate fully in the democratic process which includes, not only legislation but also the electoral process. The logical follow-on to the on-going strengthening of parliament and advocacy interventions linked to democracy building will be the strengthening of the electoral process at both the regional and national levels. To date Namibia has conducted two national elections (1989 and December 1994), and one local and one regional election in 1992. These elections, while clearly free and fair, have been contested along ideological party lines, with only lackluster debate on electoral platforms and limited scope for citizens to express their concerns. The process has also been hampered by inefficient voter registration systems and elections management. The Namibian public remains uneducated on their rights and responsibilities as citizens and therefore cannot articulate their demands to their representatives. With the support of the current USAID Democratic Institution Building (DIB) project, non-governmental organizations (NGOs) are establishing the basic competency in advocacy to help channel citizen concerns into the policy and legislative processes.

USAID Role and Achievements to Date: Prior to FY 1995, a combination of *ad hoc* activities and funding from Africa Regional 116(e) human rights activities and the Africa Bureau provided technical assistance, training and materials in support of strengthening both the judicial and legislative branches of government as well as support for local, regional and national elections. These activities resulted in the first live broadcast debate of topical public issues by party representatives and extensive voter education campaigns in all nine language services of the Namibian Broadcasting Company. The bilateral DIB activity, begun in FY 1995, has incorporated many of the former training and institutional building activities into a coordinated approach. More specifically, it is providing \$3 million in technical assistance, commodities and training to support the strengthening of Namibia's two houses of parliament. This support is developing the institutional capacity and legislative processes to respond effectively to their constituents' needs and concerns and to provide oversight of the Executive branch. Support to NGOs and the press is enhancing their capacity to represent their constituencies' interests in policy and legislative formulation. With their newly gained skills, NGOs are soliciting public input and providing policy recommendations on pressing public issues such as land reform, community-based natural resource management and housing development.

Description: USAID's intervention will focus on consolidating achievements made in strengthening parliamentary structures -- the constituency offices, the committee system, open public hearings and new public access-orientated parliamentary rules and procedures -- that permit and encourage citizen participation. Training of parliamentarians will focus on promoting an understanding of the legislative process, and building legislative skills, democratic and ethical values, and outreach capabilities. Training and technical assistance to NGO will support networking and enhance the capacity of NGOs and the press to represent citizen group concerns to Parliament. Groundwork will be completed for an intervention beginning in 1998 and 99 that focuses on planned regional and national elections. The beginning of this intervention in FY 1997 will enable sufficient lead time to carry out required training and technical assistance to grass roots organizations, intermediaries and others who will be involved in the electoral process. Training will be a major component of this intervention. It will support the GRN's initiatives to establish a system of permanent voter registration and to implement other relevant election reforms. Training programs with parliamentary party caucuses will promote outreach with

constituents and open, public debates as a basis for the development of issues-oriented election platforms. USAID would initiate its training and institution-building activities to ensure the inclusion of all citizens' concerns in the 1998 regional and follow-on national elections.

Host Country and Other Donors Through its partnership in the DIB program, the Namibian Parliament has committed itself to establish fora for public participation in the legislative process and to strengthen the operation of the library, research and public outreach units of parliament. This initiative will provide a foundation for elections-related constituency outreach. The German Government provides assistance to the Namibian Institute for Democracy, an NGO that conducts training and civic education programs on the Namibian constitution and the principles of democracy. The United Kingdom supports public-service reform and police training and training of parliamentarians. In the 1994 national elections, the German Government and European Union also supported GRN-run voter education campaigns. The United States is among the top donors in this area and is the major donor providing direct assistance to the Parliament.

Beneficiaries: All Namibian citizens

Principal Contractors, Grantees and Agencies: Currently, USAID is implementing its DIB program activities through U.S. private and voluntary organizations, including the National Democratic Institute and World Education International, as well as through GRN partners and local NGOs. USAID will continue this approach with the implementation of the new Electoral Support Program, which will assist in training of NGOs and local community workers in preparation for the regional election in 1998 and the national election in 1999.

Major Results Indicators:

	<u>Baseline</u>	<u>Targets</u>
Number of public hearings, including committee hearings held with citizen participation	0 (1995)	10 (1998)
Number of open, public debates by party candidates in national and regional election campaigns	2 (1994)	5 (1998)

## NIGER

**FY 1997 Development Fund for Africa: . . . . . \$9,620,357**

### **Introduction.**

Democratization, improved health, sustainable and natural resource utilization are the central objectives of U. S. development assistance in Niger. These can help create the conditions necessary to hasten Niger's evolution from a centrist authoritarian state towards a broad-based, free-market economy built on democratic principles. U.S. interests in Niger are primarily humanitarian, but our national interests are served by stable democratic governance contributing to a stronger West African regional political and economic system, particularly as Niger shares borders with seven countries, including Nigeria and Libya. Economic development and democratic governance will enhance productivity and food security, reducing the need for far greater expenditures during natural disasters such as periodic droughts.

A military coup in January 1996 led immediately to suspension of U.S. assistance, to be followed by the orderly windup of all activities, with the exception of those covered by waivers or "notwithstanding" clauses in the foreign assistance legislation. A timetable for the restoration of democracy by September 1996 has been set and is being adhered to. The movement of Niger from a full to a limited development assistance program reflects U.S. concerns regarding the coup and, at the same time, a recognition of the importance of Niger's return to democratic government and its overwhelming development needs.

The U.S. development assistance program in Niger has been revised to both reflect the more limited resources being made available (about half of the originally planned program) as well as Niger's development priorities. The program will continue to address the Agency goals of Stabilizing World Population Growth and Protecting Human Health, Encouraging Broad Based Economic Growth and Building Democracy. However, there will be major changes in emphases as well as lower funding levels. The primary focus of the program will be on child survival, HIV/AIDS and response to disasters. Economic growth and environmental activities will be sharply focused on support through private voluntary organizations (PVOs) for decentralized financial services and small scale natural resource management activities. In light of the problems which gave rise to the coup and the importance of a return to democracy, USAID will place increased emphasis on elections and the building of democratic institutions.

The USAID Mission currently has ten U.S. Direct Hire employees. This presence is expected to be reduced by about one half.

### **The Development Challenge.**

Niger is one of the poorest countries in the world. Its Gross Domestic Product (GDP) has experienced negative growth over most of the past fifteen years, and its per capita GDP was estimated at slightly less than \$300 in 1995. Its "severity of need" index rating is 8.6, the sixth highest in the world. Niger's mid-1997 population will approach 10 million and is expected to double in about 20 years. The country's low-resource, drought-prone environment in West Africa's inland Sahel region is seriously threatened, as natural replenishment of land resources no longer suffices to maintain population-resource equilibrium. Illiteracy--especially among females--and infant, child and maternal mortality are among the world's highest. The education system, from primary through university levels, has not been operational for most of the past three years. Modern health care services have become even less accessible as a result of public sector strikes and drug shortages. Legacies of tradition and colonial administrative experience and the weakness

of Niger's tiny formal private sector and civil society are major constraints on the country's economic growth and democratization. Difficulties in reducing public sector employment and collecting taxes has made reaching structural adjustment agreements with the IMF difficult. Debt servicing is over 35 percent of receipts from export of goods and services. The military coup in January 1996 testifies to the fragility of democracy in Niger.

Nigerians, however, now have opportunities to reverse years of stagnation. Niger's informal sector is flourishing and has contributed to estimated economic growth last year. A much needed regional currency devaluation, good rains, and other factors helped boost agriculture sector growth to about 8.5% in real terms in 1994 and about 3.5% in 1995. The country has had experience with constitutional democracy at the national level to which the United States provided strong encouragement and assistance during the 1992-1993 transition to a democratically elected government. The current military coup leaders have made clear their intention to return to a democratic government by October 1996. Land tenure policies have been clarified and are moving towards further codification to protect rural producers from arbitrary local or national authorities. However, even given these positive factors, Niger is not a candidate for rapid graduation from development assistance in the foreseeable future.

#### **Other Donors.**

In FY 1994, the United States was the fifth largest donor to Niger, providing about \$20 million or 8.5% of all donor contributions. The other major bilateral contributors that support and often build upon the results of USAID's work in Niger include: France, the European Union's Fund for Development (FED), Germany, Canada, Taiwan, Nigeria and Algeria. The major multilateral donors are the World Bank, the IMF, UNICEF, the UNDP, the United Nations Fund for Population Activities (UNFPA), and the International Fund for Agricultural Development (IFAD). Most of the bilateral donors suspended their assistance programs following the coup, however they have now largely resumed activities. Most multilateral assistance was not affected.

#### **FY 1997 Program.**

By assisting Niger in achieving a healthier population growing at a slower rate, increased rural production and better conservation of the environment, the United States will help Niger achieve the economic base it needs for sustainable development and enable it to become a stabilizing influence in the region. Improved health and child survival will, in the long run, encourage lower fertility, improve capacities for economic production and reduce pressure on the country's fragile natural resource base. Enabling Niger to anticipate, assess and respond to disasters, especially food-related emergencies, will allow Nigerians to better cope with natural disasters and will reduce the need for future U.S. disaster assistance.

The revised U.S. development strategy currently encompasses one Strategic Objective in the area of maternal/child health, disaster mitigation and HIV/AIDS Control; as well as two limited Special Objectives: (1) restoration of democratic government and strengthening of civil society; and (2) adoption of management practices improving the conservation and productive use of natural resources. Most USAID financing is dedicated to child survival. The program is highly integrated, with an emphasis on geographic concentration across objectives. Activities which cut across all three objectives include democratic governance initiatives, disaster preparedness and mitigation, training, and women in development.

The reduction in U.S. development assistance to Niger will necessarily curtail efforts in economic reform and microenterprise as well as policy reform work in the field of health and natural resource management. Significant U.S. commitments will continue for reducing child mortality (including

reproductive health services) strengthening systems for disaster mitigation, and strengthening democracy.

**Agency Goal: Encouraging Broad-Based Economic Growth.**

U.S. assistance has improved Niger's potential for economic growth. U. S.-encouraged economic policy reforms have included the elimination of agricultural export taxes and the reduction of bribes associated with the transport of goods. This has spurred greater exports and revenue. U.S. initiatives have led to a rapidly expanding savings and credit union movement and growth of rural cooperatives and local interest groups for natural resource management. Policy successes in public health include moving national hospitals towards privatization and cost recovery systems.

- Specific Objective 2: Adoption of Management Practices Improving the Conservation and Productive Use of Natural Resources.**

**Agency Goal: Protecting the Environment.**

Niger's serious environmental deterioration, including soil erosion and loss of fertility, deforestation and desertification requires that rural producers adopt practices that produce more while using fewer natural resources. Production methods must not only conserve but, because of rapid population growth, they must improve Niger's fields, pastures and forests.

At the initiative of the U.S. and other donors, the Government of Niger (GON) has adopted improvements in natural resource management and has accelerated its decentralization efforts. Changes in approaches to forest management are providing greater local control of production from natural resources in some areas. These reforms are leading to the growth of local associations that test and adopt new natural resource technologies and enhanced agricultural production. However, very low levels of education constrain the diffusion of new technologies. Rural people in Niger are deeply risk averse and reluctant to adopt practices whose impact may only be felt in the long term. Diffusion also is limited by the dominance of a centralized bureaucracy with which rural people have very limited identification.

- Specific Objective 2: Adoption of Management Practices Improving the Conservation and Productive Use of Natural Resources.**

**Agency Goal: Stabilizing World Population Growth and Protecting Human Health.**

With high fertility (Niger's "need score" of 9.7 is the second highest in the world), low agricultural production and per capita income, and malnutrition from frequent droughts and food deficits, Niger is one of the few countries in the world, during peacetime, not to have experienced improvement in basic health indicators over the past two decades. Infant and child mortality indicators are the highest recorded by the international demographic and health surveys. One-third of Niger's children die before age five, an unusually high percentage dying after infancy. The main underlying reasons are high fertility and complications to pregnancy and birth, poor nutrition, primitive sanitation and lack of access to medical treatment due to low household income and absence of community organizations to develop and implement health measures. Improved child survival is an objective in its own right and also an essential measure to eventually encourage lower fertility. Episodic severe droughts and highly uneven rain distribution over time and space engender chronic food insecurities, a cycle of poverty and economic stagnation.

Niger's high fertility and rapidly growing population increases the health risks for mothers and children and challenges the country's food production capacity, its already weak education system and its ability to provide even the most basic health services. The population growth rate exceeds Niger's rate of economic growth and is unsustainable in a country with such a poor resource base.

In 1994, USAID initiated a national program for social marketing and commercial retail sales of condoms for child spacing and HIV/AIDS control and assisted the Ministry of Public Health (MOPH) in further expanding family planning coverage in existing facilities. These activities contributed to modest increases in the use of contraception during 1995. The marketing program has overcome strong attacks by religious fundamentalists by successfully encouraging Islamic associations to play active roles in developing media messages. This was a notable advance in the environment for family planning in Niger. However, the impacts of this achievement are limited by the low status and literacy rates of women which constrain the rate at which innovations in preventive health care and family planning can be diffused. GON efforts to emphasize education in family planning are limited by budgetary constraints and the high dispersion of the rural population. Nigerian law strictly enforces restrictions on voluntary surgical contraception and there are virtually no surgeons with training in these methods. Widely observed social customs encourage or permit the marriage of females at very early ages.

- **Strategic Objective 1:** Increased use of Maternal/Child Health Services and Child Survival, Disaster Mitigation Practices and HIV/AIDS Control Practices.

**Agency Goal: Building Democracy.**

The United States is committed to helping Nigerians build a democratic governmental framework which provides the freedom and flexibility to undertake economic and social initiatives which will facilitate the country's economic growth. Niger's politics were dominated throughout 1995 by a political struggle between the elected president and a prime minister who represented the majority coalition in the National Assembly. The military coup in January 1996, led to immediate suspension of the U.S. Government's assistance to Niger. Assuming a return to democratic government and a decision to continue assistance, USAID's Strategic and Special Objectives all include a democratic governance component and are geared towards achievement of results that are essentially and explicitly related to building democracy. Special Objective 2 emphasizes increasing public understanding of and participation in political and legal processes as well as increasing the capacity of local civil society groups to play an active role in these processes.

Over the past two years, the U.S. Mission increased its assistance for democratic governance. Activities were conducted primarily through Nigerian non-governmental organizations (NGOs), and were focused on training and the dissemination of information on democracy and the rule of law. A major effort was undertaken to support a network of village-based paralegals whose work improved the quality of local administration of law. These efforts played an important part in the remarkable growth of Nigerian private voluntary organizations beyond the capital city. The United States expects to accelerate its democracy/governance activities in 1997, particularly in the area of popular empowerment and support for decentralized, democratic local governments.

- **Strategic Objective 1:** Increased use of Maternal/Child Health Services and Child Survival, Disaster Mitigation Practices and HIV/AIDS Control Practices.
- **Specific Objective 1:** Restoration of Democratic Government and Strengthening of Civil Society.
- **Specific Objective 2:** Adoption of Management Practices Improving the Conservation and Productive Use of Natural Resources.

**NIGER  
FY 1997 PROGRAM SUMMARY**

	<b>Encouraging Broad-based Economic Growth</b>	<b>Stabilizing Population Growth and Protecting Human Health</b>	<b>Protecting the Environment</b>	<b>Building Democracy</b>	<b>Providing Humanitarian Assistance</b>	<b>TOTALS</b>
<b>USAID Strategic Objectives</b>						
<b>1. Increased Use of Maternal/Child Health Services and Child Survival, Disaster Mitigation Practices and HIV/AIDS Control Practices - Dev. Fund for Africa</b>	100,000	5,252,260		50,000		5,402,260
<b>SP 1. Restoration of Democratic Government and Stengthening of Civil Society - Dev. Fund for Africa</b>			50,000	650,000		700,000
<b>SP 2. Adoption of Management Practices Improving the Conservation and Productive use of Natural Resources -Dev. Fund for Africa</b>	881,410		2,431,961	204,726		3,518,097
<b>Totals - Dev. Fund for Africa</b>	981,410	5,252,260	2,481,961	904,726		9,620,357

USAID Mission Director: James M. Anderson

## ACTIVITY DATA SHEET

**PROGRAM:** NIGER

**TITLE & NUMBER:** Increased use of Maternal/Child Health Services and Child Survival, Disaster Mitigation Practices and HIV/AIDS Control Practices 683-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997 \$5,402,260 DFA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2002

Purpose: To increase the use of maternal/child health and related family planning services, disaster mitigation practices and HIV/AIDS control practices.

Background: Niger has some of Africa's worst health indicators in the areas of population growth, maternal and child mortality, the rate of childhood immunization, maternal tetanus vaccination, and prevalence of use of contraception. Constraints to progress include a delivery system primarily restricted to urban areas due to a lack of financial and human resource capacity and poor coordination of services within the public sector and between the public and non-governmental organizations (NGO) sectors. Extremely low levels of female literacy, rapid population growth and a small formal private sector impose major constraints on health care service demand and supply.

USAID Role and Achievements to Date: USAID has employed an integrated approach including working with NGOs and the Government of Niger (GON) to change policies, improve GON capacity to deliver family planning services and procure and distribute contraceptives. USAID has also provided technical assistance in health and population policy development and demographic data collection and use, assisted in marketing of condoms, and helped the GON to improve the quality of maternal/child health services and medical and nursing training. Largely as a result of these efforts, contraception now is legal and available in all of Niger's 44 districts. National hospitals are in the process of privatization and the Ministry of Health has better control of its financial affairs. The private sector is beginning to develop and USAID-supported social marketing programs are now providing over 100,000 condoms per month throughout Niger.

Description: USAID/Niger's main objectives in this sector are to: expand and improve maternal child health (MCH) and related family planning (FP) promotion and services in the private sector nationwide; improve capacities to predict and respond to food security and health-related disasters and expand immunization activities and responsibilities. Most program funds will be disbursed at the district level and a substantial amount will be distributed through Private Voluntary Organizations (PVOs).

Host Country and Other Donors: The United States is the major donor in this area. UNICEF and the World Bank fund the Expanded Program of Immunization, with USAID support. The United Nations Fund for Population Activities (UNFPA) and the World Bank finance population programs, while France and the European Union's Fund for Development finance important health facilities. A group of donors, including USAID, supports the national campaign against AIDS. The GON provides health facilities and salaries for local counterparts.

Beneficiaries: Children under 15 years of age and women of reproductive age, constituting approximately 6.75 million people or 75% of Niger's population. USAID/Niger's program targets about 20% of this population in its FP/MCH program, but its private sector program--especially in child survival and HIV/AIDS-related family planning activities--will be national in scope.

Principal Contractors, Grantees or Agencies: USAID will implement these activities through competitively selected contractors and U.S. NGOs with agencies working under contracts with the Global Bureau Center for Population Health and Nutrition.

<b>Major Results Indicators</b>	<b><u>Baseline</u></b>	<b><u>Target</u></b>
<b>Measles immunization coverage in selected districts</b>	19.0%/20.4% (1990/1992) <sup>1</sup>	46% (1997)
<b>Child malnutrition rates in selected districts</b>	16% (1992) <sup>2</sup>	TBD (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** NIGER

**TITLE AND NUMBER:** Restoration of Democratic Government and Strengthening of Civil Society 683-SP01

**STATUS:** Continuing and New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$700,000 DFA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1997

Purpose: To assist in restoring democratic government and developing a stronger civil society.

Background: Niger inaugurated its first democratically elected government in 1993, following 30 years of one party, military rule. This transition was marked by comparatively widespread electoral participation and a proliferation of independent media and other nongovernmental groups (NGOs). However, in January 1996, following a period of increased tension between the President and Prime Minister of opposite parties, the government was overthrown by military coup. Despite this major setback, Niger appears to be proceeding toward a return to democratic rule by the end of September 1996. The press, political parties and NGOs are now operating freely. The coup points up the fragility of Niger's democracy and the importance of continued assistance to strengthen civil society.

USAID Role and Achievements to Date: The United States played an important role in assisting Niger in its transition to democracy. In addition to direct electoral support, USAID supported Nigerien NGOs primarily for training and the dissemination of information on democracy and the rule of law. These efforts boosted the significant growth of Nigerien private organizations, especially outside the capital city. Activities in democracy and governance cut across all of USAID's Strategic Objectives. For example, Natural Resource Management activities emphasize local control of natural resources; credit and cooperative programs have given villagers more control over their economic future, and health care is increasingly decentralized. Following the coup, the United States has taken a leading role in encouraging the coup leaders to accelerate the return to democracy.

Description: This activity will focus on strengthening Nigerien democracy through several special activities. Under a contract with a U.S. NGO, support will be given to a project to increase the participation of civic organizations in the legislative process and foster the development of a transparent, responsive and accountable legislature that could become a viable instrument of democratic governance. Support will also be provided to strengthen four human rights groups. In addition, funding will be provided through USAID's global Women in Politics activity, which follows up the United Nations Fourth World Conference on Women, to support and increase women's participation in political processes and elections. This will include information dissemination, participation in regional workshops and assistance to women in exercising their voting rights.

Host Country and Other Donors: A number of other donors, including the United Nations Development Program, France and Canada have or are providing support for elections. The GON has paid local salaries and associated costs.

Beneficiaries: The direct beneficiaries of these activities will be the legislators, human rights groups, political parties and civic associations who receive training. Women will be more active in national and local political processes. Niger's electorate will benefit from improved elections observations.

Principal Contractors, Grantees or Agencies: National Democratic Institute (NDI), African-American Institute.

<u>Major Results Indicators</u>	<u>Baseline</u>	<u>Target</u>
Legislators and Civic Leaders trained.	20/20	40/40
Women participating in politics	TBD	TBD

## ACTIVITY DATA SHEET

**PROGRAM:** NIGER

**TITLE & NUMBER:** Adoption of Management Practices Improving the Conservation and Productive Use of Natural Resources 683-SP02

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997 \$3,518,097 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1998

**Purpose:** To assist Niger in the sustained adoption of management practices to improve the conservation and productive use of Niger's forests, fields, waters and pastures in selected areas.

**Background:** Low and uncertain rainfall, infertile soil, few trees, and pests constitute the main challenges for Niger's rural producers. They, and their communities, lack firm legal control over their natural resources as well as access to marketing, savings and credit services. Niger's informal sector is flourishing and savings exist, but the vast majority of rural producers cannot readily get credit or invest their savings to get a cash return.

**USAID Role and Achievements to Date:** The United States has been active for many years in the areas of Natural Resource Management (NRM) and support for decentralized financial institutions, mainly through projects managed by U.S.-based private voluntary organizations (PVOs) and local nongovernmental organizations (NGOs). Significant success has been registered in the growth of, participation in, and repayment rates of credit unions and cooperatives. There has also been a substantial increase in the amount of land under community control, and the number of rural producers adopting improved NRM practices. On the macro level, USAID activities have resulted in the Government of Niger (GON) adoption of laws permitting more local control of natural resources, liberalization of regulations governing NGOs and promulgation of policy reforms which have encouraged greater export of agro-pastoral products and reduction of illicit payments by transporters.

**Description:** Under this activity, USAID--working through PVOs and NGOs--will continue to promote the use of improved NRM technologies in specific areas. Special attention will be given to technical training in improved NRM practices and increased community control of natural forests. U.S.-based PVOs will continue support to the highly successful programs of support to credit unions and cooperatives movements, with emphasis on helping selected communities increase their resources for investment in improved NRM practices. Special emphasis is placed on participation by women.

**Host Country and Other Donors:** The World Bank, European Union, United Nations Development Programme, Switzerland, Germany and the Netherlands, are supporting environmental activities. Three European donors are supporting the savings and credit union and cooperative movements. The GON pays local counterpart salaries.

**Beneficiaries:** Approximately 3% of Niger's population (250,000 people) benefit from existing U.S.-supported financial services activities in 1995. This should increase steadily in future years. Residents of targeted areas (approximately 20% of Niger's rural population) are expected to benefit from dissemination of improved NRM technologies. Niger as a whole will benefit from the increased productivity and food security resulting from U.S. assistance for improved NRM.

**Principal Contractors, Grantees or Agencies:** International Resources Group (IRG), Africare, World Council of Credit Unions (WOCCU), Cooperative League of the USA (CLUSA), CARE.

<u>Major Results Indicators</u>	<u>Baseline</u>	<u>Target</u>
Percent increase in use of new NRM technologies where NRM programs are active.	TBD	+ 5%/+ 20% (1997/1999)
Number of registered community institutions managing natural resources.	10 (1995)	300 (2000)
Decentralized credit institutions providing small loans.	0/180 (1985/1995)	294 (1999)

## NIGERIA

**FY 1997 Development Fund for Africa: .....\$7,500,000**

### **Introduction.**

Sustainable development in Nigeria is in the vital interest of the United States because of the size and economic activity of its population and Nigeria's demonstrated and potential impact on the stability of other West African countries. This is given further weight by the political necessity of maintaining order in this major oil-producing country and commercial hub whose economy and population movements influence the entire sub-Sahel region. The United States also has major business interests in Nigeria. Nigeria is sub-Saharan Africa's most populous nation (exceeding 100 million) and is growing at an estimated 2.8% annually -- a rate of increase that threatens to undermine its economic development and the stability of the entire region.

Nigeria has been a military dictatorship for 30 of its 35 years, having briefly experimented with democracy in 1979, 1983 and again in 1993. The country has been "decertified" by the President for each of the last three years for non-cooperation with United States anti-narcotics programs. The current military dictatorship has attracted worldwide condemnation for its disregard of the electoral will of its citizenry, as well as its record of human and civil rights abuses. The current regime has made little demonstrable progress toward returning the country to democratic rule, leading to increasing and potentially widespread civil unrest. The nation's traditionally energetic non-governmental sector, led by beleaguered pro-democracy organizations and the private mass media, is the single most important dissenting civil voice. USAID/Nigeria's exclusively nongovernmental program supports basic health care delivery to the poorest Nigerians, and the strengthening of civil society's contribution to democratic participation and respect for civil rights.

USAID plans to close its office in Nigeria within the next two years. A joint USAID/STATE review of future programming will take place in late FY 1996.

### **The Development Challenge.**

Nigeria is one of the world's most troubled countries. Its huge population, while still predominantly rural, has shifted away from being agricultural and has rapidly urbanized in the last two decades. Nigeria now has areas of untenably high urban density in the Southwest, Southeast and North-central states -- concentrations of primarily urban poor living in circumstances that enhance the tensions of class, tribal, ethnic and religious differences. It is these unreconciled differences, in a declining and corrupt economy, that fuel persistent conflict -- erupting with increasing frequency in urban settings. The competition to control oil, in this context of unresolved differences, has compromised development. These internal conflicts now threaten the integrity of the nation.

Nigeria's economy has been in a downward spiral for two decades. The per capita gross domestic product (GDP) has declined from a high of \$1,000 in the mid-1980's to an estimated \$285 today. Since January 1993, the inflation rate has spiraled upward from 22% annually to 87% today, and the consumer price index, fixed at 100 in 1985, is now near 2000. Nigeria's health and social sector services deteriorated in the midst of the political crisis following the 1993 election annulment. The plight of Nigeria's vulnerable women and children has worsened. Malnutrition is now commonplace, infant and maternal mortality rates continue among the highest in the world, and immunization coverage has declined to below 30%.

Nigeria's governance crisis has a human cost. The repressive military regime threatens the very fabric of Nigerian society. Proscriptions, imprisonment, harassment and intimidation are routinely used to frighten and chill the press, labor unions, political and human rights activists -- indeed, many who would speak on behalf of civil society. Through community programs of civil education, alternative

social service delivery, and human rights awareness, legitimate Nigerian nongovernmental organizations (NGOs) are attempting to build the confidence and competence of Nigerian communities as well as providing needed avenues of expression and social services. They are Nigeria's best hope for catalyzing solutions to its national predicament. The all-private-sector USAID/Nigeria program, while continuing to support basic health and child survival services, is now building on its extensive NGO partnerships to fully engage in strengthening Nigeria's civil society contribution to democratic participation and respect for human and civil rights.

#### **Other Donors.**

USAID and the donor community have catalyzed and are building on the ascendancy of the NGOs working at the community level. The military regime and its supporters' lack of political resolve to meet essential social needs created an unprecedented opportunity for NGO development. The United States is the largest bilateral partner in health. Germany, Israel, the United Kingdom and the European Community have smaller programs. Like the U.S. Government, all of these bilateral donors are reviewing both the size and funding levels for their programs. Most have followed the U.S. lead and are limiting their work to the social sectors and to NGOs. Other major contributors include the World Bank, the International Monetary Fund, the United Nations agencies (UNICEF, UNFPA and UNDP), the Ford Foundation, the Carter Center (Global 2000) and the African Development Bank. Many donors have worked sporadically in Democracy/Governance (DG) programs but there is now a stated commitment to go further. In this effort, the British, Canadians and the Ford Foundation are our natural partners.

#### **FY 1997 Program.**

USAID/Nigeria's program strategy responds to prevailing conditions in Nigeria and supports the U.S. policy of pressured engagement and selective sanctions. Through its unifying subgoal of community mobilization, the program addresses both the dire need for essential health care services and the need to strengthen civil society's contribution to democratic participation. Sustainable integrated health care delivery is effected through an activity in improved maternal and child health practices. USAID and State will conduct an assessment review at the end of FY 1996 to determine if family planning services and HIV/AIDS prevention activities will continue to be funded in FY 1997, based on the degree of progress toward improving the political environment and prospects for program sustainability.

A second effort in democracy governance is a platform for strengthening democratic participation and respect for human and civil rights. It focuses support on the more politicized elements of civil society, as well as on community mobilization of NGOs including women's decision making and empowerment. The USAID/Nigeria program is part of a U.S. policy of preventive diplomacy that recognizes Nigeria's strategic importance as an oil producer, major population concentration and regional military power. It directly addresses the factors limiting development: first, an exploding population that outstrips national resources and second, extraordinary high infant, child and maternal mortality. By assisting NGOs to provide essential health services such as immunizations, control of diarrhea, and maternal health services, the life prospects for Nigerians are improved and population growth is reduced.

Of paramount importance is the role of Nigeria's historically influential civil society. Nigeria's NGOs and independent press remain committed to democratic participation and respect for human rights. They also remain committed to a transition to democracy and are strategically positioned to assist in civic and electoral education, and election monitoring if and when Nigeria's stated electoral transition process becomes credible. They look to the U.S. Government for moral and material support.

#### **Agency Goal: Stabilizing World Population Growth And Protecting Human Health**

The major constraints to program implementation are the size and diversity of Nigeria's population and the logistic requirements in a country of this size. For child survival, a major constraint is the

unwillingness of the military regime to reliably provide child immunizations and basic health care for those most vulnerable. Given these facts, the program has, nevertheless, made substantial gains through consolidation of its NGO relationships and completion of a comprehensive baseline assessment.

- **Strategic Objective 1: Improved Maternal and Child Health Practices**

**Agency Goal: Building Democracy**

Since independence, Nigeria has struggled with nation building. Deeply inhibited by its political and cultural legacy as well as the fault lines of class, ethnic and religious difference, Nigeria has allowed its military to dominate for 30 of its 35 years, and now its very national integrity is threatened. Many Nigerians are committed to genuine democratic participation and are prepared to actively advance that agenda -- even in the face of a hostile government. These elements of civil society -- notably Democracy/Governance (DG) NGOs and the independent media (but others as well) -- are the best hope for Nigeria today. Community mobilization and civic education to bring pressure for democratic participation and respect for civil rights is an appropriate USAID strategy.

There are two primary constraints to DG activities. First, there is significant factionalization. Second, there is the danger of continued or increased government harassment and attempts at suppression -- a fact that is recognized but has not deterred most of our potential partner NGOs. Early efforts include:

A survey of potential community based DG activities beyond the "Big 6" organizations currently receiving DG assistance;

Nigerian women supported and educated through participation in international meetings;

First Nigerian Women's Political Empowerment "brainstorming" sessions held;

NGO support for expanded USAID role in DG;

Advocacy/lobbying sessions for community mobilization groups.

- **Strategic Objective 2: Strengthened Civil Society Contribution to Democratic Participation and Respect for Civil Rights**

**NIGERIA  
FY 1997 PROGRAM SUMMARY**

USAID Strategic Objectives	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
1: Increased Nigerian NGO capacity to deliver integrated health care - Dev. Fund for Africa		4,300,000				4,300,000
2: Strengthened Civil Society, Contribution to Democratic Participation and Respect for Civil Rights. - Dev. Fund for Africa				3,200,000		3,200,000
Totals. - Dev. Fund for Africa		4,300,000		3,200,000		7,500,000

USAID Mission Director: Stephen Spielman

## ACTIVITY DATA SHEET

**PROGRAM:** NIGERIA

**TITLE AND NUMBER:** Improved Maternal and Child Health practices, 620-SO01

**STATUS:** Continuing

**PROPOSED OBLIGATION:** \$4,300,000 DFA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To promote a healthier and more productive society through the provision of integrated maternal and child health services through sustainable, community level nongovernmental organizations (NGOs).

**Background:** Rates of infant, child and maternal morbidity and mortality are high in Nigeria. Public sector services are extremely limited. This program works with Nigerian NGOs to enhance their capacity to deliver and sustain integrated health care delivery services. The program recognizes the link between the health of mothers and their children and includes an emphasis on women.

**USAID Role and Achievements to Date:** NGOs are provided with training, institutional development and technical assistance to assure the delivery of quality services for the care of sick children, maternal child health services, immunizations, malaria control and oral rehydration therapy. USAID has led other donor efforts in the development of private sector (voluntary and commercial) alternatives to deliver support through umbrella organizations in USAID focus states.

**Descriptions:** USAID supports the delivery of child and maternal health services as a component of an integrated health care package. Implementing U.S. Cooperating Agencies (CAs) and their Nigerian NGO partners work in geographic focus areas in the Northwest, Southeast and Southwestern states. Activities target reducing the infant, child and maternal mortality rates by promoting immunizations, use of oral rehydration therapy for diarrhea treatment, malaria control and appropriate home based treatment of the sick child. The improved participation of women in decision making, NGO capacity development and enhanced organizational sustainability are cross-cutting strategies.

**Host Country and Other Donors:** The United Nations Childrens Fund provides a broad range of infant, child and maternal health inputs through the public sector. Their Bamako Initiative Project (a collaborative project with the British Overseas Development Agency) focuses on support at the local level. Substantial vaccine contributions have been made by Japan and Germany, and the Israeli government supports an exchange program for health management training.

**Beneficiaries:** Infants, children under the age of 5 years and their mothers. USAID-supported programs target 14 focus states with a total estimated population of 55 million.

**Principal Contractors, Grantees or Agencies:** USAID implements activities through a participating agency service agreement with the Centers for Disease Control and U.S. Cooperating Agencies (CAs) who work in turn with Nigerian NGOs. Major CAs include the Basic Support for Institutionalizing Child Survival Project, Wellstart, Initiatives, Johns Hopkins University and the International Center for Research on Women.

<b>Major Results Indicators:</b>	<b>Baseline</b>	<b>Target 1</b>
Improved Immunization Coverage: i.e. Polio	20.7% (1990)	TBD
Increased rate of children with correct home management of diarrhea	60% (1990)	TBD
Reduced prevalence of stunting in the under 5 age group	43.1% (1990)	TBD

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1 To be determined

ACTIVITY DATA SHEET

**PROGRAM:** NIGERIA

**TITLE AND NUMBER:** Strengthened Civil Society Contribution to Democratic Participation and Respect for Human and Civil Rights, 620-S002

**STATUS:** Continuing

**PROPOSED OBLIGATION:** \$3,200,000 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: To Strengthen Civil Society's Contribution to Democratic Participation and Respect for Civil Rights.

Background: Through its health-based program, USAID/Nigeria has built an extensive and credible relationship with the Nigerian Non-Governmental Organization (NGO) community. Similarly, the United States Information Agency (USIA) and the U.S. Embassy have built important linkages to the progressive elements of Nigeria's civil society. USAID's relationships have more recently expanded to include a broad range of community mobilization and democracy activists groups with interest and potential to assertively engage in strengthening democratic participation and greater respect for civil rights. While fully aware of the risks of government attention, harassment and potential suppression, these Nigerian NGOs, the independent press and private Nigerian institutions are challenging the legitimacy of the military regime and its violations of basic rights. Operating at the community as well as national level, they are emerging as the leaders in this struggle and look to the USG for support.

USAID Role and Achievements to Date: The Democracy and Human Rights Fund (116e) and other complementary programs have proven to be a valuable tool in providing material and moral support to Nigeria's energetic, if vulnerable, democracy advocates. The USAID/Nigeria health program has further contributed to this effort by utilizing a broad range of community NGOs and leaders to advance efforts in the health sector, and has provided training in social mobilization, women's empowerment, advocacy and leadership. Now these organizations and leaders to varying degrees, seek a stronger and more effective role in the growing effort to strengthen democratic participation and respect for civil rights. USAID/Nigeria's credibility as a constructive friend to the Nigerian NGO community is an important achievement upon which to build.

Descriptions: The project will provide modest operational and strengthening grants, limited commodities and targeted technical assistance to Nigerian private organizations and persons that will contribute to the strengthening of democratic participation and greater respect for civil rights in Nigeria. The recipients will include Nigerian non-governmental organizations working for democratic participation and greater civil rights awareness, private governance think-tanks, the independent press, progressive opinion leaders and other appropriate groups and individuals. The U.S. Information Agency and the U.S. Embassy/Nigeria will join USAID/Nigeria in identifying committed and credible grant recipients.

Host Country and Other Donors: Donors have had only modest activities addressing democratic participation and respect for civil rights. The donor community has announced its intent to expand such activities. Our most important partners will be the Ford Foundation, the National Endowment for Democracy, the Canadian High Commission and the British Council/Overseas Development Agency. Other foundations (e.g., Friedrich Ebert) may also contribute to a common effort.

Beneficiaries: The People of Nigeria

Principal Contractors, Grantees or Agencies: To Be Determined.

Major Results Indicators:

To be developed

Baseline 1

TBD

Targets 1

TBD

1 To be determined.

## RWANDA

FY 1997 Development Fund for Africa: ..... \$4,851,201  
FY 1997 P.L. 480 Title II: ..... \$53,791,000

### Introduction.

Rwanda is undergoing multiple, profound changes as it recovers from genocide, in which an estimated one million Rwandans were slaughtered, and the civil war which incited the flight and displacement of almost three million Rwandans. From May 1994 to February 1995, U.S. Government assistance to Rwanda was primarily humanitarian with the goal of saving lives and reducing suffering during a period of dramatic civil unrest and mass genocide. In the post-crisis period, U.S. humanitarian interests have shifted to focus on the prevention of renewed conflict in Rwanda and to contain violence in the region. Years 1995-1996 have seen progress toward the reconstitution of society as the newly installed Government of Rwanda (GOR) consolidates its power, re-establishes the nation's administrative capacity, and rehabilitates basic facilities. Nonetheless, the transition remains fragile. There are critical needs for material and financial support in all sectors, particularly in re-energizing the export economy, managing external debt, promoting investment in production, re-building the government's institutional capacity and assisting the GOR in the establishment of an operating justice system. Lingering and urgent issues facing post-war Rwanda are the return and reintegration of over 1.8 million refugees camped along the country's borders and the establishment of the rule of law.

Although progress has been made in Rwanda over the last year and half, the situation remains fragile. Unless the international community remains engaged, Rwanda could revert to violence and the costs to the U.S. Government could escalate. The tragedy of 1994 illustrates the high cost of responding to disaster. Since 1994, the U.S. Government has provided over \$650 million in humanitarian aid to the Rwanda regional crisis. Funding reductions in development assistance have already forced USAID to scale back some of its activities. Further reductions will impair our effectiveness and our ability to try to prevent another disaster from occurring.

### The Development Challenge.

Given the encouraging but fragile stability within Rwanda, the transition-to-development challenges are to promote: 1) stability and confidence by strengthening the institutions of justice and democratic governance, and 2) resettlement and reintegration by improving food security and increasing access to basic social and family services at the local level. The program challenge for such a transition to USAID is the integration of humanitarian, rehabilitation and long-term recovery resources in a manner that effectively promotes the recovery and development of Rwanda.

Although the current demographic picture of Rwanda is unknown, the 1991 census registered a population of 7.5 million. It is estimated that one million Rwandans were killed in the genocide and almost three million Rwandans are refugees or displaced. Demographic changes due to genocide and civil war have created a population that is 60%-70% females--many of whom are widowed or single parents--and left over 95,000 children orphaned or separated from their families. The loss of skilled and educated Rwandans to genocide or flight has been devastating and the lack of human resources remains a critical problem in all sectors.

A post-genocide state poses additional development challenges. Faced with mass complicity, the GOR understands the impossibility of arresting and trying all those guilty of participating in the genocide. Nevertheless, extreme pressures from powerful internal and external constituencies remain, and the GOR will be held accountable for rapidly moving to punish the guilty and releasing the innocent from prisons.

In late 1994, when Rwanda had no judicial system and where only one-third of the country's magistrates remained in Rwanda, arrests were conducted solely by the army and the military were the only body running the nascent local administration. Significant improvements have been made during the course of

1995: the National Assembly, the legislative body representing several political groups, was established; the Supreme Court was nominated; local civil administrators have been appointed and a police force has been established. A U.S.-supported policy conference held late in 1995 set forth options, some of which are currently being debated in the National Assembly on how to proceed in addressing the complex judicial issue of trying those responsible for genocide. Donors, including the United States, have contributed to repairing and furnishing prosecutors' and judges' offices throughout the country and in training magistrates and police. Some 60,000 Rwandans accused of participating in the genocide are detained in Rwandan prisons. Such a serious and enormous problem will require considerable resources and great political will to ensure that the rule of law prevails.

The Rwandan crisis has had a profoundly negative and destabilizing effect on border countries, particularly Burundi and eastern Zaire. Violence anywhere in the region has direct consequences on neighboring countries and the potential of conflict leading to military confrontation remains dangerously large. It is clearly in U.S. interests to try to stabilize a volatile situation, thereby avoiding additional loss of life and costly and protracted interventions.

Although Rwanda's recovery remains tangled in a troubled regional dynamic, there are promising internal indicators of recovery and rehabilitation. Despite limited human and financial resources, the government quickly moved to repair damaged infrastructure; to reintegrate the internally displaced; to re-establish primary, secondary and higher education systems; to rebuild the national health delivery system (national vaccination coverage rates are already above 65% as compared to a pre-war level of 82%, while rates of acute (1% to 2%) and chronic (31%) malnutrition are lower than pre-war levels.); and, to promote recovery in the agriculture sector where production in 1995 had reached 80% of pre-war levels. General food distributions ceased in 1995 with the introduction of food-for-work schemes and targeted food programs.

Direct assistance to the GOR continues to be limited as the vast majority of international aid is channelled through non-government organizations (NGOs), United Nations agency and international organization intermediaries. The cost of Rwanda's rehabilitation is high and the capacity of the new government to respond to these needs is restricted both by the GOR's inability to absorb resources as well as the international community's constraints on direct government assistance.

#### **Other Donors.**

In the first post-war Round Table Conference on Rwanda, the United States pledged over \$60 million to assist Rwanda in its transition from crisis to stability. The United States is by no means the largest donor, out-financed by the European Union (\$127 million), Germany (\$81 million) and the World Bank (\$75 million). However, the United States maintains an exceptional leadership role in Rwanda that far outdistances other donor nations due to its strong and open relationship with the new government. The United States' ability to advise the GOR, leverage other donors, and provide leadership within the international community is a critical part of U.S. policy in Rwanda.

Several donors are involved in the areas of justice and democratization. The Netherlands, the largest contributor, provide support via a Trust Fund managed by the United Nations Development Program. Other donors, Germany, Switzerland and Canada provide more targeted assistance. A Belgian NGO, "Citizens' Network," has done considerable police training throughout 1995. Involvement on the part of the host-country remains at the strategic and policy and partner level for the moment, as the GOR struggles to get its financial house in order.

#### **FY 1997 Program.**

The USAID strategy for assisting Rwanda during the transition is to help stabilize the country and promote a long-term process of reintegration, rehabilitation and reconciliation. In order to accomplish this goal, the program has two main objectives: 1) creation of the necessary systems for the establishment of the rule of law; and 2) facilitating the reintegration of communities through continued humanitarian assistance,

increased public sector capacity, improved food security, and increased access to basic health and social services.

This USAID "Transition Program" continues to evolve as immediate emergency needs are shifting to longer-term requirements. Humanitarian resources remain crucial in ensuring quick, effective and flexible responses to a fluid post-crisis situation, complicated by potential massive refugee repatriation. The Mission sees a rational and complementary integration of humanitarian and development activities, which address acute and long-term needs simultaneously, as the only solution in bridging the emergency relief to development transition. USAID will continue to combine resources in ways that help to meet these transitional needs.

As one of the countries within the Greater Horn of Africa Initiative (GHA), Rwanda must play an increasing role in regional efforts to assure food security and reduce conflict and prevent future crises. Under the GHA, the Famine Early Warning System project will begin maintaining and monitoring critical agricultural data from Rwanda. In addition, the Mission is exploring regional conflict resolution efforts and other food security activities. USAID anticipates applying successful approaches such as those developed in Uganda, to combat the enormous Human Immunodeficiency Virus/sexually transmitted diseases (HIV/STD) problem and the negative social consequences of "AIDS Orphans," increasingly a regional problem.

**Agency Goal: Building Democracy**

The genocide and civil war of 1994 crippled the institutions integral to the rule of law. The U.S. strategy is to support the growth of those institutions most directly related to the rule of law: the judiciary, local government, organs central to democratic procedure such as the parliament, institutions responsible for public safety, and civil society, including the press. The choice of activities is based on their importance to the rule of law, political commitment on the part of the GOR to work with the institution, and the activities of other donors. USAID has played an important role over the last 18 months in stabilizing and supporting the new government in its efforts to rebuild the infrastructure and re-establish operations of key ministries, including the rehabilitation of courts and court offices throughout the country, and through support of a policy conference on the post-genocide challenges.

Other institutions necessary for democratic tolerance and compromise, such as the UN Human Rights Field Operation which monitors and investigates human rights abuses, will be supported as appropriate as Rwanda passes through this difficult transition. In this respect, USAID remains flexible to support those democratic institutions which will demonstrate readiness to emerge from the aftermath of war.

- Strategic Objective 1: To Improve Systems Necessary for an Environment of Rule of Law

**Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

Rwanda is the most densely populated country in central Africa. Pre-war HIV infection rates were as high as 30% in urban areas, although only about 1% in rural areas where some 95% of the population resided. With the upheavals, violence and displacement of war it is believed that HIV/STD prevalence remains a serious problem throughout the country. The AIDS Control and Prevention (AIDSCAP) Rwanda activity was the first long-term health program to re-open and the only major project addressing HIV/STD prevention through education, government capacity-building and condom social marketing. The continuation and ultimate impact of condom social marketing and other HIV/STD prevention activities hinge on USAID's ability to provide condoms and program funding beyond FY 1996.

- Strategic Objective 2: Support Recovery, Rehabilitation and Reintegration at the Community Level

**Agency Goal: Providing Humanitarian Assistance**

USAID emergency humanitarian assistance has been instrumental in saving lives and relieving suffering during the crisis. In the post-crisis period, integrated humanitarian and development assistance directed toward health, water and sanitation, agriculture and food, and unaccompanied children have been key to rehabilitating infrastructure. This assistance is providing support for children and families harmed by genocide and war. The country's 36 hospitals and 316 health centers are now functional. Water systems have been restored to pre-war levels and rural water systems are being expanded in areas of increased post-war population or high refugee return. Humanitarian interventions in the agriculture sector (distribution of seeds/tools and seed multiplication programs) have contributed to the rapid recovery of agricultural production. (Ninety-five percent of the Rwandan population lives in rural areas and survives on subsistence farming.) Unaccompanied children in centers have all been documented and documentation for children in foster care is underway. An active family tracing and reunification program has been established and over 10,000 children have been reunited with their families. Foster families are being assisted to form associations that can address the physical and emotional needs of families caring for separated children and to find ways to integrate foster children and orphans into the life of the community. Widows and female heads of households have been supported through micro-grants for income-generating activities and skills training. Nevertheless, the GOR struggles to rehabilitate various sectors without necessary financial and human resources and continues to rely on NGO interventions in the social sector. USAID humanitarian assistance will continue only as appropriate given the changing conditions inside Rwanda.

● **Strategic Objective 2: Support Recovery, Rehabilitation and Reintegration at the Community Level**

Rwanda will also benefit from \$239,713 worth of Africa Regionally-funded environmental activities.

**RWANDA  
FY 1997 PROGRAM SUMMARY**

	Encouraging Broad-based Economic Growth	Stabilizing World Population Growth & Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	TOTALS
<b>USAID Strategic Objectives</b>						
1. To Improve Systems Necessary for an Environment of Rule of Law - Dev. Fund for Africa				2,111,488		2,111,488
2. Support Recovery, Rehabilitation and Reintegration at the Community Level - Dev. Fund for Africa - P.L. 480 Title II		2,500,000	239,713		53,791,000	2,739,713 53,791,000
<b>Totals</b> - Dev. Fund for Africa - P.L. 480 Title II		2,500,000	239,713	2,111,488	53,791,000	4,851,201 53,791,000

USAID Mission Director: George Lewis

## ACTIVITY DATA SHEET

**PROGRAM:** RWANDA

**TITLE AND NUMBER:** Improve Systems for the Administration of Justice, 696-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY1997: \$2,111,488 DFA

**INITIAL OBLIGATION:** FY1995; **ESTIMATED COMPLETION DATE:** 2000

Purpose: To facilitate and broaden popular participation in shaping terms of the new social contract and the institutions through which that contract will be carried out.

Background: In response to the genocide and subsequent change in government, USAID closed most of the former activities--designed with the political context of the early 1990's in mind--and focused on supporting the growth of the capacity of the new government and stability in the country. For its part, since the tragic events of 1994, the Government of Rwanda (GOR) has been struggling to re-establish the rule of law and find ways and means of responding both socially and judicially to the genocide, while trying to stabilize the country and encourage refugees to come home. In essence, the country has two large socio-political hurdles to cross before stability in any permanent sense will be a reality. The first is the successful return and reintegration of all refugees into the countryside. The second is to find a policy response to the problem posed by the large numbers of guilty Rwandans, the large prison population, and the acknowledged inability to punish everyone involved.

USAID Role and Achievements to Date: In the 18 months since the genocide and war, USAID has contributed significantly to the infrastructural re-tooling of the administration of the state. Eight key ministries were chosen (Plan, Finance, Agriculture, Rehabilitation, Interior, Environment, Justice and Health) to receive commodity support in order to rebuild the functional capacity of their ministries. In addition, the project funded the rehabilitation of courts and prosecutors' offices throughout the country, and supported a policy-conference on the post-genocide challenges. Activities have been set in motion to aid in the creation of institutions which respect human rights and tolerance. The Ministry of the Interior will receive assistance for re-issuing identity cards without ethnic identities as per the Arusha Accords.

Description: Activities in the justice sector will respond to policy decisions as they are taken by the GOR. A mixture of expert counsel on the presentation of options, technical assistance, and implementational support will be given through the program. Efforts will be made to establish permanently a respect for rule of law in the new society. Local government activities will also be undertaken. Local government could play a key role in Rwanda in the coming months. As the most numerous voice of the state, the behavior of local government officials will have a huge impact on the success or failure of reintegration over the coming months; in short, competent local government is key for stability. Working with local government will also provide a vehicle for increasing participation. In addition, as in Uganda where the first elections were held at the local level, working with the local government now may position USAID for other steps toward participatory democracy in the years to come.

Host Country and Other Donors: The GOR has repeatedly requested assistance in these areas. Other donors from Europe and North America also recognize the importance of working in the justice sector. It is to be noted, however, that the lead for action must come from the GOR itself in the form of critical policy decisions. The Netherlands and Germany are heavily involved in the Justice sector (both greater than the United States financially, though the United States has supported some key moves such as the genocide conference). In local government, UNDP has a training activity which is due to terminate in 1996 and Germany have been working in selected regions of the country. The GOR has requested the United States to target the poorest regions of the country because, the GOR says, Germany chose what areas to work in and the GOR did not have much involvement.

Beneficiaries: While the direct beneficiaries of the project activities will be major institutions, the long-term

beneficiaries will be all the people of Rwanda through increased stability.

Principal Contractors, Grantees, or Agencies: International Rescue Committee, International Criminal Investigation and Training Assistance Program (Department of Justice), and others.

Major Results Indicators: Just as Rwanda is struggling through a transitional period, so the USAID/Rwanda mission is rebuilding itself for the new Rwanda. Part of the participatory design process for new activities includes the identification of quantifiable, observable indicators which can be used to measure progress. These indicators are in the process of being developed.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Judicial policy announcement	No progress, esp. on trials (1994)	Functioning judicial response appropriate for Rwanda (1997)
Genocide trials	None (1994)	Opening of genocide trials (1996)
Civilian governance	Military occupation and rule of civil administrative structures: (1994)	Participatory governance and placement of civilian administration--local and national (1997)
Absence of conflict in country-side	Insignificant refugee return and random security incidents (1994)	Improving stability/security over time, particularly for returning refugees (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** RWANDA

**TITLE & NUMBER:** Support Recovery, Rehabilitation and Reintegration at the Community Level, 696-S002

**STATUS:** Continuing

**PROPOSED OBLIGATION & FUND SOURCE:** FY 1997 \$2,739,713 DFA, \$53,791,000 P.L.480 Title II

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** 1999

**Purpose:** To contribute to the well-being of displaced Rwandans who are returning home after internal and external displacement, in ways that promote stability and productivity within the community.

**Background:** There has been a large displaced and refugee population in and around Rwanda for decades. Large numbers of the internally displaced were able to return home in 1993 following the signing of the Arusha Accords. However, the situation deteriorated with the outbreak of mass genocide and civil war in 1994 which resulted in massive population displacement (approximately 2,000,000 refugees and 900,000 internally displaced), the slaughter of up to one million people, and over 200,000 separated or orphaned children. Although the Rwanda Patriotic Front-led government has stabilized, the recovery inside Rwanda remains fragile. Of immediate concern are: 1) an unprecedented number of vulnerable people--separated children, widows, single-headed households, survivors of genocide and the displaced now reintegrating into society; and, 2) the rebuilding of critical physical and social infrastructure/services that will make reintegration and future reconciliation possible.

**USAID Role and Achievements to Date:** USAID support began in FY1993/1994 by assisting 225,000 displaced persons in northern Rwanda through a grant to Cooperative for American Relief Everywhere (CARE). In FY1995, assistance focused on the immediate needs of over 40,000 unaccompanied children inside Rwanda. A grant to Save the Children/US provided psycho-social support in 13 centers serving 2,000 children, worked with over 1,100 reunified families, and has initiated 15 foster family associations and 43 income-generating groups. To assist the Government of Rwanda (GOR) in the provision of essential public and social services, which will lend stability and promote confidence at the community level, expanded Assistance to Displaced Persons (ADP) assistance through FY 1997 will be in the health and community development sectors. Activities will concentrate on re-building Rwanda's human resource capacity in the health sector through training and health system capacity-building; combatting the spread of HIV/STDs through surveillance, education and improved clinical services; and support for community initiatives in social services and subsistence agriculture recovery.

**Project Description:** The original ADP activity was designed to assist the internally displaced as they returned home from camps in Rwanda. The FY1995 program amendment broadened the scope of the activities to include all returnees and the critical needs of survivors of the genocide. The project finances international non-government organizations (NGOs) to work and support government agencies and community associations that aim to: 1) strengthen key ministries responsible for unaccompanied children, foster families and other returnees and, 2) promote rural reintegration. Resources will also be used to strengthen local NGOs and community groups that assist returnees and promote reintegration and stability.

**Host Country and Other Donors:** USAID has worked with: the United Nations High Commissioner for Refugees (UNHCR) which established the concept of assistance to communes expecting returnees; the United Nations Department of Humanitarian Affairs (UNDHA) which supports cross-border programs as well as the resettlement of returning refugees; and the United Nations Children's Fund (UNICEF) which coordinate children's interventions and is assisting the GOR to build its own capacity in the unaccompanied children sector. Key donors, working through NGO intermediaries, have been the European Union, Canada, Japan, Germany, the Netherlands and the United Kingdom. The Ministries of Rehabilitation, Women & Family, Social Affairs, and the Interior are providing leadership in the sector and actively taking responsibility for reintegration issues facing Rwanda.

**Beneficiaries:** Due to the flexibility of the project, beneficiary numbers vary depending on the sub-grant targets: Immediate beneficiaries will be the staff of the Ministry of Health and regional health delivery system; the families that rely on basic primary health care in rural areas throughout the country and those Rwandans reintegrating into society after displacement (both internal and external).

**Principal Contractors, Grantees or Agencies:** The Ministry of Health, NGOs (CARE International, Save the Children Federation, and African Medical Research Foundation).

<b><u>Major Results Indicators:</u></b>	<b><u>Baseline</u></b>	<b><u>Target</u></b>
Children in residential centers	12,500 children (1995)	6,000 (1997)
New caseload refugee return	93,900 (1995)	200,000 (1997)
Human resource capacity-building: Health delivery system	Absence of cost-recovery (1995) Shortage of basic health care providers (1995)  Lack of MOH capacity to regulate, monitor and provide technical leadership (1995)	Institution of the Bamako Initiative by 1997 Provision of trained community health workers, nurses (A2 &A3) medical assistants (1997) Reinforce the capacity of the MOH to take on all monitoring, supervision, and policy responsibility for the national health system (1997)
GOR coordinates NGOs working in social sector coordination	Absence of line ministry (1995)	Ministry project review, approval and monitoring (1996)

## SENEGAL

**FY 1997 Development Fund for Africa: .....\$27,424,532**

### **Introduction.**

Senegal is one of the few politically stable, multiparty democracies in Africa. Largely Moslem, it is a moderate secular nation. Senegal plays an important and constructive role on a number of security and peacekeeping issues throughout the Continent (e.g. the Gambia, Liberia and Somalia). It is in the U.S. interest to strengthen Senegal's stabilizing influence in Africa and the Islamic world by supporting its democratic and human rights efforts and its successful transition to a competitive, market-based economy. Senegal's status quo as a pro-Western, stable democracy supports U.S. political and economic interests in the region.

### **The Development Challenge.**

Long recognized as a "democratic model" in Africa, Senegal is still among the world's neediest countries. Despite its political stability, Senegal's economic growth has been poor and virtually negated by high population growth (currently 2.7% or doubling every 25 years). GDP per capita (\$561 in 1995) has stagnated since independence. Economic recovery and sustainable growth will be essential for Senegal to maintain its stability and to continue its socio-political democratic evolution.

A major challenge lies in Senegal's deteriorating natural resource base. Its increasingly fragile ecosystem is vulnerable to locusts, drought and desertification. Domestic production of food crops has not kept pace with Senegal's population of 8.3 million. In spite of its relatively small share of GDP (21%), agriculture is still the principal source of income for about 70% of the population. However, wind and water erosion, reduced rainfall, and declining soil fertility have severely constrained Senegal's farmers from increasing crop productivity. Also, government market regulation, price subsidies and the dominance of government owned corporations, coupled with recurring drought, have discouraged farmers from food production and cash crop diversification.

Health and social services in Senegal are extremely limited, especially for women and children. Maternal mortality is high (510 per 100,000 live births) and many infants die of preventable diseases. The country suffers from relatively high childhood mortality rates (131 per 1,000) high illiteracy rates (61.7% in 1990) and an average life expectancy of only 49 years. Annual increases in the work force have overwhelmed the country's meager capacity to generate new jobs.

In 1994, the 50% devaluation of the CFA franc (the currency of the West African Financial Community) provided a new impetus for economic change. The Senegalese government's management of the economy has dramatically improved and Senegal has made progress in privatization and market liberalization. The devaluation has allowed Senegal to renew structural adjustment programs with both the International Monetary Fund (IMF) and the World Bank. Senegal's export economy and many industries have been revitalized. USAID has played a major role in Senegal's liberalization efforts, greatly increasing the private sector's role in the economy. The liberalization of agricultural markets and elimination of government-owned corporations has brought about market-based (instead of government controlled) pricing for major agricultural products. The country's economic policy has been liberalized and market competition has improved. The government has moved out of rice importing and marketing and is now privatizing the giant groundnut sector.

Despite these noteworthy policy reforms, the achievement of sustainable economic growth and development in health, agriculture, and natural resources management remains a major challenge for Senegal. Employment, agricultural production and the environment are of primary concern. USAID's proposed assistance is built on recent progress in these priority areas.

## **Other Donors.**

At the July 1995 Consultative Group Meeting on Senegal, donors pledged approximately \$1.5 billion for development activities and assistance to Senegal from 1995-1997. USAID provides approximately 9% of total official development assistance to Senegal, placing the United States as the third largest bilateral donor (behind France and Italy) and the sixth largest donor overall. Other major donors are the IMF, World Bank, and European Union (EU).

## **FY 1997 Program.**

The USAID/Senegal program focuses on two long-range issues critical to broad-based economic growth: excessive population growth and the deterioration of the environment. U.S. assistance emphasizes development that is equitable, participatory, self reliant and environmentally sustainable. Senegal can only achieve faster economic growth by addressing the high rate of population growth which has undermined increases in production and productivity. Population growth has also aggravated the deterioration of the country's fragile natural resource base, severely limiting the sustainable growth potential of Senegal's agricultural economy.

Roughly 40% of USAID's budget will be allocated to protecting the environment, 30% to stabilizing population growth and protecting human health, 28% to encouraging broad-based economic growth and 2% to building democracy.

## **Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

It is in the U.S. national interest to help decrease family size in Senegal and to slow Senegal's 2.7% annual population growth rate. Rapid population growth has a transnational impact: if left unchecked, it will virtually negate Senegal's economic gains, hasten environmental damage, exacerbate poverty and impede democratic governance. To counter the current trend, USAID's population program relies on both public and private family planning services. USAID's strategy is to strengthen family planning services in order to meet a significant unmet demand in rural areas and urban centers. Child survival activities supporting the acceptance of family planning are included in this program.

Senegal's family planning efforts continue to achieve significant results and USAID, the leading donor in family planning and population, has played a key role in achieving these results. From 1986 to 1995, Senegal's total fertility rate declined roughly 10%, from 6.6 to 5.9 births/woman. This is significantly ahead of the originally scheduled target of 6.0 in 1997. The usage rate (contraceptive prevalence rate) for modern methods such as condoms and pills rose from 2.4% in 1986 to 4.8% in 1992. It is estimated to be 5.6% in 1995.

USAID activities include information campaigns, education, and communications/outreach to bring about a broad public commitment to voluntary family planning programs. USAID's child survival activities have helped decrease infant mortality (0-1 year of age) from 86 deaths per 1,000 live births to 66 deaths per 1,000 live births. Overall child mortality (under five years of age) has decreased from 191 deaths per 1,000 live births to 131 deaths per 1,000 live births. Oral Rehydration Salts (ORS) are now widely used in rural clinics and village health posts to control diarrheal diseases. Due to USAID interventions, ORS use has significantly increased from 7% in 1986 to 31% in 1993.

USAID is also undertaking efforts to control the spread of HIV/AIDS. General awareness of AIDS in Senegal is high. Over 89% of women ages 15-49 and 97% of men ages 20 and over know of AIDS. Only about two-thirds know of at least one method of prevention. Condom use is among the most-often cited methods, but the role of condoms in preventing AIDS is still not widely recognized. About 74% of men and 68% of women know of at least one mode by which HIV is transmitted. Performance under this USAID strategic objective has been impressive.. Due to the rapid decline in Senegal's fertility rate, USAID modified its performance target from 6.0 to 5.7 births/woman in 1997.

With a reasonable level of resources, the United States can continue to make good progress in this field.

- **Strategic Objective 1:       Decrease Family Size**

**Agency Goal: Encouraging Broad-based Economic Growth**

Senegal is faced with a fragile natural resource base and increased food dependency. Past failures to privatize and liberalize the economy, controlled pricing and marketing policies, lack of market information and the absence of rural credit have stymied growth in the rural sector. The Government of Senegal (GOS) and USAID are now looking to the agriculture sector and to the private sector as catalysts for broad-based economic growth. USAID's strategy is to increase private incomes derived from the sustainable use of natural resources. Focus is on minimizing government regulation and expanding private activity, especially in Senegal's large rice markets. USAID is helping to increase incomes through the production and sale of agricultural and natural resource-based products. The 1995 crop forecast indicates that yields have indeed increased for sorghum, millet, rice, maize, and groundnuts.

USAID support for privatization and liberalization has yielded notable gains. The GOS has liquidated the government owned (parastatal) rice marketing board. The National Assembly has passed legislation to privatize the giant groundnut processing parastatal. These organizations were the major government controlled enterprises in the agricultural sector. Other key results to date include: (1) the percentage of agricultural products marketed through the private sector increased from 46% in 1991 to 71% in 1995; (2) the number of wholesale cereal traders in Dakar increased from 300 to 390 and outside Dakar from 190 to 532 (greatly exceeding targets) and (3) government regulations and involvement in the private sector have been slashed, meeting USAID targets and conditionalities one year ahead of schedule.

In order to intensify and diversify agriculture and increase crop productivity, USAID is supporting technological changes through agricultural and natural resources management research. Also, farmer access to credit is a major constraint to rural development. USAID and other partners are therefore exploring how best to mobilize savings and credit through the formal financial sector as well as through credit-union type entities.

- **Strategic Objective 1:       Decrease Family Size**
- **Strategic Objective 2:       Increase Crop Productivity Through Improved Natural Resources Management in Zones of Reliable Rainfall**
- **Strategic Objective 3:       Increase Liberalization of Markets for Natural Resource-Based Products**

**Agency Goal: Protecting the Environment**

Rapid population growth and a deteriorating natural resource base are major constraints to increases in food production. In Senegal, new land brought under production has been increasingly offset by land lost to erosion, declining soil fertility and reduced rainfall. To reverse this trend and stimulate economic growth, USAID is helping increase production through the introduction of improved agriculture and natural resources management (AG/NRM) technologies. USAID also supports better land management practices, marketing channels and policy dialogue with the government.

Because the adoption and impact of AG/NRM technologies is a long-term proposition, USAID's strategy has been to develop rural cooperatives and private enterprises, including management and numeracy training in order to stimulate rural incomes. USAID has made good progress in influencing farmers to adopt NRM technologies. For example, USAID has helped to establish 57 new cooperatives/enterprises

(many of which are women owned and operated). USAID has also financed dike construction in 22 valleys, increasing rice production in an area totalling over 25,000 acres. On the policy dialogue side, USAID has supported the Government's enactment of a new Forestry Code which allows farmers to plant and harvest trees on public lands. The GOS has also established a national council for environment and natural resource management. The council is finalizing Senegal's National Environmental Action Plan (NEAP) which will ensure that environmental concerns are addressed in all social and economic development policies.

- **Strategic Objective 2:**        Increase Crop Productivity Through Improved Natural Resources Management in Zones of Reliable Rainfall
  
- **Strategic Objective 3:**        Increase Liberalization of Markets for Natural Resource-Based Products

**Agency Goal: Building Democracy**

In addition to the objectives discussed above, USAID/Senegal has anchored democracy and governance activities in each of its strategic objectives. Programs are structured to encourage empowerment of farmers, Private Voluntary Organizations (PVOs) and Non-Governmental Organizations (NGOs) in decentralizing natural resources management, health and family planning activities. USAID assistance to help improve democratization and governance also relies on training and seminars, including a regional francophone seminar on good governance in Dakar in March 1996. Improved governance and increased accountability will also be achieved through USAID's efforts to support structural reforms, transparency and privatization.

Most of FY 1997 resources allocated under this specific objective will be for training, observational tours, medium-term technical assistance, and regional conferences. Many of these activities are targeted at key Senegalese policy makers, whose improved decision-making capabilities and effectiveness will enhance the country's governance.

- **Strategic Objective 2:**        Increase Crop Productivity Through Improved Natural Resources Management in Zones of Reliable Rainfall

**SENEGAL  
FY 1997 PROGRAM SUMMARY**

	Encouraging Broad-based Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	TOTALS
<b>USAID Strategic Objectives</b>						
1. Decrease Family Size - Dev. Fund for Africa	149,000	8,552,700				8,701,700
2. Increase Crop Productivity Through Improved Natural Resources Management in Zones of Reliable Rainfall - Dev. Fund for Africa	211,516	20,068	10,337,182	386,984		10,956,030
3. Increase Liberalization of Markets for Natural Resource-Based Products - Dev. Fund for Africa	7,513,282		250,000	3,520		7,766,802
<b>Totals</b> - Dev. Fund for Africa	7,873,798	8,572,768	10,587,182	390,784		27,424,532

USAID Mission Director: Anne M. Williams

## ACTIVITY DATA SHEET

**PROGRAM:** SENEGAL

**TITLE AND NUMBER:** Decrease Family Size, 685-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION & FUNDING SOURCE:** FY 1997: \$8,701,700 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: To decrease family size and to strengthen the capacity of Senegalese institutions to improve human immunodeficiency virus (HIV) risk reduction behaviors in selected groups in geographic regions of Senegal.

Background: Senegal currently has a population growth rate of 2.7% per annum, characterized by both high infant and child mortality rates. At such rates, the population (8.3 million in 1995) will double by the year 2021. Senegal's rapid population growth has severe implications on individual and family welfare, and for Government of Senegal (GOS) development objectives. The Senegal Demographic and Health Survey (DHS) carried out with USAID funding in 1992/1993, showed the following statistics: a high under-five mortality rate, estimated at 131/1,000 live births; a high maternal mortality rate, estimated at 510/100,000 live births; a high total fertility rate, estimated at 6.0 average births per woman; and a low contraceptive prevalence, explained in part by high infant and child mortality rates which compel couples to maintain high birth rates to ensure the survival of a few healthy children. In addition, annual increases of HIV positive cases of 2.7% and of actual AIDS cases of 6.8% reflect an alarming potential epidemic even though the national rate of HIV prevalence remains at about 1%. USAID has successfully contributed to reductions in infant, child and maternal mortality, stabilization of HIV/AIDS/sexually transmitted disease infections, reduction in the total fertility rate.

USAID Role and Achievements to Date: As a result of USAID's support, Senegal's total fertility rate declined from 6.6 to 5.9 in the 1986-1995 period, significantly ahead of schedule (attainment of the 6.0 level had originally been targeted for 1997). USAID now has identified a 1997 performance target rate of 5.7 births per woman. The contraceptive prevalence rate nationwide rose from 4.8 in 1992 to about 5.6 in 1995. Over the period 1986 - 1993, the fertility rate decreased by 9%. Change is largely attributable to USAID, the leading donor in the population and family planning (FP) sector. USAID assistance emphasizes service delivery in the public and private sectors, including information, education, and communication services to institutionalize broad public commitment to voluntary FP programs. The 1993 DHS indicates that Senegalese women from all strata want to control their fertility: 66% of women and 44% of men approve of family planning. USAID's child survival activities have helped decrease both infant (0-1 years of age) and child (under five years of age) mortality respectively from 86/1,000 to 68/1,000 and from 191/1,000 to 131/1,000.

USAID has been instrumental in assisting the GOS to implement its AIDS prevention program and in providing support to targeted regions. USAID supported two separate Islamic and Christian conferences on AIDS prevention (critical steps in gaining the all-important support of religious leaderships). Senegal boasts the most advanced AIDS laboratory in West Africa; researchers from this lab, in collaboration with researchers from Harvard University, discovered the HIV II strain. Prevention activities are showing some success in Senegal's four major urban areas, where prevalence rates, the incidence of sexually transmitted diseases, and condom use are monitored regularly.

Description: The Senegal Child Survival/Family Planning (SCS/FP) Program began in 1992 and will be completed in 1999. USAID is refining specific results packages to achieve the program purpose. Due to the rapid decline in the total fertility rate, USAID has modified its performance targets, which now include changes in the percentage of targeted total fertility rate, couple years of contraceptive protection, and number of sites providing family planning. USAID continues to support efforts to prevent unintended pregnancies by increasing access to family planning services and reducing deaths

from preventable diseases of children under five. To combat Senegal's high maternal mortality rate, USAID emphasizes reproductive health and safe motherhood in services delivered, including screening and evaluation of high-risk pregnancies, nutrition surveillance for pregnant women, STD screening and treatment and early and effective prenatal consultations. USAID began to implement the Senegal AIDS Control and Prevention (AIDSCAP) project in 1994. AIDSCAP supports interventions by mass media promoting avoidance of high-risk sexual behavior and the use of condoms. Target groups consist of high risk men and women, including university students, commercial sex workers and truck drivers.

**Host Country and Other Donors:** USAID, the sixth largest donor in Senegal, and other bilateral and multilateral donors (including the United Nations Population Fund and the World Bank) have created three donor groups for better collaboration in child survival, HIV/AIDS and population/family planning. The GOS contributes to the achievement of this objective by providing human and material resources.

**Beneficiaries:** Children under five and women of reproductive age represent 40% of Senegal's population. USAID-supported programs reach about 35% of these beneficiaries. The contraceptive prevalence rate of 4.8% represents essential family planning services being provided to 91,978 Senegalese women. The combined unmet need of women who wish to delay childbirth for at least two years (19%) and those who want no more children (9%) means that 534,620 women have expressed a demand for services in 1995. 1,500,000 sexually active persons at risk of contracting HIV/AIDS in urban and peri-urban areas will be targeted by the project as direct beneficiaries. 1,675,000 children under 5 years are the primary beneficiaries of USAID child survival interventions.

**Principal Contractors, Grantees or Agencies:** USAID is implementing family planning and AIDS activities through private organizations including Management Sciences for Health, Population Services International, John Snow Incorporated and the Futures Group and through U.S. and Senegalese non-governmental organizations (NGOs) such as Africare and ASBEF.

<u>Major Results Indicators<sup>1</sup>:</u>	<u>Baseline</u>	<u>Target</u>
National Total Fertility Rate (births per woman)	6.6 (1986)	5.7 (1997)
Urban Contraceptive Prevalence Rates (% of women in union)	6.7 (1986)	18.0 (1997)
Percentage of Married Women 15-49 yrs. Having Knowledge of Modern Contraceptive Methods	One Method: 58.1 (1986) Three Methods: 23.4 (1986)	One Method: 90 (1997) Three Methods: 60 (1997)
Percentage of Men over 20 yrs old Having Knowledge of Modern Contraceptive Methods	One Method: 68.0 (1986) Three Methods: 43.0 (1986)	One Method: 90 (1997) Three Methods: 60 (1997)
Percentage of HIV Prevalence in the General Population	1.0 (1994)	1.0 (1996)
Percentage of the population who can identify appropriate means of protection from HIV Infection:	68 (1993)	90 (1997)

<sup>1</sup> Sources: 1992/1993 Demographic Health Survey (DHS), Knowledge, Attitudes and Practices (KAP) studies, National Census, Sentinel Surveillance data, and Project records.

## ACTIVITY DATA SHEET

**PROGRAM:** SENEGAL

**TITLE AND NUMBER:** Increase Crop Productivity Through Improved Natural Resources Management (NRM) in Zones of Reliable Rainfall, 685-S002

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$10,956,030 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

**Purpose:** To increase crop productivity through improved natural resources management (NRM) in zones of reliable rainfall.

**Background:** Natural resource degradation is increasing in Senegal as population increases and productive farm acreage diminishes. Over the years, Senegal's crop production acreage has remained relatively unchanged as new lands brought into production have been offset by land lost to declining rainfall, erosion and declining soil fertility. While increased yields have occurred due to improved seed, animal traction or introduction of NRM technologies, these increases have not been sufficient to offset the decline in the physical quality of the soils. The Government of Senegal (GOS) has taken steps to eliminate most farm subsidies, decentralize land management, and promote more productive land use. USAID's strategy focuses on the southern half of the country where rainfall is 400 mm/year or more. One significant constraint to increasing productivity is the farmers' lack of access to credit and the absence of a viable rural financial system. However, the most critical constraint is adequate, well distributed rainfall.

**USAID Role and Achievements to Date:** USAID's strategy is long-term, designed to raise incomes of poor farmers who have limited access to modern, purchased inputs. Analysis shows that even modest success will be very cost-effective. However, the payback period for many of these NRM interventions is longer, thus, the impact of adopting NRM technologies will not be immediately measurable. One example of a successful (though longer term payback) is USAID's dune stabilization efforts in the early 1980s in the "Niayes," a 200 kilometer strip of land from Dakar north to Saint Louis. The Niayes is a fertile area for vegetable production which had been seriously threatened by encroaching dunes. However as a result of USAID's (and other donors') tree planting activities to stabilize these dunes, the Niayes are well protected today. Farmers living in the area have greatly increased vegetable production and marketing and are now among the most prosperous in Senegal.

Because of the long-term gestation of most agriculture/natural resources management (AG/NRM) technologies, USAID's strategy has been to couple development of AG/NRM-based enterprises with management and numeracy training in order to stimulate incomes. Some key achievements to date include: 57 AG/NRM-based enterprises with over 75% women membership have been established and are engaged in NRM interventions; farmer training has been conducted in literacy/numeracy, basic management and business techniques; 24 anti-salt dikes and 30 water retention dikes have been constructed in 22 valleys covering a total of 25,000 acres (over 10,000 hectares); 176 village water management committees have been established; 88 village demonstration plots have been put in place; 560 compost pits have been dug throughout the southern region; 2,436 women leaders have been trained in management of water structures and an additional 3,078 women have completed village-level training in NRM planning and development; five rural communities out of the 50 targeted nationwide have been selected to participate in a program for sustainable planning, use and conservation of natural resources.

**Description:** USAID efforts are in four primary areas: (1) extension of improved AG/NRM practices; (2) rural empowerment and institutional strengthening to improve land use planning and management; (3) applied research at the farm level on improved AG/NRM practices in key grain cropping systems; and (4) GOS policy dialogue. Other activities include fostering AG/NRM-based enterprises to stimulate income generation and working with PVOs to improve their capacity to plan and execute their own

NRM activities. Funding is principally for technical assistance, commodities, AG/NRM technology development and extension, water management structures, farmer training, GOS and non-governmental organization institutional strengthening, and policy dialogue.

**Host Country and Other Donors:** The GOS has demonstrated a serious commitment to privatization and other policy reform initiatives. Senegalese government contributions are mainly in-kind, consisting of salaries of civil servants. Services, infrastructure and equipment are also provided by public institutions. Additional financial and human resources are provided through nongovernmental organizations and village (farmer) associations. USAID is the lead donor in the AG/NRM sector. Other key donors include the Netherlands, Canada, the World Bank, the European Union, the United Nations Development Program, Food and Agriculture Organization, Germany, France, and Italy. The U.S. represents the donor community on an inter-ministerial ENV/NRM steering committee. Donors also coordinate through an informal donor ENV/NRM working group for exchange of ideas and information.

**Beneficiaries:** About 70% of the 8.3 million population are farmers, who are the primary beneficiaries of this activity (50 - 70% of these farmers are women). Ultimate beneficiaries also include private sector entrepreneurs, NGOs and consumers.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities through two U.S. university consortia, the South-East Consortium for International Development (SECID) and the Consortium for International Development (CID), a U.S. for-profit firm, Development Alternatives, Inc., a USG agency (the U.S. Geological Survey), U.S. NGOs (Africare and Winrock) and several local NGO and farmer organizations.

**Major Results Indicators: 1**

	<u>Baseline</u>	<u>Target</u>
Increase in Crop Yields (kilograms/hectare) for:	(1989-91)	(1997)
Millet	786	880
Sorghum	850	940
Rice	1,254	1,505
Peanuts (for oil)	959	1,150
Peanuts (edible)	1,006	1,205
Corn	1,202	1,195
Percent of households (compounds) using NRM technologies:	(1992)	(1997)
Windbreaks	4.5	8
Live Fence	2.7	5
Field Trees	2.4	30
Fallow Land	15.3	5
Manure	51.7	20

1 Sources: 1992/1993 Demographic Health Survey (DHS), Knowledge, Attitudes and Practices (KAP) studies, National Census, Sentinel Surveillance data, and Project records.

## ACTIVITY DATA SHEET

**PROGRAM:** SENEGAL

**TITLE AND NUMBER:** Increase Liberalization of Markets for Natural Resource-Based Products, 685-S003

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$7,766,802 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1999

**Purpose:** To increase the incomes of farmers currently producing paddy rice for the internal Senegalese market through the liberalization of rice marketing and processing.

**Background:** Over the past two years, an extended multi-donor/Government of Senegal (GOS) dialogue has been underway to reform Senegal's agricultural sector. The effort has focused on a comprehensive Agriculture Sector Adjustment Strategy (French acronym "PASA"). Donors, led by the World Bank, include France, the European Union (EU), Germany and USAID. The reforms outlined in the PASA address constraints for four strategic commodities: rice, groundnuts, cotton and sugar. Competition and private sector trade and investment are being encouraged through the elimination of price controls on processing and marketing. Discussions to date have successfully produced an agreement on many GOS policy reform measures. The USAID Senegal Rice Structural Adjustment (RSA) program is a direct outgrowth of the multilateral PASA dialogue and represents a bilateral policy reform program tightly focussed on the rice sub-sector. USAID considers this sub-sector to be particularly important to increasing farmer incomes through more efficient use of limited resources. This program contributes to the goal of sustainable broad-based economic growth by reducing unnecessary government involvement in the rice and groundnut sub-sectors.

**USAID Role and Achievements to Date:** USAID's strategy under this objective is to increase private sector incomes through the liberalization of agricultural markets. USAID's program supports GOS efforts to implement two fundamental changes: (1) to replace administratively determined prices with a price system that better reflects real economic costs, and (2) to replace inefficient parastatal enterprises with efficient, competitive private enterprises. Urged by USAID, the GOS has accelerated necessary reform measures and has taken a number of steps to speed implementation of remaining reforms in the groundnut and rice sub-sectors in Senegal. Most recent reform measures adopted include: (1) the elimination of GOS-determined retail profit margins for rice; (2) the disengagement of the GOS from subsidizing rice transportation costs; (3) the GOS decree allowing the private sector to import all types of rice; and (4) the liquidation of the parastatal rice marketing board, and (5) final legislative measures to privatize the giant groundnut processing parastatal.

**Description:** USAID's program helps the GOS bear the costs of the subsectoral adjustments and undertake the budgetary, institutional and managerial modifications necessary to achieve specific quantitative and qualitative impacts associated with the implementation of a comprehensive liberalization of the rice market in Senegal. During the life of the program the GOS will: (1) eliminate fixed wholesale and retail rice prices throughout Senegal; (2) transfer the task of internal distribution of imported rice to the private sector; (3) liberalize the imports of rice; (4) eliminate its intervention in the processing and marketing of locally produced rice; (5) eliminate the administered farm paddy price for rice which will henceforth be determined by market forces; and (6) restructure the sub-sector's two key parastatal institutions of production and marketing.

**Host Country and Other Donors:** The World Bank, France, the European Union, Germany and Italy have ongoing programs focusing on improving overall agricultural policy, infrastructure and credit conditions for rice producers. The USAID program (ranked sixth behind these other multilateral and bilateral donors) complements these activities. USAID ensures continued close coordination with the GOS and other donors, especially the World Bank, which has taken the lead on policy reform.

**Beneficiaries:** Beneficiaries will be farmers, consumers, and private enterprises engaged in processing and marketing rice. Private traders will benefit through the liberalization and privatization of the market. The GOS will also benefit through savings on subsidy payments.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities in support of this program through a contract with the U.S. for-profit firm, Abt Associates.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Reduction (shown in %) of Marketing Costs to Their Competitive Levels	17-26 (1986)	10-15 (1997)
Percentage of Agricultural Product Marketed through the Private Sector	46 (1986)	95 (1997)
Number of Major (at least 10 clients) Wholesale Cereal Traders		
-Dakar	279 (1986)	300 (1997)
-Outside Dakar	185 (1986)	200 (1997)

## SOMALIA

FY 1997 Development Fund for Africa: ..... \$4,000,000  
FY 1997 P.L. 480, Title II: ..... \$2,206,000

### Introduction.

Only a few years ago, the faces of starving Somali children were flashing nightly on the television screens across America. The United States boldly responded to this crisis with Operation Restore Hope, which began in December 1992. At enormous cost, Operation Restore Hope and its successor United Nations (UN) operations saved countless lives. For the time being, the images of helpless Somali children have faded from the public view. However, widespread famine conditions and civil disorder in Somalia would cause another significant refugee crisis and lead to further instability in the Greater Horn area. The United States has a very strong interest in preventing the return to the situation that existed in Somalia in the early 1990s, which translates primarily into a humanitarian/food security emphasis. In seeking to promote regional stability, therefore, the United States has a political rationale for being in Somalia, as well. Presently, Somalia with its patchwork of factions, warring clans and sub-clans makes long-term, sustainable development a very difficult proposition.

The relief, rehabilitation, and development assistance activities of the United States and other donors have contributed to major improvements in many Somali communities over the past couple of years. These efforts have been aided by auspicious levels of rainfall. More recently, rainfall has been less favorable in some areas and prospects for adequate harvests have declined. Ongoing civil and military strife have also exacerbated the situation. Emergency assistance will continue to be required in areas where there are "pockets of famine." Despite the localized instability and uncertainty, some communities have proven to be remarkably resilient by demonstrating a thriving private sector as well as the ability to build rudimentary local administrative structures to handle the responsibilities of local government. The U.S. Government sees its role in assisting these fledgling structures to develop further in providing services needed by the Somali populace.

### The Development Challenge.

Somalia remains one of the very poorest countries in Africa and in the world. Life expectancy is low and the estimated per capita gross national product is less than \$150 per year. Somalia is a chronic food-deficit country.

As it has been since January 1991, Somalia continues as a failed state, with no central government and none likely to emerge in the near future. A proliferation of political factions seek to control their domains, in many cases, solely for the benefit of their extended family and clan. Any sense of national identity that may have existed now seems to have been completely subsumed under clan loyalty. Given this highly fragmented nature of Somali society, perhaps the best hope for success is to work with nascent local administrations, wherever they develop, and help them to increase their institutional and organizational capacities and work toward replication of "what works" by spreading it into other geographic areas.

As one of the most protracted, complex emergencies in the world, Somalia also clearly fits within the Agency's Greater Horn of Africa Initiative (GHA), especially as it relates to crisis prevention and conflict resolution, as well as to the Initiative's goal of food security.

### Other Donors.

The European Union's (EU) assistance dwarfs that of any other donor. Since mid-1994, the EU has made available the equivalent of approximately \$46 million for project activities which will be fully committed shortly. In addition, the EU Somalia Unit expects approval to program an additional \$61 million which represents the remaining balance of Lome III funding pledged to the pre-war Somalia Government.

The combination of EU and U.S. resources represents approximately 90% of all resource flows going into Somalia on an annual basis. On the relief side, the EU's equivalent of USAID's Office of Foreign Disaster Assistance (OFDA) during FY 1995 committed nearly \$7.5 million, only slightly more than the \$6.3 million provided through OFDA. Assistance from other donors is small and falling off; for instance, the United Kingdom (UK) went from \$3.2 million in FY 1994 to only \$850,000 in FY 1995.

#### **FY 1997 Program.**

Given the prospect that Somalia will likely remain a failed state throughout the 1996-1997 time frame, the USAID strategy is, first and foremost, to respond quickly to signs of immediate relief needs before they develop into full-blown humanitarian crises. For the more secure areas of Somalia, USAID, through its implementing partners, will help communities in rebuilding their food security structures and health delivery networks. In addition, USAID will support activities to strengthen those elements of civil society which serve as counter-forces to militia and political/clan alliances; namely local government, the private sector, and the indigenous non-government organizations (NGO) sector. Historically, the United States has contributed vast sums of assistance to ameliorate famine conditions caused by weather or civil strife. Thus, improving the ability of fledgling Somali institutions to cope with food security and health problems, and fostering conflict resolution and reconciliation should reduce the need for this assistance in the future.

#### **Agency Goal: Providing Humanitarian Assistance**

Five years after the civil war came to Mogadishu, Somalia continues to suffer from a fragile security environment and intermittent armed conflict in some areas. More peaceful regions have witnessed a gradual, if slow, recovery. One USAID objective is to ensure the timely and effective delivery of both relief and rehabilitation assistance which focusses on ensuring adequate food supplies and health care.

USAID's efforts seek to enhance food security by increasing agricultural production in the following ways: expanding land under cultivation, minimizing post-harvest losses, rehabilitating water and irrigation resources, improving seed multiplication practices, providing simple tools, strengthening farm-to-market linkages and supporting community-based agricultural extension practices. Food resources in Somalia contribute to food security most effectively when directed toward pockets of vulnerability as well as rehabilitation activities. Our efforts over the past four years have seen a marked improvement in food security, enabling the programming of resources to move from primarily relief to primarily rehabilitation. A number of external factors, however, can cause a temporary movement away from food security gains, creating the need for a quick move back into a relief mode. An example is the 1995-1996 growing year: (1) the most productive Gu-season harvest was well below average due to a failure of rains; (2) two months after the harvest, an invasion of the Bay region, the breadbasket of Somalia, created an insecure environment which discouraged planting for the next, shorter Deyr-season among farmers and also interfered with normal marketing channels into and out of this fertile region; and (3) security incidents continue to flare up in both the north and the south of Somalia.

Given this reality in Somalia, the Title II Emergency Food, administered by World Food Programme (WFP), must maintain flexibility to address the current and often disparate needs in each region. First, Title II food will be targeted at pockets of vulnerability, distributed to those people in immediate need of nourishment. Second, it will be used to support local initiatives that enhance food security, such as those activities listed above. Third, it will be monetized and proceeds used to support labor-intensive, quick-impact projects aimed at relieving nutritional stress and increasing food security through increased agricultural output or improved access to food.

In addition, the Famine Early Warning System III activity will concentrate on the factors that contribute to food insecurity, including rainfall data, livestock grazing practices, grain prices and export, and commercial food sales.

WFP is able to maintain the required service-delivery capability through a country-wide network of offices. Field staff are able to assess the rehabilitation needs in the different communities and monitor new or emerging pockets of vulnerability. Because of the importance of this on-the-ground network, USAID has made major contributions to WFP from both Development Fund for Africa (DFA) and OFDA resources. Through the two-year DFA grant, WFP has been able to achieve the following rehabilitation outputs: 750 deep wells which provide year-round water to their villages; 650 desilted catchment areas which provide water for humans and livestock for six months each year; 160,000 hectares of rain-fed land returned to cultivation; 37,000 hectares of irrigated land returned to cultivation; 60 km of irrigation canals rehabilitated; 90 villages carried out sanitation or soil conservation schemes; 38 hospitals treated 40,000 hospital patients; 97 Maternal Child Health care centers (MCH) served 36,000 out-patients daily; 40,000 hospital patients received cooked meals that promoted the curative process; 85,000 school children received a meal that promoted learning; 450 schools provided primary education to 85,000 students; and 28,000 demobilized militia received skills training.

● **Strategic Objective 1: Effective Delivery of Relief and Rehabilitation Assistance in the Priority Sectors of Food Security and Health**

**Agency Goal: Stabilizing World Population and Protecting Human Health**

Child survival has always been a major problem in Somalia. Mortality figures for children under the age of five were recorded as 211 per 1,000 in 1992, the twelfth highest in the world. In the absence of a functioning health care delivery system, children and mothers are often unable to obtain even the most basic health services. Common ailments, such as diarrhea and respiratory infections, which under normal circumstances could be easily treated, regularly claim lives. The nutritional status of vulnerable groups remains precarious.

USAID is providing assistance to the United Nations Children's Fund (UNICEF) in order to maintain a basic network of primary health care services across the country. With an emphasis on maternal and child health care, nutritional surveillance, and health education, UNICEF aims to reduce mortality and morbidity among target groups. Increasing attention is being paid to the training of community-based health workers and traditional birth attendants in order that basic services are available to rural populations. In addition to training, provision of drug kits, vaccines, and nutrition supplements are also important components of UNICEF's network of primary health care delivery.

● **Strategic Objective 1: Effective Delivery of Relief and Rehabilitation Assistance in the Priority Sectors of Food Security and Health**

**Agency Goal: Building Democracy**

There will never be food security in Somalia without peace and stability. Therefore, the need to assist conflict resolution and reconciliation is critical to Somalia's peaceful future. Even though there is no national government, there are abundant opportunities to foster reconciliation at the grassroots level by supporting local administrative structures, increasing employment possibilities, and supporting indigenous NGOs. This is most compatible with the Agency's objective of democracy building.

SO 2 activities support a dozen indigenous NGOs in the areas of health, agriculture, and employment generation. In addition, the central feature of this project is strengthening the institutional capacity of these local groups. This project has also developed a strong training unit through which indigenous NGO sub-grantees receive intensive instruction in financial management, administration, and organizational development. Through increased institutional capacity, these indigenous NGOs are prepared to make important contributions to the rehabilitation and long term development of their country.

USAID has been particularly impressed with the vibrancy of the Somalia private sector and the willingness of businessmen to work across clan/faction lines. Accordingly, in addition to continuing support to the

Somalia NGO community, future support by USAID will consider assistance to the small/medium-sized private sector.

In addition, USAID/Somalia is working with the United Nations Development Office for Somalia on a pilot project involving local administrations. To date, several studies have been undertaken to determine the strengths and weaknesses of specific, identified local administrations. Now, with this groundwork having been accomplished, the next phase will be to begin the work of capacity building.

- Strategic Objective 2: Rebuild Effective Local Capacity in Government, in the Private Sector, and in the Independent NGO Sectors

**SOMALIA  
FY 1997 PROGRAM SUMMARY**

	Encouraging Broad-based Economic Growth	Stabilizing World Population Growth & Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	<b>TOTALS</b>
<b>USAID Strategic Objectives</b>						
1. Effective Delivery of Relief and Rehabilitation Assistance in the Priority Sectors of Food Security and Health - Dev. Fund for Africa - P.L. 480, Title II	2,500,000	1,000,000			2,206,000	3,500,000 2,206,000
2. Rebuild Effective Local Capacity in Government in the Private Sector and in the Independent NGO Sectors - Dev. Fund for Africa				500,000		500,000
<b>Totals</b> - Dev. Fund for Africa - P.L. 480, Title II	2,500,000	1,000,000		500,000	2,206,000	4,000,000 2,206,000

USAID Representative: Ronald Ullrich

## ACTIVITY DATA SHEET

**PROGRAM:** SOMALIA

**TITLE AND NUMBER:** Effective Delivery of Relief and Rehabilitation Assistance in the Priority Sectors of Food Security and Health, 649-S001.

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1996: \$3,500,000 DFA, \$2,206,000 P.L. 480, Title II

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1999

**Purpose:** To improve food security, increase access to and improve the quality of health and nutrition services, and enhance rehabilitation and recovery efforts to meet basic human needs in Somalia as well as provide institutional development of indigenous non-government organizations (NGOs).

**Background:** Somalia has been without a government since the ouster of Siad Barre's dictatorial regime in January 1991. For the past five years, the Somali people have suffered through clan warfare, population displacement, complete breakdown of infrastructure, limited employment opportunities, and lack of social services. For hundreds of thousands of Somalis, household food security is precarious and the health and nutrition status among vulnerable groups is poor. Food security in Somalia has been problematic due to the absence of a central government, insecurity, and periodic drought. USAID's activity aims at building a solid foundation for food self-sufficiency from the bottom up, enabling Somalis to adapt more readily to fluctuations in food supply and to the influx of Internally Displaced Peoples (IDPs) and demobilized militia. Furthermore, the prolonged civil war in Somalia also had a devastating impact on the health delivery system in Somalia. Mortality and morbidity are among the highest in the world. United Nations Children Fund (UNICEF), with USAID assistance, has been instrumental in re-establishing critical health care services to children and women in Somalia.

**USAID Role and Achievements to Date:** USAID resources support expansion of land under cultivation, rehabilitation of irrigation and other essential water delivery mechanisms, improved transportation/marketing on rural feeder roads, and strengthening of health and education facilities. Agricultural production has reached pre-war levels of basic cereals; a network of schools and health facilities have been maintained during the life of the program; 70,000 internally displaced or vulnerable people were integrated into their home communities; and 50% of demobilized militia who received training found work using their new skills. To date, Cooperative for American Relief Everywhere (CARE) has awarded 20 sub-grants, of which 10 have gone to local NGOs, totaling just over \$5 million for projects in 14 of Somalia's 18 regions. Projects are divided between primary health care service delivery (24%), agricultural support and water facility rehabilitation (28%), and employment/income generation (48%). Standards have improved considerably in the network of UNICEF supported health facilities. The Expanded Program of Immunization (EPI) has had broad outreach and is expanding. Mortality and morbidity is declining among vulnerable groups. Standards of clinic staff and health professionals have measurably improved technical and management skills. Supply of essential drugs has continued.

**Description:** With USAID support, UNICEF will continue its efforts to strengthen health facilities through the provision of staff training and equipment to MCH centers, and health posts. In addition, UNICEF will improve the capacity of health professionals to deliver health care according to acceptable standards. UNICEF will also strengthen Somali health staff capacity to manage an effective EPI program that increases the coverage of the high risk populations in Somalia. Sub-grants in the area of health focus on preventative, rather than curative, community-level primary health care services. Activities include the establishment of village health posts and maternal/child health centers, training of community health workers and traditional birth attendants, child survival interventions, and health education. Sub-grants in the areas of agriculture and water aim to increase self-sufficiency in basic food production and to strengthen the livestock sector. Training is provided in improved farming techniques and animal health. Water sources are rehabilitated for both human and animal consumption and irrigation canals are rehabilitated to increase agricultural production. In the area of employment generation, activities will focus on quick-impact goals which generate economic opportunities targeting women and youth, particularly in urban areas. In addition,

the World Food Program (WFP) supports community-initiated activities that: (1) enable displaced people who have returned to their home villages to re-establish a productive and self-sufficient life by increasing availability of and access to water for agricultural and household purposes, improving road access to rural agriculture areas, and increasing food availability through the rehabilitation of agricultural land; (2) maintain curative health care services by supporting hospital referral system for Community Health Workers (CHW) and reducing recovery time for hospital in-patients; (3) contribute to the rehabilitation of primary education by supporting continued primary school instruction and increasing the capacity of school children to learn; and (4) contribute to the integration of demobilized militia by supporting vocational training programs and increasing participation in skills training activities. WFP implements activities at the community level, building local capabilities through increased community participation and input. Through efforts at community prioritization of programs and increased community contribution of local resources, with concomitant decreases of WFP inputs, and local cost recovery schemes, communities will be able to continue the productive activities aimed at their own food self-sufficiency.

Host Country and Other Donors: No host country government exists. USAID is the sole donor for most of the activities in Somalia. UNICEF works in partnership with and the support of most local and international NGOs active in the health services sector. Governments of Japan, France, and Italy provide both monetary and food resources towards the implementation of rehabilitation and development activities.

Beneficiaries: Beneficiaries include approximately 1.5 million women and children and other vulnerable groups in the central and southern zones of Somalia. Increased productive activity by rehabilitating physical and social infrastructure and by integrating demobilized militia into civil society will have a long-term developmental impact on all Somalis by supporting and strengthening community structures that promote increased social cohesion. Target populations include children under the age of five, pregnant and lactating women, the elderly and handicapped, war wounded, displaced families, orphans, and the unemployed.

Principal Contractors, Grantees, or Agencies: USAID implements these activities through WFP, CARE, and the United Nations Children's Fund.

Major Results Indicators: Due to the complete breakdown of civil society and looting/destruction of all government resource centers, accurate and comprehensive baseline data for Somalia is unavailable. International agencies are attempting to re-create data banks and have been compiling statistics, albeit on a rather ad hoc basis, since the Somali government's disintegration in early 1991.

Major Results Indicators:

	<u>Baseline<sup>1</sup></u>	<u>Target<sup>1</sup></u>
Integrating internally displaced or vulnerable into their home communities	TBD	TBD
Increase agricultural production	TBD	TBD
Maintain schools and health facilities	TBD	TBD
Demobilized militia receiving training find work using their new skills	TBD	TBD
Improved health and nutrition among targeted groups	TBD	TBD
Standards for health activities and performance established and adhered to in health facilities	TBD	TBD
Standardized format for data collection and reporting is instituted and followed.	TBD	TBD

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<sup>1</sup>To be determined.

## ACTIVITY DATA SHEET

**PROGRAM:** SOMALIA

**TITLE AND NUMBER:** Rebuild Effective Local Capacity in Government, in the Private Sector, and in the Independent NGO Sectors, 649-S002.

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$500,000 DFA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1999

**Purpose:** To establish a development planning mechanism for Somalia, which will contribute to its long-term rehabilitation, and sustainable and equitable development.

**Background:** Since January 1991, Somalia continues as a failed state, with no central government and none likely to emerge in the near future. A proliferation of political factions seek to control their domains, in many cases, solely for the benefit of their extended family and clan. In the likely absence of a national government for the foreseeable future, USAID believes that this activity to strengthen local administrative structures (LAS) is of the utmost importance in moving Somalis towards greater self-reliance and improving the means of preventing conflict.

**USAID Role and Achievements to Date:** Despite the localized instability and uncertainty, some communities have proven to be remarkably resilient. In these cases, the private sector is thriving and they are building rudimentary local governments. Given the highly fragmented nature of Somali society, the best hope for success is to work with these nascent institutions to develop their capacity to provide needed services in those communities. Assessments have been completed to identify areas for capacity-building for the LAS. Training for LAS has already begun.

**Description:** USAID will assist the United Nations Development Office of Somalia (UNDOS) to carry out work with LAS in supporting a program of technical assistance and training in select districts/regions in such administrative areas as taxation, finance and public administration.

**Host Country and Other Donors:** Obviously, there has been little host country involvement, to date. However, specific local communities have been actively involved. United Nations Development Programme, the European Union, and Italy have been the principal donors.

**Beneficiaries:** Somalia administrators at the local level, plus thousands of Somali citizens who will benefit from improved regional and municipal services.

**Principal Contractors, Grantees or Agencies:** USAID implements activities through UN Agencies: UNDP and UNDOS.

**Major Results Indicators:**

	<u>Baseline<sup>2</sup></u>	<u>Target<sup>2</sup></u>
Regional assessments conducted.	Completed (1995)	Completed (1995)
Regional training activities in local administration conducted.	TBD	TBD
Computer data bases established with updates continuing.	TBD	TBD

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<sup>2</sup> To be determined.

## **SOUTH AFRICA**

**FY 1997 DEVELOPMENT FUND FOR AFRICA: . . . . . \$82,723,628**

### **Introduction.**

South Africa is strategically located at a critical point on the sea lanes and contains deposits of a variety of significant minerals and strategic materials. It has the most developed and diversified economy in sub-Saharan Africa and possesses the continent's most modern and efficient road, rail and telecommunications networks. The 1994 gross domestic product (GDP) of \$120 billion is approximately 1.5 times as large as the rest of the combined economies of Southern Africa. South Africa is the United States' largest trading partner in Africa, with a volume of bilateral trade of over \$4 billion in 1994. U.S. private sector investment in the country exceeds \$1 billion. Under apartheid, South Africa's external debt was kept low. The total foreign debt in 1994 was nearly \$28 billion. Given the strategic and economic importance of a stable and prosperous South Africa, it is in the national interest of the United States to ensure that all of South Africa's citizens are permitted to achieve the economic benefits of their new-found political freedoms. Moreover, South Africa has become a symbol and model to the world of the possibility of resolving serious political, racial and ethnic differences through negotiation and compromise. In recognition of South Africa's importance, Vice President Gore and Deputy President Mbeki established the U.S.-South Africa Binational Commission, in March 1995, to facilitate bilateral cooperation on issues of mutual concern. Only two other countries, Russia and Egypt, have similar commissions with the United States.

Yet, South Africa faces serious challenges. The majority of the population has been largely denied access to health, education and economic facilities and advancement opportunities for decades. Only by fully addressing those needs can the full transformation of the country take place. A rise in crime and political violence underscores the need to show progress quickly. Otherwise, popular rejection of the current pragmatic approaches to growth and development arising from unfulfilled expectations among the majority population will become increasingly difficult to avoid. Such a rejection could lead to the type of populist and statist policies that have brought ruin to many sub-Saharan African countries. South Africa's Government of National Unity (GNU) may face a crisis of expectations in the long-term, if it cannot produce tangible gains for the disadvantaged population. The GNU's ability to produce significant social and economic gains for the disadvantaged population will depend mainly on South Africa's successes/actions in spurring economic growth.

South Africa faces four major long-term developmental challenges:

- Consolidating democracy and improving the quality of governance;
- Making sufficient progress in improving services to the disadvantaged population in education, health, housing and other areas so that popular expectations are not fundamentally disappointed;
- Making appropriate economic policy and regulatory changes to achieve higher, sustained economic growth; and
- Expanding participation of the disadvantaged majority in the private sector and ownership of businesses, houses, and other assets so that the benefits of growth are spread more equitably within the South African society.

Foreign assistance can play an important complementary role in assisting South Africa with its socioeconomic development challenges. South Africa is a sound investment for foreign assistance. The two-year old, post-apartheid government, led by President Nelson Mandela, is pursuing prudent social and economic policies. South Africa's strong commitment to the full implementation of participatory democracy, its strong resource base, and its efficient infrastructure guarantee solid returns to USAID investments and a medium-term graduation from external assistance.

### **The Development Challenge.**

Two years into South Africa's transition to democracy, "dualism" (i.e., two worlds in one country) is a term that still best reflects South Africa. Its financial, industrial, and agricultural sectors exhibit many of the characteristics of first or second world economies. However, much of the economy and the majority of the population exist in conditions similar to those in most third world countries.

Growth, investment and economic assistance are needed to reduce the alarming poverty in South Africa. At present, approximately 48% of all South African households lack adequate housing. An estimated 34% lack safe water and 45% lack adequate inside sanitation. More than one third of the adult work force is jobless, while 50% of the work force is functionally illiterate.

The vestiges of the apartheid system that remain are especially formidable:

- only one out of 100 black South Africans who enter first grade finishes high school;
- only 12% of black households have electricity; and
- a black child is nearly 10 times more likely to die during the first year of life than a white child.

Poverty in South Africa is predominantly, but not exclusively, a rural problem. Roughly 40% of the total population resides in rural areas. However, the high rate of growth in the urban areas (almost 3% per year) could shift the population such that 80% of the population might live in urban areas by the year 2010. The small, poorly-constructed, over-crowded housing of the urban poor generally lacks public utilities. Housing has been ranked by historically disadvantaged South Africans as one of their three highest priorities, along with education and health. A shortage of 1.5 million units in urban areas alone needs to be addressed.

The following demonstrates the progress which South Africans are making in their transition to a pluralistic democracy: (1) a new constitution and bill of rights are being drafted; (2) Parliament has rejected its past "rubber-stamp" role and has moved to develop more meaningful oversight and legislative initiative; (3) non-governmental organizations (NGOs) continue to be active in policy debate and advocacy; (4) the judiciary is being reformed; (5) human rights are being promoted; and (6) freedom of expression is a reality. More modest progress has been made on reform of the civil service and development of policies on decentralization.

However, the full democratic transition in South Africa will take several years. There is still a complex set of political, institutional, and legal changes to make participatory democracy and human rights protection a firm reality. For example, there is a widespread lack of experience among newly elected or appointed government officials; new government structures are just being formed in the provinces; the relationship between national, provincial and local levels of government is still evolving and is potentially contentious; political violence continues to be a problem, particularly in KwaZulu-Natal Province; and Government and NGOs are still forging new working relationships. In addition, fundamental changes in attitude and behavior are needed for democracy to become not only the letter but the spirit of the law.

The GNU's national Reconstruction and Development Program (RDP) has made solid gains in child-feeding programs, maternal and child health, and electrification. More modest progress has been made in land restitution, access to education, and liberalization of economic policies. Progress has been slower on projects that involve extensive community participation.

### **Other Donors.**

In FY 1995, the United States accounted for 24% of total official development assistance and was the largest bilateral donor. Other major donors are the European Union, Japan, Sweden, the United Kingdom, Germany and Denmark.

## **FY 1997 Program.**

The USAID/South Africa program strategy is designed to assist the South Africans through the difficult, post-apartheid, transition years and leave in place irreversible, improved human capacity and institutions, and greater access to capital that will promote the consolidation of democracy and appropriate, equitable use of national resources. The areas of focus include (1) democracy and governance, (2) educational reform, (3) health system reform, (4) economic policy, (5) private sector development, and (6) housing and urban development. Both global peace and U.S. national interests are served by establishing South Africa as an effective model of non-racial pluralistic democracy. Key to this is the continued access of people to decision-making processes and government structures that are transparent, accountable and efficient.

U.S. interests will be well served by supporting South Africa's emergence as a strong trading partner that can play a leadership role in the Southern Africa region. The economy of South Africa has been faltering for several years due to low levels of investment and productivity. To address this problem, markets need to be established, especially in the area of small, medium and micro-enterprises.

### **Agency Goal: Building Democracy**

Consolidation of democracy is the most apparent political challenge in the new South Africa. South Africa made impressive progress in building a sense of unity and reconciliation under the new democratic government -- particularly in securing the support of the white population. The GNU is succeeding in getting the main political forces in the country to work effectively together and including them in provincial and local governments. The reconciliation process, through the new Truth and Reconciliation Commission, also will soon address past transgressions by previous government officials and others during the apartheid era.

The weakest link in democratic participation in South Africa today is the connection between the formal government structures and the people at the grassroots level. Effectiveness has been hampered by the majority population's lack of experience in political participation, poverty, and lack of education. New methods for involving the majority population in government decisions are being developed.

Governance is a serious weakness of the GNU at all levels -- national, provincial and local. In part, this is due to the inherited, entrenched bureaucracy and the lack of adequately trained personnel to fill key executive and management positions. New officials are trying to establish a new public service culture that is more innovative and less hierarchical, more product- and service-oriented and less procedure-driven, and more in touch with the people. Improvements in democratic governance is a major long-term challenge in South Africa and critical to broader economic development.

USAID provided broad assistance (e.g., voter education, electoral systems support, political party strengthening) for the historic 1994 national elections. This included USAID-funded voter education which reached nearly 25 percent of those individuals who had never before been allowed to vote. USAID also supported the 1995 local elections to deepen and strengthen the roots of democracy at the local level. New decision-makers are now being trained to take up their new posts. Violence mitigation efforts have proven highly successful throughout South Africa to the extent that skills in this area are being sought from other countries in and outside of the region.

From its inception the USAID program in South Africa sought to empower the majority population. All USAID programs maintain this as a key tenet. Throughout the portfolio, assistance is being provided to develop and institutionalize linkages between the government and NGOs and emphasize a community development approach. This builds on USAID's long-standing relationship with NGOs. In the education

and health sectors, governance assistance is being provided to strengthen the newly elected provincial governments. In housing, technical assistance is being provided to municipal governments in urban planning and linking that planning process to community organizations.

- Strategic Objective 1: Selected Areas of Democratic Governance Deepen and Consolidated.

**Agency Goal: Encouraging Broad-based Economic Growth**

Economic growth in South Africa can only achieve its full potential through economic empowerment of all South Africans. Four of USAID/South Africa's six objectives actively contribute to this goal through an improved human resource base, economic growth and equity, and educational status.

The Government and NGOs are building analytical skills for examining economic issues. A bilateral agreement has been signed with the Ministry of Education to work at the national and provincial levels to reform policies, improve educational systems, and provide economics training programs. In the education sector, USAID is building on years of experience working with NGOs. Successful pilot programs of the non-government organization (NGO) community are being replicated, often using government resources. In the areas of private sector development and housing, capital is being leveraged through the Small Business Loan Portfolio Guaranty Program, and the Housing Guaranty Program. Capital is being made available to South Africans who would otherwise have little-to-no access to sufficient capital to begin or expand an enterprise or own a home. In addition, about \$12 million in private, domestic capital has been made available for small enterprises \$75 million USAID private sector housing guaranty program has created a \$225 million fund for housing mortgages. In 1995, the first year of operation, over 23,000 mortgages were provided. The accessibility of equity or long-term risk capital will become a possibility for historically disadvantaged South Africans through the Southern African Enterprise Development Fund (SAEDF) and bilaterally-funded technical assistance.

- Strategic Objective 2: Improved Policies, Systems, and Capacities, Contributing to a Transformed Education System.
- Strategic Objective 4: Improved Capacity of Key Government and Non-government Entities to Formulate, Evaluate and Implement Economic Policies to Promote Economic Growth and Equity.
- Strategic Objective 5: Increased Access to Financial Markets for the Historically Disadvantaged Population.
- Strategic Objective 6: Improved Access to Environmentally-sustainable Shelter and Urban Services for the Historically Disadvantaged Population.

**Agency Goal: Stabilizing World Population and Protecting Human Health**

One of the major health care challenges for the new South Africa is to provide equity in basic health care to all South Africans and rectify the underlying inequities in health services under apartheid. The impact of past inequities and the urgent need for an integrated health system can be illustrated through just a few indicators. First, the infant mortality rate among black children is nearly 10 times higher than that of white children. Second, at least a third of women in rural areas give birth at home without trained assistants and this often results in the mother's death. Third, the HIV epidemic soars with a doubling rate of infection every 13-15 months.

Health care for its citizens is a major focal point for the GNU. Under the RDP approximately one-third of program funds will be directed to the restructuring and shifting of health care resources toward primary health care. USAID will complement GNU efforts through a project designed to assist in the integration of primary health care systems. These systems will now incorporate family planning, which was a sensitive and political issue in the past. The GNU will be developing effective maternal and child health care and women's services that will meet the needs of clients to space and/or limit births in order to improve the health of both mothers and children.

Over the past year, USAID has worked with the GNU Ministry of Health (MOH) and the NGO community on the design and implementation of an integrated primary health care program, including a program to improve access to HIV/AIDS prevention services. In addition, this project includes work at the national and provincial levels to reform policies and improve systems to more equitably distribute health care benefits.

- Strategic Objective 3: A More Equitable, Unified and Sustainable System Delivering Integrated Primary Health Care Services to all South Africans.

**Agency Goal: Protecting the Environment**

USAID/South Africa's limited environmental activities are largely urban and part of the housing and urban development programs. The small, poorly-constructed, over-crowded housing of the urban poor generally lacks access to sanitation, clean water, and electricity. An estimated 48% of all households do not have access to flush toilets or ventilated, improved, pit latrines and 16% have no access to any form of sanitation system. Poor sanitation among low-income households can lead to diarrhea and, in many cases, infant deaths. Currently, only two out of five low-income households are serviced by electricity. In the absence of electricity, coal and wood burning stoves are utilized for heat and food preparation, resulting in serious air pollution and respiratory problems. These conditions, combined with overcrowding, are leading to an urban environmental crisis that will be further aggravated by increased migration to urban centers.

USAID continues to support the establishment and implementation of policies which protect the urban environment. USAID-funded studies have increased the pool of information available to policy-makers and urban planning now incorporates environmentally sound interventions. In addition, through community involvement in the planning process, housing solutions are becoming more environmentally sound and sustainable.

- Strategic Objective 6: Improved Access to Environmentally-sustainable Shelter and Urban Services for the Historically Disadvantaged population.

**SOUTH AFRICA  
FY 1997 PROGRAM SUMMARY**

	Encouraging Broad-based Economic Growth	Stabilizing World Population Growth & Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	TOTALS
USAID Strategic Objectives						
1. Selected Areas of Democratic Governance Deepened and Consolidated - Dev. Fund for Africa				18,000,000		18,000,000
2. Improved Policies, Systems, and Capacities, Contributing to a Transformed Education System - Dev. Fund for Africa	21,509,938					21,509,938
3. A More Equitable, Unified and Sustainable System Delivering Integrated Primary Health Care Services to all South Africans - Dev. Fund for Africa	300,000	12,823,662				13,123,662
4. Improved Capacity of Key Government and Non-Government Entities to Formulate, evaluate and Implement Economic Policies to Promote Economic Growth and Equity -Dev. Fund for Africa	4,650,000					4,650,000
5. Increased Access to Financial Markets for the Historically Disadvantaged Population -Dev. Fund for Africa	17,395,648					17,395,648
6. Improved Access to Environmentally-Sustainable Shelter and Urban Services for the Historically Disadvantaged - Dev. Fund for Africa	3,800,000		4,244,380			8,044,380
<b>Totals</b> - Dev. Fund for Africa	47,655,586	12,823,662	4,244,380	18,000,000		82,723,628

USAID Mission Director: Leslie A. Dean

## ACTIVITY DATA SHEET

**PROGRAM:** SOUTH AFRICA

**TITLE AND NUMBER:** Selected Areas of Democratic Governance Deepened and Consolidated,  
674-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$18,000,000 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** 2005

Purpose: To deepen and consolidate selected areas of democratic governance through increased human rights protection and access to the justice system; promotion of public and civil society participation in policy development; conflict resolution efforts, partnerships for development among provincial governments, non-government organizations (NGOs), and the private sector; and increased governmental capacity to manage a participatory development process.

Background: Democratic governance is pursued not only as an end in itself but also as a policy tool to achieve USAID/South Africa's other strategic objectives. Progress in the political arena must continue in order to provide the stability and overall framework for sustainable development in South Africa.

USAID Role and Achievements to Date: USAID's program under Strategic Objective one is in transition from short-term election focused priorities to those longer-term, societal changes necessary to consolidate democracy, build governance capacity, and strengthen participatory development. Support for South African NGOs in human rights promotion and conflict resolution activities continues, with a special focus of the latter on the KwaZulu-Natal Province. A bilateral agreement with the Ministry of Justice supports increasing access to legal services by the majority population. Public and civil society participation in policy development will be promoted by assistance to both the NGOs and government (especially legislatures). Previous support for NGOs involved in community and leadership development is giving way to new programs in focus provinces to build and strengthen partnerships for sustainable development among government, NGOs, and the private sector. Short-term governance training and technical assistance will be supplemented by efforts to develop local schools of government in South African universities. Principal accomplishments of the recent past are: (1) major USAID support (e.g., voter education, electoral systems assistance, political party strengthening) to the historic 1994 national elections, which were widely viewed as successful; (2) more limited USAID assistance for the successful 1995 local elections; (3) major contributions to conflict resolution and violence mitigation (including support for selected high-level political dialogues); (4) development of leaders in civil society who moved into key positions in government; and (5) strengthening civil society organizations through training leaders, improving internal management systems and increasing outreach skills.

Description: USAID will continue to channel most of its assistance through South African NGOs and U.S. private voluntary organizations (PVOs), including much of that to assist government. Whereas most programming in this strategic objective was done through unsolicited proposals in the past (with activities selected competitively from large numbers of proposals), most new programming will be through solicited proposals linked to specific results targeted in the USAID's new strategy. To allow effective oversight and monitoring of a large number of activities by a limited USAID staff, the USAID will program a growing proportion of its assistance through "umbrella organizations" that will make subgrants for specific activities. USAID will not focus on areas where it appears the Government of National Unity (GNU) can perform adequately on its own over time. USAID will coordinate carefully with other donors to avoid duplication of assistance.

Host Country and Other Donors: At the national level, the European Union, Sweden, the Netherlands, the United Kingdom, Canada, the United Nations, Australia and Germany, are providing assistance in the development of the new constitution, human rights, land tenure, conflict mediation, election systems, administration of justice, public administration and support for the RDP. The same group of

donors is working at the provincial level to strengthen government capacity to implement voter education projects and strengthen local community support organizations. Under USAID's bilateral agreement with the Ministry of Justice, the government is providing significant contributions to expanding legal access and coordinating assistance from other donors to support related objectives. Throughout the process of developing this strategic objective, USAID has carried out extensive consultations with local NGOs, U.S. PVOs, government representatives, and other donors.

**Beneficiaries:** The ultimate beneficiaries of improved governance and democratic processes are the entire population of South Africa, in particular, members of the disadvantaged majority population. Intermediate beneficiaries include national and provincial governments, parliamentarians and NGOs.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities through a large number of South African NGOs, a small number of U.S. PVOs, the Government of National Unity, and a small number of U.S. contractors.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Targets</u>
<u>Long-term results:</u>		
Improved Human Development Index <sup>1</sup> (HDI) for historically disadvantaged population	.500 (1992)	.700 (2002)
Improved political participation at all levels	race-based (1994)	non-racial (2004)
<u>Short- to medium-term results (illustrative):</u>		
Conditions for democracy strengthened (South African Democracy Index)	weak conditions	stronger conditions
Government capacity for managing participatory development strengthened	0 provinces	3-5 provinces
Effective models of government/civil society partnerships and community participation demonstrated and disseminated in focus provinces	0 provinces	3-5 provinces
Role of civil society organizations (CSOs) expanded in the southern Africa region	0 CSOs	2 CSOs

A new census, planned for October 1996, will do away with discrepancies in the past censuses, identify villages and informal settlements, and disaggregate data to show race, among other variables, to help track changes in racial inequality.

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<sup>1</sup> The Human Development Index developed by the United Nations Development Program provides an alternative method to measure the relative socioeconomic development of a country. It is measured by life expectancy, adult literacy, average years of schooling, and purchasing power.

## ACTIVITY DATA SHEET

**PROGRAM:** SOUTH AFRICA

**TITLE AND NUMBER:** Improved Policies, Systems, and Capacities, Contributing to a Transformed Education System, 674-S002

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$21,509,938 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** 2005

Purpose: To improve policies, systems, and capacities, contributing to a transformed education system through policy reform, establishment of systems to execute and implement policies, and capacity building.

Background: Without improvements in the majority population's educational level, other USAID assistance will be diminished and short-lived. Particularly critical in the immediate future is assistance in basic and tertiary education.

USAID Role and Achievements to Date: USAID will support the implementation of the National Qualifications Framework (NQF) which is extremely comprehensive and defines qualifications required for students to progress along various educational levels. USAID will focus its assistance on the areas of education policy and systems and the capacity of the GNU to manage the same. Given USAID's extensive experience with the NGO community in this sector, USAID will utilize NGO expertise to effectively implement this program and facilitate productive links between the NGOs and government. During the past year, USAID has formalized its relationship with the government at the national and provincial levels. Earlier, USAID worked with NGOs to develop exemplary models for the underserved majority population which will be replicated and used by GNU to broadly address underserved populations.

Description: USAID's support will focus on assisting the GNU in the implementation of its newly-developed NQF, which extends from primary through tertiary levels. USAID will provide assistance to the GNU at the national and provincial levels to establish and reform education policies through NGOs. Also, USAID will provide support to the various commissions established to restructure higher and tertiary education. A National Youth Commission will be established to formulate education policies with regard to majority youth. Support to education sub-systems will focus largely on accreditation and increasing the ability of students to advance through the educational system without losing credits. Also, in terms of support to historically disadvantaged universities, USAID will provide assistance to selected academic disciplines (e.g., mathematics, science, engineering, public administration, and management), faculty development, student academic support, career counseling and research skills as well as help establish Centers of Excellence.

Host Country and Other Donors: USAID has signed three bilateral agreements with the Ministry of Education and one with the Office of the Deputy President. In all cases, the government is providing counterpart support. Major donors in this sector include the United Kingdom and Canada in teacher training and basic education, Japan in technical education, the Ford Foundation and Australia in tertiary education, the Netherlands in youth activities, and Norway and Sweden in NGO strengthening.

Beneficiaries: The beneficiaries of improved educational systems are the South African students, who will receive a better education and teachers and administrators who will receive relevant training. All students and teachers will benefit through improved materials and policies. Employers will benefit through a better educated work force. National and provincial governments will receive improved technical development of their work force and clients.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities through a variety of South African and U.S. NGOs, the GNU and U.S. and South African contractors.

	<u>Baseline</u>	<u>Targets</u>
<b><u>Major Results Indicators:</u></b>		
<b><u>Long-term results:</u></b>		
Improved Human Development Index (HDI) for historically disadvantaged population	.500 (1992)	.700 (2002)
Improved educational status:		
--increased access to tertiary education for the majority population	6 per 1,000 (1992)	18 per 1,000 (2002)
--improved literacy index	.766 (1991)	.995 (2001)
<b><u>Short to medium-term results (illustrative):</u></b>		
Improved education system	fragmented	unified

## ACTIVITY DATA SHEET

**PROGRAM:** SOUTH AFRICA

**TITLE AND NUMBER:** A More Equitable, Unified and Sustainable System Delivering Integrated Primary Health Care Services to All South Africans, 674-S003

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$13,123,662 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2002

Purpose: To assist the GNU to provide a more equitable, unified and sustainable system which delivers integrated primary health care services to all South Africans by increasing access to an integrated package of primary health care (PHC) services, and improving the institutional sustainability of critical PHC management and service delivery systems.

Background: The major health care challenge for South Africa is to provide equity in basic health care delivery to all South Africans, and rectify the underlying inequities in the provision of health services. This has led the GNU to designate approximately one-third of its RDP health priority areas to restructuring and shifting of health care resources. USAID will complement GNU efforts through a single, comprehensive project emphasizing the focused nature of USAID assistance in accomplishing the most critical objective of the RDP's strategy in the health sector which is to provide.

USAID Role and Achievements to Date: The rationale for supporting the development of an integrated primary health care system rather than the delivery of specific health interventions, such as family planning or HIV/AIDS, is based on the fact that the GNU has identified this system as the cornerstone of its new health system. Following a year-long design process, a bilateral agreement to implement this strategy was signed with the GNU in September 1995. Other activities were carried out concurrently with the design process. These bridging activities included: (1) implementation of a nationwide demographic and health survey (DHS); (2) a national-level health system situation analysis; (3) development of an in-service training program in integrated primary health care principally for rural nurse clinicians; and (4) development of an in-service management training program for health managers at the provincial level and below. In addition, USAID has continued its work with NGOs involved with HIV/AIDS prevention work which will be part of the strengthened PHC service delivery program.

Description: USAID will implement its interventions for this strategic objective through the Equity Integrated Primary Health Project which is funded through a bilateral agreement with the GNU. Key aspects of that project include: (1) increased access to integrated PHC services for the underserved population; (2) establishment of effective health care referral systems to ensure that clients initially seek care at the appropriate level and are referred to another level when appropriate; (3) enhanced management skills of PHC managers at the provincial level and below through improvement of training and management systems; (4) increased efficiency and effectiveness of PHC service delivery through greater integration of PHC services, better resource reallocation between curative and preventive services, improvement in management systems, and greater cost-effectiveness; (5) strengthened and sustained PHC training programs at the provincial level through the implementation of training action plans and support for the development of a unified national school of public health; and (6) the effective use of information systems at provincial level and below.

Host Country and Other Donors: Key donors in this sector include: the European Union (EU), the British Overseas Development Administration, the World Bank and UNICEF. The GNU has demonstrated its support for this objective by providing counterpart support in excess of the required 25% host country contributions.

Beneficiaries: The ultimate beneficiaries of improved health systems are those individuals previously denied adequate health care. Intermediate beneficiaries will be health care professionals and provincial

ministries.

Principal Contractors, Grantees, or Agencies: USAID will implement activities through a variety of South African and U.S. NGOs and contractors. The principal institutional contractor will be selected in FY 1996.

Major Results Indicators:

	<u>Baseline</u>	<u>Targets</u>
<u>Long-term results:</u>		
Improved Human Development Index (HDI) for historically disadvantaged population	.500 (1992)	.700 (2002)
Improved health status:		
--reduced infant mortality rate	1997 DHS	by 30% (2000)
--reduced under 5 mortality rate	1997 DHS	by 30% (2000)
--reduced fertility rate	1997 DHS	by 10% (2000)
<u>Short to medium-term results (illustrative):</u>		
Improved primary health care system	fragmented	unified; more equitable

## ACTIVITY DATA SHEET

**PROGRAM:** SOUTH AFRICA

**TITLE AND NUMBER:** Improved Capacity of Key Government and Non-Government Entities to Formulate, Evaluate and Implement Economic Policies to Promote Economic Growth and Equity, 674-S004.

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$4,650,000 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2005

**Purpose:** To improve the capacity of key government and non-government entities to formulate, evaluate and implement economic policies to promote economic growth and equity through improving human resource development in economics and policy analysis for key government entities, strengthening the capacity of government departments to effectively manage economic policy matters, enhancing the ability of "think tanks" to formulate and evaluate economic policy options, and to improve the effectiveness of economic training centers.

**Background:** A long-term challenge for South Africa is to achieve a sustainable increase in the rate of economic growth, including increased employment and a more equitable distribution of national income. This is especially important because the unemployment rate exceeds 35%, and the labor force continues to grow rapidly. To meet this challenge it is critical to enhance the economic opportunity of the majority of South Africans by improving their technical ability to participate in the labor market. To help South Africa reach this objective, USAID is relying on both government and non-governmental organizations.

**USAID Role and Achievements to Date:** This is a new strategic area for USAID/South Africa. The approach, which focuses on strengthening analytical skills, recognizes that the willingness of the government and other stakeholders to adopt and implement policies promoting economic growth is outside of USAID's manageable interests. Therefore, scholarships and technical assistance will be provided. There will continue to be a consultative process with a steering committee, composed of key government, NGO and USAID/South Africa representatives to guide USAID investments in this area.

**Description:** Associated with this strategic objective are the following areas of activity which cumulatively will strengthen the capacity of South Africans to formulate, evaluate and implement policies that promote economic growth: 1) human resource development in economics and policy analysis for key government entities through the Mandela Economics Scholars program which will finance post-graduate economics training to improve the capacity of individuals to productively serve in government. This activity also is part of the U.S.-South Africa Binational Commission (BNC); 2) strengthened capacity of government departments and "think tanks" to formulate economic policy reforms through technical assistance, training and research support; and 3) improved effectiveness of centers of economics training, especially within the historically disadvantaged institutions, through the activities under the USAID Tertiary Education Linkages Project (TELP), which has as one of its objectives the establishment of a limited number of "Centers of Excellence" in selected disciplines within South Africa's system of historically disadvantaged universities.

**Host Country and Other Donors:** Other donor support in the field of economics and economic policy include: Australia in building "think tank" resources, economic policy, economic information generation and dissemination and labor union strengthening; Canada in increasing governmental economic capacity, economic policy, and economic information generation and dissemination; the European Union and the Netherlands in labor union strengthening; the United Kingdom in economics training, increasing governmental economics capacity and economics research; and the World Bank in economics training, increasing governmental economics capacity, economics research and economic information generation and dissemination.

**Beneficiaries:** Economists who work in South African Government departments involved in economics policy formulation and evaluation, and NGOs and university economic "think tanks" and others who employ and use the services of trained economists.

**Principal Contractors, Grantees, or Agencies:** USAID will implement activities through a variety of South African and U.S. NGOs, the GNU and U.S. and South African contractors and universities.

**Major Results Indicators:**

	<b><u>Baseline</u></b>	<b><u>Targets</u></b>
<b><u>Long-term results:</u></b>		
Improved Human Development Index (HDI) for historically disadvantaged population	.500 (1992)	.700 (2002)
Improved economic growth and equity:		
--3 year average real GDP growth rate	.4% (1991 - 1994)	4.0% (2000 -2003)
--ratio of median household incomes of the historically disadvantaged in relation to those of Whites	18.2% (1992)	21.0% (2003)
<b><u>Short-term results (illustrative):</u></b>		
Centers of Excellence in Economics established	0	1
Mandela Economics Scholars Program established	0	1 (60 students)
Economic Policy Units established or strengthened	0	6
Economic Policy Think Tanks with plans for sustainability	0	2

## ACTIVITY DATA SHEET

**PROGRAM:** SOUTH AFRICA

**TITLE AND NUMBER:** Increased Access to Financial Markets for the Historically Disadvantaged Population, 674-S005

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$17,395,648 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To increase access to financial markets for the historically disadvantaged population through an improved policy environment, improved capacity of the financial sector to serve the disadvantaged population, and improved capacity of historically disadvantaged enterprises to respond to financial market requirements.

**Background:** Access to capital has repeatedly been cited as the primary binding constraint to ownership and private sector economic empowerment by the historically disadvantaged population. This is an area in which USAID has been involved since 1987 through its work with South African microenterprise finance organizations, and one in which USAID's worldwide comparative advantage in capital markets development can be brought to bear. Given the finite resources of USAID and capital resource availability in South Africa, USAID's focus will be on increasing access to South African private sector capital resources. Innovative financial engineering techniques will be used and USAID funds will be leveraged to the greatest extent possible, including use of guarantees, equity and quasi-equity instruments.

**USAID Role and Achievements to Date:** USAID's private sector program will focus on the formal and informal sectors. In the past, more than half of USAID's program resources in the area of private sector development were targeted to benefit the informal sector. Assistance was channeled through NGOs delivering technical assistance, training and credit. While the informal sector has generated approximately two million jobs, many of these are survivalist operations with nominal contribution to the economy at large. At present, the informal sector accounts for less than 7% of GDP. Given the need to redistribute income and assets and lay the foundation for the overall growth of the South African economy, USAID will augment its work in this area with formal sector activities in support of small, medium and micro-enterprises (SMMEs). USAID will continue to work through NGOs to reach the informal sector as part of the continuum of SMMEs.

USAID-supported international franchising conferences resulted in nearly 70 new businesses (with links to U.S. firms) and 450 new jobs. In addition, working with six South African private sector banks, USAID helped mobilize credit for approximately 3,000 disadvantaged entrepreneurs.

**Description:** This strategic objective is being implemented through seven key activities: 1) an NGO Support Facility to channel grants to NGOs providing technical assistance, training and credit to the SMME sector; 2) a grant to the Department of Trade and Industry to restructure government entities supporting SMMEs and to address trade and investment policies; 3) technical assistance to improve access to equity capital; 4) technical assistance to medium and large enterprises as well as government in areas such as restructuring and buy-outs, and privatization transactions; 5) strengthening the capacity of business membership organizations to transfer technical knowledge; 6) training in banking and management skills; and 7) facilitating commercial linkages between the United States and South Africa. The Southern Africa Enterprise Development Fund, which provides a source of equity capital; and the Micro and Small Enterprise Development Loan Guaranty Fund, are regional activities that also contribute to this strategic objective.

**Host Country and Other Donors:** USAID is the largest bilateral grant donor in the area of private sector development. Germany focuses its assistance on poverty alleviation, training for SMMEs through

NGOs; and support to the Ntsika Enterprise Promotion Agency (NEPA) in its policy formulation function and human resources development. The United Kingdom concentrates on assistance to business skills training and counseling to SMMEs, poverty alleviation among youth, women, in rural areas, small growth businesses and technical assistance to DTI in developing the concept of local service centers. The Commonwealth Development Corporation (CDC), with Investec and Fedsure Mortgages, capitalized the 100 million Rand Enterprise Capital Fund (approx. \$30 million) to make equity and quasi-equity investments in medium-sized enterprises owned/managed by disadvantaged South Africans. The European Union, provides assistance to micro-lending activities. Denmark provides assistance to small business development, support to NGOs serving the SMME community, and assistance to the Department of Trade and Industry (DTI) in developing its manufacturing technology centers for the NEPA. Through loan to the Development Bank of Southern Africa (DBSA), Japan is providing \$100 million to lend to regional development corporations for SMME promotion. Japan also is establishing a \$100 million equity fund to help fund joint ventures and provide intermittent participant training in Japan. Through a line of credit to the Rural Finance Facility, France is funding a program of credits to small business enterprises; and social development in rural and peri-urban areas. Finally, Canada is supporting technical assistance for the design of local service centers.

**Beneficiaries:** The direct beneficiaries of this strategic objectives are the small, medium and micro-enterprises of South Africa.

**Principal Contractors, Grantees, or Agencies:** USAID will implement activities through a variety of South African and U.S. NGOs, the GNU and U.S. and South African contractors and universities.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
<u>Long-term results</u>		
Improved Human Development Index (HDI) for historically disadvantaged population	.500 (1992)	.700 (2002)
Improved economic growth and equity:		
--3 year average real GDP growth rate	4% (1991-1994)	4.0% (2000-2003)
--ratio of median household incomes of the historically disadvantaged in relation to those of Whites	18.2%(1993)	21% (2003)
<u>Short to medium-term results (illustrative):</u>		
Total Rand value of funds (including amount leveraged) made available for informal and microenterprises and small, medium and large enterprises of the historically disadvantaged population	200M Rand (1994)	450-650M Rand (1997)
Total number of small, medium and microenterprise formal loans made to the historically disadvantaged population	13,000 (1994)	35,000 (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** SOUTH AFRICA

**TITLE AND NUMBER:** Improved Access to Environmentally-Sustainable Shelter and Urban Services for the Historically Disadvantaged Population, 674-S006

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$8,044,380 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To improve the shelter conditions of the historically disadvantaged population, the vast majority of whom currently live in substandard shelter conditions, through improved access to environmentally-sustainable shelter and urban services.

Background: The critical prerequisites to shelter access are good policies, the availability of credit, and appropriate shelter planning and delivery services. USAID is well-suited to undertake a multi-pronged approach to address these factors.

USAID Role and Achievements to Date: USAID has played an important role in fostering policy reform, furnishing technical assistance and providing capital for the housing sector. This role will continue through activities described in the section below. Over the past several years, USAID has developed a strong track record in these areas. There are two Housing Guaranty (HG) programs in place, complemented by an effective technical assistance project. To date, the HG has made available over \$133 million for mortgages for low income households. In FY 1995, the first year of operations, over 23,000 mortgages were provided to the target group.

Description: Improved access to shelter and urban services for the historically disadvantaged population will be accomplished through three USAID interventions in the urban sector: 1) technical assistance provided through NGOs and bilateral agreements with the GNU, national and provincial-level departments, to support the development and implementation of policies that facilitate the provision of housing and urban services to the historically disadvantaged population to ensure a better policy formulation process, and to support research and studies to provide baseline information; 2) grants, technical assistance and training provided to increase access to credit for shelter and urban services for previously ineligible borrowers (i.e., historically disadvantaged households, developer/builders, and urban service providers). The Housing Guaranty Loan Program will provide funds to the private sector for the provision of loans to low-income households; and 3) Non-credit mechanisms linked to the provision of shelter for the poorest of the poor will be strengthened through (a) capacity building grants and (b) technical assistance to entities active in the shelter sector, including community-based organizations, and public sector service providers such as municipalities and parastatals.

Host Country and Other Donors: USAID is a major player in the urban sector for the following reasons: 1) its substantial length of involvement in the sector (since 1992) which predates that of most other donors; 2) its role as coordinator of donor activities (primarily through chairing the Urban Sector Donor Coordination Committee), and 3) the comparative size of the USAID program. With a few exceptions, most donors are relative newcomers to the housing sector and are currently involved in establishing programs with community support organizations (CSO) or with the GNU. The other major donors currently active in the sector are: 1) the World Bank, with studies and project preparation/ assessment and technical assistance; 2) Japan, through bulk infrastructure loans and grants; 3) Germany, through project preparation technical assistance and training program for local officials and a \$22 million urban upgrading program in the Eastern Cape; and 4) Other Donor Assistance, through numerous small activities including a \$2.2 million policy planning unit in one province;

Also, other donors, primarily the Scandinavian countries, are implementing urban sector programs. However, these are essentially small technical assistance programs in urban environment and/or

municipal management. Others donors are focused on assisting specific RDP projects.

**Beneficiaries:** Primary beneficiaries, are historically disadvantaged households, communities, developers and builders. A secondary layer of beneficiaries include provincial and local-level officials, and CSOs.

**Principal Contractors, Grantees, or Agencies:** USAID will implement activities through a variety of South African and U.S. NGOs, the GNU and U.S. and South African contractors and training institutions.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
<u>Long-term results</u>		
Improved Human Development Index (HDI) for historically disadvantaged population	.500 (1992)	.700 (2000)
Improved economic growth and equity:		
--3 year average real GDP growth rate	4% (1991-1994)	4.0% (2000-2003)
--ratio of median household incomes of the historically disadvantaged in relation to those of Whites	18.2% (1993)	21.0% (2003)
<u>Short to medium-term results (illustrative):</u>		
Increased total dollar value of funds made available for environmentally-sustainable shelter and urban services for historically disadvantaged population households	\$0	\$ 300 M (HG& DFA) 1992-1999
Increased total number of full or partial shelter units and urban services made available for historically disadvantaged communities by participating partners	0 units	150,000 units

## TANZANIA

**FY 1997 Development Fund for Africa: . . . . . \$23,512,681**

### **Introduction.**

United States assistance to Tanzania is important to our interests as it contributes to the development of a peaceful and potentially prosperous country that is centered in a region stressed by poverty and civil conflict. Tanzania, a member of Southern Africa Development Conference, Greater Horn of Africa Initiative and the renascent, East Asian Community, has long played a moderating function through its example of multi-ethnic stability and its role as a place of refuge. It serves U.S. interests to preserve such stability by helping to expand job opportunities for a rapidly growing labor force. Tanzania also assists in meeting food security requirements for East, Central and Southern Africa. At the same time, a growing economy in Tanzania creates larger markets for United States exports. Tanzania is also home to some of the last havens for wildlife in Africa and has allocated one-fourth of its land area to game reserves and national parks, which are critical to the preservation of biodiversity and the environment. With a population growing at the rapid rate of 2.8% a year, the resulting increased demands for firewood, pasture and farmland threaten the existence of the reserves. If wildlife are to be conserved and human lives improved, the population growth rate must be reduced and jobs must be created in agribusiness, industry, tourism, mining and services. USAID/Tanzania's assistance program contributes in these key sectors.

### **The Development Challenge.**

Tanzania is in the early stages of a political transition toward multi-party democracy and a liberalized economy. From independence in 1961 until the early 1980s, the country had a one-party, authoritarian regime committed to a socialist model for economic development. The Constitution was amended in 1992 to end the constitutional supremacy of the governing party. Tanzania held its first-ever, multi-party presidential election in October 1995, which, according to international observers, reflected the will of the people. The ruling-party candidate, Benjamin Mkapa, was sworn in as the new president of the United Republic of Tanzania on November 23, 1995.

Decades of central government control of productive activities has left Tanzania with an inadequate and crumbling infrastructure, an overstaffed and underpaid civil service more attuned to servicing state enterprises than regulating a market-based economy, and a nascent private sector fearful that government will revert to the statist policies of the past. However, Tanzania began a major economic reform program in 1985 that decontrolled prices, interest rates and the exchange rate, and eliminated the monopoly positions of state-owned enterprises in manufacturing, trade and marketing. Over 60 state-owned enterprises out of 470 have so far been removed from government control through sale, lease, or liquidation, and there are plans to remove an additional 50 firms a year for the next several years. In 1991, private banking was allowed, and there are currently eight private banks operating and an additional four have received licenses. Tourism and mining are experiencing rapid growth. A high potential sector for growth is agriculture, as only 15% of Tanzania's arable land is cultivated, and its many river basins provide ample potential for increased irrigation and hydroelectric development. A new Sheraton Hotel opened in the capital in October 1995, and a U.S. firm, RJ Reynolds, completed its purchase of the state-owned cigarette factory in December 1995. South Africa is becoming Tanzania's largest trader and foreign investor.

Tanzania is one of Africa's largest countries, having a surface area of 883,749 sq km and a rapidly growing population of 28 million. Over 80% of the population are engaged in agriculture. Approximately 5% to 7% of the population are infected with Human Immunodeficiency Virus (HIV). By the year 2000, it is estimated that 2.4 million people will be HIV positive and there will be 800,000 Acquired Immunodeficiency Syndrome (AIDS) cases and over one million orphans due to AIDS-related deaths. The child mortality rate is 84 per 1000 live births, slightly better than the average rate of 93 for all of sub-Saharan Africa. Adult literacy is

61%, lower than in Kenya (69%) but higher than in Uganda (48%). However, primary school enrollment has dropped from just under 100% in 1979-80 to under 70% currently. A 1991 household survey showed that 51% of the population had incomes below the poverty line of \$1 per day per person and 42% had incomes of less than \$0.75 per day.

In spite of its high potential and progress in recent years, Tanzania continues to be ranked among the five poorest countries in the world and it continues to be constrained by a number of key factors: inadequate infrastructure; destructive exploitation of rangeland, forest, cropland and wildlife resources; fiscal mismanagement; corruption, lack of accountability, and poor governance; a legal framework designed to support a socialist system that is inimical to the development of a market-based economy; an undeveloped and bankrupt financial system; a refugee crisis due to chaos in Rwanda and Burundi; and an inability to generate employment opportunities in the formal sector for more than 10% of the new entrants into the labor force. Furthermore, Tanzania is one of the most debt-distressed countries in the world with an external debt of \$6.5 billion at end 1994, two times greater than Gross Domestic Product; debt service in 1994/95 was equivalent to 32% of export of goods and services, and transfers. Since the economic reform program began, economic growth has averaged 4% a year, much better than the previous 20 years but not sufficient to make a meaningful difference in improving the lives of the average Tanzanian.

#### **Other Donors.**

In 1994, the United States provided less than 5% of total bilateral assistance to Tanzania. The major bilateral donors in 1994 were Japan, Denmark, Sweden, United Kingdom, Norway, Netherlands, United States, Finland, Switzerland and Italy. The Nordic group of donors (Denmark, Sweden, Norway and Finland) have been the major bilateral donors in Tanzania for the past 30 years.

#### **FY 1997 Program.**

USAID has redesigned its country program and has adopted four Strategic Objectives to help Tanzania achieve sustainable development and improve human welfare. USAID will provide support to protect natural resources, to promote the growth of the private sector, to support family planning and HIV prevention, and to promote the transition to democratic governance. Due to the importance of the natural resource base to sustainable growth in the country, USAID will begin work in support of natural resources management and expand our role in preserving wildlife. We will continue our work with the private sector, focusing on the enabling environment, improved infrastructure, the transfer of skills and technology to entrepreneurs and business managers, and strengthened financial markets. Building on the progress already achieved, USAID will continue its work to increase use of family planning and HIV/AIDS services. Finally, we will help build a strong foundation for the transition to democratic governance.

#### **Agency Goal: Protecting the Environment**

Tanzania is home to some of the world's most important natural wonders - Ngorongoro Crater, the Serengeti and vast areas of game parks and reserves of profound international significance; and Africa's highest mountain (Kilimanjaro) and deepest lake (Victoria). Tanzania is also one of the five most biologically diverse countries in Africa. In recognition of these endowments, some 25% of the country is set aside as protected areas. However, in an agrarian economy like Tanzania, rapid population growth increases the demand on the natural resource base and results in the unsustainable exploitation of the environment. Current land use practices in agriculture (including shifting cultivation), livestock raising (free range use), and exploitation of forest products (firewood, charcoal, construction) are degrading the environment. Not only is sustainable development threatened, but so is the country's endowment of wildlife resources.

In the past, USAID provided minimal support to this sector. Our achievements include strengthening the institutional capacity of the country's only agricultural university, which has begun applying the results of research to problems identified by rural citizens. In addition, USAID supported the Wildlife Department in

designing ten policies and planning documents of which five have been approved by the Government and which are in various stages of implementation. FY 1997 will be the first year that USAID will begin an expanded, concerted program to address the remaining obstacles in this sector with emphasis on empowering communities through promotion of community-based natural resource management.

● **Strategic Objective 1: Strengthening Natural Resources Management Capacity**

**Agency Goal: Encouraging Broad-based Economic Growth**

Since the start of Tanzania's economic reform program in 1985, the country has made significant strides in reversing its decades-long socialist approach to economic development, but enormous obstacles to development still exist. The country has an abundance of natural resources, a diverse but favorable climate, and a developed university network graduating trained personnel. However, fiscal and monetary discipline is lacking, infrastructure is extremely poor or nonexistent, the financial system is woefully underdeveloped, and the legal and regulatory system prevents firms from graduating from the informal to the formal sectors. While Tanzania has great potential to be a leader in Africa for economic advancement, the enabling environment is still not there.

USAID's rural road rehabilitation and maintenance program has reduced transport costs in the rural areas, more than doubled business activities, increased farm income by 25% and improved access to health services and schools. It has also created a new private road building and maintenance contracting industry, introduced a more transparent contracting system and established a user-financed road fund that is assuming an increasing share of the responsibility of program sustainability. At least 90% of rehabilitation work is now carried out by private contractors from just 30% five years ago. The Mission's Tanzania Zambia Railroad Authority project has reduced turn-around time of trains on the 1,800 kms Dar es Salaam to Zambia stretch from 21 days to seven days. Locomotive availability improved from 46% to 76%.

Assistance in restructuring the financial sector has enhanced the technical and managerial skills of the Central Bank and increased its independence, prepared the groundwork for a private sector insurance industry and introduced a completely market-based foreign exchange system. Over the past two years under this SO, eight private banks have opened. The newly established Business Services Center, and its Advisory Council, have been welcomed as a practical approach to resolving technical and marketing problems inhibiting private sector growth, on a fee-for-services basis. We have assisted in the establishment of Tanzania's first venture capital fund, and established a \$20 million enterprise trust fund.

● **Strategic Objective 2: Increased Productive Employment and Income Generating Opportunities**

**Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

High fertility (6.3 per woman) and high rates of sexually transmitted diseases, especially HIV/AIDS, contribute to elevated adult and infant morbidity/mortality in Tanzania. AIDS is estimated to be the leading cause of death among the 20 - 45 year old age group. The consequences of poor reproductive health range from the obvious human welfare losses to decreased economic productivity. Increased rates of maternal/infant illness and death profoundly affect the family as a social and economic unit (Tanzanian women are the primary care givers and contribute significantly to the family's income. The resulting strains on already overburdened health, social welfare and other services are enormous. Although demand for family planning is very high (56% of all women aged 15 - 49 would like to limit or space births), only 11.3% of these are using modern contraception. There is increased concern about HIV/AIDS, high awareness of the problem and increased use of condoms, although access is still problematic.

Results of USAID activities include a doubling of modern contraceptive use (from six percent to 11.3%) in only three years; availability of at least three family planning methods at most facilities; contraceptives available in 90% of service delivery sites; and mobilization of 106 non-governmental organizations (NGOs) within a unique system of networks to provide a variety of AIDS prevention and family support activities.

Use of various media to provide information on AIDS prevention and an innovative program to sell condoms using modern marketing techniques has resulted in sales of over 10 million in less than two years, double the anticipated goal.

● **Strategic Objective 3: Increased Use of Family Planning and HIV/AIDS Preventive Measures**

**Agency Goal: Building Democracy**

Tanzania has long had a government plagued with corruption and economic mismanagement. The first-ever, multi-party presidential election was held in October 1995. The new government has pledged to curb corruption and manage its resources in a more transparent manner. USAID's fourth Strategic Objective is designed to harness the energies of individuals, NGOs and the private sector in working together toward democratic governance.

Although this is a new strategic objective, the Mission has supported several democracy/governance activities in the past. In the legal sector, USAID has strengthened the judiciary by assisting in the institution of alternative dispute resolution. The Mission has also worked to upgrade the quality of auditing and accounting, in both the public and private sectors. Finally, the provision of international election observers by USAID enhanced the transparency of Tanzania's first multi-party national elections. The final report issued by these observers will be useful in improving subsequent elections held at all levels of government.

● **Specific Objective 4: Democracy and Governance**

**TANZANIA**  
**FY 1997 PROGRAM SUMMARY**

	Encouraging Broad-based Economic Growth	Stabilizing World Population Growth & Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	<b>TOTALS</b>
<b>USAID Strategic Objectives</b>						
1. Strengthening Natural Resources Management Capacity - Dev. Fund for Africa			5,556,335			5,556,335
2. Increased Productive Employment and Income Generating Opportunities - Dev. Fund for Africa	3,070,870					3,070,870
3. Increased Use of Family Planning and HIV/AIDS Preventive Measures - Dev. Fund for Africa		14,041,879				14,041,879
4. Strong Foundation for the Transition to Democracy - Dev. Fund for Africa				843,597		843,597
<b>Totals</b> - Dev. Fund for Africa	3,070,870	14,041,879	5,556,335	843,597		23,512,681

USAID Mission Director: Mark Wentling

## ACTIVITY DATA SHEET

**PROGRAM:** TANZANIA

**TITLE AND NUMBER:** Strengthening Natural Resources Management Capacity, 621-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997 \$5,556,335 DFA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2003

**Purpose:** To foster the adoption of policies, legislation and practices which enhance the ability of Tanzanians to conserve and utilize natural resources in a sustainable manner.

**Background:** Although Tanzania can boast of setting aside enormous reserves (approximately 25% of the mainland has been designated as protected areas) that contain some of the world's premier tourist attractions, weak institutions, low budgetary support and lack of political will have resulted in considerable encroachment into these areas. Furthermore, current land use practices (farming and livestock production, forest production or extraction, wildlife hunting) are unsustainable. The new government (elected in October 1995) has stated that sustainable use of natural resources will be a priority, and a new office of environment and poverty alleviation has been created in the Vice President's Office. Therefore, the policy environment is positive and supportive of activities under Strategic Objective (SO) 1. These activities include the ongoing Planning and Assessing for Wildlife Management and the Tuskegee-Sokoine University linkage project, both of which have been implemented over five years. New activities include Participatory Environmental Resources Management and Cooperative for American Relief Everywhere (CARE) Kagera Natural Resource Program. These latter two activities have been developed in response to the Government of Tanzania (GOT) requests that efforts be made to stem environmental destruction. Two external constraints that may affect the ability of USAID/Tanzania to achieve the SO are: (1) continued influxes of Burundian and Rwandan refugees which will exert destructive pressure on the environment; and (2) the possible need to respond to natural disasters which might divert resources away from sustainable natural resource management practices.

**USAID Role and Achievements to Date:** Modest amounts of assistance were provided in this area during the early 1990s, with anticipated increases for the latter half of the decade. USAID's support includes institutional strengthening, policy dialogue and legislative reform, strengthening of Tanzanian planning capacity, and discrete grass-roots activities designed to pilot and test approaches to community-based natural resource management. Achievements to date include strengthening the institutional capacity of the country's only agricultural university, which has begun applying the results of research to problems identified by rural citizens. Tanzania's Wildlife Department has produced ten policies and planning documents, of which five have been approved by the GOT and are in various stages of implementation. USAID has also established a partnership with the Peace Corps to place natural resource management experts in local communities.

**Description:** USAID's program has a multi-faceted approach which provides: 1) support for the overarching enabling environment (i.e. enacting appropriate laws and policies) for sustainable use of natural resources; 2) targeted strengthening of both governmental and non-governmental institutions; 3) increasing broad citizen awareness of the value and finiteness of Tanzania's natural resource base; and 4) adoption of sustainable resource practices by communities in pilot locations. Funding is channeled mainly through U.S. non-government organizations (NGOs) and universities with efforts being made to raise the capacity of local NGOs to be able to receive funds directly in the future. U.S. Government inter-agency collaboration is enhanced through USAID support to Peace Corps Volunteers who work directly with communities to identify simple and low-cost ways to conserve and productively use land, water, forests, livestock and wildlife resources. An important principle guiding all USAID activities is to ensure that a balance is achieved between conservation and production goals and that resource owners and users are able to recoup a fair share of the benefits from resource use. Sustainability is also addressed by supporting the establishment of community-based institutions and legal/regulatory systems that redress environmental/natural resource

abuses.

Host Country and other Donors: The GOT has prepared a number of policies and planning documents for the environment and key sectoral areas. Many of these still need to be revised to ensure consistency across sectors and to be ratified by Parliament. GOT capacity to manage competing demands for natural resources and ensure that use of the environment is sustainable remains at an embryonic stage among the major donors supporting this sector: Overseas Development Agency of the United Kingdom (ODA-UK) supports ecosystem wildlife management; the Netherlands supports environmental sanitation and land use management; Finland supports forestry and land use management; the European Union supports agroforestry; other donors have either supported the preparation of national level policy and planning documents (eg. Swedish International Development Authority, Food and Agriculture Organization (FAO), World Bank) or district and community-based sector-specific projects (e.g. the Netherlands, FAO, Norwegian Agency for International Development, Germany, ODA, SIDA) in areas such as forestry, soil conservation, small-scale irrigation, and community conservation programs for wildlife. Among the 12 donors supporting natural resource management, the United States ranks ninth in terms of annual disbursements. The Mission participates in a monthly donor focus group on the environment which fosters coordination of activities of various donors aimed at improving natural resource management.

Beneficiaries: Over 80% of the country's labor force (about 12 million people) live in rural areas and are involved in agriculture, herding, forest extraction or mining activities. Legislation and policies which support sustainable use of the country's natural resources will benefit over 40% of these residents directly as well as private sector businesses involved in tourism, mining, and marketing of agricultural and forestry products. Visible improvements will be seen in terms of reduced erosion, more productive agriculture, increased benefits from wildlife and forest products and increased income for those communities involved with the pilot activities.

Principal Contractors, Grantees or Agencies: USAID will implement activities through Peace Corps Volunteers, CARE, Tuskegee and Sokoine Universities, African Wildlife Fund, and U.S. and host country NGOs to be determined.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Increase in revenue/income	0 (1995)	35% (2002)
Decrease in rate of natural resource decline per annum	0 (1995)	10% (2002)
Increase in land area managed by communities/user groups	0 (1995)	40% (2002)
Hectares established under village forest reserves	0 (1995)	3000 (2002)

## ACTIVITY DATA SHEET

**PROGRAM:** TANZANIA

**TITLE AND NUMBER:** Increased Productive Employment and Income Generating Opportunities, 621-S002

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997 \$3,070,870 DFA

**INITIAL OBLIGATION:** FY 1997; **ESTIMATED COMPLETION DATE:** FY 2003

**Purpose:** To enable Tanzanians to participate more fully in the private sector and to both derive benefits from and contribute to sustainable economic development.

**Background:** Tanzania's economy needs to grow to develop productive jobs for an increasing rural population and urban unemployed. This strategic objective directly addresses practical impediments to financial and business development and the policy constraints which inhibit private sector growth. Mission efforts provide direct private business support services and emphasize rebuilding of the newly privatized financial sector.

The state of infrastructure in Tanzania is in such poor condition that it severely stifles the day-to-day activities of the population and the overall economic growth of the country. The constraints that led to this state are related to existing unsustainable institutional and financial structures for the development, execution and maintenance of infrastructure facilities. The private sector, which has the inherent and proven institutional and financial capability and capacity for economic growth, was virtually excluded from these activities.

**USAID Role and Achievements to Date:** USAID's support includes involvement and participation in the following areas: the rehabilitation and maintenance of rural and district roads; the effective and efficient operations of the Tanzania and Zambia Railroad Authority (TAZARA); and rural telecommunications. The rural road rehabilitation and maintenance program has reduced transport costs, more than doubled business activities, increased farm income by 25% and improved access to health services and schools. It has also created a new private road-building and maintenance contracting industry, introduced a more transparent contracting system and established a user-financed road fund that is assuming an increasing share of the responsibility of program sustainability. The TAZARA project has reduced turn-around time of trains on the 1,800 kms Dar es Salaam to Zambia stretch from 21 days to seven days.

Assistance in restructuring the financial sector has enhanced the technical and managerial skills of the Central Bank and increased its independence, prepared the groundwork for a private sector insurance industry and introduced a completely market-based foreign exchange system. Over the past two years under this SO, eight private banks have opened. The newly established Business Services Center, and its Advisory Council, have been welcomed as a practical approach to resolving technical and marketing problems inhibiting private sector growth, on a fee-for-services basis. USAID has also assisted in the establishment of Tanzania's first venture capital fund, and established a \$20 million enterprise trust fund.

**Description:** Attaining this objective will be accomplished through improvements in the enabling environment, supporting private-sector solutions to infrastructure constraints, transferring management skills and technology to small businesses, and strengthening financial markets. Activities include improvement of rural roads, railroad, and rural telecommunications; development and training of business people, both rural and urban; strengthening business associations to function as fora for policy dialogue and change; establishing a microenterprise fund to be operated by the first indigenous Tanzanian bank; and training and technical assistance to the Central Bank to enable it to execute appropriate monetary/fiscal and supervisory/regulatory functions.

**Host Country and Other Donors:** The road program component is part of an integrated road program that is supported by 16 other donors and the World Bank. The Nordic countries also support TAZARA, the

national railway to Zambia. USAID/Tanzania is the recognized lead donor in supporting private sector activities, and the new microenterprise project is anticipated to bring additional donor participation. USAID resources dedicated to financial sector reform are complemented by the International Monetary Fund World Bank, Nordic country programs as well as the Tanzanian Central Bank (Bank of Tanzania).

**Beneficiaries:** The principal beneficiaries under this SO are Tanzanian women, men and children totalling over 29 million, both urban and rural, whose access to goods and services as well as to viable means of earning a livelihood will be increased; and over 100,000 Tanzanian entrepreneurs, managers, and business people, who will receive both direct and indirect assistance in the management of, and increasing profitability of, their enterprises in addition to facilitating their access to commercial credit.

**Principal Contractors, Grantees, or Agencies:** Development Alternatives, Inc., is the prime contractor for implementing The Business Center component. Additionally, 8(a) firms - Gardiner Kamyia Associates, Harvey and Co. Inc., and International Technology Investments Ltd., - have been utilized in venture capital operations as well as in-country training activities and specific Central Bank assignments.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Volume of traffic on rural roads	30 Vehicles/day (1990)	60 Vehicles/day (1998)
Rural road works contracted by private sector	10% (1990)	90% (1998)
Freight handled by TAZARA	1 million Tons Yr (1987)	1.3 million Tons/Yr (1998)
Private sector GDP (%)	64% (1992)	70 (1998)
No. of private sector financial institutions	0 (1992)	10 (1998)
Value of pvt sector com'l loans (\$000s)	324 (1992)	550 (1998)
Gap between mkt and official FX rates (%)	28 (1992)	0
Assisted businesses with sales growth over 25%	0 (1994)	125
New jobs created (The Business Center)	0 (1994)	2000

## ACTIVITY DATA SHEET

**PROGRAM:** TANZANIA

**TITLE AND NUMBER:** Increased Use of Family Planning and HIV/AIDS Preventive Measures, 621-S003

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1996, \$14,041,879 DFA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2003

Purpose: To increase knowledge of and access to family planning (FP) and Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome (HIV/AIDS) information and services.

Background: High fertility of over six births per woman and the spread of HIV/AIDS (5% - 7% of the population is infected) contribute to high infant/adult morbidity and mortality in Tanzania. Although only 11.3% of all women use modern FP methods, 40% would like to limit births. AIDS is attacking the most productive age group (15-45 years), resulting in an enormous strain on the health system and on the social structure. Reduction of fast population growth rate and controlling the impact of HIV/AIDS will contribute to sustainable economic growth.

USAID Role and Achievements to Date: USAID provides commodity, management and technical support to government and non-governmental organizations (NGOs), all of which implement a variety of FP and AIDS prevention education and service delivery activities. Results include a doubling of modern contraceptive use (from 6% to 11.3%) in only three years; availability of at least three FP methods at most facilities; contraceptives available in 90% of service delivery sites; 106 NGOs assisted to provide AIDS information/services. Use of various media to provide information on AIDS prevention and an innovative program to sell condoms using modern marketing techniques has resulted in sales of over 10 million in less than two years, double the anticipated goal.

Description: USAID focuses on two areas: family planning/child spacing and reduction of high risk births; and prevention of HIV/AIDS. Enhancing client choice of and access to safe, effective FP methods is achieved through training personnel (clinic-based and community-level); provision of contraceptives, equipment and supplies to clinics; and informational materials production and distribution. An extensive research agenda provides national level data on FP, AIDS and child survival (CS). Activities in support of CS include health worker training, promotion of sexually transmitted disease (STD) and child spacing services, institution/capacity building of the Ministry of Health and NGO/private sector organizations, and promotion of an integrated maternal child health (MCH) care delivery system. Efforts to stimulate an indigenous, community-based approach to AIDS prevention and family support through "networks" of NGOs working together covers about 50% of the country. Workplaces are targeted, since working adults have high rates of HIV. Social marketing of condoms and training of NGO personnel in the identification and management of STDs are key AIDS prevention interventions. Sustainability will be achieved through host country ability to technically manage the National FP Program on its own; continued host government support of recurrent costs for clinic-based personnel; NGO ability to raise their own funds and implement programs; and a greater emphasis on selling commodities and services.

Host Country and Other Donors: The Government of Tanzania oversees the FP and AIDS programs and supports recurrent costs for most clinic-based service providers. The private sector will receive increased support for delivery of community and clinic-based services (including social marketing for both FP and AIDS control). The United Kingdom, United Nations Children's Fund, World Bank, Germany and Denmark provide extensive support for child survival interventions (other than child spacing), including essential drugs, maternal and child health, health infrastructure and logistics. USAID and the United Nations Fund for Population Activities are the main donors in child spacing (the UK and possibly Germany have expressed interest in supporting FP activities), while the European Union will provide STD drugs and training.

**Beneficiaries:** Men and women of reproductive age (50% of the population) who wish to space/limit births, and prevent HIV infection or sexually transmitted diseases. Youths (25% of the population) who are at risk of pregnancy or STDs, and are seeking services from public and private sector providers. Children who benefit from improved MCH and child health services.

**Principal Contractors, Grantees or Agencies:** Host government, private non-profit companies, John Hopkins University, University of North Carolina, Tulane University, University of Michigan, and Tanzania NGOs.

**Major Results Indicators:**

	<b><u>Baseline</u></b>	<b><u>Targets</u></b>
Modern method Contraceptive Prevalence Rate among all/currently married women	11.3/13.4% 1994 Tanzania Knowledge, Attitudes and Practice Survey (TKAPS)	13%/15% (1997)
Condom use in most recent sexual encounter with non regular partner	20% women/36% men (1994 TKAPS)	25%/40% (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** TANZANIA

**TITLE AND NUMBER:** Strong Foundation for the Transition to Democratic Governance, 621-S004

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997, \$843,597 DFA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2003

Purpose: To establish a strong foundation for the transition to democratic governance in Tanzania.

Background: Democratic governance (DG) issues lie at the heart of the Tanzanian development problem. Tanzania requires a government which manages resources well and transparently, and which can harness the energies of individuals, non-governmental organizations (NGOs) and the private sector to use the tremendous natural resources of the country wisely and effectively. The new Mkapa government must overcome a heavy legacy of corruption, economic mismanagement and one-party socialist thinking to achieve these goals. USAID/Tanzania's Strategic Objective 4 will assist the Government of Tanzania (GOT) in overcoming these constraints.

USAID Role and Achievements to Date: This is a new strategic objective that encompasses a new project as well as other activities. While the Mission did not previously have a specific DG strategic objective, USAID has been active in this area for several years. In the legal sector, USAID has strengthened the judiciary by assisting in the institution of alternative dispute resolution. The Mission has also worked to upgrade the quality of auditing and accounting, in both the public and private sectors. Finally, the provision of international election observers by USAID enhanced the transparency of Tanzania's first multi-party national elections. The final report issued by these observers will be useful in improving subsequent elections held at all levels of government.

Description: To achieve this objective, assistance will be directed toward: 1) improving media responsiveness and responsibility, 2) enabling the legal system to serve the public interest effectively and transparently, 3) increasing citizens' understanding and application of DG principles, 4) improving GOT transparency and accountability, and 5) helping political institutions to better perform key representative functions. Specific activities include: 1) media workshops such as the legal system, economics, and the rights of journalists, 2) training the judiciary, attorneys and law students in alternative dispute resolution as a means of improving access to justice, 3) working with indigenous non-governmental organizations (NGOs) and associations to improve their outreach capacity, 4) developing a democracy unit as part of a civic education course to be used in secondary schools, and 5) strengthening the audit capabilities of the Controller Auditor General. Funding for many of the activities is channeled through the United States Information Service (USIS) in Dar es Salaam under a collaborative effort to utilize the strengths of the U.S. Mission to Tanzania in those areas. USAID works directly with the Controller Auditor General, and the association-building activities will be administered by USAID. For instance, local-level natural resources associations will be targeted by one of the Mission's environmental activities.

Host Country and Other Donors: Major donors active in DG include a World Bank-led consortium, United Kingdom (UK), Canada, the Nordic countries) working on the legal and financial systems. Donors are also active in women's development (most notably the Netherlands), improving the capacity of the law school (the UK), and the media (the UK, German NGOs, African NGOs). USAID/Tanzania regularly meets with these and other donors involved in DG to share information and to collaborate on implementation. These meetings may be informal (meeting with a donor agency representative) or formal (the monthly Women in Development meetings attended by all donors active in that area). The host country contribution is in-kind, provided through GOT assistance in the design and implementation of various activities. For example, there were several meetings with representatives of the Ministry of Education and the Institute for Education to discuss the design of the civic education activity, and we will continue to require their assistance during implementation. Additionally, judges and registrars of many courts around the country have been consulted

frequently in the development of training in alternative dispute resolution, and they will continue to be consulted as the training occurs. The GOT will also donate office space as needed.

**Beneficiaries:** Democratic governance is achieved when decisions are transparent and are made through some form of a democratic process, and where those in power are held accountable through free and fair elections. A significant part of democratic governance is civil society, which incorporates the idea of citizen participation. Thus, the beneficiaries of the establishment of a strong foundation for the transition to democratic governance in Tanzania include all Tanzanians.

**Principal Contractors:** Through a Participating Agency Service Agreement, USIS will implement several of the activities under this SO, as noted above.

**Major Results Indicators:** With the exception of the Controller Audit General activity, Strategic Objective Four is composed of new activities and has not yet been implemented fully. The Mission is currently in the process of developing impact indicators.

Indicator (baseline year):

	<u>Baseline</u>	<u>Targets</u>
Percent eligible citizens registered to vote, national elections	81 (1995)	TBD (2000)
Percent registered voters voting, national elections	75 (1995)	TBD (2000)
Disputes resolved by ADR as % of cases settled	0 (1994)	TBD (1997)
Reduced % spoiled votes, local/national	5 (1994/5)	TBD (1997)
Reduced number electoral petitions filed, national elections	127 (1995)	TBD (2000)

## UGANDA

**FY 1997 Development Fund for Africa: . . . . . \$48,030,357**  
**FY 1997 P.L. 480 Title II: . . . . . \$4,387,000**

### **Introduction.**

Uganda is in the midst of completing a remarkable transformation from 20 years of chaos and violence to stability, recovery and growth. Signs of progress abound. The economy grew by 10% over the past year while limiting inflation to 3.4%. A new democratic constitution has been promulgated, general elections were held in May 1996, investment exceeded \$200 million in the past year, and, significantly, the human immuno-deficiency virus (HIV) infection rate appears to be declining. The USAID program has had a major impact by assisting Uganda in creating an environment which has made these achievements possible, and which has set the stage for completing the transition to constitutional democracy accompanied by sustained economic growth. Located in the Greater Horn of Africa, Uganda is a concrete example to other nations in the area of the benefits of free-market economics combined with democratic government. Uganda has been highly supportive of U.S. policy initiatives in the region, including humanitarian operations, peace-keeping and the Greater Horn of Africa Initiative (GHAI).

### **The Development Challenge.**

Stability and sound economic policies have brought growth which has set the stage for completing the transition to constitutional democracy. This environment is attracting large-scale private investment. Completing the transition remains an enormous challenge that will take several years, but both the government and people of Uganda are committed to finishing the job. Their achievements over the past five years strongly suggest they will fulfill their commitments.

Although economic growth has increased real per capita income by 20% since 1986, to \$180 in 1994, this is still 23% below the level of 25 years ago, placing Uganda among the poorest countries in the world. Life expectancy, estimated at 37 years, is the lowest in the world as the alarmingly high prevalence of Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome (HIV/AIDS) -- perhaps as high as 20% of sexually-active women and men -- affects every aspect of the society. Only 48% of adults are literate -- well below levels in neighboring Kenya and Tanzania -- an indication of an education system where lack of access and poor quality limit the supply of basic skills within the economy. Inadequate physical infrastructure for energy, transportation, and telecommunications has severely limited Uganda's ability to meet the demands of a growing private sector. Despite the strong liberalization of the past five years, the World Bank and International Monetary Fund (IMF) project that Uganda will continue to depend on substantial external assistance for at least the next decade. The proliferation of water hyacinth, a plant which chokes lakes and rivers, is a new environmental threat to the livelihoods of people throughout the region.

Uganda remains severely indebted; its \$3.2 billion debt at the end of 1994 is equivalent to about 60% of gross domestic product (GDP). Debt service payments represent 23% of government-financed expenditures, reducing productive investments. Multilateral debt accounts for three-quarters of the debt and two-thirds of projected debt service, severely limiting Uganda's access to relief under existing international arrangements. Illustrating the confidence the international community has in how the government manages the economy, Uganda became the first nation under the Paris Club to receive permission to write off \$71 million in debt; even so, the next three years' debt service will be 50% higher than Uganda has paid in the past three years. This is a staggering burden.

Effective implementation of sound economic policies has permitted Uganda to manage its debt while continuing to grow economically. A major factor in these achievements has been the leadership, technical assistance and financing which USAID has provided. Uganda's economy can point to the following

noteworthy achievements as illustrative of what has been achieved with USAID assistance. The growth of non-traditional exports from a low base five years ago to over \$100 million in 1995, the improved management of natural resources contributing to the four-fold increase in tourism over the past four years, and the groundbreaking reduction in the incidence of HIV transmission are among the visible fruits of this program.

#### **Other Donors.**

Uganda's remarkable record of economic growth over the past five years has enabled the country to finance a higher percentage of its development program, but Uganda will still be dependent on external assistance for a number of years. Approximately one-third of public expenditure is externally financed. The World Bank is the largest and most influential donor. USAID is the fifth largest bilateral donor behind Denmark, the United Kingdom (UK), Germany, and Japan. Donor coordination is good and USAID provides parallel financing for major reform programs in the health and education sectors with the World Bank. Donors collectively pledged \$800 million dollars for FYs 1995/96 at the annual meeting of donors convened by the World Bank meeting in July 1995.

#### **FY 1997 Program.**

The foundation for sustainable growth now exists, and USAID will continue to build on it through investments in primary education, health, environmental management and agricultural production.

U.S. intervention has been a key factor in stimulating Uganda's remarkable transformation. However, much remains to be done, and it is in the interest of the United States to apply continued engagement in selected sectors. American investors are already benefitting from the strikingly improved investment climate. Uganda is also becoming an American customer, and imports of U.S.-manufactured goods increased sixfold between 1985 and 1996. Equally important, it is in the U.S. interest that the principles underlying Uganda's positive transition, including free-market economics, constitutional democracy and public accountability, be spread to the several troubled countries in the region. This can happen if those principles continue to be practiced, bringing benefits to Uganda and to the region. Uganda is now part of the solution, but without continued support, there is significant risk it would become part of the problem. The failure of Uganda to maintain its march toward constitutional democracy would likely add to the pool of refugees and humanitarian crisis in the area.

A reduction in resources will result in the cancellation of activities in each of USAID's four strategic areas, hurting both American and Ugandan interests. In real terms, a reduction would mean training fewer primary teachers and health workers, canceling procurement of desperately-needed equipment for schools and health centers, reducing credit for poor rural business people, and scaling back support to non-governmental organizations (NGOs) involved in HIV testing and counseling. Because most planned activities are underway, we are already engaged with, and committed to, numerous partner organizations and communities. Resource cuts will jeopardize contracts and grants with our U.S. partners and undermine the development efforts and aspirations of the Ugandan people.

Four strategic objectives (SOs) and one specific objective comprise USAID's program of assistance to Uganda. While activities under each SO target specific development problems, the SOs are mutually reinforcing and in some cases contribute to the achievement of more than one Agency goal.

#### **Agency Goal: Encouraging Broad-Based Economic Growth**

Underlying sustainable development in Uganda is continuing political stability and broad-based economic progress. The benefits of growth will have broader impact if shared, especially among the majority rural population. Two of USAID's four strategic objectives address this pressing need.

SO 1 aims to increase income from on-farm activities, primarily by promoting non-traditional exports, and from off-farm activities by encouraging the growth of micro and small enterprises, and by improving the business environment. Increasing non-traditional agriculture exports can benefit thousands of marginalized farmers. Title II resources are an integral part of the Mission's strategic objective in economic growth. Title II is used to improve rural infrastructure and expand opportunities to grow and market traditional export crops including coffee, tea, cotton and tobacco. The Title II resource is also used to revitalize the Cooperative Bank, the only formal financial institution active in agricultural credit. A successful example is a pyrethrum activity promoted by a U.S. investor and financed under a USAID-supported venture capital fund in the remote southern part of the country has tripled income for over 3,000 producers, mostly women. The Foundation for International Community Assistance (FINCA), a U.S. NGO, has organized over 1,000 women into savings groups that have borrowed, and repaid, over \$400,000 during the last two years. This is a significant achievement in a country where rural credit programs have a reputation for failure.

SO 3 responds to the long-term need for literacy and other basic skills in order to boost productivity and provide an informed and responsible electorate. USAID's policy dialogue has strengthened the Government of Uganda's ability to adopt policies leading to wholesale reform of the primary education system. New policies have resulted in the construction of hundreds of classrooms, the removal of thousands of redundant, untrained teachers from the payrolls and a sixfold increase in teachers' salaries, in-service training for thousands of other teachers, and the purchase of 1.5 million textbooks. During the last year the percentage of untrained teachers in the classroom fell from 50% to 40%.

- Strategic Objective 1: Increase Rural Household Incomes
- Strategic Objective 3: Improve the Quality and Efficiency of Basic Education

#### **Agency Goal: Protecting the Environment**

USAID selected Uganda as a Biodiversity Priority Country containing unique, essential ecosystems critical to the conservation of globally-important biodiversity. Uganda's unique biodiversity has been placed at risk by intense and increasing population pressures, poverty, unsustainable natural-resource management practices, and a history of conflict. Therefore, this Strategic Objective addresses the challenge of biodiversity conservation by assisting Uganda to maintain the integrity of targeted biodiverse ecosystems.

USAID emphasizes natural-resource planning, strengthening management of protected areas and support to NGOs engaged in activities which integrate conservation and development in and around protected areas. Uganda successfully completed a National Environmental Action Plan in May 1995 with the passage of landmark implementation legislation. The new legislation defines both needs and guidelines for biodiversity conservation. Management of Uganda's protected areas, USAID's target areas for biodiversity stabilization, by the Uganda Wildlife Authority has improved markedly through strengthened management capacity, improved infrastructure, and higher revenues from ecotourism. Finally, the incentives and ability of local communities to conserve biodiversity have grown due to new revenue-sharing policies, access to resources, and ongoing conservation education.

- Strategic Objective 2: Stabilize Biodiversity in Target Areas

#### **Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

Uganda was among the first countries in Africa to be hit hard by the HIV pandemic. Close to 10% of the total population may be infected, and cases are mostly among adults in the prime of their economic lives and those about to enter this age group. A large, and generally unattended, problem with sexually transmitted infections is probably a significant contributor to continuing HIV incidence.

With one of the highest fertility rates in Africa, Uganda has a serious population problem. At current rates, the population will double in 21 years. This has resulted in a disproportionately large number of children dependent upon a correspondingly small number of adults. In Uganda over 50% of the population is under

20 years old. Women have an average of 6.8 children each, so many that childbearing poses a significant health threat to both women and children. Although precise figures are not available, prevailing opinion is that maternal mortality is extremely high, and poor child-spacing contributes to poor nutrition, which in turn leads to sickness and physical and mental stunting. Infant mortality has been estimated at 81/1,000 live births, a surprising figure in that it is lower than most countries in Sub-Saharan Africa.

Fertility has dropped since 1989, and it appears that Uganda is entering a period of significant fertility decline. While the causes for this decline are complex, USAID's support for family planning and use of modern contraceptives has played an important role. Contraceptive use has increased from 2.5% to 7.8% since 1991. USAID's social-marketing program has helped create a robust commercial market for family planning and maternal health services. It also appears that the incidence of new HIV infection has levelled off and actually started to decline. Constraints that USAID will address include poorly trained health workers, reluctance among many Ugandans to use modern health services.

- Strategic Objective 4: Improve the Reproductive Health of Ugandans

#### **Agency Goal: Building Democracy**

Uganda has made encouraging progress toward becoming a constitutional democracy. Over the past three years, the first free and fair national elections were completed, a new democratic constitution promulgated, and human rights abuses almost eliminated. USAID leadership, technical assistance and financing made a major contribution to these achievements. USAID was actively involved with the preparations for the general elections for president and parliament, held in May 1996. Although there were a few allegations of election irregularities made primarily by the opposition, the election results were validated, and the first free, peaceful and democratically-elected president has been inaugurated. Building on the foundation of the 1995 constitution, and following the 1996 elections, USAID anticipates funding activities in civic education, judicial improvement and human rights defense. These activities are aimed at assisting Uganda to spread the benefits of democracy to the grass-roots level.

- Specific Objective: Establish a Constitutional Democracy

**UGANDA  
FY 1997 PROGRAM SUMMARY**

	Encouraging Broad-based Economic Growth	Stabilizing World Population Growth & Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	TOTALS
<b>USAID Strategic Objectives</b>						
1. Increase Rural Household Incomes - Dev. Fund for Africa - P.L. 480, Title II	11,847,316				4,387,000	11,847,316 4,387,000
2. Stabilize Biodiversity in Target Areas - Dev. Fund for Africa			8,306,527			8,306,527
3. Improve the Quality and Efficiency of Basic Education -Dev. Fund for Africa	11,691,760			643,597		12,335,357
4. Improve the Reproductive Health of Ugandans - Dev. Fund for Africa		15,541,157				15,541,157
<b>Totals</b> - Dev. Fund for Africa - P.L. 480, Title II	23,539,076	15,541,157	8,306,527	643,597	4,387,000	48,030,357 4,387,000

USAID Mission Director: Donald B. Clark

## ACTIVITY DATA SHEET

**PROGRAM:** UGANDA

**TITLE and NUMBER:** Increase Rural Household Income, 617-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997 \$11,847,316 DFA, \$4,387,000 P.L. 480, Title II

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

**Purpose:** To increase rural household income. Increasing income will enhance food security, alleviate poverty and contribute to an improved quality of life for the majority of Ugandans.

**Background:** USAID's development efforts must result in a better life for the 80% of the people living in poor rural areas. This depends upon higher household income through increased on and off-farm production and better use of family resources. Four on-going activities, as well as the P.L. 480, Title II Program, work to increase household income. Two activities are aimed at expanding non-traditional agricultural exports (NTAEs) in areas where Uganda has a natural comparative advantage. Title II resources are also integrated into the strategy by supporting rural infrastructure improvement and expanding opportunities to grow and market traditional exports crops including coffee, tea, cotton and tobacco. NTAEs can benefit thousands of small farmers. For example, an activity to cultivate pyrethrum, the foundation for natural insecticide, was promoted by a U.S. investor in the remote southern part of the country. It has tripled income for over 3,000, mostly women, producers. A third activity is expanding employment with off-farm activities with small amounts of credit to support agricultural-based businesses such as sunflower oil production. This credit is designed to respond to needs among small and micro enterprises. USAID is also working to build an appropriate business environment for small entrepreneurs in rural Uganda. The Foundation for International Community Assistance (FINCA), a U.S. non-governmental organization (NGO), has organized over 1,000 women into savings groups that have borrowed -- and repaid -- over \$400,000 during the last two years. This is a significant achievement in a country where rural credit programs have uniformly failed.

**USAID Role and Achievements To Date:** USAID acts as a facilitator and catalyst to create an enabling environment in which entrepreneurs can take advantage of Uganda's natural comparative advantages, and new market opportunities emerge. This entails many diverse activities, from working with farmers to improve farming, storage and handling, to helping business people put deals together, and rehabilitating long-impassable rural roads. Our program is working. NTAEs grew at an average annual rate of 35% between 1990 and 1994. Returns to rural labor associated with NTAE production increased at an average annual rate of 25% over the 1990-1993 period, well in excess of the growth of per capita gross domestic product (GDP). These achievements translate into a better quality of life for Ugandans. For example, women in one of the NTAE-producing areas confirmed increased incomes and stated that they are now better able to pay for school fees, medical care, and food.

**Description:** Accomplishing this effort relies on increasing rural business activity, including farm businesses. Actions funded under four principal activities lead to this result. The Cooperative Agriculture and Agribusiness Support (CAAS) activity increases agricultural productivity and rural incomes through an increased supply of inputs, liberalized marketing and assistance to agribusiness. Resources from a P.L. 480, Title II monetization program support these objectives. The Agriculture Non-Traditional Export Promotion (ANEP) activity aims at alleviating public and private sector constraints to export of a range of NTAEs, in part by strengthening analytic and policy-making capacity. The Investment in Developing Agricultural Exports (IDEA) activity helps to diversify NTAEs by expanding food crop exports such as maize and beans to other countries of the Greater Horn, thereby enhancing regional food security, and meeting regional demands for basic food requirements. The Private Enterprise Support, Training and Organizational Development (PRESTO) activity is expanding rural credit through U.S. private voluntary organizations (PVOs) and local financial institutions and tackling policy and regulatory constraints to business development.

**Host Country and Other Donors:** Alleviating poverty is the Government of Uganda's (GOU) highest development priority. The GOU is committed to creating the proper enabling environment through disciplined adherence to structural reforms such as the abolition of marketing boards and liberalized trade and payments systems. Achievements realized under the SO require a primary role by the private sector. USAID's chief collaborators are the World Bank and the European Union, although most major donors address the problems under this SO with activities designed to raise income and alleviate poverty. To improve coordination, a private sector donor subgroup, chaired by USAID, meets monthly.

**Beneficiaries:** Fourteen million Ugandans living in rural areas are the target beneficiaries of this strategic objective.

**Principal Contractors, Grantees, or Agencies:** Activities contributing to the achievement of SO 1 are implemented by a number of U.S. contractors and PVOs. These include Chemonics International, Agricultural Cooperative Development International, the Foundation for International Community Assistance, Land O'Lakes, and Mississippi State University. A U.S. firm is currently being selected to implement the Private Enterprise Support, Training and Organizational Development activity.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Average household expenditures	100 (1992)	137 (1998) <sup>1</sup>
Increase in NTAEs	\$33.7 million (1990)	\$138 million (1998 )
Increase in savers and repeat rural borrowers in USAID-supported programs	1,000 (1995)	6,000(1998)

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<sup>1</sup> Represents a 3.5% annual growth rate in average rural expenditures. Therefore, the baseline is taken as 100%.

## ACTIVITY DATA SHEET

**PROGRAM:** UGANDA

**TITLE AND NUMBER:** Stabilize Biodiversity in Target Areas, 617-S002

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$8,306,527 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1997

Purpose: To maintain the integrity of globally-important biodiverse ecosystems.

Background: USAID has designated Uganda as a biodiversity priority country containing ecosystems critical to the conservation of globally-important biodiversity. However, this unique biodiversity is imperiled by unsustainable natural-resource management practices. USAID is assisting Uganda to maintain the integrity of targeted biodiverse ecosystems. USAID's Action Program for the Environment (APE) activity is the principal component of this strategic objective (SO).

USAID Role and Achievements to Date: At a national level, USAID supports activities designed to establish an appropriate policy and institutional framework for environmental management; and at the local (e.g., protected area) level APE activities assist the National Parks and non-governmental organizations (NGOs) to better manage protected areas. USAID's efforts have led to major improvements in Uganda's environmental policy and institutional framework. A National Environmental Action Plan (NEAP) was adopted with landmark legislation signed into law. Six new national parks have been created since 1991, bringing to 10 the number of parks within Uganda's protected area system. These parks are USAID's target areas for biodiversity stabilization, including basic repositories for *in situ* conservation in Uganda. Important progress has also been made outside the policy arena. Tourism has increased fivefold since 1991, with a concomitant tenfold increase in park-user fees. Privatization of state-owned tourism concessions, and numerous ecotourism ventures launched by local communities intent on capitalizing on increasing numbers of tourists, have created significant employment. The parks system has adopted a policy of sharing revenue with local communities, and sustainable multiple-use practices have allowed buffer-zone communities continued access to park resources. Finally, local communities participate in park management. USAID is also assisting the Government of Uganda (GOU) to respond to the uncontrolled spread of destructive water hyacinth plants in the countries adjacent to Lake Victoria.

Description: At the national level, assistance focuses on the development and implementation of a comprehensive strategy to address environmental issues through policy, legislation and institutional reform--the NEAP. Technical assistance and training have resulted in the adoption and implementation of the plan. At the local level, USAID-funded U.S. and local NGOs strengthen management of protected areas by creating conservation incentives for local communities; promoting conservation through revenue sharing, and by increasing public awareness. USAID also supports research aimed at improving protected-area management and increasing environmental management capacity of GOU agencies, local NGOs and community-based organizations. A U.S. firm is assisting the GOU to contain the economic and environmental damage caused by the proliferation of water hyacinths on the region's lakes and rivers.

Host Country and Other Donors: USAID works most closely with the National Environment Management Authority on broad policy and institutional issues, and with the Uganda Wildlife Authority on protected-area management issues. USAID collaborates with other donors, including the World Bank, the International Union for the Conservation of Nature, German Technical Cooperation, the European Community and Danish International Development Agency to ensure overall donor coordination in natural resource management.

Beneficiaries: Activities implemented under this SO benefit the nation as a whole through improved management of the country's natural resources and increased foreign exchange and employment from an expanding ecotourism industry. Activities implemented by NGOs in the buffer zones of protected areas

benefit rural communities surrounding national parks. USAID efforts to control water hyacinth benefit riparian communities around Lake Victoria.

Principal Contractors, Grantees or Agencies: Activities contributing to the achievement of SO 2 are implemented by U.S. contractors, private non-profit companies, and U.S. and host-country private voluntary organizations (PVOs) and NGOs. These include Tropical Research and Development, Aquatics Unlimited, Volunteers in Overseas Cooperative Assistance, Agricultural Cooperative Development International, Consortium for International Development, Cooperative for American Relief Everywhere (CARE), World Wide Fund for Nature, and African Wildlife Foundation.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
% current surface areas maintained <sup>2</sup>	40% (1986)	100% (1997)
Annual park user fees revenues	\$74,000 (1991)	\$1 million (1997)
Increase in buffer zone employment	0 (1989)	12,000 (1997)
Increase in % park staff trained	0% (1989)	60% (1997)

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<sup>2</sup> This measure assesses the area of national park protected by national wardens.

## ACTIVITY DATA SHEET

**PROGRAM:** UGANDA

**TITLE AND NUMBER:** Improve the Quality and Efficiency of Basic Education, 617-S003

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$12,335,357 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To improve the quality and efficiency of basic education.

Background: Basic education is fundamental to sustainable development, and is one of the essential elements in USAID's strategy of encouraging broad-based economic growth. Primary education has a decisive impact on all four of USAID's Strategic Objectives in Uganda. There is a strong correlation between investments in education and increased productivity and life expectancy, reduced fertility and poverty, improved income and distribution, and democracy. A recent study in Uganda demonstrated a strong correlation between education and the adoption of behaviors to avoid human immuno-deficiency virus (HIV) infection.

One critical precondition for Uganda's long-term success in social and economic reforms is the availability of people with appropriate training and skills in a broad range of technical, professional and commercial areas. The skill level of primary school graduates must increase dramatically to provide the basis for this training. Uganda's education system is constrained by limited access, poor quality and dilapidated physical infrastructure. USAID assistance supports the Government of Uganda's (GOU) priority policy goals within a cohesive education reform program.

USAID Role and Achievements to Date: USAID finances key elements of the GOU's education reform program. After three years significant results have been achieved. Some 5,000 principals, teachers, and tutors, representing 7% of the primary teaching force, are currently enrolled in USAID-sponsored inservice training programs. As a result of policy dialogue, the GOU has committed itself to increasing teachers' salaries to a minimum living wage of \$70 per month. Since 1992, the GOU has increased teachers' salaries from the equivalent of \$8 per month to \$51 per month in 1995. For the first time in two decades, primary schools have been given a budget and permitted to select and order a total of 1.5 million textbooks. During the last two years, communities have been mobilized to build an additional 1,000 classrooms.

Description: USAID's education program targets four policy objectives as precursors to establishing an environment in which education can once again flourish. The first is to help re-establish teaching as a respected profession--by bettering salaries and working conditions, upgrading skills and certification through in-service training, and improving school management. The second is to work with the GOU to increase the level of resources available for primary education by improving resource allocation and budgeting. A related objective is to increase availability of instructional materials by allocating more resources and liberalizing the procurement process. Decentralization is an important principle in this activity. Prior to USAID's involvement, a corrupt and monopolized market for school supplies was in place. Finally, USAID's program is encouraging local communities to become more involved and responsible for meeting students' educational needs. At the same time, the school systems are encouraged to become more accountable to parents and students.

Host Country and Other Donors: USAID's resources complement those of other donors in the education sector. USAID funds educational reform alongside the World Bank's efforts by financing agreed-upon activities from the GOU's reform agenda. Other participants in the primary education sector include the United Nations Children's Fund (UNICEF), the Danish International Development Agency (DANIDA), and, on a smaller scale, non-governmental organizations (NGOs) such as World Vision, ActionAid, InterAid and the Aga Khan Foundation.

Beneficiaries: Two and a half million primary school pupils and 75,000 primary teachers directly benefit.

Principal Contractors, Grantees, or Agencies: Activities contributing to the achievement of SO 3 are implemented by a number of U.S. institutions. These include the Academy for Educational Development (AED), the Institute for International Research (IIR), Creative Associates, the University of Massachusetts, and the Research Triangle Institute.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
<i>Increased efficiency of basic education:</i>		
% of pupils passing grade 7	72% (1990)	85% (2002)
Number of years of school provided per primary school graduate <sup>3</sup>	32 yrs+ (1990)	12 yrs+ (2002)
Increased number of students using relevant educational materials:		
Book-pupil ratio increased to a minimum of one set of four core books for every three pupils	1:6 (1990)	1:3 (2002)
<i>Increased number of effective teachers:</i>		
% of qualified Grade III teachers	49% (1990)	90% (2002)
Increased girls' persistence		
% of girls enrolled in grade 7 as a % of girls who start school	24% (1990)	40% (2002)

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<sup>3</sup> This measure is the average number of years of instruction provided per primary school graduate, or completion of seventh grade.

## ACTIVITY DATA SHEET

**PROGRAM:** UGANDA

**TITLE AND NUMBER:** Improve the Reproductive Health of Ugandans, 617-S004

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$15,541,157 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: To reduce fertility and the transmission of human immuno-deficiency virus (HIV).

Background: Uganda's current fertility of 6.8 is among the highest in Africa. Although 67% of married women either want no more children or want to delay their next pregnancy by at least two years, only 7.8% are currently using modern family planning. Estimates of maternal mortality range from 600 to 1,000/100,000 live births. Uganda also has one of the highest rates of HIV prevalence in the world. Approximately 1.9 million Ugandans have been infected, and over 400,000 have died. Estimated prevalence is as high as 20% of the adult population of some urban populations. Poorly trained and paid health staff at insufficient health facilities, popular misconceptions about family planning and HIV, high prevalence of sexually-transmitted diseases (STDs), traditional sexual norms and the status of women, and low condom utilization are major constraints.

USAID Role and Achievements to Date: Since 1989, when USAID involvement in family planning and Acquired Immune-Deficiency Syndrome (AIDS) began with modest support, fertility has begun to drop and the use of modern family planning has more than tripled. A 1995 Demographic and Health Survey (DHS) concluded that "...Uganda is witnessing a period of rapid fertility decline." The DHS also indicates that knowledge of AIDS is nearly universal and that knowledge that AIDS can be prevented is on the order of 90%. The country is witnessing a decline in the number of new HIV infections (measured among women who attend pre-natal clinics) after years of steady increases, with clear indications of important changes in sexual behavior and steadily increasing use of condoms. Evaluation data clearly indicate that USAID projects have been effective contributors to these trends. USAID project beneficiaries report reductions in multiple and casual partners and increased condom utilization.

Description: USAID-supported activities seek to reduce fertility and HIV transmission by increasing the utilization of basic reproductive health services (family planning and maternal health, STDs/HIV), improving the quality of those services and changing behaviors in selected areas of Uganda. The SO 4 portfolio includes six sets of activities intended to: (1) increase availability of good-quality services in health facilities; (2) increase availability of good-quality services at the community level; (3) provide the public with correct information and motivation to use available services and adopt preventive behaviors; (4) increase availability of contraceptives through the private sector; (5) increase revenue generation in health facilities; and (6) strengthen private-sector provider organizations.

Host Country and Other Donors: USAID is the largest bilateral donor in reproductive health, followed by the British Overseas Development Agency. Among the multilaterals, the World Bank is the largest donor, with substantial investments in controlling sexually transmitted infections and improving district-level health services. The United Nations Population Fund (UNFPA) is also a major actor in family planning. The Government of Uganda has encouraged these donors to work in different districts to spread resources evenly around the country and avoid overlap, with the Ministry of Health assuming an overall coordination role. USAID has closely coordinated with the World Bank in reproductive health, with the Bank agreeing to finance commodities to complement USAID's provision of technical assistance. The United Nations Children's Fund (UNICEF) is a major source of funds for child survival activities. The United Nations Development Program (UNDP) and the Danish International Development Agency (DANIDA) are significant sources of AIDS funding.

**Beneficiaries:** USAID-funded programs are active in 13 of Uganda's 39 districts, which include about 35% of Uganda's population of around 20,000,000. Thus, about 7 million people are potential beneficiaries of activities in the SO 4 portfolio. Women from 15 to 45 years of age in these districts total about 1,500,000 and are the direct beneficiaries of family planning and maternal health services. In addition, the social-marketing program has created commercial markets for condoms and oral contraceptives throughout the country.

**Principal Contractors, Grantees or Agencies:** Pathfinder International, Johns Hopkins University, University of North Carolina, E. Petrich and Assoc., Futures Group, African Medical and Research Foundation, Cooperative for American Relief Everywhere, AIDS Information Center, AIDS Support Organization, Association for Voluntary Safe Contraception, and John Snow International.

**Major Results Indicators:**

	<u>Baseline<sup>4</sup></u>	<u>Targets<sup>4</sup></u>
Total Fertility Rate	6.8 (1995)	6.0 (1999)
Contraceptive Distribution	to be set 1996	
HIV prevalence, 15 - 19 year old women	12.5% (1995)	3% decrease (1998)
Condom Distribution	TBD (1996)	TBD

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<sup>4</sup> To be determined.

## ZAMBIA

**FY 1997 Development Fund for Africa: . . . . . \$20,266,511**

### **Introduction.**

Zambia is centrally located in the southern region of Africa. It is one of the few sub-Saharan African countries that has not experienced one or more military coups, wars, or civil conflicts since its independence. In addition, it is one of the few that has experienced a peaceful transfer of national political power. Zambia continues to play a positive regional role in African conflict resolution, including peacekeeping. The U.S. interest is primarily to enhance prospects for peace and stability in the region. The United States Government is committed to sustainable development in the belief that development produces stability, growth, and ultimately trade, and that these will result in fewer claims on U.S. military and humanitarian relief capabilities. It is, therefore, in the U.S. interest that the Government of the Republic of Zambia (GRZ) succeed in its efforts to further stabilize its economy, consolidate democratic processes, open investment opportunities for domestic and foreign investors alike, reduce its population growth rate, improve the quality and coverage of primary health care and curb the scourge of HIV/AIDS.

### **The Development Challenge.**

Zambia suffers from severe constraints stemming from more than 25 years of socialism, resulting in neglect and abuse of the country's political institutions and physical infrastructure and one of the world's highest rates of indebtedness (\$700 per capita). USAID supports activities to make public decision making more transparent and effective by increasing citizen awareness of rights and responsibilities, promoting independent journalism, and improving public policy implementation. USAID also endorses the IMF-sponsored structural adjustment program as the one best means to bring about recovery and sustainable development for the country. The GRZ commitment to political and economic reform has, at times, been questioned. However, Zambia continues to have one of the best sustained commitments to political and economic reform of any country in Africa., and there are signs that Zambian popular pressure is helping to keep the Government focussed on its original liberal economic and democratic objectives.

Zambia is one of sub-Saharan Africa's most highly urbanized countries. About half of Zambia's 9.1 million people are concentrated in a few urban zones strung along major transportation corridors. Rural areas are underpopulated. Unemployment and under-employment are serious. Zambia is also one of the world's poorest countries. Per capita annual income -- currently about \$350 -- is about half the level at independence in 1964 and places the country among the world's least developed nations. Social indicators have shown sharp declines, particularly measurements such as life expectancy at birth and maternal and infant mortality. The high population growth rate of 3.2 percent makes it difficult for per capita income to increase. Zambia's population has more than doubled in the last 25 years. The country's level of economic growth can support neither rapid population growth nor the debilitating effects on maternal and child health resulting from it. Current trends have shown a further decline in maternal and child mortality. If these trends continue, Zambia could see an increase in under-five child mortality from the already high levels of about 202 deaths per 1,000 live births to 250 deaths by the year 2005.

In part, this dismal record is the result of several recent major droughts and near-drought climatic conditions and their effect upon a maize-dominated agricultural regime. In part, it is also the result of poor policies and lack of reinvestment in the major industrial economic sectors, led by the copper mining industry. Despite these obstacles, a general liberalizing trend continues, and policies are in place to bring about positive changes. Recognizing that democracy and governance are essential components of sustainable and equitable economic development, USAID and other donors have moved swiftly to establish programs of assistance. Improved monetary policy has stabilized the local currency, and fiscal

policy is gradually improving the balance between revenue and expenditure in state accounts. At present no P.L. 480 assistance is envisioned, as the recent regional drought cycle seems to have ended, with good rains in 1995/96. The U.S. Government has forgiven all bilateral debt that can be forgiven under existing legislation, but further debt relief of the remaining P.L. 480 and the Export Import Bank debts would be welcome.

Zambia still requires extraordinary high levels of donor support in order to permit the continued functioning of the government. At least 36% of government revenues are derived directly from donor contributions. Only after a sustained period of restructuring, reorganization and reinvestment in the key private sectors of the economy can Zambia expect to rely on its domestic production and trade, and thereby reduce dependence on external assistance. The region suffers from periodic cycles of drought, and only extraordinary success in diversification of crop patterns and the introduction of new markets can protect rural areas from the penalties of recurrent drought.

USAID has played an important role in the recovery of Zambia over the past four years, especially in the privatization of state-owned enterprises and the promotion of the government's programs of reform, particularly health and family planning. By this means, and with an extensive program of P.L. 480, Title II famine relief, the United States has successfully contributed to the establishment of a social safety net and to the generation of domestic pressures to sustain political and economic reform.

#### **Other Donors.**

The United States is Zambia's sixth largest bilateral donor, after Germany, Japan, the United Kingdom, Sweden and the European Union. In FY 1995, USAID disbursed \$27.1 million in grant assistance, including \$4.9 million in funds for the Zambian component of programs that are regional in scope. The donor community pledged \$760 million in support of Zambia's development in 1996. Much of this is conditioned on continued good governance and specific economic performance and reform criteria. The pledges are composed of \$335 million in balance-of-payments support, \$343 million in project assistance, and \$72 million in food and commodity assistance.

#### **FY 1997 Program.**

USAID pursues a strategy aimed at creating an open and democratic climate within which the Zambian people can develop, prosper and invest in the economic opportunities available in the country, while reversing socioeconomic deterioration caused by the effects of past statist policies. U.S. interest is defined by Zambia's continued performance as a stable and progressive political influence in a troubled region. This role will be demonstrated by successful free and fair national elections scheduled for early FY 1997. Increased economic activity in urban areas and within rural communities provides an essential backdrop to the proper functioning of this evolving and decentralizing political system. Improved policies associated with agriculture and industry, alongside those which are already in place, can mitigate the worst effects of seasonal stresses on the basic food supply. More effective family planning and HIV/AIDS-control programs, and improved maternal and child health, can reduce pressures on social structures and help enhance popular support for further reforms.

Family health and population activities dominate two thirds of the portfolio in terms of expenditures, but privatization, economic reform, and democracy and governance activities are important and will be key indicators of USAID program success.

#### **Agency Goal: Encouraging Broad-based Economic Growth**

In line with the GRZ's desire to promote business development and encourage competition and investment for recovery and growth, USAID/Zambia seeks to facilitate the broad-based participation

by private enterprise in the key economic sectors of the country. Two of USAID's objectives in Zambia are to privatize state-owned enterprises and to encourage rural groups to contribute in greater measure to the national economy. As of December 1995, Zambia had privatized 45 parastatal units (90% of USAID's target) (including the Chilanga Cement and Zambia Sugar Companies, sole producers of cement and sugar), and closed other budget-draining parastatals, including ZIMCO (the parastatal holding company), the United Bus Company of Zambia, and Zambia Airways. Another 42 were in final stages of settlement. Zambia has begun the divestiture process for Zambia Consolidated Copper Mines and the country's telecommunications industry, two of the principal generators of export revenues. USAID is providing technical assistance to facilitate this process, including the establishment of a national licensing and monitoring authority that is expected to assist in the introduction of competitive and diversified telecommunication services in the future. Approximately ten percent (500) of the owners/managers of registered small and medium manufacturing, trading and service firms have received USAID-funded business training in key topics through a program undertaken by local universities and other training organizations. Over half of these firms reported that they have turned this training into new lines of credit or developed new efficiency in their activities.

The GRZ historically spent almost 33% of its budget on maize production, marketing and consumption subsidies; during that period, state-owned enterprises or parastatals dominated agro-processing industries. USAID's agricultural-sector activities are aimed at sectoral reform, including market liberalization and the development of supporting institutions. During the first totally liberalized marketing season (1994/1995), price subsidies were abolished, and maize price movements reflected supply and demand for the first time. Changed agricultural incentives led to an expansion and diversification of the supply of foodstuffs and the takeover of the market by private traders, millers and other processors. Commercial farmers and rural families are now in a better position to interpret and respond to market signals. As a result, farmers are more confident about investing, and onlookers anticipate a bumper harvest for the 1996 season.

Most small farmers still need assistance before they can participate effectively in the national economy. Decades of central economic control have reduced their ability to respond to market incentives and solve community problems. In addition, most live in areas poorly serviced by economic infrastructure. Pilot activities are needed to test best practices to link newly freed agribusinesses and more efficient private sector fertilizer markets to small farmer production and marketing efforts, and particularly to drought-resistant crops in dry areas, in preparation for the next drought cycle. These linkages will include more effective community-based land use and natural resource management.

New USAID obligations for this Agency goal will be used to free major state-owned industrial and trading enterprises from the grip of inefficient, bankrupt public management; to facilitate further opening of supporting institutional structures; and to undertake pilot activities to introduce into the market economy the majority of rural producers who are smallholders. [\$5,429,992 - 1997].

- Strategic Objective 1:           Reduce the State's Role in the Provision of Goods and Services
- Strategic Objective 2:           Increase the Participation of Rural Enterprises and Communities in the National Economy

**Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

Because of Zambia's daunting economic problems and budgetary constraints, the threat posed to the country's social fabric, including the strains on health conditions, is extraordinary. Zambia is one of two countries in the world where an increase in infant mortality over the past decade has been documented. The GRZ is leading the reform in implementing a policy of more equitable health care access through decentralization of both management and the service-delivery system and is actively looking for ways to get the private sector to assume a greater share of the health care burden. USAID

has consolidated several activities in the health area into a single strategic objective to reflect consolidation of services through community and district health institutions, which characterizes the new GRZ health reform program. USAID is promoting a decentralized, yet integrated, low-cost package of services -- including family planning -- to improve child survival nationwide. The GRZ passed the National Health Services Act of 1995, which provides the legal basis for the Ministry of Health's nationwide decentralized health reform process. In the past year, the concept of fees-for-medical services has been established in government health facilities. However, the GRZ health sector is underfunded and in many instances short of the skill and staff required to implement the necessary programs.

USAID is a major donor for the GRZ's progressive and comprehensive program for the prevention, monitoring and care of HIV/AIDS-related diseases. With a sero-positive rate of 25% overall, Zambia ranks among the highest in the world in HIV/AIDS incidence. USAID is supporting public health education for high-risk target groups; increasing the availability of condoms on the commercial market; improving the availability of medications; promoting the correct identification and management of sexually transmitted diseases (STD); and improving counseling/testing facilities. According to a 1995 joint Japanese-U.S. project evaluation, USAID's HIV/AIDS prevention activities targeted on high-risk groups in Zambia's major urban areas have been innovative and highly successful in raising awareness of HIV/AIDS. Current sexual practices facilitate HIV/AIDS transmission, and cultural changes are often slow in appearing in statistical records. ~

USAID has been instrumental in building sustainability behind the use of contraceptives. The annual social marketing record for sale of condoms has exceeded targets by 10%, giving it the second highest per capita sales (.76) of any social condom marketing project in Africa. The contractor is working almost exclusively through the private sector in selling contraceptives, rather than giving them away, thus moving this activity toward financial sustainability. Sales of contraceptives are increasing faster than the rate of growth of the sexually active population. The Government has granted approval for a broader mix of contraceptive methods, including granting regulatory approval for the contraceptive implant NORPLANT. The delivery of quality family planning services is limited by the lack of trained health personnel, the limited hours of operation of public health clinics, the limited mix of contraceptive methods, and the operational problems of the contraceptive, logistical-management system. Elements of the USAID program are not yet national in scope but are expected to reach that goal by the end of FY 1997.

- Strategic Objective 3: Improve the Health Status of Zambians

**Agency Goal: Building Democracy**

The institutions and habits of authoritarian one-party rule remain deeply embedded in the Zambian political culture, despite the election and peaceful assumption of power of a reform-oriented new political group in the 1991 multi-party elections. In the wake of a rapid political transition, Zambia still lacks a political culture which affirms and adheres to democratic ideals. USAID's fourth strategic objective aims at removing constraints facing the independent media; improving the degree to which the political and legislative process is transparent and informed by, and responsive to, the public; improving executive capacity to assess policy options and respond to citizens' needs; and assuring a free and fair voter registration and election process, both for national and local elections across the country.

USAID's support of the constitutional review process resulted in the submission of a Draft Constitution in the closing months of FY 1995. The Cabinet Office is functioning more efficiently as a result of technical assistance and commodities supplied by USAID. Political parties, non-governmental organizations (NGO), and appointed officials have welcomed and value USAID's programs in support of preparations for free and fair elections in late 1996. New civic action groups are proliferating. The press continues freely to take issue with the government on a number of important issues in a

qualitatively improving journalistic atmosphere. The Zambian Supreme Court exerted its independence from partisan influence when the *Public Order Act*, which allowed strict government control over public assemblies, was ruled unconstitutional and therefore invalid. That decision clears the way for opposition political parties and civic action groups to hold public meetings without police permission. Lawyers, civic activists, and opposition politicians hailed the decision as a major advance in the cause of democracy and an independent judiciary.

On the downside, the ruling party is currently pre-occupied with the 1996 elections and political survival rather than focusing on issues of good governance and broader democratic goals. There has been a resurgence of what has come to be known as "*Second Republic Mentality*" (i.e., actions and behavior reminiscent of the discredited predecessor regime). The GRZ has thus far failed to carry out voter re-registration in a transparent, competent and timely fashion, necessitating postponement of 1995 local government elections and an extension of the voter registration time table for the 1996 national elections. Registration procedures are unnecessarily cumbersome. The GRZ has not yet been responsive to citizen and civic group demands on the method of approving and adopting the new constitution. New funding, totalling \$1,422,000 in 1997, is needed to continue the political transformation by providing resources for effective civil society institutions that promote civic education and lobby for the rights of disadvantaged groups following the election.

- **Strategic Objective 4:** Increase the Participation, Transparency and Accountability of Zambian Institutions in Civil Society

**ZAMBIA  
FY 1997 PROGRAM SUMMARY**

	<b>Encouraging Broad-based Economic Growth</b>	<b>Stabilizing World Population Growth &amp; Protecting Human Health</b>	<b>Protecting the Environment</b>	<b>Building Democracy</b>	<b>Providing Humanitarian Assistance</b>	<b>TOTALS</b>
USAID Strategic Objectives						
1. The State Removed from the Provision of Private Goods and Services - Dev. Fund for Africa	3,329,992		275,591			3,605,583
2. Increase the Productive Participation of Rural Enterprises and Communities in the National Economy - Dev. Fund for Africa	2,100,000		390,000			2,490,000
3. Improved Health Status of Zambians - Dev. Fund for Africa		12,748,928				12,748,928
4. Increased the Participation, Transparency and Accountability of Zambian Institutions in Civil Society - Dev. Fund for Africa				1,422,000		1,422,000
<b>Totals</b> - Dev. Fund for Africa	5,429,992	12,748,928	665,591	1,422,000		20,266,511

USAID Mission Director: Joesph F. Stepanek

## ACTIVITY DATA SHEET

**PROGRAM:** ZAMBIA

**TITLE AND NUMBER:** Reduce Government Role in Production Sectors, 611-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,605,583 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1997

Purpose: To reduce the state's role in the provision of goods and services more efficiently produced by the private sector.

Background: When the present government was elected in late 1991, the state controlled about 80% of all economic activity. Government subsidies, protection and mismanagement produced distortions that resulted in the decline of the Gross National Product by two percent per year since independence and left Zambia one of the most indebted countries in the world. The 1992 Zambian Privatization Act calls for the transfer of control and management of most of the industrial sector, except for public utilities, to private ownership. USAID is supporting the Government of the Republic of Zambia's (GRZ) program by facilitating the privatization of 50 to 75 state-owned enterprises by 1997 and by making small- and medium-sized enterprises more efficient and competitive. USAID's program will create market opportunities for local and international business, open doors for private investment and free up public resources and talent.

USAID Role and Achievements to Date: USAID is providing technical assistance to the Zambia Privatization Agency (ZPA) (1) to facilitate the marketing and sale of state-owned enterprises to local and international investors, (2) to educate the population on the process and consequences of privatization, and (3) to build local ZPA staff capacity. Of the projected 50-75 companies to be privatized under USAID's Privatization Support Project, 45 companies had been privatized by December 31, 1996. (Since branches of some companies have been split into individual companies, there are now 102 new, individual private units operating in the Zambian economy.) The ZPA staff has been trained in privatization methodologies and is becoming proficient in the divestiture of state owned enterprises. Advisory services are being provided to the Zambia Communications Authority to assist in establishing an appropriate telecommunications regulatory framework. Also, USAID provides technical assistance and training to strengthen small- and medium-sized enterprises (SMEs) through executive advisories, in-country training and U.S. scholarships. Of the more than 500 SMEs which were supported through USAID programs, more than half have reported increased business strength as a result of the assistance, either through internal efficiencies or new capital investment.

Description: USAID supports its current program of direct technical assistance to ZPA by providing financial and marketing assistance in the privatization of the key, state-owned industries, including the mining and telecommunications companies. Special assistance will be provided that will focus on the policy and legal changes needed to attract and retain international buyers. USAID seeks to increase the number of successful, registered, private-owned businesses in Zambia by providing training and technical assistance to entrepreneurs and private institutions. The objective is to make the business-support system in Zambia sustainable and linked with additional supporting resources, including credit and other capital resources, which are available in the region.

Host Country and Other Donors: USAID is the leading bilateral donor supporting privatization. The World Bank is conditioning balance-of-payment support on progress achieved in privatization. Norway, Denmark, Germany, and the United Kingdom are the other major bilateral partners in this sector. The GRZ remains committed to privatization, and contributes the bulk of resources to undertake the program, in part through a fund composed of proceeds from deposits and sales. Donor support speeds the process through the provision of technical expertise and advice which is otherwise not available

or commercially affordable.

Beneficiaries: The beneficiaries are Zambian managers and investors who are free to undertake productive market-oriented investments and receive adequate rewards for their initiative. All citizens benefit from a wider array of choices in goods and service opportunities.

Principal Contractors, Grantees or Agencies: USAID implements the activity through the Center for Financial Engineering in Development, Price Waterhouse Inc., Clark Atlanta University and the International Executive Services Corps.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Private sector share of gross domestic product	45% (1992) <sup>1</sup>	60% (1998)
Private sector share of formal employment	20% (1992)	60% (1998)
Gross Revenues of State-owned enterprises sales	\$80 million (1995)	\$1,500 million (1998)
Number of private registered businesses	5,000 (1993)	7,000 (1998)

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<sup>1</sup> Source: All from project records

## ACTIVITY DATA SHEET

**PROGRAM:** ZAMBIA

**TITLE AND NUMBER:** Increase the Participation of Rural Enterprises and Communities in the National Economy, 611-S002

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,490,000 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To increase the productive participation of rural communities and enterprises in the national economy.

Background: When the present government took over in 1991, virtually all agricultural input and product prices and marketing channels were controlled by the government. Maize subsidies absorbed up to one third of the government's budget and distorted cropping decisions. Parastatals dominated agribusiness. With the success of USAID's policy reform effort, Zambian policies now encourage farm-enterprise diversification and innovation, investment, and domestic and regional commercial trading. Production, marketing and consumption subsidies have been eliminated, wasteful state management of farm credit schemes abolished, and food industry parastatals privatized.

The USAID strategy recognizes that for agricultural production to continue growing, the Government of the Republic of Zambia (GRZ) must broaden and deepen the significant liberalization steps already taken. Zambians must develop new institutions and institutional cultures to ensure broad based, equitable and sustainable rural economic growth. They must learn to respond profitably to domestic- and export-market signals. Input and output delivery systems must be improved to support increased rural family productivity. In response to these emerging needs, USAID's assistance has evolved from more traditional forms of policy support to direct assistance to communities and businesses based on their aspirations.

USAID Role and Achievements to Date: As the lead donor assisting agricultural policy development over the past few years, USAID has overseen the decontrol of pricing and marketing channels and the liberalization of markets. USAID led in the move to eliminate maize subsidies, which had taken about one third of the government budget. The GRZ now saves over \$50 million each year. The decontrol of agricultural markets, including removal of maize subsidies, has also led to crop diversification and less vulnerability to changing weather conditions. Prior to removal of subsidies, Zambians had been planting maize in dry areas more suited to other crops. These areas are now shifting back to millet, sorghum, and cassava and into cash crops like sunflower and soybeans. These more drought-prone areas are growing more drought-resistant crops, while maize is being planted in areas with better rainfall.

The GRZ's ability to sustain reform depends on the existence of a social safety net in times of drought, and USAID has led in establishing a social safety net in drought-hit areas by providing an effective early warning system on grain production and availability. USAID also contributed 20,000 tons of sorghum food relief and \$1.2 million in local currency for relief monitoring, disaster management capacity building, drought resistant seed multiplication and distribution, water point rehabilitation, and food for work management.

Description: With assistance to rural communities and enterprises, USAID pursues diversified agricultural production and processing, sustainable natural resource management, food security and equitable rural growth. By targeting food processors and outgrowers' schemes that market or process small-farmer production, small-farmer linkages to domestic and regional markets will be developed. Pilot activities linking rural enterprises with commercial credit and new technologies will demonstrate to the government that subsidized farm credit is unnecessary and counterproductive; this will also show that

non-governmental organizations (NGOs), trade association, and agribusiness networks can improve input and output marketing and stimulate investment in appropriate scale agro-processing. Community organizations will have greater authority over natural resources by participating in decisions on the management and preservation of Zambian wildlife, forest and water resources. Improved governance, accountability and transparency will be pursued from the ground up. Rural communities will seek out and influence decision-makers in resolving practical constraints to rural economic growth.

Host Country and Other Donors: USAID has vigorously taken issue with the World Bank and GRZ’s approach to sector investment. As a result, the Bank and the GRZ are now much more open to NGO and private contributions to sectoral planning. Consequently, there is a more rational balance between public and private sector contributions to agricultural growth. Separate monthly donor meetings with the GRZ are held to discuss natural resources management, food relief and agriculture sector investment.

Beneficiaries: Disadvantaged rural communities, people in game management areas, small scale farmers, agribusiness operators.

Principal Contractors, Grantees, or Agencies: National Cooperative Business Association/Cooperative League of the USA, CARE, World Food Program, World Wildlife Fund, GRZ, trade associations and agribusinesses.

Major Result Indicators:

	<u>Baseline</u>	<u>Target</u>
Agricultural exports as a percentage total non-traditional agricultural exports	44% (1993) <sup>1</sup>	65% (1998)
Agribusiness as a proportion of the Gross Domestic Product	51% (1994)	75% (2000)
Credit for rural enterprise (percentage of commercial bank lending)	0% (1995)	3% (2000)

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<sup>1</sup> Source: All from project records

## ACTIVITY DATA SHEET

**PROGRAM:** ZAMBIA

**TITLE AND NUMBER:** Improved Health Status of Zambians, 611-S003

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$12,748,928 DFA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2002

Purpose: To improve the health status of Zambians.

Background: Since 1970, Zambia's economy has been declining while population has been increasing rapidly, rising from 4.1 million in 1969, to 5.7 million in 1980, and to 9.1 million in 1995. At the same time Zambia commenced an extended period of state sponsored socialism that brought about severe neglect of physical infrastructure and a decline in socio-economic indicators. The ability of the nation to recover from and cope with this combination of events has been further constrained by the HIV/AIDS pandemic. (Zambia is one of the most affected nations in the world.) Other social indicators also show sharp declines among the productive working population. This has a potentially high impact on political and economic stability and on the willingness of the population to accept the sacrifices implicit in the current program of reform and restructuring of the economy. To address this problem, The Government of the Republic of Zambia (GRZ) has embarked on a series of health reforms that will allow the people greater access to both public and private sector health services, bring costs into line with the capacity of families and the nation to pay, and strengthen efforts to control unwanted pregnancies and HIV/AIDS.

USAID Role and Achievements to Date: USAID leadership is dominant in efforts to improve access by high risk sectors of the population to condoms and counseling on the risk of infection by HIV/AIDS. USAID assistance promotes increasing access and awareness of families to the use of modern contraceptives and privatization of related services. USAID has taken the lead role in promoting low-cost, sustainable technical interventions in child survival to fill a large gap in the health sector. Redesign of the health-information system, malaria prevention, professional training for health care workers, and packaged, preventive-health resources will lead to more accessible basic health services for mothers, infants and children. In all these efforts, USAID is working effectively with the GRZ to encourage the private sector to assume a greater share of health care delivery and the provision of health products.

The awareness of the threat of AIDS by high-risk elements of the population has significantly increased, and commercially-marketed sales of condoms (17 million in three years) have increased to a level of .76 per capita, the second highest per capita sales of any condom social marketing project in Africa. Family planning services and child survival activities have begun, but have not yet been extended to all health centers throughout the country.

Description: USAID plans to extend the child-survival/preventive-health activities into the existing health centers of 61 districts and 9 provinces in rural and urban communities. The program involves cross-skill training among health service providers and the establishment of a national system of quality control. USAID's program includes development of the impact reporting process, as well as helping build the essential participatory environment among client families that can magnify the benefits in related programs such as community sanitation.

Activities to strengthen awareness of family planning will be integrated into 60 health centers. Interventions include: 1) strengthening of the quality of service delivery through improved training curricula and hands-on demonstration; and 2) development of indigenous community resources on a private basis to disseminate family planning materials and related information. An important element of these activities is to strengthen community-based organizations that engage the spirit of

volunteerism, reduce costs of service delivery, and enhance the participatory environment and consequently promote the sustainability of the strategic objective.

Host Country and Other Donors: USAID is the third ranking donor, behind the United Nations Children’s Fund and Denmark, in support of the health strategic objective. The United Kingdom, the Netherlands and Sweden are close partners in overall funding, but USAID is the primary donor in support of HIV/AIDS control and family planning activities. Interest in this sector was sparked by the advanced position the GRZ has taken in promoting public sector reform and decentralization of health services as a priority.

Beneficiaries: The main beneficiaries will be the users of district and sub-district health clinics whose services will be markedly expanded and made more responsive to local planning and initiative. Secondary beneficiaries are the health services delivery professionals who will be better motivated to staff the decentralized clinics because their terms of employment will be significantly improved.

Principal Contractors, Grantees or Agencies: USAID implements the activity through CARE, John Snow International, Johns Hopkins University, Population Services International, Population Council, Morehouse School of Medicine, and the Basic Support for Institutionalizing Child Survival project, a consortium of U.S. institutions and universities.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Contraceptive prevalence rate (modern methods)	9% (1995) <sup>1</sup>	15% (2000)
Per capita condom sales	0.76 (1995) <sup>2</sup>	0.95 (1998)
Children age 12 -23 months fully immunized	67% (1992) <sup>3</sup>	80% (2002)
Reported condom use in most recent, high risk sexual intercourse	35% (1995) <sup>4</sup>	55% (1998)

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<sup>1</sup> Source: Demographic Health Survey

<sup>2</sup> Source: Project records

<sup>3</sup> Source: Demographic Health Survey

<sup>4</sup> Source: Project records

## ACTIVITY DATA SHEET

**PROGRAM:** ZAMBIA

**TITLE AND NUMBER:** Increase the Participation, Transparency and Accountability of Government Institutions in Civil Society, 611-S004

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,422,000 DFA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1997

Purpose: To increase the participation, transparency and accountability of Government institutions in civil society.

Background: When Zambia held multi-party elections in late 1991, it became the first English-speaking state in post-colonial Africa to undergo a democratic transition. Since then it has held a sequence of contested, peaceful by-elections, and is planning for a national election in 1996. Signs of consolidation of this nascent democracy are also evident. There is a growing maturity of political awareness evidenced by a proliferation of non-governmental organizations (NGOs) lobbying for popular causes associated with civil rights. There is also continued Government of the Republic of Zambia (GRZ) support for privatization of state-owned enterprises and a commitment to rely on competitive market forces and private enterprise. Finally, there is continued freedom and vigor in the print media; and demonstration of judicial independence in the court decision to annul sections of the Public Order Act requiring police approval for holding public meetings, including those associated with political campaigning.

The overriding constraint to success may prove to be the decline in economic well-being of ordinary citizens as a result of the adverse response of agriculture to near drought conditions, and the delayed response of the business sector to economic restructuring.

USAID Role and Achievements to Date: USAID's role is to support activities that will increase citizens' awareness of their civil rights and responsibilities; promote independent and professional journalism; and improve coordination of policy implementation in the Cabinet Office. The goals of the activity are: 1) to achieve government accountability; 2) to assure that public decisions are accessible and effective; 3) to support the role of the privately owned media; and 4) to encourage the conduct of free and fair elections. USAID provides technical assistance, training, and grants to civil society organizations and modest amounts of equipment to the GRZ, private service providers and NGOs. Noteworthy results in USAID-supported activities during 1995 include the preparation and publication of a draft constitution by the Constitutional Review Commission, improved operations of the Cabinet Office, and the qualitative improvement of journalism in all media as a result of support for journalist training.

Description: To assure a free and fair national multi-party election in Zambia at the beginning of the 1997 Fiscal Year, USAID plans to support election monitoring. The USAID will continue to support civic education. Media independence will be advanced by continued journalist and technician training. A new activity in the area of legal and judicial reform will be undertaken in response to results of a participatory needs assessment involving court officers, the legal profession and civil society. The focus will be on changes of law and the implementation of current laws which encourage citizen participation in government decision making and institutional accountability.

Host Country and Other Donors: Among the most active donor institutions are the UNDP (United Nations Development Program) and World Bank who are supporting the public service retrenchment and judiciary reform programs. The United Kingdom has an ambitious program of support for governmental decentralization and fiscal responsibility and, together with Ireland, support the training of senior civil servants. Ranking behind these participants, the Nordic countries have joined with USAID in a focus on civic education, election monitoring, electoral reform, and constitutional reform. Donors meet

monthly for coordination purposes. During 1995, quarterly good governance meetings were initiated with the GRZ at the ministerial and ambassadorial levels. In response to the initiative of USAID to support qualitative improvement and training of journalists, the GRZ agreed to privatize the state-owned media training facility, including significant assets in plant and equipment. Host country contributions of NGO staff time and equipment are the principal resources for this activity.

**Beneficiaries:** The direct beneficiaries are key NGOs whose task is facilitated by a more responsive and accessible GRZ government apparatus, upwards to 100 journalists who will take advantage of improved professional training and by officials in the Cabinet Office who learn better methods of policy analysis and monitoring.

**Principal Contractors, Grantees or Agencies:** GRZ, NGOs, Zambia Mass Communications, University of Zambia, Michigan State University, and Southern University.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Public perception of good government performance	45% (1993) <sup>1</sup>	50% (1998)
Citizens who know their Members of Parliament	50% (1993)	60% (1998)
Percent of voter turnout	45% (1993)	50% (1998)
Eligible voters registered	66% (1993)	70% (1998)
Private sector share working journalists	24% (1993)	48% (1998)

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<sup>1</sup> Source: All from project records.

## ZIMBABWE

**FY 1997 Development Fund for Africa: . . . . . \$24,652,372**

### **Introduction.**

Despite Zimbabwe's relatively low gross domestic product (GDP) per capita (\$520 in 1994), the country has enormous potential. It possesses an educated workforce, a highly diversified economy, and an abundant natural resource base. This potential enhanced considerably in recent years through implementation of an International Monetary Fund-backed economic structural adjustment program that, though not without problems, has put the country on the path toward private sector-led growth. For example, the foreign exchange regime has now been completely unified (the value of the national currency is determined by market forces), and foreign investors are free to remit 100% of earnings outside of the country. In the rural sector the maize market has been completely liberalized, resulting in greater availability of foodstuffs at cheaper prices. Elimination of the subsidies has greatly reduced pressure on the national budget. These reforms have substantially increased Zimbabwe's prospects for growth and its attractiveness as a target for foreign direct investment, including American investment. In this regard, U.S. exports to Zimbabwe grew at an average annual rate of over 8% between 1985-1994, four times the overall average for sub-Saharan Africa. Assuming that Zimbabwe continues to stay the course of economic reform in the years to come, the country will likely graduate from the ranks of "developing nations" sometime in the first decade of the 21st century. The U.S. Government has a keen interest in assuring that this occurs. U.S. assistance will ensure that free market reforms continue to build ties between Zimbabwean enterprises and foreign investors, including those in the American private sector. Thus, assisting in the development of markets for U.S. goods and services is in the national interest of the United States. As Zimbabwe's economy grows, the beneficial secondary effects will include an increasingly vibrant trading partner in southern Africa that already contributes substantially to regional stability through its economic viability and its important contributions to regional peacekeeping.

### **The Development Challenge.**

Zimbabwe's development indicators compare favorably with those of its neighbors in sub-Saharan Africa. The total fertility rate--the number of children the average Zimbabwean woman will bear during her lifetime--is presently 4.3 compared to the regional average of 6.1. Life expectancy at birth is 60 years compared to a regional average of 52, though this has actually declined slightly from 62 years in 1987. Immunization coverage rates are also relatively high: the percentage of children aged 0-1 inoculated against tuberculosis, DPT (diphtheria, pertussis, and tetanus), polio, and measles is 95, 80, 80, and 74, respectively, compared with regional averages of 63, 50, 50, and 51, respectively. Finally, illiteracy, at 33% of the population (26% for males and 40% for females), is considerably lower than the regional average of 51% (39% for males and 62% for females).

However, a number of very significant development problems remain. Many are due at least in part to austerity-related declines in real per capita expenditure in the public health budget. Infant and child mortality rates, though greatly reduced from pre-independence levels, have stagnated since 1988, and the maternal mortality rate remains high at 283 deaths per 100,000 live births. In addition, immunization coverage rates have fallen significantly. The country's investment climate, while greatly improved from past years, needs to be stimulated further through broadened participation and a reduced public sector role. Housing shortages remain acute, reducing living standards and dampening economic opportunity for low-income families. The HIV/AIDS pandemic--a serious public health menace in Zimbabwe--must also be slowed and ultimately stopped. And better care must be taken to ensure more rational use and stewardship of the natural resource base. Above all, the government's fiscal house must be put in order so that the private sector can perform its role effectively as an engine of national and regional growth.

Among low income countries, Zimbabwe is considered "moderately indebted." At independence the country's external debt was equivalent to 16% of GDP, a figure that subsequently rose to over 50%, mostly from non-concessional commercial sources. There has since been a substantial reduction in commercial bank exposure. The government's domestic borrowing, however, has driven up interest rates in recent years and sharply reduced the amount of national savings available for investment by the private sector. In 1995 public debt stood at roughly 90% of GDP, about one-third higher than in 1994.

#### **Other Donors.**

With an annual operating budget of about \$20 million, USAID is currently the fourth largest provider of bilateral grant assistance to Zimbabwe after Japan, Germany, and Sweden. At the macro level, coordination is assured through the World Bank Consultative Group mechanism. Additional working-level bodies exist to ensure sectoral coordination in such areas as health and family planning, private sector development, low-income shelter, and natural resources management.

#### **FY 1997 Program.**

USAID's strategy for helping Zimbabwe achieve sustained growth focuses on broadened ownership and investment at all levels of the economy, increased household food security for the rural poor, reduced fertility, and increased use of HIV/AIDS prevention methods. This strategy supports overall U.S. interest in developing future markets for U.S. goods and services and encouraging the Government of Zimbabwe (GOZ) to continue the excellent leadership role it has played in recent years in regional peacekeeping operations such as in Angola and Liberia. The strategy supports structural adjustment, increased economic growth that is sustainable and equitable, and the fostering of an open economy conducive to investment.

USAID/Zimbabwe is one of the Bureau for Africa Missions that has recently been named to graduate from USG development assistance in FY 2003. Consultations between the State Department and USAID are being finalized at the writing of this Congressional Presentation. As well, preliminary discussion on the strategic framework for the final Graduation Strategy is taking place at both the field and central levels. Because final operating expense budgets remain unclear for FY 97 and beyond, it is possible that program budgets will alter to some extent in coming months. To respond to the downsizing exercise, the Mission is proposing a strategy that follows the narrative and program summary contained herein but would require some flexibility. In addition to adjustments in each of USAID/Zimbabwe's strategic objectives, the Mission is pursuing the possibility of a Foundation or Endowment instrument that would permit USAID-sponsored activities in Zimbabwe at the termination of direct USAID development assistance.

Three strategic objectives contribute both to the Mission's overall objectives and to over-arching Agency goals as follows:

#### **Agency Goal: Protecting the Environment**

USAID/Zimbabwe's first strategic objective--increased household food security in communal areas of natural regions IV and V--has largely been achieved through the near-total liberalization of the maize market and the dissemination of improved varieties of millet and sorghum--two crops better suited to the more arid climatic conditions in these more environmentally fragile regions. The dismantling of government controls has had the effect of lower prices and greater availability of the country's staple grain for the average Zimbabwean consumer. In addition, an entire new industry comprising 15,000-20,000 micro-millers (grain processors) has emerged, and the need for government subsidies (totaling over \$40.0 million per year) has been eliminated. Under the Regional Sorghum and Millet Improvement Program, the number of hectares planted to improved varieties of these two drought-resistant crops has gone from zero in 1988 to 69,000 in 1995, bringing additional food security to rural households.

The remaining key aspect of this strategic objective is the provision of support for the natural resources management program known as CAMPFIRE--Communal Areas Management Program for Indigenous Resources. Based upon the success of a pilot activity, this program has now been extended throughout the drought-prone areas known as Natural Regions IV and V, where the majority of Zimbabwe's rural poor resides. The program provides a dual benefit by (1) channelling funds that would otherwise go into central government coffers into local communities and households via grassroots-level wildlife management activities (increasing food security at the household level by increasing household incomes), and (2) improving the actual quality of that management. Since 1989 the CAMPFIRE program has drastically reduced the number of poaching incidents and nearly \$5.0 million has been raised by local communities (for individual household- and community-level use) from sustainable wildlife management activities.

With the successes of programs aimed at maize market liberalization and the dissemination of improved millet and sorghum varieties, USAID/Zimbabwe is now undertaking, in collaboration with its non-governmental organization (NGO) and Zimbabwean Government partners, an in-depth review of this strategic objective. Initial indications are that the revised objective will give relatively greater emphasis to sustainable natural resource management, the conservation of biological diversity, and, through local-level activities with CAMPFIRE communities, accelerated decentralization and empowerment of local populations.

- Strategic Objective 1: Increased Household Food Security in Communal Areas of Natural Regions IV and V

**Agency Goal: Encouraging Broad-based Economic Growth**

USAID/Zimbabwe's second strategic objective--broadened ownership and investment at all levels of Zimbabwe's economy--acknowledges that access to economic resources and economic empowerment has been disproportionately vested in the minority population (of European descent) and government itself. By broadening access to economic assets, opportunities for increased competition and improved efficiency are created. USAID assistance has three components: increased access to low-income shelter and its attendant economic benefits; support to the private sector through support for employee ownership schemes, business/trade association support, and mechanisms to increase access to capital for small and medium-size enterprises; and promotion of local private sector training organizations.

Success has been most evident to date in the area of low-income shelter, where USAID has been involved in promoting American-style housing development and mortgage lending techniques. In FY 1995 over 7,000 low-income households in seven towns received mortgages for houses. Several thousand more units are presently under construction. Since 1992 the number of low-income Zimbabweans than can afford a house--that critical first step toward increased family welfare and economic participation--has tripled as a direct result of reforms negotiated through the USAID program. In this process, an American firm--GS Holdings (California)--has introduced new (for Zimbabwe) construction techniques that both reduce the overall cost of housing to the customer and reduce the amount of time required for construction. To reduce the costs of imported materials further, GS Holdings has invested in a small steel framing factory in Zimbabwe and plans to go into interior wallboard production locally as well.

- Strategic Objective 2: Broadened Ownership and Investment at all Levels of Zimbabwe's Economy

**Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

USAID/Zimbabwe's third strategic objective--reduced fertility and increased use of HIV/AIDS prevention measures--is aimed at reducing two key threats to sustainable development in Zimbabwe, rapid population growth and the spread of HIV/AIDS. In family planning, due in large measure to USAID

assistance, Zimbabwe now has the lowest recorded total fertility rate (TFR) in sub-Saharan Africa. Between 1984 and 1994, the TFR--the theoretical measure of the average number of children the average woman will have in her lifetime--fell from 6.5 to 4.3, a full 33% drop. During the same period the use of contraceptives increased by 55%. About 42% of married women now use modern contraceptives versus just 27% in 1984. USAID's present strategy is to promote contraceptive diversity and, in particular, the use of longer-acting contraceptive methods. USAID provides most of the oral contraceptives currently used in Zimbabwe, particularly two pill brands (Lo Femenal and Ovrette) manufactured by Wyeth, an American company. The Government of Zimbabwe plans to assume responsibility for the procurement of pills by the end of the program and hopes to continue to buy Wyeth products thereafter.

The HIV/AIDS pandemic continues to worsen in Zimbabwe. Although 50,000 AIDS cases have been reported, a conservative estimate is that over 10% of the population of about 11 million people are HIV positive, and that 150,000 of these cases are clinically pronounced. There are approximately 4,500 deaths a year, or 375 a month. In a recent unpublished survey of urban pre-natal clinics fully 40% of the 2,500-3,000 women clients sampled were HIV positive. Tuberculosis cases resulting from HIV exceeded 23,000 in 1994 and are rising by about 30% per year according to Ministry of Health sources. USAID interventions are focused on supporting changes in high risk behavior in selected occupational groups, including those in the uniformed services, commercial farmers and their employees and families, university students, and factory and transportation workers. USAID supports Government of Zimbabwe agencies, the National AIDS Coordination Program, private sector institutions, appropriate local businesses, United Nations Children's Fund, and non-governmental organizations to strengthen HIV-prevention activities in key populations at high risk of sexually-transmitted HIV infection.

- Strategic Objective 3: Reduced Fertility and Increased use of HIV/AIDS Prevention Measures

**ZIMBABWE  
FY 1997 PROGRAM SUMMARY**

	Encouraging Broad-based Economic Growth	Stabilizing World Population Growth & Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	<b>TOTALS</b>
USAID Strategic Objectives						
1. Increased Household Food Security in Communal Areas of Natural Regions IV and V -Dev. Fund for Africa			6,108,422	1,111,488		7,219,910
2. Broaden Ownership and Investment at all Levels of Zimbabwe Economy - Dev. Fund for Africa	8,876,971					8,876,971
3. Reduced Fertility and Increased Use of HIV/AIDS Prevention Measures - Dev. Fund for Africa		8,555,491				8,555,491
<b>Totals</b> - Dev. Fund for Africa - Int'l Narcotics Control - P.L. 480 Title II	8,876,971	8,555,491	6,108,422	1,111,488		24,652,372

USAID Mission Director: Peter Benedict

## ACTIVITY DATA SHEET

**PROGRAM:** ZIMBABWE

**TITLE AND NUMBER:** Increased Household Food Security in Communal Areas of Natural Regions IV and V, 613-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$7,219,910 DFA

**INITIAL OBLIGATION:** FY 1996; **COMPLETION DATE:** FY 1999

Purpose: To develop sustainable income streams for rural households, avoid social and economic upheaval stemming from drought, and expand the private sector's role in the production and marketing of principal food grains in the rural sector; to spread adoption of more drought-tolerant millet and sorghum varieties (as an alternative to the more traditional maize); and to increase non-farm income possibilities in the rural sector, particularly in those areas where annual income is significantly below the national average.

Background: This SO seeks to ensure that the rural poor are active participants in the national development process. The highest priority in this regard is ensuring that people living in the least well-endowed, semi-arid regions have adequate access to food and both farm and non-farm income.

USAID Role and Achievements to Date: USAID has been the principal donor supporting the Government of Zimbabwe's (GOZ) liberalization of the grain marketing sector. Reforms carried out under the Grain Marketing Reform Program have resulted in the near-total liberalization of the maize market in Zimbabwe, yielding greater availability of grain at reduced cost, employment creation through emergence of some 15,000-20,000 micro-millers (grain processors), and elimination of the need for massive annual government subsidies totaling over \$40 million to the maize marketing system. The Regional Sorghum and Millet Research Program has seen the number of hectares planted to improved varieties of sorghum and millet grow from zero in 1988 to over 69,000 in 1995. Since the inception of the indigenous, sustainable management of the natural resources-based Communal Areas Management Program for Indigenous Resources (CAMPFIRE) program in 1989, the number of participating households has expanded nearly eleven-fold, from 9,000 to about 103,000. Moreover, even though average household revenues earned by program participants has remained fairly stable over time, the program's overall revenues increased dramatically. Revenues in 1995 were \$2.7 million.

Description: Principal activities supporting this strategic objective include the Grain Marketing Reform Program, Grain Marketing Research, the multi-donor Regional Sorghum and Millet Improvement project, and the Natural Resources Management project.

Host Country and Other Donors: Countries and development organizations carrying out complementary activities include the World Bank, Holland, Canada, Germany, the European Union, Sweden, Norway, Great Britain, Denmark, and the Ford and Rockefeller Foundations. USAID is the largest donor in the CAMPFIRE program. Donor coordination is excellent; USAID contacts with other donors are strong.

Beneficiaries: Rural families and communities, farmers, and grain traders in Natural Regions IV and V; small-scale millers and maize consumers throughout the country.

Principal Contractors, Grantees, or Agencies: Contractors: Development Associates, Price Waterhouse, Coopers and Lybrand and Purdue University. Grantees: GOZ and International Crop Research Institute for the Semi-Arid Tropics. Agencies: Grain Marketing Board, Small Scale Millers Association, Zimbabwe Farmers Union, Southern African Development Community, CAMPFIRE Association, and World Wildlife Federation.

**Major Results Indicators:**

	<b><u>Baseline</u></b>	<b><u>Target</u></b>
Average Household Food Availability	884 kg/household (1993)	1,100 kg/household (1996)
Maize prices (inflation adjusted)	\$2.00 (1989)	\$1.68 (1996)
Proportion of maize moving through private rather than public channels	20% (1993)	60% (1996)
Average household benefit derived from CAMPFIRE program participation	\$6.00 (1989) 7,861 households (1993)	\$10.00 (1996) 105,000 households (1996)

## ACTIVITY DATA SHEET

**PROGRAM:** ZIMBABWE

**TITLE AND NUMBER:** Broadened Ownership and Investment at All Levels of Zimbabwe's Economy, 613-S002

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$8,876,971 DFA

**INITIAL OBLIGATION:** FY 1996; **COMPLETION DATE:** FY 2001

Purpose: To help ensure that the benefits of economic growth are broadly shared across all strata of the Zimbabwean population.

Background: Zimbabwe has a decidedly dual economy, with large proportions of the country's real and financial wealth vested in the hands of a minority of the population. It is generally believed that broad-based economic growth is retarded by this imbalance. USAID seeks to expand private business opportunities and ownership of economic assets among the majority of Zimbabweans. One of the principal avenues for reaching this objective is helping low-income Zimbabweans become homeowners, a critical first step to economic participation and independence. Other avenues include employee ownership schemes, small and medium enterprise (SME) development, training programs, and activities aimed at increasing access to debt and equity capital, expanding microenterprise credit, and improving national economic policies.

USAID Role and Achievements to Date: USAID has overseen the successful emergence of a viable market in SME training services and the promotion of new SMEs through franchising and subcontracting. As a result of USAID/Zimbabwe's loan guarantee program, more than 40 small business loans averaging about \$4,800 each have been made since the beginning of FY 1996. On the low-income shelter side, since 1992 the number of low-income Zimbabweans who can afford a house--that critical first step toward increased family welfare and economic participation--has tripled to over 70% of the population as a result of reforms negotiated through the USAID program. In FY 1995 over 7,000 low-income households in seven towns received mortgages for core houses. Several thousand more units are presently under construction.

Description: Principal activities supporting this strategic objective include the Private Sector Housing Program and the Zimbabwe Business Development, Zimbabwe Enterprise Development, and Zimbabwe Manpower Development II projects.

Host Country and Other Donors: USAID is the largest donor in the low-income shelter sector, followed by the World Bank. The World Bank has also initiated a new private sector activity with the same name as the USAID project, Zimbabwe Enterprise Development. The Small Scale Enterprise Advisory Development Group serves as a clearinghouse to coordinate donor, the Government of Zimbabwe, and private sector programs for small enterprise development activities.

Beneficiaries: Principal beneficiaries under this strategic objective include low-income Zimbabweans who are seeking either to own a home or to establish or expand a business.

Principal Contractors, Grantees, or Agencies: Contractors: Academy for Educational Development, Planning and Development Collaborative, Inc., International, Abt Associates, Plan Inc., Palmer Associates. Agencies: Ministry of Public Housing and Construction, four local building societies (Zimbabwe Building Society, Beverly Building Society, Central African Building Society, and Founders Building Society), Ministry of Industry and Commerce, Ministry of Justice, National Economic Planning Commission, Barclays Bank, Stanbic Bank. Grantees: International Executive Service Corps, Confederation of Zimbabwe Industries, Zimbabwe National Chamber of Commerce, Opportunity

International (Zambuko Trust), Mennonite Economic Development Associates (Phakama Savings and Credit Society).

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Low income housing units built annually	0.6/100,000 population (1992)	1.3/100,000 population (2000)
Number of new employee stock ownership plans, management buy-outs, employee buy-outs, and spinoffs	21 (1995)	130 (2000)
Proportional value of total bank loans from participating banks going to medium, small, and micro-enterprise	<5% (1995)	10% (2000)
Proportion of vegetable export production source from small and medium-sized producers	<5% (1995)	25% (2000)

## ACTIVITY DATA SHEET

**PROGRAM:** ZIMBABWE

**TITLE AND NUMBER:** Reduced Fertility and Increased Use of HIV/AIDS Prevention Measures, 613-S003

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$8,555,491 DFA

**INITIAL OBLIGATION:** FY 1996; **COMPLETION DATE:** FY 2001

**Purpose:** To sustain reduced levels of fertility so that the population can gain from the benefits resulting from economic growth; and to help reduce the spread of HIV/AIDS in Zimbabwe.

**Background:** Zimbabwe's family planning program, which USAID has supported as the largest donor since 1980, is possibly the highest impact program in sub-Saharan Africa. The AIDS epidemic is a more recent phenomenon, as is USAID's involvement, and has become extremely serious. It is now estimated that one in four sexually active Zimbabweans is HIV positive.

**USAID Role and Achievements to Date:** USAID's involvement in AIDS is relatively new and has not yet reached a stage of demonstrable impact. However, important and promising activities aimed at reducing high risk behavior are underway with selected occupational groups such as the uniformed services, transport workers, and students in post-secondary institutions. In family planning the impact has been substantial. Since 1984 the total fertility rate--the average number of children the average Zimbabwean woman will have in her lifetime--has declined by a third, from 6.5 to 4.3. During the same period, the contraceptive prevalence rate has increased by 55% , from 27% of married women in 1984 to 42% in 1994.

**Description:** Principal activities supporting this strategic objective include the Zimbabwe Family Planning Project and the Zimbabwe AIDS Prevention and Control Project in addition to a number of "buy-ins" to central USAID/W activities and projects such as AIDS Control and Prevention Project (AIDSCAP) and Central Contraceptive Procurement. A future activity aimed at increasing the role of local NGOs in AIDS prevention and counseling is currently in the design phase.

**Host Country and Other Donors:** USAID collaborates with the World Bank's Family Health Planning II Project and activities supported by the United Nations Fund for Population Agency. USAID is the principal donor in this sector.

**Beneficiaries:** All Zimbabweans seeking to 1) plan the growth of their families, and 2) avoid contracting sexually transmitted diseases, including the virus that causes AIDS.

**Principal Contractors, Grantees, or Agencies:** **Contractors:** John Snow Inc., Macro International, Family Health International, Johns Hopkins University, Deloitte Touche, Association for Voluntary Surgical Contraception, and AIDSCAP. **Agencies:** Zimbabwe National Family Planning Commission, Ministry of Health, **Grantees:** Commercial Farmers Union, National Railways of Zimbabwe, Triangle Limited, Delta Corporation, and the University of Zimbabwe Department of Community Medicine.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Reduction in total fertility rate	4.3 (1994)	4.0 (1998)
Increase in total number of condoms sold or distributed to target population	33 million (1994)	75 million (1998)
Increase in percent of target group reporting condom use in last sexual intercourse	29% men (1995) 22% women (1995)	45% men (1997) 33% women(1997)

Increased percent of surveyed  
men with sexually transmitted  
diseases seeking medical treatment

33.7% men (1994)

45.0% men (1998)

## **AFRICA REGIONAL PROGRAMS**

<b>FY 1997 Development Fund for Africa:</b> .....	<b>\$43,803,513</b>
<b>FY 1997 Economic Support Fund:</b> .....	<b>\$10,000,000</b>
<b>FY 1997 PL 480 Title II:</b> .....	<b>\$21,658,000</b>

### **Introduction.**

Sub-Saharan Africa is in the midst of two difficult transformations: (1) moving from centralized, state-run economies to market-based free enterprise economies and (2) moving from authoritarian political systems to liberalized and democratic political systems. For the majority of African countries the commitment to these changes is strong, and much progress has been made. However, there remains a great deal to be done to institutionalize these changes and to make them irreversible. The U.S. has a strong interest in supporting these transformations. A prosperous, free Africa will have a beneficial effect on the U.S. economy, will provide a more effective partner to combat global threats to the environment and international health, and will create greater political stability in an unstable part of the world, a part of the world where instability often results in war, hunger and refugees.

### **The Development Challenge.**

The central development challenge facing sub-Saharan Africa is to mobilize resources for investment in economic infrastructure such as roads and in social infrastructure such as schools. Overseas Development Assistance to Africa, after many years of growth is now on the decline. Increasingly African countries will need to turn to the private sector, both indigenous and foreign, to provide investment funds needed for sustainable growth. But private investment will only be forthcoming in stable and supportive political and economic environments.

At the same time efforts have to continue to increase the efficiency of new investments. There is little doubt that a great deal of the investment made in Africa in the 1975-1985 period was wasted. Better allocation and use of new and existing resources is needed. Some of the solutions are political -- governments have to stop wasting money on inefficient parastatals or on "white elephant" political projects. Much of this change has already taken place. But many of the solutions are based on learning how to do things better and then doing better.

Not only will Africans have to look to themselves for development financing, but they will also have to take more responsibility for designing and managing development programs. Perhaps the most striking change in Africa over the last few years has been the emergence of a strong cadre of sophisticated, well-trained, self-confident professionals. These men and women are taking charge of the development process and are looking at donors as partners rather than as managers and financiers of development.

Finally, there are many new efforts in Africa to move toward greater cooperation among the countries in the region. This cooperation takes several forms. First, there are a number of attempts to reduce barriers to the free flow of goods, capital and labor across national boundaries. This is particularly important as many African countries have markets which are too small to attract international investment. Second, there is the development of specific modes of cooperation within a sector, such as training or agricultural research. Much of this is done through networking which allows regional specialization. For example, not every country needs to do potato research. Rather one country can specialize in potatoes and another in beans and they can share their information. Finally, there has been an exponential growth in the sharing of information of all kinds, and policy makers and technical experts in one country are increasingly learning from their colleagues in other countries.

## **Other Donors.**

Total donor commitment was \$20 billion in FY 1994 for development activities in sub-Saharan Africa. While real levels of commitment are dropping in the 1990's, cooperation among donors is increasing. There are a number of multi-donor coordination efforts at the sectoral level, and a number of U.S.-other donor partnerships at the bilateral level. At the multi-donor level, the US is working with the World Bank, Canada, The United Kingdom, Germany, and the Scandinavians and other major donors in policy reform, education operation research, the environment and health. On a bilateral level, the United States is working with the European Union and with Japan on several health initiatives.

## **FY 1997 Program.**

The USAID Africa Regional strategy for helping Africa manage more effectively its transition to sustainable political and economic transformation centers around three sets of activities. First, the program provides policy-relevant information and helps African countries and their partners use this information to improve the policies, programs and strategies required for sustainable development. Second, the regional program builds the capacity of Africa to manage its own development. Third, the regional program assists African countries and institutions to build more effective regional interaction to increase economic and technical cooperation.

Already USAID is seeing the fruits of these activities in a variety of sectors. In the private sector, USAID is supporting networks of African entrepreneurs, and these have resulted in a number of joint investment and trade partnerships across country lines and in changes of government policies that over-regulated business. In health and child survival, USAID is supporting the development of public-private sector partnerships which could lead to more financially sustainable programs. In the environment, USAID helped build an Africa-wide effort to plan and monitor environmental activities based on partnerships with local groups.

## **Agency Goal: Encouraging Broad-based Economic Growth**

The last decade has seen most of the countries in Africa move from negative rates of per capita economic growth to positive rates. However, growth rates of one percent or less will not lead to an appreciable improvement in peoples' lives in any reasonable time-frame. To move Africa into self-sustaining growth, which will have positive impacts on population growth, health, and the environment, as well as lead to greater political stability, will require per capita growth rates of around 3% per year, which means increasing the overall growth in real gross domestic product from the current 4% per year to 6% per year. This is a daunting task.

In the short-run Africa must continue the process of economic liberalization and regional cooperation to encourage private investment. Of particular importance is agriculture and agri-business. In the medium-term Africa must strengthen its capacity to design and implement more effective economic programs. In the long-run Africa must improve the efficiency and equity of its educational system to provide the education and skills that Africa's workforce will need to compete in the twenty-first century.

In the past year, there has been a substantial increase in African capacity to analyze and make policy recommendations in the enabling environment. Some of this analysis has resulted from joint partnerships between USAID's regional program, African research institutions, and African governments. For example, this has been noteworthy in the area of agriculture and food security where regional programs have had a major influence in Zimbabwe, Kenya, Mozambique, several countries in the Sahel and elsewhere. In many cases, policy and market reforms have resulted in lower food prices for the poor and higher prices for farmers, as marketing inefficiencies were reduced. There have also been successes through partnerships within the private sector such as the African Business Roundtable which has used its prestige to leverage improvements in such areas as regional banking (providing for

improved mechanisms for foreign currency exchange) and regional trade (removing border taxes, particularly informal taxes on cross-border trade). Finally, there have been successful donor-African partnerships such as in the African Economic Research Consortium which has created a regional masters' degree program in economics, by pooling the resources of nine Eastern and Southern African universities.

In addition, the Leland Initiative has negotiated the liberalization of telecommunication policies in a number of countries, leading to broad-based access to the Internet. As a result, public and private entities in Mali, Benin and Eritrea, for example, will be able to access the information and expertise necessary for sustainable economic and social development.

Of course, these successes are just the beginning of what needs to be achieved. While much has been done, much more remains to be done. In particular, more analysis, dialogue and policy reform must be done to open in the areas of financial markets, in which conservatism and lack of competition seem to be reducing access to financing for good investment ideas, and in labor markets to ensure that opportunity for access to jobs is equitable. Moreover, regional cooperation is in its infancy, and important agendas for cooperation among the countries of specific sub-regions such as Southern Africa, and among sector specialists such as health professionals need to be nurtured.

A tenant of the USAID Africa Bureau's management goal is that Agency resources are budgeted and implemented for specific country and regional programs to the maximum extent possible. However, there are some Africa-wide issues and management needs that transcend national and/or regional boundaries. To this end, the Africa Bureau funds a discrete set of activities which address these problems, issues and needs. Among these activities are: funding for non-country specific program development and support; the USAID Africa Bureau-wide Special Self Help Development Fund to promote small civic endeavors; undergirding support for an enhanced role for U.S. and indigenous private voluntary organizations (PVOs); a limited fund for initiating worthwhile unsolicited proposals which address concerns that go beyond a particular USAID mandate; and a fund to promote economic policy reform.

- Strategic Objective 1: Improve Policies, Programs and Strategies in the Area of Economic Growth in a Sustainable Way
- Strategic Objective 31: Broad Based Support for Africa

#### **Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

Africa is faced with the highest rate of population growth of any region in the world at any time in its history. Africa also faces the highest rates of child and infant mortality and the lowest life expectancy of any region in the world. There have been important improvements. Fertility levels in many countries (Ghana, Tanzania) are starting to show unprecedented rates of decline, while progress continues in those countries (Kenya, Zimbabwe, and Botswana) which have seen substantial fertility declines. Moreover, for over two decades health indicators have shown slow but steady improvement. However, the HIV/AIDS pandemic threatens to wipe out all these gains and return child survival rates and life expectancy rates to pre-independence levels.

The regional program is aimed at improving the effectiveness and sustainability of population and health programs in Africa. For example, with USAID support, the Africa regional office of the World Health Organization (WHO/AFRO) has developed a new regional immunization strategy that emphasizes sustainable approaches to increasing the coverage and effectiveness of vaccination programs throughout Africa. This strategy has been approved by Ministers of Health from 40 African countries.

While USAID began to see some success in the area of HIV/AIDS, the problem continues to get worse and not better. USAID will be expanding its efforts to try to develop effective strategies and programs to deal with this catastrophe.

- Strategic Objective 2: Improve Policies, Programs and Strategies in Population and Health in a Sustainable Way
- Strategic Objective 31: Broad Based Support for Africa

**Agency Goal: Protecting the Environment**

Africa's rapid population growth is putting increased pressure on a limited natural resource base. Forests, soils and biodiversity are in particular danger. For example, our research shows that soil erosion in Rwanda (prior to the civil war) had reduced agricultural productivity to a major extent, reducing food security. Over the past few years, the regional program has supported an approach to this problem which emphasizes (1) local control over local resources, and (2) investments in the development and use of new resource-saving technologies.

USAID is seeing important successes. In Mali, for example, the agricultural research program has transferred over twenty land and water saving technologies to farmers. In Zimbabwe, local control of wildlife has led to more sustainable use of this resource, protecting the biodiversity while at the same time providing an important source of income to local villages. The challenge is to expand these ideas. USAID has just launched a new program, the Central Africa Regional Program for the Environment, to make the general idea of local control a reality in the Congo River Basin, the largest remaining relatively unthreatened rain forest in the world.

- Strategic Objective 3: Improve Policies, Programs and Strategies in Protecting the Environment in a Sustainable Way
- Strategic Objective 31: Broad Based Support for Africa

**Agency Goal: Building Democracy**

The dramatic transition toward democracy in Africa is both breath-taking and fragile. More than half of the countries in sub-Saharan Africa now have or are moving toward real democracy. Free and fair elections are being held, the press is becoming remarkably open, legislatures are gaining independence from the executive, and governmental power is being devolved to local and regional units. In a sense, though, this revolution has been occurring in response to the examples in Eastern Europe and the former Soviet Union as well as to the frustration at the on-going financial crisis of overextended African governments and their utter failure to deal with corruption and poverty.

The problem is that the institutional base for this change is very weak. Governments are learning, though very slowly, to share power. The press is learning that freedom brings responsibility. Civil society is learning that engaging government is hard work. The people are learning that newly elected governments do not mean overnight wealth. The regional program has been supporting the development of these institutions through (1) building understanding of how to examine what is needed for long-term success in a democratic transition, and (2) providing assistance to a number of local groups to improve their capacity to lobby government in the areas of human rights and governments accountability to the interests of all people, not just a privileged few.

- Strategic Objective 4: Improve Policies, Programs and Strategies in Building Democracy in a Sustainable Way
- Strategic Objective 31: Broad Based Support for Africa

**Agency Goal: Providing Humanitarian Assistance**

Over the past decade Africa has been beset by humanitarian crises, both those caused by nature and those caused by war and civil unrest. The Regional Program's objective in this area is to help avoid crises where possible and to coordinate the Agency's response in Africa where necessary. It is difficult to see what didn't happen. Over the past years some of USAID's greatest successes have come in disasters avoided -- droughts that didn't lead to famines and grasshopper and locust outbreaks that were nipped before they became major problems. The regional program has been responsible for many of these successes. The program's famine early warning system again proved itself invaluable in helping the donor community and African countries in the Southern Africa Region stave off the consequences of a second drought in three years. Our emergency response program to grasshoppers and locusts worked with the Government of Eritrea and the United Nations Food and Agricultural Organization (FAO) to help contain a grasshopper outbreak in Eritrea. Our intention is to increasingly transfer this capacity to the governments of Africa, but it will take some time to do so. These programs, while managed by the Africa Bureau's Disaster Response Coordination Office in USAID/W have direct benefits to recipient countries, thus, funding is attributed to the country budget rather than the regional program office.

- Strategic Objective 21: Improved Use of USAID Resources to Prevent, Mitigate, and Respond to Humanitarian Crises in Sub-Saharan Africa.
- Strategic Objective 22: Improved Environmentally Safe Approaches to Prevent and Mitigate Agricultural Pest Crises Adopted by Host Countries, Regional Institutions, and International Organizations in Sub-Saharan Africa.

**Other:**

USAID has made it a policy to concentrate assistance where it is most likely to have the greatest development impact. Certain small countries with special needs in priority areas such as agriculture and human resources management, stabilizing population growth, protecting the environment and building democracy receive limited assistance without direct-hire staff presence. In addition some bilateral programs which are being phased out will continue to receive limited assistance and oversight from regional programs until these programs are terminated. Included in the Regional Program is funding for P.L. 480 Title II programs in Mauritania, Sierra Leone and Sudan.

**AFRICA REGIONAL PROGRAM  
FY 1997 PROGRAM SUMMARY**

	Encouraging Broad-based Economic Growth	Stabilizing World Population Growth & Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	TOTALS
USAID Strategic Objectives						
1. Improve the Policies, Programs and Strategies in Economic Growth - Dev. Fund for Africa	6,033,363					6,033,363
2. Improve the Policies, Programs and Strategies in Population & Health - Dev. Fund for Africa II		3,080,910				3,080,910
3. Improved the Policies, Programs and Strategies in Protecting the Environment - Dev. Fund for Africa			4,159,520			4,159,520
4. Improve the Policies, Programs and Strategies in Building Democracy - Dev. Funds for Africa				432,344		432,344
21. An Improved Use of USAID Resources to Prevent, Mitigate and Respond to Humanitarian Crises - Dev. Fund for Africa	287,327	73,286	3,504,863			3,865,476
22. Improved Environmentally Safe Approaches for Agriculture Pest Control -Dev. Fund for Africa			290,950			290,950
31. Broad Based Support for Africa - Dev. Fund for Africa	5,393,000	8,758,000	4,233,000	1,316,000		19,700,000
Other - Dev. Fund for Africa <sup>(1)</sup> - Economic Support Fund <sup>(2)</sup> - P.L. 480 Title II <sup>(3)</sup>	668,769 10,000,000	29,870	3,675,907	1,866,404	21,658,000	6,240,950 10,000,000 21,658,000
<b>Totals</b> - Dev. Fund for Africa - Economic Support Fund - P.L. 480 Title II	12,382,459 10,000,000	11,942,066	15,864,240	3,614,748	21,658,000	43,803,513 10,000,000 21,658,000

USAID/W AFR/SD Office Director: Jerome Wolgin

Note: The \$43,803,513 for Development Fund for Africa for the Africa Regional Program in the table above includes \$6,240,950 for various small country programs under \$1 million each (listed in footnote (1) below). It excludes \$38,287,437 in Africa Regional Program funds which have been attributed to country planning base levels. It also excludes \$15,000,000 for the Greater Horn of Africa Initiative and \$522,194 for the Sahel Regional Program which are shown in separate narratives.

(1) Includes funding levels for the following countries: Botswana, Burkina Faso, Cameroon, Cape Verde, Central Africa Republic, Chad, Comoros, Congo, Cote d'Ivoire, Djibouti, Gabon, Gambia, Lesotho, Mauritania, Mauritius, Sao Tome & Principe, Seychelles, Sierra Leone, Swaziland, and Togo.

(2) Economic Support Funds will be distributed to various countries in Africa during the year.

(3) Includes P.L. 480 Title II for Mauritania, Sierra Leone and Sudan.

## ACTIVITY DATA SHEET

**PROGRAM:** AFRICA REGIONAL PROGRAM

**TITLE AND NUMBER:** Improve the Policies, Programs and Strategies in Economic Growth in a Sustainable Way, 698-S001

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$12,400,000 DFA

**INITIAL OBLIGATION:** FY 1997; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To improve the enabling environment for private sector growth, strengthen policy-analytic capacity and support the development of more effective primary education systems in sub-Saharan Africa.

Background: For Africa to grow, more of the financial resources for growth and more of the intellectual leadership for growth must come from within Africa. To a great extent this depends on African governments and institutions finding ways to make private investment more attractive, and this, in turn, requires policy and regulatory reform, and the strengthening of the institutions that manage the economy. It also requires more and better educated Africans.

USAID Role and Achievement to Date: The USAID Regional Program is strengthening a number of African policy-analytic organizations such as the African Economic Research Consortium (AERC) and the Association for the Development of African Education (DAE). Through the Leland Initiative, USAID is also supporting the linking of researchers and other policy-makers across Africa through the Internet and other electronic communications systems. Finally, it is helping African countries build more effective, more financially sustainable education systems. Thus for example, the Africa regional program has developed the Sustainable Financing initiative in agricultural research. Within education, USAID has leveraged an increasing level of country financing for primary schooling. Given shrinking external resources and the strong need for African institutions to begin controlling their own destiny, we are leading an initiative to develop financing mechanisms that will help break the chain of donor dependency. Following extensive analysis of the "art of the possible", the initiative is now actually helping African institutions put together systematic workplans to this end. Mechanisms being developed include such things as establishing endowments, commercializing technology and arranging debt swaps, as well as the institutional changes needed for these mechanisms to work.

Description: The regional program works catalytically by linking U.S. expertise with African expertise in a mentoring role. African institutions and researchers suggest a set of important activities that need further analysis, and the Regional Program, through a series of grants and contracts, links key expertise in the United States with African counterparts, developing solutions to the problems and at the same time creating greater capacity for Africans to work independently. Moreover, through the process of networking with a variety of partners, including other donors, we act to spread these ideas to various places besides those we are working in. Finally, our African counterparts become champions for policy and strategy change and are often much more effective than outsiders in getting policy makers to "buy into" the new (and hopefully, better) ideas.

Host Country and Other Donors: These are partnership activities. We are working with the World Bank, foundations such as Ford and Rockefeller, and a range of bilateral donors including the French, the Scandinavians and the Canadians. USAID plays a leading role in The Association for the Development of African Education, which provides a multi-donor and host-country framework for addressing regional policy and technical issues.

Beneficiaries: We work primarily through Agency Country Missions. The immediate beneficiaries are African policy-makers and analysts. Improved policies and programs will benefit everyone, particularly the poor, in countries where these programs are implemented.

Principal Contractors, Grantees, or Agencies: The Regional program works with a wide variety of U.S. universities and contractors as well as with African institutions, universities, Government ministries, and Non-Governmental Organizations (NGOs). Among the institutions USAID is working with are Harvard Institute for International Development, Howard University, Michigan State University, Clark-Atlanta, African Economic Research Consortium, and University of Nairobi.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
<u>Primary Education Systems in 10 Countries</u>		
●Gross enrolment ratio-primary school increased	72% (1990)	80% (2001)
●Increased primary enrolment	44.5%(1990)	48% (2001)
●% of Government recurrent budget to education	20% (1990)	20% (2001)
●% of education budget to primary education	37.5%(1990)	37.5%(2001)
●Increase in % of school-age children achieving functional literacy and numeracy	No baseline data	Baseline in place

Economic Growth

	<u>Baseline</u>	<u>Target</u>
- Share of private sector investment to total investment (Avg for Africa)	55.4%(1996)	65% (2000)
- Macroeconomic stabilization score	4.9 (1996)	7.0 (2000)
- Structural reforms score	7.8 (1996)	9.0 (2000)

## ACTIVITY DATA SHEET

**PROGRAM:** AFRICA REGIONAL PROGRAM

**TITLE AND NUMBER:** Improve the Policies, Programs and Strategies in Population and Health in a Sustainable Way, 698-S002

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$20,200,000 DFA

**INITIAL OBLIGATION:** FY 1997; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To improve the delivery of health and family planning programs, with particular emphasis on improving effectiveness, efficiency and creating sustainable financing.

Background: While health care and family planning services have been improving in both quantity and quality, these services are being largely underwritten by the donor community. African public and private health systems have been built to serve the urban middle and upper class communities. To a great extent, rural primary health care has been donor financed. This dichotomy must change, particularly as demands increase with population growth and donor resources shrink. In addition the strains which the HIV/AIDS pandemic will put on existing health systems will destroy their capacity to deliver services more broadly. Interventions to address the program, policy and strategies of African countries for the development of increased efficient and sustainable services are needed.

USAID Role and Achievement to Date: The USAID Regional Program's role is to provide our partners with models for moving to strengthened and sustainable health and family planning systems. USAID has been working to demonstrate how financial partnerships between the public and private sectors can be created, and to develop integrated programs which move from vertical immunization efforts, which falter once donor funding is withdrawn, to systems that deliver a variety of preventive and curative services in an integrated manner. Three bilateral USAID Missions are participating in a new integrated malaria initiative which focuses on integrating malaria control into ongoing primary health program. The results in Malawi have been spectacular, with large reductions in the incidence of malaria in pilot studies.

USAID assistance to the Africa Regional Office of the World Health Organization (WHO/AFRO), have enabled 88% of the countries in Africa to begin the development of plans of action for the effective treatment and control of malaria and have trained approximately 50 Africans to serve as consultants in malaria activities. USAID work on urban-based family planning services has resulted in Zimbabwe increasing its own funding for urban programs. A USAID-sponsored workshop on "Quality of Care and Reducing Medical Barriers" resulted in over 30 changes in restrictive policies, procedures and strategies in four countries (Zimbabwe, Kenya, Botswana and Uganda), leading to the improvement of family planning clinical services. A USAID funded study in Uganda on the counseling and testing for HIV determined that significant changes in behavior occurred when HIV positive individuals received counseling versus those persons testing negative.

Description: USAID will be building on these achievements, continuing this work, with special emphasis on building financial sustainability. Lessons learned from several USAID funded HIV/AIDS studies and prevention programs including those on behavior and the role of the private sector will be reviewed to determine how to strengthen these programs and what interventions are most effective. USAID will be examining the effectiveness of programs affecting young adults, including abstinence, particularly in African schools and of broader use of mass media to promote health behavior changes. USAID will also explore ways to implement private sector AIDS policy and intervention programs in the workplace.

Host Country and Other Donors: USAID will continue to work jointly with a number of donor and African institutions including the World Bank, WHO/AFRO, the European Union, the United Nations Children's Fund (UNICEF), the governments in the region, and regional public health institutions.

**Beneficiaries:** The immediate beneficiaries are African policy-makers and analysts. Improved policies and programs will benefit everyone, particularly the poor, in countries where these programs are implemented.

**Principal Contractors, Grantees, or Agencies:** The Regional Program works with a wide variety of U.S. universities including Tulane, Morehouse and Johns Hopkins, consulting firms including the Academy for Educational Development, as well as with African institutions including universities, Government ministries, and Non-Governmental Organizations (NGOs) (e.g., Center for Applied Research on Population and Development, University of Zimbabwe, the Commonwealth Secretariat of East, Central and Southern Africa).

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
● National malaria control strategies and plans of action developed and implemented	0 (1995)	20 (2000)
● Disease surveillance activities for immunizations developed and implemented at the district levels	0 (1995)	20 (2000)
● WHO/AFRO Malaria and Immunization Units strengthened to provide support to countries in the region	5 (1995)	25 (2000)
● Countries that have eliminated medical barriers to provide family planning services with improved quality and public access.	2 (1995)	12 (2000)
● National health service delivery systems providing special preventive services to young adults to avoid unwanted pregnancy and contracting sexually transmitted infections (STIs), including HIV, which will cause their premature death	1 (1995)	12 (2000)
● Improved volume and quality of media coverage of population and family planning issues resulting from special training and orientation programs for senior journalists in West African countries.	0 (1995)	6 (2000)
● Expanded Child Survival Programs developed by USAID Bilateral Missions	4 (1995)	8 (2000)

## ACTIVITY DATA SHEET

**PROGRAM:** AFRICA REGIONAL PROGRAM

**TITLE AND NUMBER:** Improve the Policies, Programs and Strategies in Protecting the Environment in a Sustainable Way, 698-S003

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$11,500,000 DFA

**INITIAL OBLIGATION:** FY 1997; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To help build the capacity of African governmental and private institutions to protect their natural resource base while at the same time increasing the productivity of these resources to provide for increased economic welfare.

Background: Africa's environment must be protected if the people of Africa are to be able to improve their well-being. Africa's environment must be protected if we are to avoid a catastrophic loss of unique genetic resources that are currently at risk. This can only happen if development and natural resource management are joined. Increased incomes can reduce pressure on fragile ecosystems and lands. Reduced population growth will do likewise. Both environmental protection and economic growth depend on a mutually respectful approach to sustainable development.

USAID Role and Achievement to Date: The USAID Africa Regional Program has been working with our Private Voluntary Organization Partners and host country governments to develop sustainable models for local management of Africa's resources. The Regional Program has directly influenced USAID mission programs, to the extent that the bulk of USAID's \$350 million in investments in NRM and the environment now in place in Africa are either structured around approaches pioneered by the regional program, or are directly supported in ensuring that Mission results in this sector are achieved.

USAID was at the forefront of supporting local empowerment projects to ensure sustainable development in Zimbabwe, Namibia, Mali, Senegal, Niger, and Madagascar. Farmers in these countries now have local control over thousands of acres, heretofore being totally managed by the Central government. Village upon village are earning sustainable income through the management of forests and wildlife in Southern and East Africa.

If communities can be shown ways in which the protection of a common resource is important not only in the future, but can improve their welfare today; then they will work out rules and arrangements within the community to ensure that use of this resource base is sustainable.

Description: USAID continues to work with our partners to broaden the understanding of how these programs can be strengthened. USAID has invested in satellite-based monitoring systems, and are encouraging our African government partners to develop environmental management capacity and policies that will protect sustainable use. USAID started a new program in the Central African rain forest, the Central African Regional Program for the Environment, whose purpose is to save that largely protected and invaluable resource before timber interests and the needs of local farmers begin to make major inroads in this largely virgin area.

Host Country and Other Donors: Perhaps in no other area does USAID have as rich an array of partners as in protecting the environment. These collaborative efforts include working with the World Bank and other donors in helping African governments and their partners to develop National Environmental Action Plans. USAID has partnerships with a wide variety of U.S. non-profit organizations - The World Resources Institute, World Wildlife Federation and the New York Zoological Association to name a few. USAID helps non-profits to develop and strengthen African organization to do the same type of work.

Beneficiaries: The immediate beneficiaries are African policy-makers and analysts. Improved policies and programs will benefit everyone, particularly the poor, in countries where these programs are

implemented.

**Principle Contractors, Grantees, or Agencies:** The African Regional Program works with American and African non-profits, such as World Wildlife Fund, Wildlife Conservation Society, African Wildlife Service, and institutional contractors to help implement this program. USAID also works with U.S. Agencies such as the National Aeronautics and Space Agency and the Forest Service to carry out programs.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
●Multidonor support increases networks for in Africa National Environmental Action Plans (NEAPS)	21 NEAPS (1995) <sup>1</sup>	40 NEAPS(2000)
●Key enabling conditions affecting NRM programs identified	12 countries 6 conditions (1996)	16 countries 6 conditions (2000)
●Local institutional and USAID capacities strengthened to support the development of appropriate infrastructure needed for sustainable natural management, including sustainable financing mechanisms	4 countries (1995)	10 countries (2000)
●Income-generating activities through the exploitation of natural resources in a self-sustaining and environmentally sound manner increased	4 countries (1995)	10 countries (2000)
●Increased scaled-up community based NRM initiatives in Africa	6 countries (1995)	12 countries (2000)
●Government policy affected resulting in changes (e.g., to give district councils authority to manage indigenous resources) in order to awaken appreciation of wildlife and NRM in local peoples	6 countries (1995)	12 countries (2000)

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<sup>1</sup>Source: Greve, Lampietti & Falloux (World Bank, AFTES)

## ACTIVITY DATA SHEET

**PROGRAM:** AFRICA REGIONAL PROGRAM

**TITLE AND NUMBER:** Improve the Policies, Programs and Strategies in Building Democracy in a Sustainable Way, 698-S004

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,500,000 DFA

**INITIAL OBLIGATION:** FY 1997; **ESTIMATED COMPLETION DATE:** FY 2001

**Purpose:** To improve the institutional foundations for sustaining the transition to democracy in Africa.

**Background:** The African people have decided that they want to live in democratic societies. They have also made it clear that they want an end to corruption and to waste in their governments. While elections have occurred in a majority of African countries, the resulting governments have often been weak and ineffective. A few have been overthrown by military regimes. Democracy will survive in Africa over the long term only when the institutions for democracy and democratic culture become so strong that any idea of returning to authoritarianism will be unthinkable.

**USAID Role and Achievement to Date:** USAID Regional Programs have focused on four major themes: (1) development of improved African analytical capacities for conducting strategic assessments; (2) promoting fair and competitive elections; (3) strengthening civil society groups, particularly human rights groups; and (4) the integration of democratic institutions throughout the Agency's Africa development program with particular emphasis on supporting decentralization and developing the ability of civil society groups to articulate their interests and petition government at all levels for redress. The regional Program has championed the idea, for example, of local control over natural resources. This is a major issue in the Sahel where government foresters were seen as the leaders in stealing natural resources from local populations. Support for reform of forestry codes has resulted in the transfer of control to local users. The USAID Regional Program has also been instrumental in developing local community involvement in education, including the devolution of much authority to local districts and communities.

**Description:** With democratic consolidation occurring in much of Africa, the regional program will focus renewed attention on improving USAID and African understanding of how to strengthen democratic and good governance, particularly the synergism with other sectors of the economy. A major focus will be on developing African capacity to analyze, accelerate and rationalize the process of decentralization and devolution of authority that is occurring throughout Africa.

**Host Country and Other Donors:** The Regional program has been working with other donors (particularly the European Union) to better understand the synergism and conflicts between economic and political liberalization.

**Beneficiaries:** The immediate beneficiaries are African policy-makers and analysts. Improved policies and programs will benefit everyone, particularly the poor, in countries where these programs are implemented.

**Principal Contractors, Grantees, or Agencies:** The Regional Program works with a number of U.S. non-profit institutions such as the National Democratic and the National Republican Institutes (NDI and NRI, respectively), as well as with several consulting firms such as Associates in rural Development and Associates for International resources and development and U.S. universities, such as the Harvard Institute for International Development.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
● Formal macro Democracy and Governance Strategic Assessment Framework applied by Africa Bureau Missions	5 countries (1995)	20 countries (2000)
● Strategic Plans developed for supporting democratic local governance, covering civil society and local government rules.	0 countries (1995)	8 countries (2000)
● Democracy and Governance strategies developed that cut across other sectors including, e.g., decentralization in education, health, agriculture, natural resources management sectors.	0 countries (1995)	8 countries (2000)
● African capacity to conduct strategic democracy and governance self-assessments developed.	3 countries (1995)	10 countries (2000)
● Improved African capacity to develop and advocate constitutional and governance reforms for consolidating and deepening democratic institutions and culture.	0 countries (1995)	5 countries (2000)

## ACTIVITY DATA SHEET

**PROGRAM:** AFRICA REGIONAL PROGRAM

**TITLE AND NUMBER:** An improved use of USAID resources to prevent, mitigate and respond to humanitarian crises in sub-Saharan Africa, 698-S021

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$7,950,000 DFA

**INITIAL OBLIGATION:** FY 1997; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To prevent the humanitarian disasters that plague Africa and, where prevention is impossible, to mitigate its effects as quickly as possible.

Background: Africa has seen numerous humanitarian disasters, both natural and man-made. While drought cannot be prevented, famine can, and Africa has not seen in the past decade a major famine that has resulted from drought or other natural disasters. This major success is a result of a combination of improved capacity within and outside Africa to identify drought conditions early and to provide timely, strategic and effective assistance when needed.

USAID Role and Achievement to Date: So far, wherever USAID's famine early warning system (FEWS) has been introduced, famines have never re-occurred. By providing more timely and appropriate information about emerging famine conditions to key decision makers, more appropriate pre-emptive actions can be taken to prevent famine conditions from developing. In 1992 and again in 1995, the combined U.S. response to the Southern Africa drought kept that climatic disaster from becoming a human tragedy. FEWS was instrumental in guiding the donor and African Government response.

Description: The USAID Regional Program has been set up to provide assistance to bilateral missions in responding to and preventing major disasters. The two areas in which the Regional Program is focussed is in predicting and mitigating the effects of drought and in responding quickly to grasshopper and locust outbreaks. The drought-fighting activity FEWS that is located in a large number of drought-prone countries, monitors weather patterns as well as economic and social factors such as food prices, livestock sales and migration. While FEWS is important as an early warning system it also functions to target food assistance to the areas most in need. The African Emergency Locust/Grasshopper Assistance (AELGA) project provides quick and timely assistance to missions and countries where food harvests are threatened by outbreaks of locusts and grasshoppers.

The world has been less effective in preventing man-made disasters, and while ultimately the onus for doing so is in the willingness of the world community to respond to these crises before they occur, USAID intends to improve our understanding of how man-made crises start, and what can be done to mitigate the sources of conflict as part of the development process. The Regional Program will also continue to support efforts to improve the capacity of African governments and regional institutions to manage a conflict resolution process in as timely and effective a manner as possible.

Host Country and Other Donors: The Regional Program works with a large number of African countries as well as with the Food and Agricultural Organization (FAO) and the World Food Program (WFP) of the United Nations.

Beneficiaries: The people of Africa, especially those living in drought/locust prone regions.

Principal Contractors, Grantees, or Agencies: The Regional Program works with several American firms, as well as with U.S. Government Agencies such as the United States Geological Survey (USGS), NASA and the U.S. Department of Agriculture.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
●Reduction in the ratio of requested food aid to aggregate food deficits during potential food emergencies	To be established	
●Number of responses to food emergencies, caused by drought and other natural factors, improved due to FEWS information	To be established	
●Number of responses to chronic food insecurity improved due to FEWS information	To be established	
●Host Country's crop protection units able to detect and mitigate locust and grasshopper outbreaks without external intervention	0 countries(1996)	6 countries (2000)

## ACTIVITY DATA SHEET

**PROGRAM:** AFRICA REGIONAL PROGRAM

**TITLE AND NUMBER:** Improved Environmentally-safe Approaches to Prevent and Mitigate Agricultural Pest Crises Adopted by Host Countries, Regional Institutions, and International Organizations in sub-Saharan Africa, 698-S022

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$600,000 DFA

**INITIAL OBLIGATION:** FY 1997; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: Under this SO, AA/AFR/DRC (the operating unit) intends to achieve results that will safeguard the environment and ecosystems and ameliorate and prevent environmental threats to public health.

Background: In the aftermath of the 1985 to 1989 locust plague, it was realized that wide-spread pesticide spraying could have been avoided if an early warning mechanism had been available, and enhanced spraying techniques and biological organisms used instead of hazardous pesticides. The Africa Emergency Locust/Grasshopper Assistance (AELGA) is aimed at helping to achieve this strategic objective.

USAID Role and Achievements to Date: Since 1990, the Africa Bureau has funded biological control research through the AELGA activity. Late last year a biological pesticide was registered through the U.S. Environmental Protection Agency for use on rangeland grasshoppers in the United States. Much of the field work was carried out in Africa under the USAID grant. Other important achievements have been the removal and destruction of out-of-date, banned pesticides in Niger and Zanzibar (50,000 liters and 400 metric tons, respectively). Finally a total of 125,000 liters of pesticide donated by Morocco, Algeria, and Tunisia were transported at AELGA's expense to other developing countries in Africa to control Desert Locusts.

Description: Safeguarding the environment is the main thrust of this strategic objective. FY 1997 funds under this SO will be used to mitigate environmental hazards through training of host country crop protection staff to decrease their dependency on chemical pesticides through the use of pest management. Research into biological control for locust and grasshoppers has been funded through April 1997 using prior year budgets. No new money will be requested for biological control until the results of large scale testing are known.

Also under this SO, activities will be funded to ameliorate conditions and prevent environmental public health threats by reducing surplus pesticides, enhancing the capability of host country personnel to use pesticides safely, disposing of expired pesticides, and convincing host country partners to accept recommendations from environmental assessments.

Host Country and Other Donors: Donor coordination is essential to encourage host countries to adopt environmentally sound pesticide laws and regulations. Currently, 18 supplementary environmental assessments have been conducted jointly with African countries to ensure that the host countries follow accepted USAID environmental procedures, thus making them eligible for U.S. assistance.

Pesticide disposal has been arranged with host countries (Tanzania and Mauritania) and the Dutch and Germans, i.e., to safely package and ship expired pesticides to the Netherlands to be incinerated. AELGA has worked closely with the governments of Morocco, Algeria and Tunisia to promote the donation of excess, viable pesticides to African countries experiencing major locust outbreaks.

In Madagascar, Eritrea, and Mali biological control research is to be accomplished in coordination with the host country ministries of agriculture and local universities.

**Beneficiaries:** The end customers are rural African families who are safeguarded because their environment is protected through proper and timely application of pesticides to control locust and grasshoppers. Rural Africans benefit from the safe application and disposal of U.S. funded pesticides. With a breakthrough in the biological control research, these new pesticides will replace the chemical pesticides, and the potential for improved rural health and improved environment will result.

**Principal Contractors and Grantees:** Technical assistance is provided through an interagency (RSSA) agreement with the U.S. Department of Agriculture, which in turn has contracted with the University of Maryland/Eastern Shore and the University of Missouri/Columbia. Biological control research is being conducted through two grants with Montana State University. The FAO is the grantee providing rapid response, early warning, and locust control services.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
●Host Country pesticide warehouses managed in an environmentally sound manner	0 countries (1996)	5 countries (2000)
●Biological pesticides used on locust and grasshoppers for emergency control	0 pesticides (1995)	2 pesticides (2000)

## ACTIVITY DATA SHEET

**PROGRAM:** AFRICA REGIONAL PROGRAM

**TITLE AND NUMBER:** Broad Based Support for Africa, 698-S031

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$19,700,000 DFA

**INITIAL OBLIGATION:** FY 1997; **ESTIMATED COMPLETION DATE:** Ongoing

Purpose: To provide support to address Africa-wide issues that are intrinsic to Africa Bureau program management and/or provide support that is broader than that provided to a single bilateral country program or sub-regional program.

Background: A tenant of the USAID Africa Bureau's management goal is that Agency resources are budgeted and implemented for specific country and regional programs to the maximum extent possible. However, there are some Africa-wide issues and management needs that transcend national and/or regional boundaries. To this end, the Africa Bureau funds a discrete set of activities which address these problems, issues and needs. Among these activities are: funding for non-country specific program development and support; the USAID Africa Bureau-wide Special Self Help Development Fund to promote small civic endeavors; undergirding support for an enhanced role for U.S. and indigenous private voluntary organizations (PVOs); a limited fund for initiating worthwhile unsolicited proposals which address concerns that go beyond a particular USAID mandate; and a fund to promote economic policy reform.

USAID Role and Achievements to Date: Though disparate, the activities supported have the common focus of enhancing the way the Africa Bureau manages its development resources. Funding is used to service certain non-country specific needs or where it is premature to budget resources to a specific country or group of countries yet it is known that the need will exist during the later part of the budget cycle. Over the years, funds have been used for similar activities which have been well invested in developing new support mechanisms, strengthening Africa Bureau program management, enhancing U.S. policy interests by building indigenous support and for developing fundamental and far-reaching economic policy reform programs. By the very nature of activities supported, measurable achievements are limited as there is a constant need to continue to invest in new and better ways to play a catalytic role in the enhancement of program management.

Description: The Africa Bureau funds a number of support activities under this strategic objective including: a) Program Development and Support, a small reserve (\$300,000-\$1,000,000 annually) to design, support and/or evaluate program, projects or activities, including pilot activities, where such activities can not be appropriately charged to an individual project or activity and are not directly related or linked to programs in a particular country or USAID Mission. Recent examples include studies such as an ongoing multi-donor study on aid effectiveness in Africa and program design such as related to the Greater Horn of Africa Initiative and the Leland Initiative for telecommunications linkages in Africa. b) Africa Special Self Help Program (\$3-\$5 million annually), which enables USAIDs and U.S. Ambassadors (in specifically identified non-USAID presence countries) to respond quickly and with minimal red tape to request from indigenous communities for small (generally \$2,000 or less), self-help activities which have an immediate impact and will advance U.S. interests. Following a program initiated in 1963 in Latin America, the concept was introduced in Africa toward the end of FY 1992. Examples abound including providing sewing machines for a community center for adult vocational training; providing a brick-making machine for communities which want to enhance their houses or community buildings; class rooms, books or equipment needed to enable school children to be educated in their communities. c) Support for InterAction, a U.S. PVO consortium which brings together U.S. and African Non-governmental Organizations (NGOs) and PVOs on a regular basis to discuss Africa-wide issues and lessons learned. A grant of a couple hundred thousand dollars annually provides a critical collaborative mechanism between the NGO community and USAID and among U.S. and African PVOs and NGOs. d) Unsolicited Proposal Fund (about \$2-3 million annually) for unsolicited development-

related proposals which initially may not fall under specific bilateral programs but are supportive of Agency objectives and U.S. national interests. e) Africa Economic Policy Reform Program (\$4-8 million annually), subject to availability of funds) which between 1985 and 1994 has funded 36 economic policy reform programs in 23 African countries, programs which helped bring about critical policy changes in important areas such as agricultural marketing, girls' education, and supplemental assistance to offset the impact of the devaluation of the West African franc.

Host Country and Other Donors: By the nature of supporting program management rather than implementing country program, there is little measurable correlation with host country and other donors support, especially where funds are used for precursor activities or program formulation. However, in providing the framework for PVO support, there is the clear expectation that over time the strengthened PVOs will enhance their ability to raise private contributions and to work collaboratively with host country and other donor resources. Likewise, when economic policy reform programs are formulated, at that point other donors and the host country must have an identified and clearly discernable role.

Beneficiaries: The ultimate direct beneficiaries of improved management and well-formulated programs and activities are the millions of people in Africa who receive well-targeted and effectively programmed U.S. assistance.

Principal Contractors, Grantees, or Agencies: In most cases the grantees and/or implementing agencies are to be determined at the time in the future when specific tasks are to be implemented. It is known that local indigenous community-based organizations will implement activities under the aegis of the Ambassador's Special Self Help programs and the Peace Corps is often instrumental in implementing these activities. Strengthening PVOs has been a collaborative process undertaken in cooperation with InterAction, a U.S. PVO, and this symbiotic relationship may warrant continuation. The Overseas Development Council is producing case studies documenting lessons learned and effectiveness of aid in Africa.

Major Results Indicators: Not Applicable

**REGIONAL ECONOMIC DEVELOPMENT SERVICES OFFICE  
FOR EAST AND SOUTHERN AFRICA (REDSO/ESA)**

**FY 1997 Development Fund for Africa: ..... \$5,958,172**

**Introduction.**

The United States has many interests in the strategically important and politically troubled region of east and southern Africa. These interests are focused on facilitating a transition to democratic governments, and promoting the establishment of productive, market-oriented economies. The vast mineral wealth and growing markets in east and southern Africa offer a unique potential for American investment and for the export of American goods and services. In addition, many of the countries in the region traditionally serve as critical access points for U. S. military forces in times of emergency. Thus, it is the aim of the United States to maintain and enhance longstanding political and economic ties in the region.

The USAID regional office plays a key role in furthering the achievement of U.S. economic, political and humanitarian assistance objectives in 21 countries in east and southern Africa that receive USAID assistance. The USAID regional office is in a unique position to add value to its service role by furnishing information critical to the successful achievement of bilateral strategic objectives, while focusing on transnational approaches and solutions to long-term development issues. An example of this regional approach is the key contribution the USAID regional office makes to the strategic planning and coordination essential to the achievement of the food security, conflict mitigation, and family planning objectives of the Greater Horn of Africa Initiative (GHAI).

**The Development Challenge.**

In recent years, the countries of east and southern Africa have undertaken significant national efforts to address critical development challenges. However, the fact that many of these challenges persist, with impacts that reach across national boundaries, is an indication of the need for better coordinated regional approaches and solutions which may not have been attempted in the past. These challenges include:

- Natural disasters, including severe droughts which periodically afflict vast areas of the region and constrain the achievement of sustainable development objectives;
- High population growth rates that continue to outstrip gains in agricultural production, making future food security in the region a steadily deteriorating prospect;
- The Human Immunodeficiency Virus-Acquired Immunodeficiency Syndrome (HIV-AIDS) pandemic has its epicenter in the region with nine of the ESA countries having seropositive rates over 10%. Recent studies suggest that by the year 2000 economic growth in some of the key countries in the region will be reduced by as much as 20% due to negative economic consequences of HIV-AIDS; and,
- Limited progress in democratization and governance continues to hinder economic and social development throughout the region. Although significant gains have been registered in Eritrea, Ethiopia, and Uganda, widespread corruption, governmental instability and potential civil unrest continue to inhibit progress in a number of cases.

The USAID regional office's ability to focus its specialized pool of regional expertise on those areas where there may be informational and/or experiential gaps, has proven to be of invaluable assistance to USAID missions, government and non-government organizations (NGOs), and private sector entities. In recent years, this provision of technical assistance has been supplemented by the knowledge that USAID staff has gained from initiating an innovative regional portfolio concentrated on pilot efforts to overcome specific regional constraints.

## **Other Donors.**

A host of multilateral and bilateral donors are actively engaged in east and southern Africa. Recent discussions, both at headquarters and at country level, have focused attention on the utility of a regional orientation to emergency relief and development assistance. The USAID regional office plays a pivotal coordination role in this dialogue. In agriculture and natural resources management, USAID regional office collaborates with the donor community in strengthening support for the Association of Agricultural Research in East and Central Africa and its affiliated National Agricultural Research Systems. These organizations work with selected regional research networks to promote increased technology transfer and commercialization of technology activities within and among east African countries. In health and population, USAID and the World Bank have jointly programmed sustainable health financing efforts on a regional basis, while promoting family planning training. Through the Center for African Family Studies (CAFS), a regional family planning NGO, there has been increased USAID coordination with the British Overseas Development Administration, the Swedish International Development Agency, and the Canadian International Development Agency. In addition, coordination efforts are also underway with the United Nations Children's Fund (UNICEF) to identify common adolescent reproductive health and child survival issues, while successful joint programming of HIV-AIDS prevention resources has already occurred with the European Union (EU). Thus, USAID strives to ensure that diminishing U.S. resources are applied judiciously to high priority situations, while leveraging contributions of other bilateral and multilateral donors.

## **FY 1997 Program.**

To advance the attainment of broad-based sustainable development throughout the region, USAID has selected four strategic objectives which cut across each of the Agency's five strategic goals. In FY 1997, USAID will continue to emphasize the provision of vitally needed technical and programmatic support services to client USAID missions, government and NGOs, and private entities throughout the region. In addition, staff will increasingly be engaged in the management of innovative activities to enhance USAID "value-added" regional contribution to the solution of such transnational issues as: the prevention of HIV-AIDS; the promotion of inter-country trade; the development of the private sector; the prevention of environmental degradation; and the implementation of regional programs, e.g., the GHAI and the Initiative for Southern Africa (ISA).

### **Agency Goal: Encouraging Broad-based Economic Growth**

USAID supports regional economic growth objectives through the provision of expert advisory services and by managing regionally oriented activities aimed at addressing critical development challenges. These challenges include: the prevention of the spread of HIV/AIDS; enhancing the effectiveness and coverage of self-sustaining health care systems; the identification and mitigation of constraints to increasing intra-regional trade; the expansion of women-owned businesses and their full integration into the formal business sector; the reform of economic regulations and policies; and developing a significant private sector role in the attainment of GHAI food security objectives and income generation objectives of the ISA. In FY 1995, USAID assisted in the mitigation of critical constraints to economic growth by: convening the first region-wide workshop for government and non-government health professionals on HIV-AIDS and gender related issues; sharing of Kenyan health financing practices with Ethiopian colleagues in the design of a new Ethiopian Health Program and the training of key Ethiopian staff; the development of a plan to establish women's business associations to promote the expansion of women-owned businesses in the region; and the initiation of a series of regional workshops bringing together--for the first time--policy makers, business people, and NGOs to develop an Action Plan to eliminate policies and regulatory constraints to inter-country trade throughout east Africa.

Economic growth funding requested in FY 1997 will enable USAID to continue to respond to a significant level of requests for technical assistance. The funding will also allow continuation of regional activities focused on priority challenges not presently being addressed, including: a study of, and workshops on, constraints to trade and transportation in Djibouti, Eritrea, Ethiopia, Kenya and Somalia; joint donor

meetings with Ministries of Health in the region that are planning and/or undergoing decentralization; to present the findings of the USAID-funded World Health Organization study on the decentralization of health systems and to draw up a priority list of policy reforms, research, and decentralization programs; to complete a survey of the private sector in the GHA countries; and to convene a workshop for government, NGO and private sector entities on developing a regional plan for private sector participation in GHAI food security activities.

- Strategic Support Objective 1: Effective Program and Technical Support to all ESA Missions
- Strategic Objective 2: Increased Utilization of Critical Information by USAID and Other Decision Makers in the Region
- Strategic Objective 3: Establishment of a Strong Basis for Implementation of the GHAI

#### **Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

The stabilization of population growth rates continues to be a major priority throughout the region. In 1994, this rate was estimated at approximately 2.9% for the region, while the fertility rate, at seven births per woman, ranks the region as one of the most vulnerable in the world. As a result, 13 USAID country programs in the region have targeted results that will have a direct impact on stabilizing the population growth rate. Therefore, USAID will continue to devote a portion of its resources, both human and financial, to assist in the achievement of these critical objectives.

In FY 1995, USAID responded to increased requests from bilateral missions by providing regional population expertise in adolescent education and pre-pregnancy related care. These skills, in conjunction with the Cooperating Agency Activity Tracking System (CAATS), enabled USAID staff to provide key inputs to new and ongoing population programs. In addition, improved coordination between regional cooperating agencies fostered by CAATS significantly increased the utilization of critical information by USAID and other regional decision makers in the population sector. Thus, USAID's population efforts continue to perform a vitally important regional function.

Population funding requested for FY 1997 will permit USAID to maintain its high quality regional population expertise, as well as continue technical assistance to CAFS, the leading, self-sustaining African family planning and population institution.

- Strategic Support Objective 1: Effective Program and Technical Services to All ESA Missions
- Strategic Objective 2: Increased Utilization of Critical Information by USAID and Other Decision Makers in the Region.

#### **Agency Goal: Protecting the Environment**

Seven USAID country programs focus on the protection of the environment. However, a number of these efforts have consequences that cross national boundaries. Thus, the regional challenge is to strengthen regional institutional capacity to identify and manage scarce natural resources, i.e., coastal and biodiverse plant and animal resources. USAID provides support services to assist in the achievement of these objectives, while managing innovative regionally-oriented activities that are focussed on the protection of the environment.

In FY 1995, USAID responded to increased requests for assistance by providing a pool of regional environmental expertise in natural resources management, biodiversity, and environmental assessments. By substantially augmenting available environmental information, the capability of regional decision makers to set environmentally sound policies was reinforced. In addition, the management of the following activities contributed to the achievement of the regional environmental protection agenda: development and testing of an innovative training program to enhance USAID, governmental and non-governmental institutional capacity to conduct Environmental Impact Assessments; oversight of coastal resources management programs; and convening the first regional workshop on strategies for sustainability with 13 countries and

regional organizations. These countries and organizations are discussing national and local environmental strategic planning and regional support programs.

Funding requested for FY 1997 will permit USAID to maintain its high quality regional expertise, while continuing innovative activities addressing critical environmental challenges. These include: cataloguing and disseminating data on trade in rare plants and animals for medicinal purposes so as to understand and improve legal trade, while limiting threats to biodiversity; a study of governmental policies and regulations in the region with negative impact on the environment; and a subsequent series of workshops for governmental and non-governmental leaders to discuss the results of the study and recommend a course of corrective actions.

- Strategic Support Objective 1: Effective Program and Technical Support to All ESA Missions
- Strategic Objective 2: Increased Utilization of Critical Information by USAID and Other Decision Makers in the Region

### **Agency Goal: Building Democracy**

The civil strife, ethnic tension and corruption that continue to plague countries in east and southern Africa have led 16 USAID country programs to adopt strategies to build democracy. USAID provides support in the design and monitoring of activities, while coordinating efforts to review, approve and provide oversight to critical GHAI conflict prevention, mitigation and resolution activities.

In FY 1995, USAID contributed to the achievement of a variety of results that greatly reduced tensions and the level of civil strife in the region. These efforts include: the successful completion of Mozambique's first multiparty elections; Uganda's successful Constituent Assembly elections and that Assembly's approval of a new constitution; the continued efforts in Kenya to reduce ethnic clashes and monitor the elimination of human rights violations; and Eritrea's on-going participatory development of its first constitution. Similarly, USAID technical support and advice are pivotal in the strengthening of democratic institutions in both Namibia and South Africa.

The FY 1997 requested funding for building democracy will enable USAID to maintain high quality democracy and governance advisory services for USAID missions, governments and NGOs in the region, while allowing USAID to continue to play a key role in formulating and coordinating conflict prevention and mitigation activities and strategies under the GHAI.

- Strategic Support Objective 1: Effective Program and Technical Support to All ESA Missions
- Strategic Objective 3: Establishment of a Strong Basis for Implementation of the Greater Horn of Africa Initiative

### **Agency Goal: Providing Humanitarian Assistance**

Historically, the east and southern Africa region has been devastated by repeated manmade and natural disasters. For more than a decade, growing numbers of "at-risk" and refugee populations have affected economic and political stability in the region. Consequently, donor efforts to promote the transition from relief to sustainable development have been substantially stymied. Therefore, six of the ESA missions have focused on humanitarian assistance. USAID's regional expertise provides critical inputs by focusing on the management of emergency food resources and planning strategies to achieve GHAI food security objectives.

In FY 1995, USAID staff: assisted ESA missions to design and implement programs and coordinate communications to help respond more effectively to disasters and emergencies, including the direct management of the southern Sudan emergency food and disaster relief operation, while initiating pilot efforts to utilize humanitarian assistance resources developmentally; supervised the Famine Early Warning Systems III project to provide decision makers with remote surveillance imagery and analysis of agro-

climatic and socio-economic famine threats in the region; continued to monitor and report on relief operations in Rwanda; provided critical inputs to the development of food security strategies for Ethiopia, Eritrea, Mozambique, and Somalia; and, assessed food needs in Angola, Malawi, and Zambia.

USAID's FY 1997 request for funding will continue regional activities including: addressing the requirements of the southern Sudan population (estimated \$16 - \$20 million in disaster assistance funding and 25,000 metric tons of P.L. 480, Title II emergency food); monetization and programming of resources in the field for pilot activities promoting the transition from relief to development (approximately 70,000 metric tons of P.L. 480, Title II emergency resources and delegation of appropriate authority to the field); and, coordinating the development and implementation of national and regional food security strategies for the GHAI.

- Strategic Objective 3: Establishment of a Strong Basis for Implementation of the Greater Horn of Africa Initiative
- Strategic Objective 4: Effective Delivery of USAID's Humanitarian Assistance

**REDSO/ESA  
FY 1997 PROGRAM SUMMARY**

	Encouraging Broad-based Economic Growth	Stabilizing World Population Growth & Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	TOTALS
<b>USAID Strategic Objectives</b>						
Special Support Objective 1. Effective Program and Technical Support to all ESA Missions - Dev. Fund for Africa	1,083,000	410,000	200,000	90,000		1,783,000
2. Increased Utilization of Critical Information by USAID and Other Decision Makers in the ESA Region - Dev. Fund for Africa	1,226,143	2,048,172	180,000	62,857		3,517,172
3. Establish a Strong Basis for Implementation of the Greater Horn of Africa Initiative - Dev. Fund for Africa	367,286	20,000	155,714	70,000		613,000
4. Effective Delivery of USAID's Humanitarian Assistance - Dev. Fund for Africa	45,000					45,000
<b>Totals</b> - Dev. Fund for Africa	2,721,429	2,478,172	535,714	222,857		5,958,172

USAID Mission Director: Keith E. Brown

## ACTIVITY DATA SHEET

**PROGRAM:** REDSO/ESA

**TITLE AND NUMBER:** Effective Program and Technical Support to all ESA Missions, 623-SS01

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,783,000 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION:** Continuing

Purpose: To provide effective program and technical support to all east and southern Africa missions.

Background: The provision of effective program and technical support to all east and southern Africa missions has been the main objective of the Regional Economic Development and Services Office for East and Southern Africa since it was established in 1972. USAID missions in the region often require specialized advisory services to supplement their own staffs in the development of specific aspects of strategic plans; in designing and achieving results packages; and, in monitoring and evaluating progress in attaining targeted outcomes. Thus, as the regional support field mission's repository of high quality expertise fills critical informational and technical gaps throughout east and southern Africa. In FY 1994 and FY 1995, the USAID regional office continued to receive an increasing number of requests for its support services and technical expertise. The high level of demand is seen as one indicator of the USAID regional office's effectiveness.

USAID Role and Achievements to Date: The USAID regional office has provided key inputs to all of the principal development programs that USAID has designed, implemented and/or supported in the region. As a service-oriented entity, the USAID regional office contributes to the achievement of the strategic objectives of the client ESA missions, but is not involved directly in the actual attainment and measurement of the people-level impact of these efforts.

Description: The USAID regional office is the repository of a significant portion of USAID's program and technical expertise in the ESA region. The annual scheduling of USAID regional office staff is negotiated with client missions early in the fiscal year. Requests from the 21 ESA missions are matched with Africa Bureau and Agency priorities so as to best fit available skills to the required work assignments throughout the region. Travel often exceeds 50% of the individual's available time. Recently, the work accomplished on these travel assignments has been supplemented by support from Nairobi via electronic communication facilities. Electronic mail, telephone and/or fax provide an extremely cost-effective method to respond to client mission needs. Increasingly, USAID's funding has contributed to updating communications facilities.

Host Country and Other Donors: USAID staff regularly work with governmental and donor agency staff at the bilateral and regional level to ensure effective donor coordination and programming of scarce development resources. An example of effective donor coordination USAID's leadership of the first U.S./Japanese Common Agenda Joint Evaluation of the Zambia HIV/AIDS Project in September 1995.

Beneficiaries: USAID missions in east and southern Africa are the primary beneficiaries of the services provided by the USAID regional office staff. In turn these bilateral missions implement programs directly affecting the people in these countries.

Principal Contractors, Grantees, or Agencies: In addition to a cadre of foreign service officers and personal services contractors, a variety of fellows and institutional contractors make up the staff of the USAID regional office. In recent years, these in-house skills have been supplemented with the establishment of local indefinite quantity contracts in specific fields that may not be required in the USAID regional office on a long-term, in-house basis. This arrangement has proven to be an extremely cost-effective and efficient means of providing support services to client missions in the development of the private sector, e.g., Price Waterhouse Inc., Deloitte and Touche Inc., and Development Alternatives, Inc. and in financial management, e.g., Price Waterhouse Inc., Peat Marwick Inc., and Ernst and Young Inc.

Major Results Indicators:

	<u>Baseline<sup>1</sup></u>	<u>Annual Target</u>
REDSO achievement of service days planned.	TBD (1995)	70 (1996)
ESA missions satisfied with REDSO support services.	TBD (1995)	80 (1996)
Requests for REDSO/ESA services satisfied in each of the major skill categories.	TBD (1995)	70 (1996)
REDSO staff trained in reengineering	0 (1995)	80 (1996)

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<sup>1</sup>To be determined.

## ACTIVITY DATA SHEET

**PROGRAM:** REDSO/ESA

**TITLE AND NUMBER:** Increased Utilization of Critical Information by USAID and Other Decision-makers in the Region, 623-S002

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997 \$3,517,172 DFA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: Increased utilization of critical information by USAID and other decision makers in the region.

Background: The Regional Economic Development and Services Office for East and Southern Africa, is in a unique position to add value to its service role by furnishing information critical to the successful achievement of bilateral strategic objectives. This added value also accrues to USAID missions through strengthened host country capacities in information generation, analysis, dissemination and use. The term "information" is defined here to encompass much more than raw data and information produced through its analysis; it includes such important information concepts as lessons learned, models, technologies, and other types of formal and informal communications exchange.

USAID Role and Achievements to Date: The USAID regional office works with client USAID missions, collaborating governments, private sector individuals and institutions, universities, non-governmental organizations (NGOs) and private voluntary organizations (PVOs) to develop, analyze, disseminate and use critical information on priority regional development issues. Achievements to date include:

- (1) Regional Trade Studies - Comparative analysis of Economic Reform and Structural Adjustment Programs in east Africa (emphasis on agriculture and trade policies) completed and results disseminated. In addition, a unique team-building exercise to initiate this study in southern Africa was completed with country-teams from Malawi, Mozambique, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.
- (2) Regional Health Networks - Improved design and implementation of health programs in the region by sharing successful health financing experiences among counterparts in other countries.
- (3) Center for African Family Studies (CAFS) III - the USAID regional office support has enabled CAFS, a regional NGO, to provide family planning training to service providers in Africa; and to substantially strengthen and expand its training programs for family planning professionals.
- (4) All-African Businesswomen's Association (AABA) - The development of five country assessments as a baseline on which to determine current environment in which African women entrepreneurs operate as a basis for future measurements of the improvement of businesswomen's access to information and services.

Description: The six major ongoing activities that will continue through FY 1997 are:

- (1) Regional Trade Studies. To identify the impact of evolving trade and agricultural policies on agricultural and food security in the region. The analyses generated will be used to inform policy makers and encourage appropriate policy responses to achieve stated national and regional objectives concerning trade, agricultural production and food security.
- (2) Regional Health Networks. To maximize USAID's regional investment in child survival, reproductive health, AIDS and other health initiatives by sharing, adapting, and borrowing lessons learned across borders;

(3) CAFS. To develop a stable, self-reliant, market-oriented African institution that can effectively transfer modern family planning/reproductive health technologies to family planning and reproductive health programs in both the private and public sectors;

(4) AABA. To increase income through increased access of African women to the information and services needed to operate successful businesses. This will involve the establishment of effective national and/or regional businesswomen's associations and, through them, improve the environment for African women entrepreneurs;

(5) Sustainable Agricultural Transformation. To promote regional cooperation for productive and sustainable agricultural and natural resources management technology development and transfer in east Africa; and

(6) GHAI Regional Environmental Cooperation. To promote enhanced regional cooperation for sustainable environmental and natural resources management within the Greater Horn of Africa.

Host Country and Other Donors: In the Regional Trade Activity, USAID collaborates with the United Nation's (UN) Office on Regional Development, the UN Center for Trade and Development, the World Bank, and the Cross Border Initiative which includes the World Bank, the International Monetary Fund, the European Union and the African Development Bank. In the Regional Health Networks, USAID collaborates with the Overseas Development Administration of the United Kingdom, and with the World Bank. CAFS also receives funding from the International Planned Parenthood Federation, Canada, and Sweden. USAID collaborates on AABA with the World Bank and the Friedrich Ebert Foundation, which fund complementary activities. In the Sustainable Agricultural Transformation activities, USAID works with co-funders including the World Bank's Special Program for African Agricultural Research, the Global Coalition for Africa, and the International Agricultural Research Centers. In the Greater Horn of Africa Initiative (GHAI) Regional Environmental Cooperation the USAID regional office works with many multinational and bilateral donors currently involved at different levels of regional sector development.

Beneficiaries: Intermediate beneficiaries include collaborating governments, private sector individuals and institutions; universities; NGOs and private voluntary organizations (PVOs); the USAID regional office's client missions; and other USAID offices. Ultimate beneficiaries include: Regional Trade--all people in the Greater Horn of Africa and southern Africa; Regional Health Networks--mothers and children under five years of age in east and southern Africa; CAFS--providers, users, and potential users of family planning/reproductive health services throughout sub-Saharan Africa; AABA--women entrepreneurs in the ESA region; Sustainable Agricultural Transformation--farmers, ranchers and other resource users in East Africa; and, GHAI Environmental Collaboration--farmers, ranchers, fishermen and other local resource users throughout the Greater Horn of Africa.

Principal Contractors, Grantees, or Agencies: Technoserve, the University of Swaziland, B.J. Systems Corporation and Roy Littlejohn Associates, Inc.

Major Results Indicators: Indicators, baselines and targets for measuring success are being developed.

	<u>Baseline</u> <sup>2</sup>	<u>Target</u> <sup>2</sup>
Increased commitments of resources in critical regional development areas by ESA missions.	TBD	TBD (2000)

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<sup>2</sup>To be determined.

## ACTIVITY DATA SHEET

**PROGRAM:** REDSO/ESA

**TITLE AND NUMBER:** Establish a Strong Basis for Implementation of the Greater Horn of Africa Initiative, 623-S003

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$613,000 DFA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: To establish a strong basis for implementation of the Greater Horn of Africa Initiative (GHAI).

Background: In response to continuing crises in the Horn of Africa region, the Greater Horn of Africa Initiative was launched in 1995. USAID adopted the basic objectives of this Initiative as the guiding principles for developing a program of activities in the Greater Horn of Africa (GHA) region. The GHA region has been defined as including the following ten countries: Burundi, Djibouti, Eritrea, Ethiopia, Kenya, Rwanda, Somalia, Sudan, Tanzania and Uganda. The GHAI acknowledges that food insecurity in the region is growing due to a complex and interrelated set of political, environmental, social and economic factors that can only be successfully dealt with on an integrated, regional basis through a participatory and collaborative process among: African states, non-governmental organizations (NGOs), concerned citizens, the bilateral and multilateral donor community, and regional organizations. By addressing the root causes of food insecurity and conflict, the GHAI will be critical to long-term sustainable development in the region. The Regional Economic Development and Services Office for East and Southern Africa, with its regional perspective and pool of skills critical to design and implementation of GHAI activities, has adopted the GHAI as one of its four strategic objectives. Nonetheless, since there are many resources and factors that will contribute to the achievement of GHAI objectives which are outside of the manageable interests of the USAID regional office.

USAID Role and Achievements to Date: The USAID regional office's role has been defined as coordinating the design of strategies and activities for the GHAI and facilitating their implementation. The purpose of the USAID regional office's involvement is therefore to contribute to the establishment of a strong basis for achieving the GHAI goal. In FY 1995, a strategic objective team, including GHAI partners and customers, was formed within the USAID regional office and has begun to function. The Horn of Africa Support Project (HASP) was designed and approved in FY 1995 to begin a regional process for establishing development priorities among the various development partners in the region and an agreement was signed with the Intergovernmental Authority on Drought and Development (IGADD), a regional organization located in Djibouti, to begin implementation of the first phase of this process.

Description: The GHAI involves a large number of development partners including several U.S. Government departments and agencies, USAID missions and U.S. embassies in the region, other donor agencies, governmental and regional organizations, NGOs and private voluntary organizations (PVOs), the private sector, and universities. The USAID regional office will assist in institutionalizing the process of joint problem solving to address the root causes of food insecurity and conflict in the GHA region.

Host Country and Other Donors: USAID is playing a leading role in engaging host country governments and other interested donors in the GHAI. The United States is the leading donor in the GHAI. Other major donors include Canada, the European Union, the Netherlands, Italy, and Japan. An informal donors forum had initial contact with national governments in the region. Regional institutions such as the IGADD are being strengthened to assist in facilitating the implementation of the GHAI activities.

Beneficiaries: It is anticipated that governments, NGOs and PVOs, and other local institutions and organizations will benefit initially from efforts under the GHAI. These benefits will eventually be reflected in the achievement of measurable results through the attainment of food security and conflict mitigation objectives.

Principal Contractors, Grantees, or Agencies: A grant agreement has been signed with the IGADD to fund the first tranche of activities under the HASP. However, in that USAID will implement the GHAI through a mixture of mission, U.S. Embassy, NGO, PVO, national, regional institutions and private sector entities, it is anticipated that a variety of U.S. and non-U.S. organizations and institutions will be used to provide required goods and services under the HASP and the GHAI in general. In FY 1997, the second tranche of funding will be provided to the HASP to further develop this process.

Major Results Indicators:

	<u>Baseline</u> <sup>3</sup>	<u>Target</u> <sup>3</sup>
An increased numbers of partners and stakeholders represented at major GHAI policy/issue meetings and workshops (by type of participant).	1995 (initial obligation)	TBD (2000)
An increased quantity of GHA governmental resources committed to the achievement of GHAI objectives.	TBD	TBD (2000)
An increased quantity of donor resources committed to the achievement of GHAI objectives.	TBD	TBD (2000)

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<sup>3</sup>To be determined.

## ACTIVITY DATA SHEET

**PROGRAM:** REDSO/ESA

**TITLE AND NUMBER:** Effective Delivery of USAID's Humanitarian Assistance, 623-S004

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$45,000 DFA

**STATUS:** Continuing

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: To improve the effectiveness and timeliness of USAID's humanitarian assistance programs in east and southern Africa (ESA).

Background: Humanitarian assistance is both an act of national conscience and an investment in the future, and is integral to USAID's overall strategy to achieve sustainable development. In the ESA region, USAID is presently funding significant humanitarian programs in Angola, Burundi, Eritrea, Ethiopia, Kenya, Mozambique, Rwanda, Somalia, Sudan and Tanzania. Funding totaled more than \$549 million in FY 1995 (P.L. 480 Title II/III and Disaster Assistance funds). Years of experience in coordinating humanitarian assistance in the region motivated the Regional Economic Development and Services Office for East and Southern Africa's commitment to applying its expertise and resources to a strategic objective in the area of humanitarian assistance. There is a great need for a regional humanitarian assistance capacity to help the USAID missions in the region prepare for and respond effectively to crises, and for a regional approach that goes beyond the borders of individual countries. USAID's strategy is based on the conviction that, in order to break the cycle of continual humanitarian crises and to achieve the goal of sustainable development in the region, the strategy must deliberately facilitate the shift from relief to development. External constraints are always a risk when dealing with humanitarian crises. However, work on early warning systems and preparedness should enable the region increasingly to avoid such disasters.

USAID Role and Achievements to Date: The impact of USAID's humanitarian assistance is unquestioned: it has saved millions of lives and reduced the suffering of populations at risk; it has protected economic assets; it has built local capacity to prepare for and respond to disasters; it has facilitated a return to normalcy and local self-sufficiency in the aftermath of emergencies through effective rehabilitation; and it has helped affected populations return to the path of social and economic development over the longer term, through reconstruction and other development assistance programs. The USAID regional office has been instrumental in assisting missions in the region in resolving design and implementation issues for a variety of humanitarian assistance programs. Major humanitarian assistance programs where the USAID regional office is active include:

- Southern Sudan: direct management responsibility for USAID emergency food and disaster relief programs;
- Rwanda: USAID emergency food programs, but no direct management responsibility (includes Eastern Zaire, Western Tanzania, Burundi and Rwanda);
- Angola: assistance in food needs assessments, transitional strategies and recommended USAID food levels for the coming year and beyond;
- Malawi and Zambia: assessment of the impact of drought and U.S. responses;
- Somalia: a probable increasing role in assisting in all aspects of USAID program;
- Mozambique, Eritrea, and Ethiopia: assistance in the development of food security strategy; food management plans; and design of P.L. 480 Title III activities; and
- Uganda: development of a USAID food management plan; monitoring of World Food Program (WFP) activities; and assistance in design and implementation of the P.L. 480 Title II monetization program.

Description: the USAID regional office will focus on three intermediate results: (1) improved preparedness in the east and southern Africa region for effective responses to crises; (2) more effective USAID responses to problems as they arise; and (3) enhanced target population capacity to re-establish their livelihoods following a crisis. Developing an improved preparedness capacity will be achieved mainly through

implementation of the Famine Early Warning Systems III project. This project provides U.S. and host country decision makers throughout the region with up-to-date remote sensing data and accompanying analysis of agriculture, climatic and socio-economic conditions that may impact on regional food production and food security. To achieve a more effective USAID response to crises as they arise, the USAID regional office will continue to work closely within USAID and other implementing partners (private voluntary organizations [PVOs], United Nations agencies and other international organizations) to effect proper needs assessments, coordination, improved logistical systems, timely delivery of emergency supplies and food, and the establishment and implementation of appropriate pragmatic monitoring systems. To enhance the target populations' capacity to restore their livelihoods following a crisis, appropriate assistance strategies will be developed and put in place following a crisis. It is anticipated that such a strategy will facilitate the initiation of rehabilitation and recovery activities that can be supported by the donor community.

**Host Country and Other Donors:** USAID coordinates with host country governments and with other donors to support effective humanitarian assistance interventions. Coordination and support by other donors, especially the European Union, is critical to the success of such emergency efforts. Through interaction with its main implementing partners, private voluntary agencies, United Nations agencies (World Food Program [WFP], United Nations Children's Fund [UNICEF], the United Nations High Commission for Refugees [UNHCR]), and international organizations (International Committee of the Red Cross and International Federation of the Red Cross), the USAID regional office continues to play an important proactive coordination and communication role critical to responding effectively to disasters and emergencies and maximizing its impact.

**Beneficiaries:** The main direct beneficiaries will continue to be the development partners that the USAID regional office works with to improve the effectiveness and timeliness of USAID's humanitarian assistance programs in east and southern Africa. However, the ultimate beneficiaries will continue to be the women and young children in the vulnerable groups that have been adversely impacted by both natural and man-made disasters.

**Principal Contractors, Grantees, or Agencies:** Most interventions are carried out by UN Agencies (UNICEF, UNHCR and WFP), international and indigenous NGOs, and international organizations such the ICRC and IFRC.

**Major Results Indicators:**

	<u>Baseline<sup>4</sup></u>	<u>Target<sup>4</sup></u>
An increased proportion of vulnerable population provided with critical needs to sustain life.	TBD (1995)	TBD (2000)
A percent decrease in the levels of acute malnutrition in target populations.	TBD (1995)	TBD (2000)

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<sup>4</sup>To be determined.

**REGIONAL ECONOMIC DEVELOPMENT SERVICES OFFICE  
FOR WEST AND CENTRAL AFRICA (REDSO/WCA)**

**FY 1997 Development Fund for Africa: . . . . . \$14,368,774**

**Introduction.**

As USAID prepares for the start of the twenty-first century, West Africa presents the United States with new challenges and the need for a creative and flexible foreign assistance program to meet them. The region's rapidly growing population of over 260 million faces both change and potential while remaining in one of the most desperately poor parts of the world. The countries, sub-regions, and people in the West Africa region confront a range of possibilities that has civil collapse at one extreme and sustainable development at the other. U.S. interests in the region are twofold. First, the United States has an important stake in the region's success as many of the region's problems, including conflict prevention, the struggle towards democratization, threats to the ecosystem, threats to human health and population growth, are global concerns. Second, U.S. firms have important investments in mining, energy, and telecommunications in the region. As USAID's assistance in the West Africa region evolves in the late 1990s, it must be creative and flexible to deal with both the variation in conditions in the region and the changing American political priorities for foreign assistance.

**The Development Challenge.**

Throughout the economic and political changes in West Africa since independence of the former colonies, countries in West Africa have generally shared the experience of poor internal and sub-regional economic growth. There are many reasons for this generally poor performance including civil disturbances, generally poor education and inappropriate health practices, ineffective governments and immature private sector institutions, weak program planning and management, and a shortage of trained professional and technical personnel. Despite major investments in road infrastructure, reductions in tariff barriers, progress on regional integration, and recent democratic elections, the region has consistently under-performed in comparison with other developing regions of the world. These political and economic trends will be reversed only when new sources of economic growth are established and political institutions promote economic growth. Likely sources of growth will be more diversified mining/energy development and broad-based agricultural growth linked to West African regional trade. These resources will then provide the investments necessary for improving health, education, and environmental management by decentralized government and a stronger private sector.

USAID has learned from experience in the region that many of the most serious development problems in West Africa have regional dimensions that should be faced on a regional basis. For example, demographic profiles for all countries in the Sahelian zones and in the coastal zones are similar, indicating the utility of regional approaches to family planning. HIV/AIDS has become a regional problem owing to the heavy inter-regional and seasonal migration of workers. Consequently, during FY 1995 USAID launched its first strategic objective designed from the beginning with a regional perspective: a \$60 million program in family health and AIDS prevention.

During FY 1996 and FY 1997, USAID will be considering how to address other regional problems within an overall strategic plan in West Africa because many other crucial sustainable development problems have important regional dimensions. For example, much of the failure of West Africa to achieve sustainable development can be attributed to the effects of small, cloistered economies which have a high level of effective economic protection. This has prevented the development of regional trade, and also, because of its effect in limiting market potential, discouraged foreign private investment. In addition to increased cooperation in integrating their economies, West African countries need to promote integration through improved regional communications and transportation, including road, rail and air networks. Desertification problems (advancing desert) are similar across the Sahel.

Coastal wetlands and the Congo Basin are divided among more than a dozen countries, and their ecosystems can be preserved only in a regional context. These are the kinds of issues that USAID will be considering for possible consolidation into a West Africa regional framework.

#### **Other Donors.**

A large number of multinational and bilateral donors are working in West Africa. The biggest are the World Bank, the African Development Bank, the United Nations Agencies, the European Union, and the French. In addition there are networks of other development agencies, Western and African, working in the region. USAID's staff collaborate directly with many of these donors in providing assistance to the client posts. REDSO also works directly with such donors as the European Union, Germany, Canada, France, United Nations Agencies and the World Bank in furtherance of REDSO's strategic objective in family health and AIDS.

#### **FY 1997 Program.**

The USAID program has begun a transition in two ways, both of which reflect the changing nature of U.S. development assistance in the West Africa region:

1. USAID has historically supported the development objectives of USAID's bilateral posts in the West Africa region. At one time USAID provided direct support to 24 client posts. By the end of FY 1996, however, there will be only 10 USAIDs in this region. During FY 1997, REDSO/WCA will continue its technical support to the remaining bilateral posts. In the spirit of USAID's re-engineering, the staff will participate as virtual members of client post teams. At the same time, REDSO will continue ensuring that the activities transferred from close-out posts to REDSO/WCA are effectively managed to full completion. Finally REDSO will oversee activities in those bilateral posts, such as Nigeria, that are reduced to a very small size.
2. There is a growing realization that for USAID to continue to be an effective donor in the West Africa region, new regional approaches for solving regional problems must be developed. As a result, the Africa Bureau gave REDSO/WCA the responsibility for leading the effort to develop a strategy for West Africa. REDSO/WCA has begun this process, which will involve close collaboration with USAID/W, client posts in the West Africa region, potential partners, "customers," and stakeholders, and it will continue to be a major priority through the second quarter of FY 1997.

REDSO/WCA is well positioned to lead the transition to promoting sustainable development through regionally designed and implemented program activities. The strategic objective in family health and AIDS is an important first step in developing other regional solutions to regional development problems. There are other development problems and constraints that can be dealt with cost effectively on a regional basis. For example, additional development interventions in health and population can be delivered regionally, environmental problems cross national boundaries, many democracy and governance issues are common to the region, regional trade expansion is crucial to improved economic performance, and more attention to infrastructure will allow improved communication within the region.

REDSO/WCA's regional strategy is to provide specialized developmental and essential support services to the USAID bilateral field posts in West Africa so that they are better able to formulate strategies, design approaches, implement activities, judge the results and report the impacts. The second element of the strategy is to assist the USAID bilateral field posts in West Africa that have been selected for closure with the necessary specialized services to provide for a timely and controlled ending of activity and departure of staff, followed by the transfer of residual responsibilities to REDSO/WCA for completion.

REDSO/WCA's Strategic Support Objective 1 is "Technical and Management Support Services to Bilateral Field Posts." REDSO/WCA provides a range of development assistance to the West Africa

region that includes humanitarian objectives in the short term and promoting sustainable economic development and democratic governance in the long run. REDSO currently provides technical assistance to 11 USAID posts in West Africa<sup>1</sup>.

**Agency Goal: Encouraging Broad-based Economic Growth**

REDSO/WCA's responsibilities are evolving to take account of the growing recognition that many of the most serious development problems in the region require regional solutions. The population and health strategic objective seeks to promote women's health, to minimize the transmission of HIV/AIDS, and to reduce mortality of infants and children in the West Africa region. In concert with other donor and host country efforts, REDSO will build on successful USAID and other donor-funded initiatives in the region to establish appropriate mechanisms that will encourage an integrated approach to low-cost service delivery interventions.

The centerpiece of REDSO's strategic objective is a five-year Family Health and Aids -- West and Central Africa (FHA-WCA) project. USAID will complement the project activities with other kinds of assistance. (For example, a plan on designing a results package under this strategic objective for child survival activities.) Indicators of achievement are increased use of family planning, changes in high risk sexual behavior, and more effective, efficient utilization of indigenous and donor resources.

REDSO/WCA's most active partners will be public and private West African institutions that provide services in the region and their international partners. The ultimate beneficiaries -- children under five years old, their mothers, and sexually active adolescents and adults -- will participate by contributing to the design of services through community involvement, to information, education and communication (IE&C) through focus groups, and to evaluation of program quality through surveys and other studies.

- **Strategic Objective No.1:** Improve Access to Selected Health and Family Planning Services in the Region

**Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

In developing its strategy in the health and population sector, USAID is applying much of its experience of the past few years. This includes lessons about the value of shifting design and implementation responsibilities to credible U.S. and African NGO partners under a framework of direct agreements with host country public and private institutions, and the value of systematically promoting the identification and incorporation of "best practices" into on-going programs. USAID also is applying particular lessons learned in other countries in the region, including the value of community participation in managing primary health care programs (Burkina Faso), the value of using diverse service providers for family planning and AIDS control (Cote d'Ivoire and Cape Verde), how to strengthen public sector health systems (Cameroon and Togo), and how to support cost-recovery programs (Senegal, Burkina Faso, Cameroon). USAID is applying knowledge of regional commonalities, cultural similarities and donor coordination to this programming. USAID will place priority on establishing consultation and coordination mechanisms among programs in the region dealing with reproductive health/family planning, health, and AIDS to develop strong mutually supportive linkages among them.

- **Strategic Objective No.1:** Improve Access to Selected Health and Family Planning Services in the Region

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<sup>1</sup> Benin, Cape Verde, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal.

**Agency Goal: Protecting the Environment**

USAID will provide limited support to the activities of bilateral missions in protecting the environment through our SSO01.

- **Strategic Support Objective No. 1:** Provide Technical and Management Support Services to Bilateral Field Missions.

**Agency Goal: Building Democracy**

In addition, under SSO01, REDSO/WCA will design democracy and governance activities to provide support to bilateral mission portfolios.

- **Strategic Support Objective No. 1:** Provide Technical and Management Support Services to Bilateral Field Missions.

**WEST AND CENTRAL AFRICA REGION  
FY 1997 PROGRAM SUMMARY**

	<b>Encouraging Broad-based Economic Growth</b>	<b>Stabilizing Population Growth and Protecting Human Health</b>	<b>Protecting the Environment</b>	<b>Building Democracy</b>	<b>Providing Humanitarian Assistance</b>	<b>TOTALS</b>
<b>USAID Strategic Objectives</b>						
<b>1. Improve Access to Selected Health and Family Services in the Region - Dev. Fund for Africa</b>	792,000	13,111,631				13,903,631
<b>2 . Provide Technical and Management Support Services to Bilateral Field Missions - Dev. Fund for Africa</b>			50,286	414,587		465,143
<b>Totals - Dev. Fund for Africa</b>	792,000	13,111,631	50,286	414,587		14,368,774

USAID Mission Director: Willard J. Pearson

## ACTIVITY DATA SHEET

**PROGRAM:** REDSO/WCA

**TITLE AND NUMBER:** Improve Access to Selected Health and Family Planning Services in the Region  
624-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$13,903,631 DFA

**INITIAL OBLIGATION:** F Y 1995; **ESTIMATED COMPLETION DATE:** FY 2000

**Purposes:** To increase the availability and use of quality family planning/reproductive health, HIV/AIDS and child survival services in concert with other donor, regional and host country efforts, while building on successful USAID-funded initiatives in West Africa.

**Background:** The 260 million inhabitants of West Africa's 24 nations face health risks far more serious than those experienced in other regions of the world and have among the world's worst social indicators. With a population growth rate of over 3%, which exceeds the economic growth rate, the already difficult situation will worsen. Trends in HIV/AIDS indicate that without successful prevention and control, adult and child mortality in the region will increase substantially in the next decade and hard-won progress will be lost. Constraints include persistent public sector institutional weakness and ineffectiveness, a fragile and underutilized private sector, and lack of knowledge about preventive health behavior.

**USAID Role and Achievements to Date:** USAID has been one of the lead donors in the health and family planning sectors and has initiated and supported programs which have made real gains in extending life expectancy, reducing infant mortality rates and stabilizing the incidence of HIV/AIDS in the region. From 1985 to 1991, infant mortality decreased 10% and child mortality 15% in USAID-assisted countries. During this same period immunization rates almost doubled, and the use of oral rehydration therapy increased from 10% to 40%. While achievements in family planning have been more modest, there are encouraging recent signs of progress with urban areas increasing their contraceptive prevalence to around 10% or above. Likewise, condom use to prevent the spread of HIV is increasing throughout the region.

**Description:** REDSO/WCA's strategic objective in family health and AIDS provides a new response to the challenges facing USAID's assistance program in West and Central Africa. It incorporates a regional response, funded through U.S. Private Voluntary Organizations, involving close collaboration with active bilateral posts and other development partners. It addresses health and family planning problems that are transnational, have significant regional impact, and if not solved would jeopardize the outcomes of bilateral programs of USAID and other donors. The program is designed to extract best practices that have evolved from USAID's bilateral projects throughout the 24-country region and to replicate these practices using established regional institutions in partnership with non-governmental organizations. USAID focuses on four activity areas: improving integrated family planning, HIV/AIDS and maternal and child health services; improving regional networking and cost-effectiveness in Information, Education and Communication; strengthening skills and use of African institutions and expertise; and improved regional networking and data analysis for decision-making through operations research.

**Host Country and Other Donors:** France, the World Bank, the European Union, Canada, Germany, United Nations International Children Emergency Fund, United Nations Family Planning Association, and the World Health Organization provide extensive support in health and family planning throughout the region. Donor leveraging and complementary programming are a major emphasis under this strategic objective. Activities undertaken will be with full concurrence of host country governments and in keeping with national strategies and plans.

Beneficiaries: Children under five years and sexually active adults and adolescents are major beneficiaries. Others are African institutions.

Principal Contractors, Grantees, or Agencies: USAID implements activities through four U.S. PVOs: JSI Research and Training, Johns Hopkins University, Tulane University, the Johns Hopkins Program in International Education and Gynecology/Obstetrics), and 14 African partner institutions and local NGOs.

Major Results Indicators:  
To be developed

Baseline  
TBD

Target<sup>1</sup>  
TBD

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<sup>1</sup>To be determined.

## ACTIVITY DATA SHEET

**PROGRAM:** REDSO/WCA

**TITLE AND NUMBER:** Provide Technical and Management Support Services to Bilateral Field Posts, 624-SPO1

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$465,143 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** Continuing

Purpose: Technical and Management Support Services to Bilateral Field Posts.

Background: REDSO/WCA has traditionally served as a major source of effective program and technical support to all USAIDs in the West Africa region, although REDSO/WCA emphasis in the past was on the smaller posts. With the revocation of delegated authority from USAID/Washington, the reduction in the number and size of USAID posts in West Africa, the Africa Bureau's commitment to pursuing regional solutions to development problems in the region, and the changes in USAID required by re-engineering, REDSO/WCA's role in assisting posts in the region is evolving. During this transition period, REDSO/WCA will continue to look for new and more effective ways to provide critical program and technical support to client posts as REDSO move toward the vision of becoming a center of excellence for development assistance in the region.

USAID Role and Achievements to Date: REDSO/WCA's strategic support objective continues the role as a source of support to bilateral USAIDs in the region. In the past REDSO have relied on data about the number and kinds of TDYs the staff have performed in support of client posts. Although this is one indicator of performance, it is a measure of process rather than of impact. One of REDSO's future tasks, which is part of the efforts in re-engineering, is to develop ways of measuring the impact of REDSO/WCA assistance to client posts.

Description: REDSO/WCA implements field portions of the Africa Bureau's West Africa Regional analytic agenda. Through centrally funded projects, REDSO/WCA houses a cadre of experienced African professionals who pursue a well coordinated agenda of analysis and research under several regional projects in the areas of child survival, population, AIDS awareness, basic education, environment, gender issues, and democracy and governance. These advisors and the results of their research are factored into program designs and implementation agendas of REDSO/WCA client post programs.

Host Country and Other Donors: During TDYs to client posts, REDSO/WCA staff often work with other donors and with host country counterparts of client posts. Most of the TDY staff make special efforts to support networks of donors and other interested development partners as part of their assistance to client posts.

Beneficiaries: REDSO/WCA's strategic support objective concentrates on assistance to other USAID posts in the West Africa region. They are the principal beneficiaries of REDSO's assistance, although the networking activities mentioned above also benefit other development partners in the region.

Principal Contractors, Grantees, or Agencies: REDSO/WCA's project-funded TDY staff include American and African technical experts who are supported by centrally funded projects in the Global Bureau and Africa Bureau. REDSO/WCA does not have other sources of staff support.

Major Results Indicators :

To be determined.

Baseline

TBD

Target

TBD

## SAHEL REGIONAL PROGRAM

**FY 1997 Development Fund for Africa: .....\$ 522,194**

### **Introduction.**

The 47 million people in the nine Sahelian countries (Burkina Faso, Cape Verde, Chad, Gambia, Guinea-Bissau, Mali, Mauritania, Niger and Senegal) are among the poorest in the world. The countries' annual per capita GDPs range from \$200 to \$700. The Sahel Regional Program (SRP) supports U.S. interests by increasing food security, thereby reducing the need for costly emergency assistance programs; by promoting political stability and by encouraging market-oriented development. The Sahel Regional Program complements USAID's bilateral programs in West Africa by supporting intra-regional dialogue and agreements to foster economic growth, democratization and food security that are beyond the scope of bilateral efforts but vital to sustainable economic and social progress in the region.

### **The Development Challenge.**

The Sahel has a number of serious development challenges. The fragile ecological system, marked by historically high rates of deforestation, soil degradation and erosion, and a rapidly expanding population places a large portion of the population at continuous risk. Even in "good" years, the region is speckled with pockets of high vulnerability to food insecurity. Food security is further reduced by low and highly variable rates of economic growth. The region has a number of countries which have begun to shift to more participatory, more democratic institutions. The continued existence of these fragile institutions depends on establishing and maintaining sustainable, broad-based economic growth. Past attempts by governments to manage national economies via state-owned and operated agricultural and industrial parastatal organizations, and via extensive regulation and taxation (both formal and informal) in almost all parts of business activity, have pushed a large portion of economic activity into the informal sector, where training and access to credit and regional and world markets are limited. The region has become more and more dependent on food imports (increasing annually at 12%), while export activity has not kept pace (increasing annually at 5%). Only about 6% of total recorded trade in West Africa is intra-regional.

The Sahel has a number of development constraints, but there are also some opportunities. The states have recognized that they are interdependent, both among themselves and with the coastal states, and have taken steps to adjust to this reality. One of the oldest and most positive steps was the creation of the Permanent Interstate Committee for the Control of Drought in the Sahel (CILSS), which, despite the high food vulnerability of the region, has been credited with helping to avoid famine -- by increased coordination both among CILSS states and with the donors in their consortium, the Club du Sahel. Jointly, CILSS and the donors have established one of the best early warning/monitoring systems in Africa. CILSS has also recently expanded its mandate to include relations with coastal states, which represent important markets for both productive inputs and locally produced goods. Finally, there is a growing emphasis on greater participation at all levels of civil society.

Until recently the bloc of West African countries which use a common monetary system (the African Financial Community Franc, or CFA), employed monetary and fiscal policies which held inflation at low levels relative to the non-CFA countries, but which also destroyed their competitiveness in the world markets. In January 1994, the countries in the two CFA monetary unions devalued the CFA by 50%, the first devaluation since the currency was created in 1948. This devaluation, along with intensified structural adjustment programs and debt rescheduling, has placed these countries on a course which is much more optimistic for growth and development. The Sahel Regional Program is structured to advance this process, which will be sustained in the transition to the broader, West Africa regional strategy, which USAID will develop during 1996 and 1997.

## **Other Donors.**

The Sahel Regional Program (SRP) is characterized by a uniquely close and cooperative relationship among donors to the Sahel. The program supports USAID membership and participation in the Club du Sahel, the donor consortium and counterpart to the CILSS system. Club membership is comprised mainly of bilateral donors - Austria, Belgium, Canada, Denmark, Italy, Japan, Switzerland, France, Germany, Netherlands and the United States - and a few multilateral donors - the European Union, some of the U.N. specialized agencies and the World Bank. Major contributors to the CILSS system are Canada, the European Union, France, Germany, the Netherlands and the United States.

The Club was organized for a variety of purposes. It serves as a forum for discussing development issues with Sahelian state and civil society partners and as a means of coordination among the donors, as well as providing an analytical base for the development forum. Its 1996 budget is approximately \$2.2 million. The United States is the largest donor (26%), followed by France (18%), Canada (14%) Germany (12%), the Netherlands (11%) and Switzerland (11%). Donor flows to CILSS are comprised of both direct financial and project support and indirect support in the form of limited technical assistance. USAID provided about 22% of the total CILSS 1996 budget of approximately \$73 million.

## **FY 1997 Program.**

The Sahel Regional Program has three strategic objectives, which together contribute to increased food security and ecological balance in Sahelian West Africa. The program undertakes truly regional activities, that is, addressing issues that cut across national boundaries, and that also complement bilateral programs. The SRP especially focuses on African-led dialogues on important regional policy and program issues, and on donor coordination. Local participation in policy and program formation is promoted. The majority of the program is implemented through CILSS institutions: INSAH (the Institute of the Sahel), CERPOD (Center for Studies and Research on Population and Development, which is part of INSAH), AGRHYMET (Regional Agroclimatological, Hydrological and Meteorological Institute), and programs at CILSS headquarters.

### **Agency Goal: Encouraging Broad-based Economic Growth.**

While the Sahelian countries have a greater relative share of regional trade than other parts of West Africa, it is still well below potential, which represents a considerable loss in growth potential. The 1994 devaluation of the CFA helped eliminate a major constraint, but there are still numerous formal and informal barriers to trade which continue to limit individuals' abilities to benefit from the improved macroeconomic environment. Strategic Objective 1 of the Sahel Regional Program pursues broad-based economic growth by addressing policy and regulatory impediments to the development of local markets and exports, especially the enabling environment affecting agriculture and commerce. A minimal \$121,000 is planned for this strategic objective in FY 1997, intended primarily to maintain communication on activities funded in FY 1996. The program supports two types of activity: (1) dialogue on monetary and trade policy at the regional level; and, (2) private sector efforts to identify and eliminate barriers to trade in the region. The first activity puts analyses into the hands of stakeholders and policy decision makers and brings these actors together to negotiate policy changes that affect more than one state in the region. The second is focused on assuring that stakeholders, particularly those in the private sector, are active participants in the identification and implementation of concrete steps to reduce barriers to trade in the region. The Livestock Action Plan (LAP) for Mali, Burkina Faso, Cote d'Ivoire, Ghana and Togo is an example of a specific trade barrier reduction activity under Strategic Objective 1. The LAP is implemented by CILSS, which provides policy analysis and facilitates dialogue on policy and regulatory issues, as well as a forum for negotiation. A combination of government and private sector individuals in the five countries have worked together successfully to eliminate several formal and informal constraints to livestock trade. The activity was expanded to Togo and Ghana in FY 1996 and may include Niger in FY 1997.

The Program also helped establish the West African Enterprise Network (WAEN), a private organization with chapters in eleven West African countries, which takes a very practical approach to strengthening the business environment in the region. For example, it has helped organize contact between banks across monetary systems in the region to facilitate trade transactions, and it has been designated as the private sector contact for dialogue on policy issues in several countries and by the Economic Community of West African States (ECOWAS).

- **Strategic Objective 1:** Assist National Governments, Regional Institutions and Private Sector Associations to Identify, Clarify, and Implement Policy Options which Promote Trade and Investment in the West Africa Region.

**Agency Goal: Building Democracy**

The second strategic objective addresses USAID's strategy of enhancing the presence and capability of intermediary organizations, such as labor unions, business associations, media outlets, educational institutions and civic groups in West Africa as aspects of effective civil societies. The topics of the analysis and dialogue promoted by Strategic Objective 2 support the SRP strategy of environmental protection and encouraging broad-based economic growth in the region. A total of \$645,000 is planned for this strategic objective in FY 1997, of which \$594,789 is attributed to individual country levels. Attention is focused on strengthening civic actors through regional networking and dialogue to share effective strategies for decentralizing resource management and improving the balance of power between civil society and government entities from the community to the national level. Three sorts of activities are undertaken in achieving the strategic objective: a) strengthening the capacity of groups in civil society - particularly representatives of grassroots-level organizations - to actively participate in the dialogue, b) supporting their actual attendance at regional conferences, and c) supporting the development by Sahelian institutions of materials that will serve as the basis of discussion at the regional level. One of its primary effects is to strengthen the presence and capacity of rural organizations in the establishment of regional policies and programs, especially as they relate to decentralized authority for natural resource management.

- **Strategic Objective 2:** Promote Dialogue on the Role of Civil Society and Communal, Local and National Governments in Achieving Regional Objectives in the Management of Natural Resources, Food Security, and Market Development.

**Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

Strategic Objective 3 supports decision makers' access to important environmental and food security information by improving the regional monitoring systems of selected West African institutions. USAID supports specialized regional institutions under CILSS. Activities at AGRHYMET and CERPOD provide services to CILSS member states (environmental monitoring, population policy and demographic analysis). Support includes measures to improve institutional sustainability, including assurance of the provision of information and analytical services to member states (population policy and analyses, natural resource management, agricultural policy and food security analyses and related dialogue that reflects regional, as well as national information). A total of \$4,334,000 is planned for this SO in FY 1997, with \$3,983,017 attributed to country levels. The activities supported by the regional program are aimed at increasing the capacity of West Africans to guide their own institutions in their own interests, and to make policies that take account of natural synergies and economies of scale.

An important part of the activity under this strategic objective is aimed at maintaining (and improving) coordination between and among donors, CILSS, and West African states. This coordination helped the CILSS system complete a major reorganization which has resulted in much-improved financial, management and administrative systems and improved program planning in CILSS. There is some longer-term concern over the ability of the West African states to sustain levels of financing needed

to support regional institutions, but careful management, identification and pursuit of common priorities, and coordinated donor support can help overcome this constraint. In fact, CILSS is now well into implementing its first Three-year Workplan under the reorganization. This Plan guides the institution's activities and helps to focus donor assistance.

- **Strategic Objective 3: Decision Makers have Ready Access to Relevant Information on Food Security, Population and the Environment**

**SAHEL REGIONAL PROGRAM  
FY 1997 PROGRAM SUMMARY**

	Encouraging Broad-based Economic Growth	Stabilizing Population Growth & Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	TOTALS
<b>USAID Strategic Objectives</b>						
<b>1. Assist National Governments, Regional Institutions and Private Sector Associations to Identify, Clarify, and Implement Policy Options which Promote Trade and Investment in the West Africa Region - Dev. Fund for Africa</b>	121,000					121,000
<b>2. Promote Dialogue on the Role of Civil Society and Communal, Local and National Governments in Achieving Regional Objectives in the Management of Natural Resources, Food Security, and Market Development. - Dev. Fund for Africa</b>				50,211		50,211
<b>3. Decision Makers Have Ready Access to Relevant Information on Food Security, Population and the Environment - Dev. Fund for Africa</b>	81,278	101,857	167,848			350,983
<b>Totals - Dev. Fund for Africa</b>	202,278	101,857	167,848	50,211		522,194

Note: The \$522,194 shown in this table excludes \$4,577,806 in Sahel Regional Program funds which have been attributed to country planning base levels.

Sahel Regional Program Officer in Charge: Joan Atherton

## ACTIVITY DATA SHEET

**PROGRAM:** SAHEL REGIONAL

**TITLE AND NUMBER:** Assist National Governments, Regional Institutions and Private Sector Associations to Identify, Clarify, and Implement Policy Options which Promote Trade and Investment in the West Africa Region, 625-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$121,000 DFA

**INITIAL OBLIGATION:** FY 1997; **ESTIMATED COMPLETION DATE:** FY 2002

**Purpose:** To improve trade and investment in Sahel-West Africa by strengthening African leadership and intraregional cooperation in determining trade and investment policy and regulation in the region. Both public and private sector participation are supported.

**Background:** Analysis of economic performance in the Sahel has surfaced a continuing need to broaden and deepen markets for agricultural and industrial goods if food security is to be increased. This requires that governments pursue some form of economic cooperation. Despite various formal efforts at market integration and regional economic cooperation, the market has remained shallow and thin, with little private sector participation in decision making.

**USAID Role and Achievements to Date:** The Sahel Regional Program has supported three activities: the Mali/Burkina Faso/Cote d'Ivoire/Ghana/Togo Livestock Action Plan (LAP); the West Africa Enterprise Network (WAEN), and a Permanent Interstate Committee for the Control of Drought in the Sahel (CILSS) trade policy project. USAID's role has been to provide strategic technical assistance and institutional support to 1) enhance the voice of the private sector on key issues and 2) bring practical applications and approaches to a non-transparent, highly politicized policy-making process. In the two years since the WAEN was created, USAID technical assistance has helped it grow into a self-supporting organization with chapters in 11 countries and a total of about 300 members, most of whom operate small businesses as defined under the Agency's New Partnership Initiative. USAID has helped establish a collaborative effort among CILSS, the governments of Mali, Burkina Faso, Cote d'Ivoire, Ghana and Togo and interested parties in the private sector which has helped to reduced tariffs and taxes on livestock, led to simplified export licensing and other documentation, and helped improve market information on livestock trade in the region. The government and private sector operators in Niger have asked to be included in this activity. The CILSS trade policy activity is constructed to facilitate dialogue on and coordination of the elimination of trade barriers in the region, and has adopted the USAID approach as a model.

**Description:** This activity pursues broad-based economic growth by supporting African stakeholders to identify and address policy and regulatory impediments affecting agriculture and commerce. These stakeholders then define and take actions that enhance the development of intraregional markets and exports. Planned funding for this strategic objective in FY 1997, at \$121,000, is intended to help maintain contact and communications among principal actors in the region and to monitor activities begun in FY 1996. To achieve greater intraregional trade volumes and reduced transaction costs, USAID supports negotiation of inter-country reforms at regional fora and analyses of monetary and trade issues of importance to West African countries. The first activity is focused on stakeholder participation and development and implementation of action plans by private sector groups interacting with public sector decision makers. USAID provides technical assistance and strategic direct support to ensure that the negotiations occur, and that progress is made. For example, in 1995, private-public dialogue resulted in the complete abolition of export taxes on the Malian and Burkinabe livestock headed to the Ivorian market. The second activity is primarily research and dialogue, where U.S. technical expertise in agricultural commodity trade is provided to African partners who use it as the basis for formulating their policy positions. Identification of potential local markets and impediments to exploiting those markets allows specific groups of stakeholders to reach agreement on needed

reforms.

**Host Country and Other Donors:** West African states and the principal bilateral and multilateral donors to the region recognize the potential of intraregional trade to strengthen broad-based economic growth. The rapid success of the WAEN has drawn considerable donor interest, with a real possibility that it would become donor-dependent because of excessive donor support. At USAID insistence, a unit has been created in the Organization for Economic Cooperation and Development (associated with the Club du Sahel) to coordinate donor support to the WAEN to avoid the problem of excessive donor interference. German, European Union, Canadian and French assistance has been committed to support the network. USAID assistance to the WAEN will be phased out in 1997. Direct support to the LAP, which has embodied both public and private sector actors, has shifted to the CILSS trade policy activity to which Canada, France and the Netherlands are also contributing. Under this activity, USAID will begin work with ECOWAS in pursuing the latter's mandate of regional economic integration. USAID will assist ECOWAS to implement specific trade protocols and to establish a forum for policy negotiation following the successful models already developed by the SRP.

**Beneficiaries:** The majority of the Sahelian adult population is rural and agrarian, and engages in livestock production and trade. Urbanization in the coastal states is occurring rapidly, and these cities and towns are the fastest-growing markets for livestock products. Thus, at least half of the 260 million people in West Africa who produce, trade, and consume local products are likely to benefit from lowered trade restrictions, increased trade, and increased economic activity. Major beneficiaries will be the rural poor, especially women, because they tend to produce the commodities with the greatest potential for increased regional trade, and urban poor consumers for whom the costs of purchasing local commodities declines. Since women principally purchase and prepare food in urban areas, a substantial benefit will flow to them.

**Principal Contractors, Grantees, or Agencies:** Activities are implemented through grants to The Club du Sahel and to CILSS, and via contracts between USAID and U.S. entities, including The Mitchell Group, and Management Systems International.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Number of countries which use comparative advantage as a basis for setting trade policy.	0 (1993)	6 (2002) <sup>1</sup>
Transactions costs for major commodities in regional trade reduced 20%.	0% (1993)	20% (2002) <sup>2</sup>

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<sup>1</sup>CILSS member country policies and action plans.

<sup>2</sup>CILSS, USAID and private sector analyses.

## ACTIVITY DATA SHEET

**PROGRAM:** SAHEL REGIONAL

**TITLE AND NUMBER:** Promote Dialogue on the Role of Civil Society and Communal, Local and National Governments in Achieving Regional Objectives in the Management of Natural Resources, Food Security, and Market Development, 625-S002

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$645,000 DFA

**INITIAL OBLIGATION:** FY 1997; **ESTIMATED COMPLETION DATE:** FY 2002

**Purpose:** To promote dialogue and mutual action on issues of political and economic participation, pluralism and effectiveness and responsiveness of government.

**Background:** Regional cooperation plays an important role in encouraging transition to and consolidation of democratic institutions and improved governance. The use of a regional framework to facilitate the sharing of information, exchange of experiences, and the identification of problems and alternative solutions can lead to efficiencies in developing approaches to democracy and improved governance suitable to the Sahelian context. Sharing of perspectives, ideas and experiences among governments, NGOs and private sector actors in the region will serve as a catalyst for democratization and improved governance. And regional exchanges, analyses, and debates can play a unique role in fostering African leadership and expertise in defining principles, and shaping institutions and approaches consistent with realities of West African countries. Since the source of much internal conflict is rooted in issues of democracy and governance, regional exchanges on these issues can provide a framework for reducing the potential for intra- and inter-state conflict.

**USAID Role and Achievements to Date:** A series of the Permanent Interstate Committee for the Control of Drought (CILSS)/Club du Sahel (Club) studies and meetings, catalyzed with USAID funding and expertise, culminated in *The Praia Declaration*, the outcome of a CILSS/Club-sponsored Regional Conference on Land Tenure and Decentralization in Praia, Cape Verde in June 1994. The Declaration consists of policy recommendations which bear on the legal recognition of local institutions, the authority of citizens to constitute new jurisdictions and the recourse of citizens faced with arbitrary decisions. In a written "platform", rural grassroots representatives attending the Conference asked that: 1) CILSS establish a permanent arrangement to monitor the implementation of the Praia recommendations and proposed that their network of rural organizations be incorporated into the process and 2) that the rural network be accorded observer status at all CILSS meetings which concern rural organizations. To date, national workshops to disseminate the results and recommendations of the Praia Conference have been held in eight Sahelian countries, several countries have initiated national follow-up actions, the rural network has been given official status at CILSS meetings, case studies of country experiences with decentralization are underway and an inventory of legal statuses and recent changes is being done with USAID direct support and technical assistance.

**Description:** This activity contributes to three of the Agency's goals in an integrated fashion: encouraging broad-based economic growth; building democracy; and protecting the environment. This strategic objective responds to the need for institutionalized economic and political participation and decentralized democratic governance in order to sustain improvements and ensure program impact in Sahelian Africa. Planned funding for this strategic objective in Fy 1997 is \$645,000, of which all but \$50,211 is attributed to individual country levels. Attention is focused on strengthening institutions through regional networking and dialogue to support the development of an effective partnership between civil society and government entities from the community to the national level. Experience has shown that devolution of governance in the Sahel allows local markets to flourish, contributes to food security and improves the effectiveness of natural resources management; hence this activity cuts across and reinforces the other two activities in the Sahel Regional Program. Three sorts of activities are being undertaken to achieve the strategic objective: a) strengthening the capacity of groups in civil society to actively participate in the dialogue, b) supporting the dialogue between these groups and

government entities at regional conferences, and c) supporting the development by Sahelian individuals and institutions of materials that will serve as the basis of discussion at regional exchanges. These materials include, for example, documentation of the special constraints faced by women, herders and other traditionally disadvantaged groups in obtaining and using natural resources; building a database of successful experiences in decentralized natural resources management; and documentation of local public service provision funded locally and of alternative land tenure conflict resolution practices.

**Host Country and Other Donors:** Two of the major activities have been designed and are being implemented by CILSS, representing the nine Sahelian states who are its members. The activities receive funding from Germany, the Netherlands, Canada, France, the United States and the United Nations Sudano-Sahel Office. Participation by WAEN members (11 country chapters with 350 members and a regional network) in policy debates on economic policy is regarded as contributing to civil society development and debate. USAID supports the WAEN through its contribution to a trust fund managed by the Club du Sahel. The Club du Sahel is supported in its collaborative activities with the CILSS to foster dialogue by France, Germany, Canada, Belgium, the Netherlands, Austria, Denmark, Japan and the United States.

**Beneficiaries:** Direct beneficiaries are members of rural communities who achieve greater control over their local natural resources and better, more localized mechanisms for conflict resolution. Since 80% of the population in the Sahel is rural, approximately 37 million people could benefit directly. Problems of women, pastoralists and youth in resource control and access are specially targeted.

**Principal Contractors, Grantees, or Agencies:** USAID provides support to this activity via grants to the Club du Sahel and CILSS and via contracts with U.S. entities, including The Mitchell Group, Inc., the University of Wisconsin-Land Tenure Center and Associates in Rural Development (ARD).

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Number of regional meetings on the role of civil society and governance in improving natural resources management, public service delivery and food security.	0 (1994)	8 (2002) <sup>3</sup>
Number of planning, implementation and follow-up of decisions in which relevant stakeholders are included.	None (1993)	Majority (2002)
Percent of decisions which reflect positions put forward by stakeholders.	0% (1993)	60% (2002)

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<sup>3</sup>Source: minutes and accounts of meetings.

## ACTIVITY DATA SHEET

**PROGRAM: SAHEL REGIONAL**

**TITLE AND NUMBER:** Decision Makers have Ready Access to Information on Food Security, Population and Environment, 625-S003

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$4,334,000 DFA

**INITIAL OBLIGATION:** FY 1997; **ESTIMATED COMPLETION DATE:** FY 2002

Purpose: To improve food security and environmental equilibrium in the Sahel

Background: Activities under this SO are at the core of the regional program. They emphasize information and analysis of regional issues, especially natural resource management, environmental policy, population policy and programs, and economic analysis in support of improved food and agricultural policies in the region. The intent is to enhance and expand efforts at regional coordination that have been successfully undertaken by the regional institutions such as the Permanent Interstate Committee for the Control of Drought in the Sahel (CILSS)/Club du Sahel (Club) complex, supported by the member states, by USAID, and by other donors. Regional-level policy decisions and guidelines regarding environment, population, food security, and food aid relate directly to the goal of the CILSS and have been supported by the member states for some time. This effort reinforces the realization by AGRHYMET (Regional Agroclimatological, Hydrological and Meteorological Institute), INSAH (the Institute of the Sahel) and CERPOD (The Center for Studies and Research on Population and Development) that a broader, West African, orientation is necessary to achieving sustainable growth in the Sahel, as well as commensurate policy decisions and policy implementation by CILSS member states.

USAID Role and Achievements to Date: USAID and other donor support to the CILSS system over the years has helped assure that population policy programs, donor coordination, food security monitoring, and disaster mitigation systems are fairly well established. Major accomplishments are: 1) that food crises in the Sahel have been averted by helping CILSS member countries to create food early warning and food monitoring systems; 2) that efficiencies have been gained from the coordination of food aid, food policy; and 3) that food need assessments in the region have improved in accuracy. The region has made a strong commitment to keeping its population in balance with its limited resources, with all nine countries moving from pro-natalist to pro-family planning policies over the past 10 years. CILSS has taken the lead in implementing the Africa Annex to the Desertification Convention, which has been drafted and signed, and the Early Action Programme for Africa has been initiated. Primarily with USAID support, all of the CILSS institutions have begun to strengthen their analytic, financial, management and strategic planning systems, and they have begun to institute client "needs" surveys.

Description: This activity supports Sahelian institutions in the generation of information on important food security and environmental topics, and facilitates access by Sahelian and donor decision makers to that information. Planned funding for this strategic objective is \$4,334,000, of which all but \$350,983 is attributed to individual country levels. Through the activities under this effort, monitoring systems for the key variables in the fragile Sahelian environment are created and strengthened. Program activities have been implemented via USAID projects which provide support to regional institutions under the CILSS umbrella (CILSS headquarters, INSAH, CERPOD and AGRHYMET). Activities related to AGRHYMET and CERPOD help provide services to CILSS member states (resource monitoring, early warning, population policy, strategy, and action plan development and implementation). Support to INSAH helps with institutional development and the provision of services to member states (natural resource management, agricultural policy and food security analyses and related dialogue). Support to CILSS headquarters fosters discussion of key policy issues in a regional context, and enhances system management capacity.

Host Country and Other Donors: These activities support key CILSS services to its nine member

states, and are collaboratively funded with France, Germany, the Netherlands, the European Union, the United Nations specialized agencies, Canada, and the United States. The Club du Sahel facilitates donor coordination on food aid and anti-desertification measures in the region. In addition to the donors to the CILSS, the Club also receives support from Japan, Austria, Belgium and Switzerland.

**Beneficiaries:** Direct beneficiaries are CILSS member states and indirectly their rural populations via improved information, better strategic planning, and imported regional cooperation in the areas of agricultural and food policy research; natural resource management; population policy making, program planning and demographic research and related information exchange on food security and natural resource themes.

**Principal Contractors, Grantees, or Agencies:** USAID provides support to this activity via grants to the Club du Sahel and CILSS and via contracts with U.S. entities, including Associates in Rural Development, Futures Group, Inc., Michigan State University, Bureau of the Census, University of Michigan, Johns Hopkins University, Family Health International and the INTERCRSP university consortium (Virginia Polytechnical Institute and State University, managing entity).

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Number of (CILSS) country rationales and concerted actions for food security, natural resource management, and population which reflect sound development methodologies and access to regional information systems, NEAPs, population policies, and food security policies.	0 (1993)	6 (2002) <sup>4</sup>

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<sup>4</sup>Source: CILSS member country policies and action plans.

## THE GREATER HORN OF AFRICA INITIATIVE

FY 1997 Development Fund for Africa: ..... \$15,000,000

### Introduction.

The Clinton Administration launched the Greater Horn of Africa Initiative (GHAI) in the summer of 1994. Its goal is to attack the root causes of food insecurity and conflict in the Greater Horn. The Initiative is based on the premise that it is less costly, in terms of both human life and dollars, to intervene early to prevent crises rather than to respond to them after they have occurred. Clearly, the United States will continue to play an important role in meeting the short-term relief requirements of needy populations in the Greater Horn and elsewhere.

African leaders in the Greater Horn have also committed themselves to the dual goals of increased food security and conflict prevention. These leaders are in the process of revitalizing a regional organization, the Intergovernmental Authority on Development (IGAD), to address these goals through formal, coordinated mechanisms. The GHAI Initiative -- coupled with African commitment -- supports a process of joint, regional problem solving. It is central to this process for the United States, other donors, international private voluntary organizations (PVOs), and Africans -- both public and private sector representatives -- to begin to do business differently and more effectively than in the past.

USAID has evolved a set of implementation principles as the various actors have started to work together to define a joint approach. These principles include: 1) doing business differently with existing resources; 2) ensuring African ownership of all strategies, policies, and activities; 3) promoting strategic coordination in every approach; 4) linking relief and development strategies, programs, and funding; 5) promoting regional approaches to problems; and 6) assuming underlying instability in this region and integrating this concept into all program planning and implementation.

USAID recognizes that the fundamental changes necessary to accomplish the goals of crisis prevention and food security will take time. As a starting point and using a phased approach, the principles outlined above will be applied to all USAID programming in the Greater Horn region. As a result, USAID expects resources in the region to be far more effective in addressing food insecurity and conflict in the region. If this Initiative is successful and the principles prove valid, it may serve as a model approach for other regions in Africa, and perhaps elsewhere in the developing world.

### The Development Challenge.

The development challenge is nowhere greater than in the Greater Horn of Africa (GHA) region, which has emerged as one of the world's greatest humanitarian concerns. The region includes 10 countries, of which nine receive ongoing U.S. humanitarian assistance: Rwanda, Burundi, Somalia, Ethiopia, Eritrea, Sudan, Uganda, Kenya, and Tanzania. Of the 186 million people living in these countries, a higher proportion (roughly half) live closer to the edge of famine than in any area of comparable size. If current trends continue, the gap between the amount of food required to sustain human life and the amount of food which the region can produce or afford to buy may double by 2010. The total number of refugees and displaced persons is already larger in the Greater Horn than anywhere else in the world and may grow.

The burden of this suffering weighs heavily on the international community. Food aid alone to this region cost donors over \$4 billion between 1985 and 1992. These resource levels could be dwarfed by the requirements of future civil unrest and political instability. It is in the clear interest and humanitarian tradition of the United States -- which already bears a large share of this burden to assist the region in achieving self reliance.

Nearly 50% of the population does not have reliable access to food. Half of these people are refugees or displaced persons (approximately 11 million). People in the Greater Horn region are among the poorest

in the world: infant mortality rates, illiteracy rates, and fertility rates are all significantly higher than in other parts of Africa and the world. In addition, misguided economic policies have discouraged investment in agricultural production, marketing and storage, and have not come to terms with the difficult problems of private sector investment, land tenure and trade.

Much of the suffering in the Greater Horn is caused by conflict. There has been very limited progress on democratization and transparent governance in many of the countries in the Greater Horn. This means that outside of armed conflict, systems are not in place in all countries to allow negotiation and resolution of differences. Fighting now affects five or six countries each year, about twice the number afflicted in the early 1980s. Weak and often corrupt and unrepresentative national governments have precluded the creation of strong regional organizations to deal with trade policies, cross-border conflicts, refugees, as well as drought and other natural disasters.

High population growth rates continue to outdistance gains in agricultural production, making future food security in the region a steadily deteriorating prospect. In addition, severe health problems confront much of the Greater Horn population, particularly vulnerable groups such as children and refugee populations.

#### **Other Donors.**

Strategic coordination with other donors, within USAID, across the U.S. Government, and among PVOs/non-governmental organization (NGO) partners, and Africans themselves, is key to the success of this Initiative. A primary objective of the earliest phase of the GHAI was to galvanize other donors to recommit themselves to the Greater Horn region. This includes commitment to prevent crises rather than to react to emergencies after they have occurred. Major donors have reached consensus on USAID's two overarching goals of food security and conflict prevention and there is widespread acceptance of the six implementation principles outlined above. These groups must continue to work together to increase the coherence of programming, reduce redundancy and minimize incompatible and contradictory approaches.

#### **FY 1997 Program.**

By design, the GHAI departs from traditional patterns of USAID programming and budget allocation. Thus, the USAID funds specifically dedicated to Initiative activities are limited and facilitative in nature. In this early stage, it is the U.S. Government which must become the model for doing things differently. USAID has established six teams centered on the goals and objectives of the GHAI. These teams are comprised of representatives from USAID, the Department of State, the Department of Defense and the United States Information Agency as well as members of the PVO/NGO community. As this approach is successful, this integration will be reflected in the policies and activities of other donors, PVOs, and African partners.

The countries of the Greater Horn do not fall neatly into traditional "disaster" or "development" categories. Most of the GHA countries are either in transition away from or towards crisis, or have neighbors in crisis. Traditional development programs do not always serve the emerging needs of these countries and ongoing humanitarian assistance may in fact be perpetuating the crisis. This "gray" area between emergency response and longer-term development has fostered a growing recognition on the part of USAID and its partners of the need to link relief and development programs.

Because it focuses on changing the way USAID does business, GHAI's objective of maximizing linkages between relief and development planning and programming is cross-cutting and supports all five Agency goals.

The GHAI vision is broad and ambitious. Each year USAID programs and those of developmental partners will increasingly reflect the principles of the GHAI. USAID, its U.S. interagency colleagues, and international partners are in the process of developing an overarching framework in which to implement the GHAI. Preliminary discussions have identified three potential strategic objectives, supporting three Agency goals,

which will be achieved within the next 10-15 years. These objectives are focused on assisting Africans to solve their problems in food security and conflict within a regional context.

#### **Agency Goal: Encouraging Broad Based Economic Growth**

The majority of the countries in the Greater Horn are unable to feed themselves and given current low levels of foreign exchange, require food aid to meet food import needs. Eight of the 10 Greater Horn countries receive both development and humanitarian assistance from USAID. A few -- Uganda, Tanzania, and periodically, Kenya -- currently export agricultural products. A wide range of activities are under way to increase food security for the people in the Greater Horn. These include improvements in such areas as agricultural research, marketing and processing; market integration; and a more liberalized and competitive macro-economic environment. Under the GHAI, donor strategies are to be more tightly coordinated, as needed, to maximize effectiveness; and Africans are to have full participation in the process of policy formulation and implementation. In addition, food security strategies are to be developed with more emphasis on regional dimensions. Investment in and growth of private sector agricultural trade between deficit and surplus countries will be key to this regional approach. In the medium term, we will be seeking increased coordination between regional institutions on food security strategies and activities.

USAID resources in this area will be used to facilitate strategic coordination and regional approaches. In the long-term this will make any U.S. Government investments in agriculture, economic growth, health and nutrition more effective.

- Strategic Objective 2: Implement Strategies and Procedures to Maximize Linkages between Relief and Development
- Strategic Objective 3: Promote African Ability to Sustain Food Security within a Regional Context

#### **Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

A healthy and stable population is critical for sustainable development. It is also critical for making the transition from dependency on relief to development. The GHA faces severe health threats, particularly among children and refugee populations. Health issues of specific Greater Horn populations will be targetted as part of the cross-cutting approach to move from humanitarian assistance goals to those of sustainable economic development. Addressing insidious health problems is imperative to attaining the goals of poverty alleviation and sustainable food security in the Greater Horn Region.

- Strategic Objective 2: Implement Strategies and Procedures to Maximize Linkages between Relief and Development

#### **Agency Goal: Building Democracy**

Donors and Africans agree that chronic social and political instability in the Greater Horn is a major obstacle to sustainable development. Democratic institutions are weak and societal cleavages tend to occur along ethnic or tribal lines. Many societies do not yet provide individuals and groups with the richness of multiple social and political identities and contacts which make consensus decisions, compromise, and conciliation possible. The dual processes of democratization and the development of political will to prevent and mitigate conflict are essential to future economic growth and stability in the region. Evidence of this political will is beginning to emerge in the more progressive countries in the Greater Horn. Africans are increasingly coming to realize that ongoing conflict undermines social, economic, and political progress. They are organizing to foresee crisis and conflict, and to develop means of prevention and mitigation in order to promote social and political stability based on democratic values. Africans are increasingly coming to realize that although there is a facilitative role which donors and other international partners can play, ultimately only Africans themselves can resolve their own conflicts.

USAID works with such groups as the U.S. Institute for Peace, the Organization of African Unity, the Carnegie Corporation for Preventing Deadly Conflict and other international and African institutions to understand what analyses and activities can be undertaken to prevent and mitigate conflict. Non-Africans must proceed with caution and define a role which is constructive and based on African ownership. Clearly, traditional diplomatic methods of conflict resolution have not been entirely successful in many Greater Horn countries.

At a minimum, donors must ensure that activities do not inadvertently exacerbate the potential for conflict. Once the U.S. Government has a better understanding of conflict prevention dynamics in the Greater Horn, it will actively engage with a wide range of Africans and African institutions to explore African views and needs on the whole range of conflict prevention and mitigation activities. At the policy level, we will engage with other donors and members of IGAD to define a regional framework and strategies for conflict prevention and mitigation. The U.S. Government will also engage with sub-regional groups and grassroots organizations which are committed to community level conflict prevention. USAID and other U.S. agencies will incorporate conflict prevention into programs and activities in the Greater Horn.

USAID resources will support training in conflict prevention/mitigation concepts and techniques as well as the identification of indigenous African groups which are involved in conflict prevention discussions and activities. This approach will be both low-cost and effective.

- Strategic Objective 1: Increase Capacity in the Region to Prevent and Mitigate Conflict

**GREATER HORN OF AFRICA INITIATIVE  
FY 1997 PROGRAM SUMMARY**

	Encouraging Broad-based Economic Growth	Stabilizing World Population Growth & Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	TOTALS
USAID Strategic Objectives						
1. Increase capacity in the region to prevent and mitigate conflict. - Dev. Fund for Africa				4,000,000		4,000,000
2. Implement strategies and procedures to maximize linkages between relief and development. - Dev. Fund for Africa	1,500,000	3,500,000				5,000,000
3. Promote African ability to sustain food security within a regional context. - Dev. Fund for Africa	6,000,000					6,000,000
<b>Totals</b> -Dev. Fund for Africa	7,500,000	3,500,000		4,000,000		15,000,000

GHAI Director: Patricia Rader

## ACTIVITY DATA SHEET

**PROGRAM:** GREATER HORN OF AFRICA INITIATIVE (GHAI)

**TITLE AND NUMBER:** Increase Capacity in the Greater Horn of Africa Region to Prevent and Mitigate Conflict, 698-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$4,000,000 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: To increase the capacity of Africans to mitigate and prevent conflict in the Greater Horn of Africa, through training and the identification and support of effective indigenous organizations involved in conflict prevention activities and through incorporating conflict prevention into USAID strategic planning for the region.

Background: The dual processes of democratization and development of political will to prevent and mitigate conflict -- at all levels of society -- are essential to future economic growth and stability in the region. Evidence of political will is beginning to emerge in the more progressive countries in the Greater Horn. Africans are increasingly coming to realize that ongoing conflict is undermining social, economic, and political progress. They are learning to foresee crisis and conflict and to develop means of prevention and mitigation in order to promote social and political stability based on democratic values. Africans and donors are increasingly coming to realize that although there is a role which donors and other international partners can play to assist in the process, ultimately only Africans themselves can resolve their own conflicts.

USAID Role and Achievements to Date: USAID played an important role in encouraging the Intergovernmental Authority on Development (IGAD) to amend its charter to include conflict prevention. GHAI is promoting U.S. Government inter-agency coordination on conflict prevention issues. These efforts include: conflict prevention and mitigation training for Washington-based personnel and field review of a conflict prevention "toolbox" to aid U.S. Government personnel in practical applications of conflict prevention mechanisms.

Description: USAID will expand its conflict prevention training to field-based staff in the Greater Horn region. It will support the identification of indigenous African groups which are involved in conflict prevention and mitigation activities, seeking their input into discussions on conflict prevention strategies taking place among the U.S. Government, IGAD and other donors, multilateral organizations and implementing partners. USAID will provide research assistance and practical support for key conflict issues identified by these discussions. Working with its partners, USAID also will create a conflict prevention framework within which ongoing and planned USAID and U.S. Government activities in the region can be evaluated. As part of this framework, the GHAI will finalize its conflict prevention primer and toolbox.

USAID is committed to doing business differently. This is the underlying foundation of USAID's Incentive Fund. Starting in FY 1997, the Incentive Fund will support each field mission's commitment to incorporating the GHAI into their strategies and strategic objectives. Each mission will have the opportunity to assess how the use of GHAI resources could improve the quality of their activity portfolio and make requests for funding that will result in approaches that will achieve the Initiative's goals and objectives. GHAI funds are intended to function as seed money for new idea activities or to act as short term bridges to further USAID goals while other mechanisms are developing to provide for longer term needs. A field-based steering committee composed of representatives from the field missions and the regional mission in Nairobi will be delegated authority to program USAID resources and empowered to implement the Fund activities.

Host Countries and Other Donors: IGAD has revised its charter to include conflict prevention and mitigation, which places the leadership in conflict prevention in the hands of Africans.

Beneficiaries: USAID assistance will indirectly benefit African communities by building institutions for conflict prevention and mitigation to help avoid potential violent conflict and its effects.

Principal Contractors, Grantees, or Agencies: To be determined.

Major Results Indicators: To be determined.

## ACTIVITY DATA SHEET

**PROGRAM:** GREATER HORN OF AFRICA INITIATIVE (GHAI)

**TITLE AND NUMBER:** Implement Strategies and Procedures to Maximize Linkages Between Relief and Development, 698-S002

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$5,000,000 DFA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: To improve the linkages between relief and development assistance in ways that are mutually supportive and reinforcing while promoting more rapid transitions from relief to development for countries in the region.

Background: Most countries of the Greater Horn of Africa (GHA) are either transitioning out of or into crisis or have neighbors in crisis. Traditional development programs do not always serve the emerging needs of these countries and ongoing humanitarian assistance may, in some instances, perpetuate the crises. In addition, relief and development assistance activities traditionally have been programmed quite separately, with little overlap or coordination. The "gray" areas between acute emergency response and long-term development, arguably one of the most difficult and complex to address, have fostered a growing recognition on the part of USAID and its partners of the need to link relief and development programs.

Family planning programs in the GHA are imperative to complement other development efforts in the region. Should family planning programs stall, the need to feed, educate and employ people would outstrip the GHA's ability to keep up. AIDS will likely have a significant impact on population size, but under the worst case AIDS scenario, the population growth rate would still be greater than economic growth and development.

USAID Role and Achievements to Date: Through the Transitions Team of the GHAI, principles and operating guidelines for linking relief and development have been drafted, as well as an incisive analysis of the constraints within USAID to achieving these linkages. This widely approved analysis included numerous recommendations for overcoming these constraints, to the extent possible considering political, legislative, and funding realities. A few recommendations are already being implemented, including the development of an integrated country strategic plan for Somalia.

Description: USAID will finalize and begin implementing the recommendations generated by the analysis of the internal constraints USAID faces in linking relief and development. Over the next three years, USAID will seek to implement the more than 30 recommendations, including intensive training for implementing partners in the practical application of linkage concepts and techniques. USAID will work with other donors and multilateral institutions as well as IGAD and other African regional organizations to incorporate these linkages into their programming approaches. Using a phased approach over the next five years, USAID will work on the development of integrated strategic plans for all countries of the Greater Horn. USAID resources will support training, outreach and pilot activities which demonstrate the effectiveness of linking relief and development.

The GHAI is committed to doing business differently. This is the underlying foundation of the GHAI Incentive Fund. Starting in FY 1997, the Incentive Fund will support each USAID field mission's commitment to incorporating the GHAI into their strategies and strategic objectives. Each mission will have the opportunity to assess how the use of GHAI resources could improve the quality of their portfolios in ways that will result in analysis and approaches that will help to achieve the Initiative's goals and objectives. Based on a standard set of criteria, a limited number of proposals will be selected for funding. GHAI funds are facilitative in nature, limited and intended to function as seed money for new idea activities or to act as short term bridges to further the GHAI goals while other mechanisms are developing to provide for longer term needs. A field-based steering committee composed of representatives from the field missions and

REDSO/ESA will be delegated authority to program USAID resources and empowered to implement the Fund activities.

Under this program, resources will also focus on two pre-eminent health challenges: stabilizing population growth and controlling AIDS.

Host Countries and Other Donors: Numerous other donors and multilateral organizations, including the European Union, Canada, and the United Nations Development Program, have begun to analyze the linkages between their own relief and development programs. USAID is already actively coordinating with other donors to understand alternate approaches and to set up a process for sharing these concepts with IGAD and other African entities in the region. USAID's efforts to speed transitions from relief to development through effective program linkages can be greatly enhanced through this kind of coordination.

Beneficiaries: Beneficiaries will include all Africans in the Greater Horn of Africa who are receiving USAID relief and development assistance.

Principal Contractors: To be determined.

Major Results Indicators: To be determined.

## ACTIVITY DATA SHEET

**PROGRAM:** GREATER HORN OF AFRICA INITIATIVE (GHAI)

**TITLE AND NUMBER:** Promote African Ability to Sustain Food Security within a Regional Context, 698-S003

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$6,000,000 DFA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2002

Purpose: To promote African ability to improve food security within a regional context.

Background: The prevalence of drought, locusts, and loss of food production due to conflict have crippled the ability of the populations of the Greater Horn region to work toward sustainable development. The majority of the countries in the Greater Horn are dependent on imports for adequate food supplies and, given current low levels of foreign exchange, require food aid to meet food import needs. A few – Uganda, Tanzania, and periodically, Kenya – currently export agricultural products. Because most countries of the region have a structural food deficit, regional food self-reliance will require trade and coordination among Greater Horn countries. A wide range of African institutions and international actors are working on ways to increase food security for the people in the Greater Horn. To date, donor strategies have not been as tightly coordinated as needed to maximize effectiveness and food security strategies have been developed with little emphasis on regional dimensions.

USAID Role and Achievements to Date: USAID played a major role in encouraging Africans to "revitalize" the Inter-governmental Authority for Development (IGAD), an institution created to provide a framework for regional food security. In order to enhance coordination among and between African institutions, donors, international organizations and implementing partners, USAID created a data base which inventories food security related activities by type and location, providing users with a tool to minimize duplication and maximize impact of individual projects and programs. GHAI also created a directory of USAID-managed activities which will be circulated widely to facilitate information sharing and encourage African participation in these activities. In addition, USAID worked with African partners to complete a study of the transportation system in the southern tier of Greater Horn of Africa. This study will be used to coordinate efforts to address transportation issues in the region.

Description: Efforts will continue to focus on coordination at the field level among and between Africans, donors and other relevant organizations on food security issues and activities. In order to help establish clear guidelines and coordinated delivery of food aid shipments, USAID will host a workshop on standardizing vulnerability/food needs assessments. This workshop will bring together food aid donors in order to agree on a methodology for establishing how much food aid a certain population requires. More broadly, USAID will provide technical and other assistance to African organizations to develop and assist in the implementation of national food security strategies.

The GHAI is committed to doing business differently. This is the underlying foundation of the GHAI Incentive Fund. Starting in Fiscal Year 1997, the Incentive Fund will support each field Mission's commitment to incorporating the GHAI into their strategies and strategic objectives. Each mission will have the opportunity to assess how the use of GHAI resources could improve the quality of their activity portfolio and make requests for funding that will result in activities that will achieve the Initiative's goals and objectives. Based on standard criteria, a limited number of proposals will be selected for funding. GHAI funds are facilitative in nature, limited and intended to function as seed money for new idea activities or to act as short term bridges to further the GHAI goals while other mechanisms are developing to provide for longer term needs. A field-based steering committee composed of representatives from the field missions and REDSO/ESA will be delegated authority to program USAID resources and empowered to implement the Fund activities.

Host Country and Other Donors: USAID is working with a number of food aid and food security related organizations (U.N. Food and Agricultural Organization, World Food Program, Private Voluntary Organizations) and African technical and regional organizations, as well as other donors. There has been close collaboration with the Canadians in particular in developing the vulnerability workshop.

Beneficiaries: All Africans in the Greater Horn region, especially those most vulnerable to food insecurity.

Principal Contractors, Grantees or Agencies: To be determined.

Major Results Indicators: To be determined.

## INITIATIVE FOR SOUTHERN AFRICA

FY 1997 Development Fund for Africa: . . . . . \$38,712,000,000

### Introduction.

The southern Africa region is strategically located between the south Atlantic and Indian oceans, and is of growing importance to the United States. Comprised of eleven countries, including Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe, the region has a combined land area of some 3.5 million square miles and a total population of about 130 million. The region is a source of strategic minerals such as platinum, gold, cobalt, diamonds and manganese, as well as petroleum. Political and economic changes have swept the region in the last few years, enhancing the opportunities for growth and development. The newly elected leaders are committed to broadening participation and to undertaking reforms necessary for development. U.S. support is critical to the successful political and economic transformations taking place. These changes will also enhance the use and impact of U.S. assistance. USAID's investment in an economically potent southern Africa will help stimulate markets for American goods and services. U.S. exports to the region are currently valued at \$3.4 billion, or the equivalent of 60,000 jobs in the United States. Experience clearly demonstrates that the United States benefits directly from the economic expansion that its foreign aid helps fuel.

### The Development Challenge.

The southern Africa region is currently undergoing a major political, economic and social transition, the outcome of which will be extremely important to the future interests of the United States. The brutal civil unrest that afflicted much of the region for more than three decades now appears to have subsided and the remaining autocratic regimes are rapidly giving way to fledgling democracies. Highly statist command economies are being restructured into open, free market economies where market forces rather than government bureaucracies determine the allocation of scarce resources in which conditions exist for the private sector to function as the engine of growth and job creation. A number of countries are already pursuing such liberalization measures as the privatization of state-owned enterprises, reduction in government functions and budgets, and deregulation permitting the private sector to expand. Interest in investment and trade is increasing. With improved trade throughout the region, the vital components for private enterprise development (market, money and management), which are currently in short supply, will become increasingly available and accessible.

Despite the progress that has been made, much more remains to be done before the roots of democracy and the foundations for a free market economy become irreversible. Residents of the region fear that the nascent democracies may topple in the face of ethnic tensions and economic pressures, especially since newly formed economic and political structures are weak. The World Bank has emphasized that in addition to the economic reforms already underway in the region, the following actions will be required to accelerate the region's aggregate economic growth. They include the reduction and rationalization of central government expenditures, improved investment policies, accelerating the expansion and diversification of exports, and improving the efficiency of the infrastructural base, especially through the reform of policies in the telecommunications and transportation sectors.

The final outcome of these political and economic transitions will depend on how well the governments in the region respond to the needs of their rapidly growing populations. The region is experiencing population growth rates that are presently among the highest in the world. The incidence of infant mortality and HIV/AIDS infection is also comparatively high. To make matters worse, the region is also prone to drought and food deficits since rainfall is highly variable, soils are fragile, and irrigation infrastructure is limited. Major droughts in 1992 and again in 1994 have inhibited efforts to increase agricultural productivity, and have required large infusions of food aid. Environmental degradation has

increased, and the maintenance of biodiversity is threatened by the encroachment of human populations on wildlife habitats.

These developments bring with them challenges that require human and financial resources beyond the means of the individual countries within the region to supply. The problems identified transcend national boundaries. They are regional by nature and must be dealt with in coordinated fashion. This is an opportune time for the United States to advance its interests by supporting and strengthening the newly established democracies, stimulating economic growth, and reducing the need for costly humanitarian assistance in response to emergency situations.

#### **Other Donors.**

For decades the United States has been the major bilateral donor to the transport sector and the agriculture and natural resources sectors in the southern Africa region. USAID has collaborated with other donors on regional programs directed toward improved information and communications flow, rail and road infrastructure development, food security, human resources development, community-based natural resource management, and agricultural research. Since 1991, the United States has disbursed approximately US \$426 million on regional programs in the Southern Africa Development Community (SADC) region.

Two other significant donors in the region include the European Union (EU) and the Nordic countries. Through phase 1 of its Lome IV Convention, which ran from 1990-1995, the EU provided US \$158 million for regional programs in the SADC region. The EU has focused its assistance on food security, agriculture and natural resources management, transport and communications, and human resource development. In carrying out its assistance, the EU is working closely with SADC, the regional organization responsible for coordination of development efforts in the region. The Nordic countries have obligated about US \$360 million in support of regional programs between 1990 and 1995 (this sum includes pledges to the on-going SADC Program of Action).

Other major donors to SADC have included the World Bank, the African Development Bank, Great Britain, Germany, Canada, France, Japan, and Kuwait. The World Bank's support to SADC has focused mostly on regional transport and telecommunication infrastructure sectors. Private voluntary organizations and private and corporate foundations have also been active in the region.

#### **FY 1997 Program.**

USAID's approach for helping the southern African region to achieve equitable, sustainable economic growth and successful democracies is embodied in the Initiative for Southern Africa (ISA). The ISA complements bilateral programs in the region with programs that address development constraints needing a coordinated region-wide response or which help to build links between two or more countries in support of regional economic growth and democratic objectives. The ISA focuses in particular on addressing regional constraints to development in the areas of infrastructure, small and medium-scale business development, civic society and democratic governance and agriculture and natural resource management. Currently, the Initiative for Southern Africa (ISA) programs operate under a Start-up Strategic Framework which include provisional objectives, outcomes, targets and indicators. These program areas will be refined in the course of FY 1996 as USAID develops a long-term strategy for the southern Africa region.

Overall, the program supports three agency strategic goals, including building democracy; encouraging economic growth and protecting the environment.

#### **Agency Goal: Building Democracy**

Strategic objective number one of the ISA supports USAID's goal of fostering the growth of democratic

institutions and political systems in recipient countries and regions. It contributes to U.S. foreign policy interests by promoting regional peace and stability. The formal structures of democracy are largely in place in southern Africa but what is far less well-rooted is a "culture of democracy" in which citizens understand and exercise their democratic rights and in which the fundamental obligation of accountability is accepted by their elected representatives and other participants in the formal structures of government. Through its individual country programs and the Southern Africa Regional Program (SARP), USAID assistance has been instrumental in promoting transitions from authoritarian rule to democratically elected governments in a number of countries. USAID also plans to extend its work in this area under the ISA through its five year, \$10 million Southern Africa Regional Democracy Fund (SARDF). Initiated in FY 1995, SARDF will support mutually-reinforcing multi-country and region-wide activities to broaden citizens' appreciation of the importance of maintaining democratic advances. The Fund will also work to strengthen nascent civil society institutions by improving the capacity of indigenous organizations to inform citizens of their rights and responsibilities in a democracy, by providing training to enable legislators to more effectively represent constituents' interests and to manage the legislative process, and by empowering women to participate more fully in their nations' respective political lives. One of the grants awarded will train new female parliamentarians in Angola, Mozambique and Malawi, and encourage more women to run for local political offices.

- Strategic Objective 1: Enhance the Skills, Knowledge Base and Capacity of Individuals and Organizations Working to Strengthen the Democratic Process and Values in Southern Africa

#### **Agency Goal: Encouraging Economic Growth**

It is in the interest of the United States to help the southern Africa region to achieve equitable and sustainable economic growth. Just as U.S. investments in Asia and Latin America over the past three decades are now reaping substantial economic returns, USAID's assistance to this region is laying the foundation for expansion of U.S. exports and economic growth in the 21st century. In particular, USAID's investments in rail and road infrastructure over the past decade and current support for privatization and restructuring of telecommunications and railroads, are putting in place the key arteries along which trade and the information critical to private sector development will flow. The \$100 million Southern Africa Enterprise Development Fund, (SAEDF) established in late 1994, addresses the financial constraint faced by indigenous small and medium-sized enterprises. The accompanying technical assistance component will help these businesses to access and utilize effectively commercial financial resources. The Fund will be given added impetus by the Memorandum of Understanding that Vice President Gore signed with the SADC in December, 1995. In this agreement, the United States indicated its interest in assisting the twelve countries of SADC in developing a free trade zone, using the experience of the North American Free Trade Agreement as a guide. The members of SADC are anxious to replace aid with trade, and the USAID Regional Center located in Gaborone, Botswana is strategically placed to foster more and closer links between the countries in the region and the United States. Finally, USAID support for regionally-coordinated agricultural research and training has already begun to reap rich rewards in the form of an increased availability of higher yielding and/or drought resistant varieties of two of the region's most important crops for small farmers, sorghum and millet.

Three of the ISA's Strategic Objectives are fully consistent with and supportive of USAID's strategic goal of stimulating rapid balanced economic growth in recipient countries within the region.

- Strategic Objective 2: Increased Indigenous Business Development and Ownership
- Strategic Objective 3: Established Key Regional Conditions for Sustainable Increases of Agricultural and Natural Resources Productivity by Smallholders
- Strategic Objective 4: Increased Efficiency, Reliability, and Competitiveness of Regional Transport and Telecommunication Infrastructure

**Agency Goal: Protecting the Environment**

Environmental degradation, and the encroachment of human population on wildlife habitats, are problems that need to be addressed by the countries of the southern Africa region. Strategic Objective No. 3 seeks to address these problems. The USAID has been supporting community-based natural resource management programs in five countries within the region since the late 1980's. These projects have demonstrated that utilization of wildlife and indigenous plant species in a sustainable fashion can be a viable alternative to unsustainable agriculture practices on marginal lands. In addition, USAID has begun to provide assistance to a regional network of environmental non-governmental organizations and governmental organizations/universities seeking to collaborate on the development of sound policies and strategies for the environment. This strategic objective fully supports USAID's goal of preservation and protection of the environment.

- **Strategic Objective 3: Establish Key Regional Conditions for Sustainable Increases in Productivity of Agriculture and Natural Resources by Smallholders**

**INITIATIVE FOR SOUTHERN AFRICA  
FY 1997 PROGRAM SUMMARY**

	Encouraging Broad-based Economic Growth	Stabilizing World Population Growth & Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	TOTALS
USAID Strategic Objectives						
1. Enhance the Skills, Knowledge, and Capacity of Individuals and Groups Working to Strengthen Democratic Values and Processes in the Region - Dev. Fund for Africa	2,445,000			200,000		2,645,000
2. Increased Indigenous Business Development and Ownership - Dev. Fund for Africa	12,890,000		400,000			13,290,000
3. Establish Key Regional Conditions for Sustainable Increases of Agricultural and Natural Resources Productivity by Smallholders - Dev. Fund for Africa	670,000		10,392,000			11,062,000
4. Increased Efficiency, Reliability and Competitiveness of Regional Transport and Telecommunications Infrastructure - Dev. Fund for Africa	11,715,000					11,715,000
<b>Totals</b> - Dev. Fund for Africa - P.L. 480 Title II	27,720,000		10,792,000	200,000		38,712,000

Note: The \$38,712,000 shown in this table excludes \$11,288,000 in Initiative for Southern Africa funds which have been attributed to country planning base levels. Therefore, the overall total for the Initiative is \$50,000,000.

USAID Mission Director: Valerie Dickson-Horton

## ACTIVITY DATA SHEET

**PROGRAM:** INITIATIVE FOR SOUTHERN AFRICA

**TITLE AND NUMBER:** Enhance the Skills, Knowledge Base and Capacity of Individuals and Organizations Working to Strengthen the Democratic Processes and Values in Southern Africa, 690-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,000,000 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: To enhance the skills, knowledge base and capacity of individuals and organizations working to strengthen democratic processes and values in southern Africa.

Background: Despite impressive gains in recent years, the roots of democracy in southern Africa remain shallow, and southern Africans fear their democracies may fail in the face of ethnic tensions and economic pressures. Among the critical weaknesses are a lack of widespread understanding of basic democratic rights and responsibilities and acceptance of such fundamental democratic tenets as the rule of law and human rights; governments lacking accountability and transparency; civic organizations, judiciaries and legislatures that are poorly equipped to hold government accountable for abuses of power; and the political marginalization of women and other major elements of society.

USAID Role and Achievements to Date: Through its bilateral programs and earlier Southern Africa Regional Program, USAID assistance has been instrumental in a number of the transitions in the region from authoritarian rule to democratically-elected governments. Through its five year, \$10 million Southern Africa Regional Democracy Fund (SARDF), authorized as part of the Initiative for Southern Africa (ISA) in August 1995, USAID will support multi-country and region-wide activities to extend the benefits of lessons learned throughout the region and to create linkages among groups across the region as a basis for building a regional network of mutually supportive advocacy and service groups promoting democratic values and processes.

Description: USAID's interim strategy is based on stakeholder discussions identifying impediments to democratization encountered throughout the region, and addresses impediments in three areas in which significant benefits from economies of scale and regional networking and sharing of experience can be anticipated. The strategy supports the initiatives of indigenous civil and governmental organizations that are working to ensure that (1) citizens understand how democracies function and their rights and responsibilities under their new democratic systems, (2) women's political participation increases, and (3) legislators have the knowledge and skills needed to effectively manage the legislative process, including an ability to build coalitions and resolve political disputes. A SARDF Project Committee, made up of citizens distinguished in democracy activities from throughout the region, has been constituted and is holding an inaugural meeting in February 1996. The meeting will review and approve SARDF grant-making criteria and initiate review of a longer-term strategy to promote democratic values and institutions region-wide under the ISA.

Host Country and Other Donors: Aid from other donors flows through a number of unconnected channels, e.g., official donors (both bilateral and multilateral), parliamentary groups, international organizations, quasi-non-government organizations (NGOs), independent NGOs, churches and academic institutions. Efforts to coordinate donor assistance at the national level have met with varying degrees of success. USAID is now actively coordinating with other donors as it commences its long-term strategy development process in Democracy and Governance.

Beneficiaries: Successful promotion and strengthening of democratic institutions will benefit the entire population of the region. USAID funding focusses on civil society organizations, women and legislators.

Principal Contractors, Grantees or Agencies: USAID will implement this activity through indigenous southern African NGOs and other entities, which may on occasion work with U.S. or other non-indigenous partners.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Number of legislators employing skills or techniques transmitted through project-supported activities	(0) (1995)	250 -500 trained (2002)
Number of organizations improving or increasing civic education activity;	(0) (1995)	50 (2002)
Number of organizations engaging for first time in development or dissemination of democracy-building information	(0) (1995)	20 (2002)
Number of organizations employing new or improved approaches for increasing citizen participation in elected government	(0) (1995)	25 among five countries (2002)
Number of assisted women's groups/networks undertaking new advocacy programs	(0) (1995)	10 among five countries (2002)
Number of women employing skills or techniques learned through project-funded activities	(0) (1995)	100 among five countries (2002)

## ACTIVITY DATA SHEET

**PROGRAM:** INITIATIVE FOR SOUTHERN AFRICA

**TITLE AND NUMBER:** Increased Indigenous Business Development and Ownership, 690-S002

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$15,750,000 DFA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: To provide increased jobs and incomes to the disadvantaged in southern Africa, USAID is financing the establishment of the Southern Africa Enterprise Development Fund (SAEDF). SAEDF will provide financial services such as debt or equity financial guarantees and related technical and managerial services to small and medium-scale enterprises (SMEs). The fund will operate as an independent non-profit corporation but is expected to focus investments to ensure financial sustainability in order to continue to service the financial needs of SMEs.

Background: Investment and trade interest is seen to be increasing. The process is enhanced by the gradual cessation of civil strife in most of the Southern Africa Development Community (SADC) countries. The three vital components for enterprise development, "markets, management and money," are still in short supply, but with improved trade throughout the region, the markets will become increasingly attractive. The larger enterprises in most parts of the region will be able to take advantage of these new market opportunities, but SMEs will suffer from shortages of management and capital. More open markets, better management, and enhanced capital availability in the SME sector will ensure greater participation by lower income groups in the benefits of economic growth.

USAID Role and Achievements to Date: The SAEDF has been established, with a sixteen-person board of directors (six representing southern Africa and ten from the U.S.), led by the chairman, Ambassador Andrew Young. The chief executive officer has been selected, and the SAEDF office opened in Johannesburg in January 1996. Fifty million dollars has been obligated and is available for SAEDF's immediate use. The technical assistance package to help the smaller of the SMEs to utilize the fund more effectively is in the final stages of design, and will come on stream as the Fund begins operations. Bilateral programs have already developed appropriate mechanisms to assist the fund to find suitable initial investments. In addition, under a separate activity USAID is supporting SADC efforts to move toward greater trade integration and liberalization. This effort will in turn enhance indigenous business development in the region by opening new market opportunities.

Description: The SAEDF will operate as an independent non-profit corporation but is expected to focus investments to ensure financial sustainability in order to continue to service the financial needs of SMEs. The SAEDF will be complemented by a technical assistance project aimed at improving the institutional capability of intermediary financial institutions in the region to service the technical, managerial and investment needs of the smallest enterprises in the SME sector. USAID will undertake analyses in support of this strategic objective and engage in policy dialogue with regional institutions, the private sector and governments, to expand trade and open markets.

Host Country and Other Donors: Since SAEDF will be able to meet only a fraction of the total annual investment needs of the SME sector (estimated between \$800 million and \$1 billion), USAID seeks to leverage its funds by encouraging other donors to participate in the fund directly or on a parallel or co-financing basis in SAEDF projects. Discussions have started with the Government of Japan, the European Union, the Nordic countries and the Commonwealth Development Fund.

Beneficiaries: Small and medium-scale enterprises in Botswana, Zambia, Malawi, South Africa, Zimbabwe, Angola, Tanzania, Mozambique, Lesotho, Namibia and Swaziland.

Principal Contractors, Grantees or Agencies: SAEDF, Southern Africa Development Community

Major Results Indicators:<sup>1</sup>

	<u>Baseline</u> <sup>2</sup>	<u>Target</u> <sup>2</sup>
An increase in the number of indigenously-owned small and medium-scale enterprises	TBD	TBD

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<sup>1</sup>These Major Results Indicators will be modified and or redefined during the development of the long term strategy plan.

<sup>2</sup>To be determined

## ACTIVITY DATA SHEET

**PROGRAM:** INITIATIVE FOR SOUTHERN AFRICA

**TITLE AND NUMBER:** Establish Key Regional Conditions for Sustainable Increases of Agricultural and Natural Resources Productivity by Smallholders, 690-S003.

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$17,750,000 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: To establish the key regional conditions for sustainable increases in productivity of agriculture and natural resources by smallholders.

Background: Agriculture and natural resource-related production continues to be, the major force driving economic development in most southern African countries where over two-thirds of the population depends on agriculture for employment and income. The resource base -- including reserves of minerals, productive fisheries, and a diverse wildlife that sustains a growing eco-tourism -- less than eight percent of the land is arable, and subjected to growing degradation from drought, overgrazing and overharvesting. Productivity and production per capita declined in most countries over the past decade. USAID attempted to reverse this decline and to assist the region's poorest by investing in agricultural research on the subsistence food crops of small farmers -- sorghum, millet, cassava and sweet potatoes -- and in developing practices to sustainably manage wildlife in marginal areas.

USAID Role and Achievements to Date: USAID assistance dates to the early 1980's, and has concentrated on assisting Southern Africa Development Community (SADC) coordination units to improve the effectiveness of regional research and training efforts in the agricultural and natural resource sectors, and in promoting community-based natural resources management in areas unsuitable for intensive agriculture. New activities financed under the Initiative for Southern Africa aim to encourage a greater role for the non-governmental sector in technology dissemination, environmental education, and in the analysis and development of appropriate environmental policies and strategies.

USAID provides support to the SADC agricultural and natural resources research coordination unit, Southern Africa Center for Cooperation in Agricultural Research (SACCAR), for its efforts in priority setting, regional coordination, and impact assessment, and sponsors the programs of three of the twelve regional research networks which SACCAR manages in collaboration with International Agricultural Research Centers and national agricultural research systems: the Sorghum and Millet Improvement Program and the Southern Africa Root Crops Research Network. In addition to providing the national agricultural research systems with high yielding varieties for local testing, these programs provide the national agricultural research systems with technical assistance, training and information. Over 25 final releases of sorghum and millet led to production increases in Namibia and Zimbabwe. Cassava and sweet potato lines are still in the selection stage in most of the SADC countries. Over 100 million farmers are targeted by SACCAR to receive improved crop, livestock and natural resource information and proven technologies. The research programs trained over 100 research scientists, 200 research technicians and over 800 national agricultural research systems decision makers and staff in various aspects of research management, thereby greatly strengthening regional program priority setting and implementation. Working with the ministers of agriculture and natural resources, SACCAR produced an eastern and southern Africa strategy for improving the working environment for agriculture in the region, which has been approved by the heads of state of the participating countries.

In order to assure local empowerment over natural resource assets, USAID has supported community-based natural resource management initiatives in four countries of the region -- Botswana, Namibia, Zambia and Zimbabwe -- as well as regional networking and training initiatives supported by the SADC unit in charge of wildlife, which is based in Malawi. These community-based activities demonstrated that sustainable utilization of wildlife and indigenous plant species can be a viable alternative to unsustainable agricultural practices on marginal lands. Communities are now receiving hundreds of

thousands of dollars in new revenues each year through a variety of wildlife utilization schemes. Illegal activities have been reduced, employment generated and regional governments are now putting in place laws and policies which will promote and sustain these community-based efforts.

**Description:** USAID focusses on three major and two intermediate outcomes. The major outcomes are: (1) sustainable and profitable technologies and approaches developed and demonstrated for regional application, (2) regional policies in place which support sustainable productivity increases, and (3) mechanisms for regional sharing of information and technology institutionalized. The intermediate outcomes include: strengthened regional institutional capacity, and improved data and analysis for regional ecosystem management. Several activities initiated in FY 1995 requires additional funding in FY 1997, including a collaborative program with the World Conservation Union's Regional Office for Southern Africa. This program strengthens the capacity of the World Conservation Union's Regional Office for Southern Africa member organizations to effectively implement activities in the region in environmental economics, policy analysis, and environmental education. Support continues for a number of the ongoing agricultural research programs, including community-based natural resources management activities and expanded data collection and policy analysis through such collaborations as the one initiated this year with regional universities through the University of Swaziland.

**Host Country and Other Donors:** In the agricultural and natural resource sector, host governments, non-governmental organizations, the private sector and donors collaborate on a daily basis. Many of USAID's programs are co-financed, and in the case of SACCAR, the SADC Member States contribute over 60% of the total operating costs. USAID remains the major donor in these two sectors. Other active donors are the European Union, German Aid Agency, and Nordic countries.

**Beneficiaries:** The primary beneficiaries of regional programs are the collaborating agencies and organizations through which assistance is delivered to smallholders, which benefit from institutional and human resource strengthening. The target groups of these organizations are an estimated 100 million subsistence farmers and smallholders living in marginally productive agricultural areas.

**Principal Contractors, Grantees or Agencies:** The International Institute of Tropical Agriculture, International Crops Research Institute for the Semi-Arid Tropics and International Service for National Agricultural Research are grantees. Regional organizations such as the SADC Secretariat, SACCAR, World Conservation Union's Regional Office for Southern Africa, SADC/Wildlife, and several national universities are also acting as executing agents. International Non-governmental organizations such as World Wildlife Fund, Conservation International, PACT or private contractors such as Chemonics are the implementors. In all cases, however, host governments are active participants and partners with USAID's regional programs.

**Major Result Indicators:<sup>1</sup>**

	<u>Baseline<sup>2</sup></u>	<u>Target <sup>2</sup></u>
Improved coordination of agricultural research programs on a regional basis as evidenced by prioritized plans and investments	TBD	TBD
Improved dissemination of technologies developed in regional programs to intended users	TBD	TBD
An improved data base on the region's natural resource endowment upon which to base regional planning	TBD	TBD
Appropriate institutional models developed for sustainable community-based management of natural resources	TBD	TBD

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<sup>1</sup>These Major Result Indicators will be modified and or redefined during the development of the long term strategy plan.

<sup>2</sup>To be determined

## ACTIVITY DATA SHEET

**PROGRAM:** Initiative for Southern Africa

**TITLE AND NUMBER:** Increased Efficiency, Reliability and Competitiveness of Regional Transport and Telecommunications Infrastructure, 690-S004.

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997 \$13,500,000 DFA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATE COMPLETION DATE:** FY 1999

Purpose: To increase the efficiency, reliability and competitiveness of regional transport and telecommunications infrastructure.

Background: Sustainable regional economic growth requires an efficient transport and telecommunication infrastructure. While the Southern Africa Development Community (SADC) region invested heavily in basic infrastructure in the past, its overall efficiency has been hindered by government monopolies, state-owned enterprises, restrictive policies, intrusive economic regulations, inefficient use of physical assets, and cumbersome and unreliable information generation and exchange. Additional investment has thus been discouraged, and overall transport and communications costs are increasing, reducing market opportunities for the private sector throughout the region, especially indigenous businesses and smallholder agriculture. USAID assistance to the sector dates to the early 1980's, when a primary objective was to reduce the region's dependence on transport through South Africa. A number of projects financed improvements to rail and road corridors, as well as operational improvements in government transport units.

USAID Role and Achievements to Date: USAID's support is targeted towards improving efficiency of surface transport movement within the SADC region, assisting in restructuring the telecommunication sector in focus countries (Zambia, Tanzania, and Zimbabwe), and improving the efficiency of the telecommunication network throughout the SADC region. In the rail sector, past USAID investments increased locomotive capacity on key regional rail links, restructured management of the TAZARA and Swazi rail lines, and made inroads in improving operating efficiencies in Mozambique and Zimbabwe. Building on these investments, USAID has sponsored the design and feasibility study of a rolling stock management information system to permit more efficient management of the region's existing rolling stock. In the transport sector, USAID support has been critical to the drafting of a set of regional protocols designed to harmonize policies, operating practices, and service standards governing transportation throughout the region. If implemented, these protocols will save both time and money for all who depend on cross-border transport of goods throughout the region, enhancing returns to intra-regional trade and investment. In the telecommunication sector, USAID is working with the Government of Zambia to assist in privatizing the national telecommunication company. This will lead not only to increased efficiency of existing services but will attract private investment, and with it, new technologies to this increasingly important sector. USAID is also assisting Zambia and Botswana to bring cellular telephone service to Lusaka and Gaborone and is providing advice and assistance to the new regulatory body in Zambia.

Description: The SADC Transport Efficiency project aims to restructure the transport sector through improved policies and technical improvements which increase efficiency and attract investment. Activities in the transport sector build upon a decade of USAID investment in the overall physical capacity of the railway corridors. Transport activities support the formulation of a regional transport sector policy agenda for the Southern African Transport and Communications Commission (SATCC). This agenda will enable SATCC to promote harmonized policies to encourage competition and improve efficiency. Additionally, USAID proposes to finance the procurement and installation of a rolling stock information system in the period March-June 1996 that will improve the operational efficiency of rail car deployment and utilization. A considerable savings of operating costs for the railway sector as well

as overall intermodal transportation is expected with the proposed installation of the rolling stock information system. SATCC states that the proposed Rolling Stock Information System will result in an annual benefit of 1.6 times the investment cost. In the telecommunication area, USAID is financing activities to improve the overall telecommunication network in the SADC region by assisting some of the SADC countries in their efforts at restructuring and privatizing. This activity will also help SATCC increase its capacity to assist SADC member countries to formulate policies in support of improved and efficient communication linkages within the southern Africa region and internationally.

A clear link exists between the development of SMEs and smallholder agricultural production and the availability of reliable and efficient regional transport and telecommunication networks. Furthermore, these activities will help develop a favorable climate for U.S. entrepreneurs to actively participate in joint ventures in telecommunications and other entrepreneurial activities in the SADC region.

Host Country and Other Donors: In the regional transport and telecommunication infrastructure sectors, USAID continues to play a dominant role along with the World Bank. USAID has collaborated with the World Bank on rail restructuring and privatization activities in Malawi, Mozambique, and Zimbabwe. USAID also coordinates its policy and regulatory reform program with the Canadian International Development Agency, which is implementing national capacity building programs to enable the rail sector to carry out needed reforms, and the design of its transport projects with the Overseas Development Agency of the United Kingdom. The World Bank is the major lender in the telecommunications field, financing restructuring activities in Tanzania and Zambia and a study of the telecommunication sector in Zimbabwe. The French aid agency has focused assistance on institutional reform of the rail sector, while the principal German aid agency, provided training modules at the national level for road and rail operators. The Japanese also have some activities in the region.

Beneficiaries: The entire population of the SADC region will benefit from the cost savings resulting from increased competitiveness and efficiency of the railways, as well as from the improved access to information provided by a reliable telecommunications system. The national railways, freight forwarders and commercial sector will directly benefit from the improved and efficient cargo tracking services provided by the national railways.

Principal Contractors, Grantees or Agencies: Price Waterhouse is implementing the regional telecommunications restructuring program. A grant made to the International Telecommunication Union provides technical assistance to SATCC through two telecommunication specialists in policy and data base management. The Morrison Knudsen Corporation is assisting in undertaking the needs assessment, feasibility study and conceptual design for the rolling stock information system for the SADC railways. Abt Associates developed a policy framework for the technical protocols for the transport and communication sector. The final protocols are being developed by Nathan Associates.

Major Result indicators:<sup>1</sup>

	<u>Baseline</u> <sup>2</sup>	<u>Target</u> <sup>2</sup>
Reduced rail transport costs;	TBD	TBD
Increased annual net tons carried/km on SADC railways;	TBD	TBD
Increased return on invested capital in SADC railways;	TBD	TBD
Increased level of investment in the public telecommunications operators;	TBD	TBD
Increased price competitiveness between US & SADC telecom operators,	TBD	TBD
Increased levels of intra-regional telephone traffic;	TBD	TBD

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<sup>1</sup>These Major Result Indicators will be modified and or redefined during the development of the long term strategy plan.

<sup>2</sup>To be determined

## 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

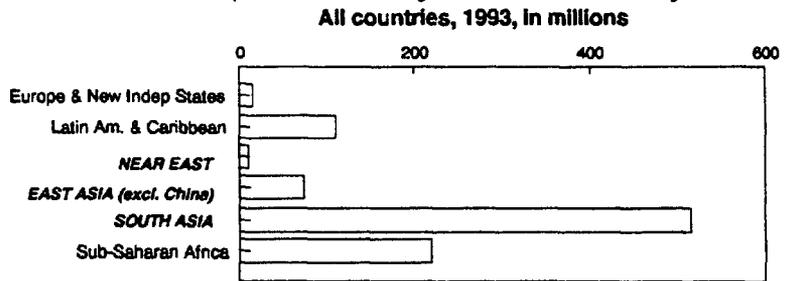
Two of the United States' highest foreign policy priorities are to promote comprehensive peace in the Middle East and to strengthen trade and other relations with Asia, the most dynamic and fastest-growing region in the world. The Middle East peace process involves U.S. leadership in the political arena 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 15% per year since 1985. 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.

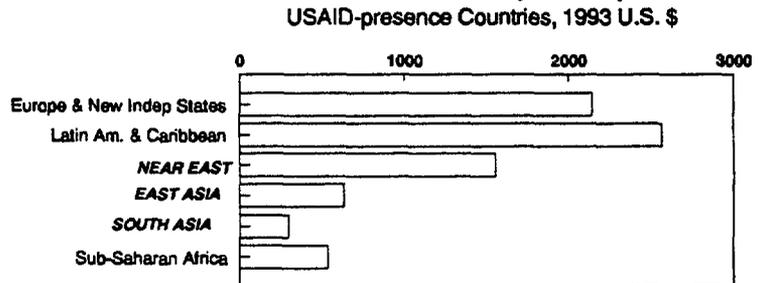
The ANE region is characterized by diversity of needs and performance. Bangladesh, Egypt, India, Indonesia, Jordan, Morocco, the Philippines, and Sri Lanka all have achieved significant progress in certain sectors. Nevertheless, even in these countries, persistent challenges remain in one or more

#### People in Poverty: Where Do They Live?



Source: World Bank, 1996

#### Income: GNP per Capita



Source: World Bank, 1995

Note: Income calculations for the Near East region do not include Yemen and Lebanon (no data available), or Israel.

Figure 1

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 600 million people living below the World Bank's poverty line reside in the ANE region, about three times 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

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 \$3 billion or more of U.S. goods in 1995 (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.

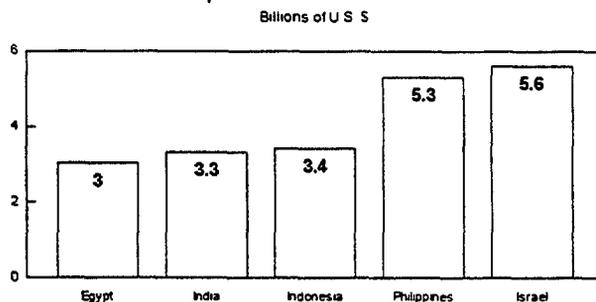
USAID provided targeted assistance for the liberalization of trade and investment policies to Indonesia and the Philippines, two key members of the Asia-Pacific Economic Cooperation (APEC) forum. APEC is the major forum for U.S. Government efforts to reform the trade and investment policies of countries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

*Aside from these 5 ANE countries, only 4 other USAID countries worldwide purchased more than \$3 billion of U.S. exports in 1995: Mexico, the Dominican Republic, Chile, and Brazil.*

**Figure 2**

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

**U.S. Exports to USAID Countries**



Source: U.S. Dept. of Commerce, 1995

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, Sri Lanka and the Philippines have been increasing by 14-16% per year.

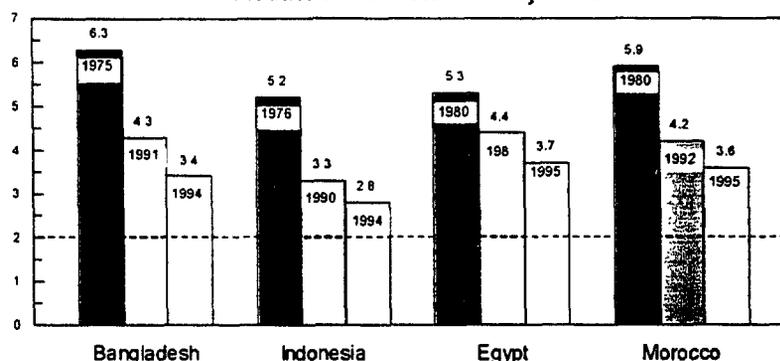
In areas with persistent pockets of poverty, USAID supports investments in micro-enterprise credit, agriculture and agri-business, and rural infrastructure. These investments are designed to reduce poverty and build a sound foundation for the long-term development of future U.S. export markets. Sri Lanka, 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,

### 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

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.

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%.

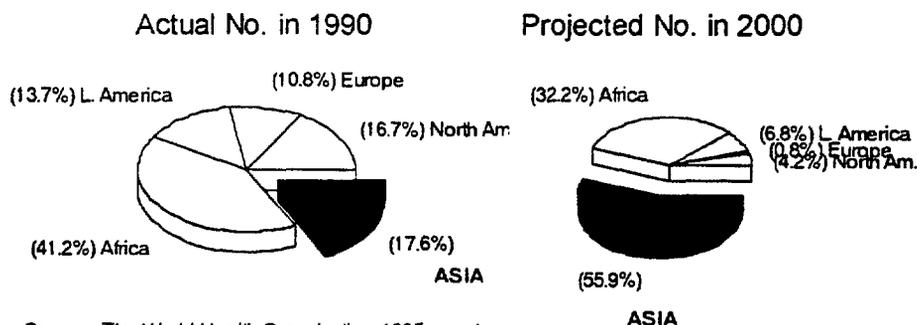
Asia is expected to overtake Africa as the global epicenter of the HIV/AIDS epidemic by the year 2000. Therefore, USAID is implementing a well-coordinated regional response with host countries, NGOs, and other partners (see Figure 4). In countries where HIV/AIDS poses a threat, education and prevention 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. 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 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.

Figure 4

## Number of HIV Infections



Source: The World Health Organization, 1995 report

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

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, 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

#### 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 ecosystems, 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

#### Global Challenge: Largest Greenhouse Gas Emissions

Two ANE Countries in the Top 10

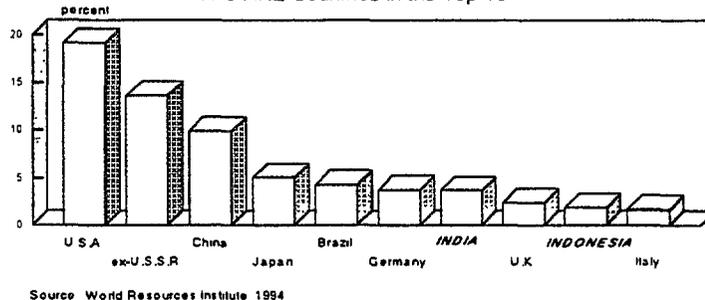


Figure 6

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

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

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.

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.

**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

Figure 7

#### 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 \$163,800,000 (51.2%), 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, totaling \$131,364,000 is proposed \$18,800,000 for India, \$96,075,000 for Bangladesh, \$7,411,000 for Afghanistan, \$7,725,000 for Northern Iraq, and \$1,353,000 for Pakistan.

**ASIA AND NEAR EAST  
PROGRAM SUMMARY  
FY 1997 Funding Request (in Thousands of Dollars)**

COUNTRY	ENCOURAGING ECONOMIC GROWTH	STABILIZING POPULATION GROWTH	PROTECTING THE ENVIRONMENT	BUILDING DEMOCRACY	PROVIDING HUMANITARIAN ASSIST.	TOTAL
BANGLADESH DA PL 480 Title II	3,550	43,030	0	4,200	0 18,800	50,780 18,800
CAMBODIA ESF	18,000	4,500	1,000	11,500	0	35,000
EGYPT ESF	663,750	8,000	114,967	28,283	0	815,000
INDIA DA PL 480 Title II	9,820	32,600	14,550	0	0 96,075	56,970 96,075
INDONESIA	6,880	26,713	17,164	5,900	0	56,657
ISRAEL ESF	1,200,000	0	0	0	0	1,200,000
JORDAN DA ESF	0 10,000	7,357 0	0 0	0 0	0 0	7,357 10,000
LEBANON DA ESF	2,000 4,000	0 0	0 0	0 0	0 0	2,000 4,000
MOROCCO DA	5,000	9,375	5,000	0	0	19,375
NEPAL DA	3,500	15,000	3,000	1,000	0	22,500
PHILLIPINES DA	16,109	25,220	8,000	12,000	0	61,410
SRI LANKA DA	5,460	300	3,486	2,500	0	11,746
W.Bank/Gaza ESF	7,800	0	58,600	8,600	0	75,000
ANE REG. DA ESF	2,400 26,000	4,205 -0-	1,900 5,000	900 8,400	0	9,405 39,400
U.S.-Asia Environmental Partnership	0	0	20,000	0	0	20,000

TOTAL						
DA	54,800	163,800	73,100	26,500	0	318,200
ESF	1,929,550	12,500	179,567	56,783	0	2,178,400
P.L.480 Title II	0	0	0	0	131,364	*131,364

\* P.L. 480 Title II program in ANE also includes \$7,411,000 for Afghanistan, \$7,725,000 for Northern Iraq, and \$1,353,000 for Pakistan.

Margaret Carpenter  
Assistant Administrator  
Bureau for Asia and the Near East

## BANGLADESH

FY 1997 Development Assistance .....	\$50,780,000
FY 1997 P.L. 480 Title II .....	\$18,800,000

### Introduction

Bangladesh is one of the poorest, most populous democracies in South Asia, with a solid record of good government economic performance. Bangladesh also has a strong record of support for U.S. positions in international fora, including participation in international peacekeeping missions. U.S. interest is primarily humanitarian, focused on poverty reduction. However, the large U.S. food debt coming due for repayment and the potential for market development and trade expansion provide further impetus for the United States to foster sustainable development. The need to increase disaster preparedness to reduce the cost of disaster relief provides additional rationale for U.S. assistance.

### The Development Challenge

Bangladesh is the world's most densely populated agricultural country, with a population base of 120 million and with 830 people per square kilometer. This extreme population pressure on the country's resources, combined with a number of unfavorable socioeconomic factors, makes Bangladesh one of the poorest countries in the world. Some 50 million Bangladeshi citizens live below the poverty line, measured by consumption of less than 2,122 calories a day, the minimum caloric standard for an average adult.

In spite of the high levels of poverty, Bangladesh has made considerable progress in a number of social and economic areas over the past five years. Recent surveys show improvements in rural living standards and a modest decline in the proportion of Bangladeshis living below the poverty line. Contraceptive use is at an historic high, resulting in a significant reduction in fertility rates and demonstrating that even poor countries can restrain population growth. Improvements in emergency response, agricultural policies and related food production increases since 1989 have allowed the country to avert famine during recent droughts, cyclones and floods. Bangladesh also has undertaken a number of reforms in privatizing its agricultural, financial and industrial sectors, which have paid dividends in reducing government budget deficits and lowering food and essential commodity prices. The 1991 parliamentary and 1992 local elections were generally considered free and fair. The importance of these achievements must to be viewed in the context of a country that faces recurring natural disasters and has a natural resource base which is among the most stressed in the developing world.

USAID has played an important role in Bangladesh's recent achievements. In the agricultural sector, USAID efforts over the past five years have led to privatization of the fertilizer sector and privatization of the domestic grain trade. This, coupled with the expanded use of irrigation, has done more to lower the cost of farming for small landholders and the cost of food for rural and urban poor than any other achievements. In the area of health and family planning, USAID has played a major role in increasing the use of contraceptives, oral rehydration salts and urban vaccinations, which have directly contributed to the decline in fertility rates and in infant and child mortality. USAID's successes in health and family planning are now allowing a transition to a more self-sustaining development program, and are expected to greatly diminish the need for USAID resources in this sector in coming years. In the democracy sector, USAID assistance has enhanced the role of domestic election monitors, developed cost-effective dispute resolution methods, and strengthened civil society organizations.

Even with its reasonably good record of development performance, Bangladesh is not an early candidate for rapid graduation from traditional development assistance. While substantial progress has been achieved, poverty levels -- with the attendant high levels of malnutrition, illiteracy, and other socioeconomic problems -- remain high. Significant increases in economic growth must be achieved before poverty levels can decline dramatically, allowing domestic production and trade to replace external assistance. Bangladesh also owes some external debts, including approximately \$700 million to the United States for P.L. 480 Titles I and III food imports, which will reduce the government's economic investments in the coming years.

#### **Other Donors**

USAID and the donor community pledged almost \$2 billion this year for development activities in Bangladesh. The United States provides about 4% of all donor assistance to Bangladesh. Other major contributors include: the World Bank, the Asian Development Bank, Japan, the United Kingdom, Canada, the Netherlands, Germany, Norway, Denmark, Sweden, the United Nations agencies, and the International Monetary Fund.

#### **FY 1997 Program**

USAID's strategy for helping Bangladesh reach and maintain lower poverty levels concentrates on achieving sustained replacement fertility levels, improved health status of the population, food security for the poor, and broadened participation by the poor in democratic institutions and processes. Through these combined foci, USAID expects to assist millions of poor Bangladeshis to attain a higher standard of living. Support for family planning and maternal and child health programs leads to smaller and healthier families, thereby reducing pressures on the country's finite land base and resources. Programs that work to increase access to, availability of and utilization of food by the poor lead to reduced hunger, which in turn allows the country to be more productive. Broadening participation in democratic processes is expected to lead to greater attention to the needs of the poor in the distribution of the nation's resources. All of these factors contribute to U.S. national interests in making Bangladesh more stable and self-supporting. This will allow the country to become a better customer for U.S. products and technology.

In recent years, the program has emphasized health and population activities. However, if health and population activities are to become truly sustainable, household incomes must increase, people must be well-fed, and public policies must be more focused on poverty reduction. Accordingly, our 1997 program also emphasizes economic growth and democracy.

#### **Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

Bangladesh is the ninth most populous country in the world, and rapid population growth is one of the key constraints to development. Three of USAID's objectives in Bangladesh are aimed, both directly and indirectly, at reducing the population growth rate.

- Strategic Objective 1: Use of Modern Contraceptives by Eligible Couples Increased
- Strategic Objective 2: Use of High-Impact Maternal and Child Health (MCH) Services Increased
- Strategic Objective 3: Institutional, Programmatic, and Financial Sustainability of Family Planning and MCH Programs Enhanced

Of the total funding requested for population and health, \$30,280,000 is planned for population activities and \$12,750,000 is planned for health activities.

The total fertility rate in Bangladesh dropped to 3.4 in 1994 from over 7 in 1974 (a decline of over four children per woman). This rapid decline in fertility can largely be explained by a rise in the contraceptive prevalence rate, which rose to 45% in 1994 from less than 8% in 1974. USAID's contribution in reducing the fertility rate includes support for the commercial distribution of pills and condoms; high-quality and efficient nongovernmental organization (NGO) and Government service delivery; efficient operation of the family planning logistics system; enhanced community participation in local government management of the family planning program; comprehensive family planning information, education, and communication; and research leading to higher quality and sustainable family planning programs, policy-making and implementation.

In the health sector, infant mortality had dropped to 88 per 1,000 live births by 1994, down significantly from 128 per 1,000 in 1986. Also by 1994, deaths in children under five years of age dropped to 132 per 1,000 live births, down from 168 per 1,000 in 1986. USAID contributed to these reductions through support for childhood and maternal vaccinations, child spacing and family planning, and promotion of oral rehydration salts. In 1995, 63% of urban infants had been completely vaccinated, up from only 5% in 1986. The USAID-supported Social Marketing Company has increased its commercial sales of oral rehydration salts packets to 38 million in 1995, up from 4 million in 1986, and plans to be fully self-reliant in the marketing of these packets by 2000. In addition to policy dialogue programs, USAID has also launched an important condom promotion and peer education program aimed at high-risk HIV/AIDS groups.

Progress also is being made toward the long-term sustainability of the national family planning and maternal child health program. Government of Bangladesh expenditures in population and health are steadily increasing; as a result, from 1990-91 to 1994-95, the proportion of the national budget allocated to the health and population sectors rose from 5.9% to 6.9%. The Social Marketing Company, a USAID-funded program, has increased its cost recovery for the marketing of contraceptives and oral rehydration salts from 52% in 1992 to 78% in 1995. In addition, local communities supported by the USAID Family Planning Local Initiative Program have increased their contributions to the program from zero in 1986 to almost 20% in 1995. Finally, urban municipalities are contributing increasing amounts to the local costs of routine immunizations.

A number of challenges remain for the coming years. For example, mortality and fertility rates have declined simultaneously, meaning that population growth rates have declined only modestly during recent years. Thus, reductions in fertility must be continued. In addition, recent health and family planning achievements need to be made sustainable, which will require making health and family planning services higher quality, better integrated and more cost-effective. This will involve increasing community participation in the financing of services and increasing government budgetary allocations to the health and population sectors. In addition, HIV/AIDS is already a serious problem in neighboring South Asian countries; therefore, although HIV seroprevalence in Bangladesh is presently low, attention needs to be focused on prevention.

#### **Agency Goal: Encouraging Broad-based Economic Growth**

With half of its population undernourished, food security is a second major constraint on development in Bangladesh. Accordingly, three USAID objectives support access to, availability of and utilization of food by the poor.

- Strategic Objective 4: Diets of the Poor Nutritionally Enhanced
- Strategic Objective 5: Agricultural Productivity per Hectare Increased
- Strategic Objective 6: Real Household Incomes of the Poor Increased

In part as the result of USAID investments and policy support over the past several years, Bangladesh is now generally self-sufficient in rice, the primary staple food. There has been significant expansion in the numbers of poor households producing and consuming micronutrient and protein rich foods due to USAID-supported NGO-government activities in pond fish culture and homestead vegetable gardening. USAID assistance, including P.L. 480 Title II agricultural resources, has made 1,167 kilometers of rural roads environmentally sound and passable, thereby allowing farmers to more easily and quickly get inputs to their fields and their crops to market. USAID support for rural electricity has permitted the addition of at least 44,000 electric irrigation pumps which has increased agricultural productivity and at least 163,000 small rural businesses which have generated employment and incomes for many rural families. The provision of P.L. 480 Title III wheat has permitted a quadrupling of the Food for Education program, supplying grain to the families of 1.4 million poor primary school students; these resources not only feed many poor families but also allow their children to remain in school. Through a USAID-supported credit program to over 30,000 poor women, more than 70,000 jobs have been generated and almost all borrowers have increased their incomes above the poverty line. Other USAID assistance to small and microenterprises has resulted in \$3 million in new investments, 1,600 new jobs and \$5.3 million in added annual income. In addition, USAID-supported disaster preparedness programs -- including disaster management and environmental and nutritional surveillance -- have helped reduce the economic vulnerability of the poor to frequent natural disasters.

In spite of recent progress in economic growth and food production at the national level, approximately 50 million poor Bangladeshi families remain food insecure. This food insecurity has a direct effect on the health and nutritional status of these poor Bangladeshis. Because of the tenuousness of their economic circumstances, poor Bangladeshis are especially vulnerable to the negative effects of frequent natural disasters. Additional USAID assistance is needed, particularly in the areas of income and employment generation, nutritional and environmentally sustainable food production improvements, disaster preparedness and reductions in industrial pollution.

#### **Agency Goal: Building Democracy**

USAID's democracy program in Bangladesh is in a transitional phase. Under the previous strategy, USAID's democracy initiatives focused on enhancing the legislative capacity of parliament, improving the administration of elections, increasing legal awareness among the poor, and strengthening NGOs. Through this strategy, recommendations to improve parliamentary operations have been developed and are pending the outcome of 1996 national elections. The capacity of domestic election monitors has been strengthened and their role recognized by the Election Commission. Over 1,000 print journalists have been trained in investigative journalism, and articles reflecting this training have appeared in the local press, leading to a more substantive discussion of issues. Legal awareness programs, including mediation of about 4,000 cases, have been piloted in about 15 communities. NGOs have formed two dozen technical support networks to enhance the quality of their service delivery and to mobilize public support on their behalf.

As part of the design of the new strategy, USAID has identified transparency and accountability of local elected bodies and access to more equitable justice as the democracy concerns of most importance to the poor. As a result, USAID's democracy-building objectives for 1996 through 2000 will be:

- Strategic Objective 7: Enhanced Participation in Local Decision Making
- Strategic Objective 8: More Accessible and Equitable Justice, especially for Women

USAID's short-term results will achieve: (1) a strengthening in the advocacy of the interests of the poor; (2) an enhancement of the quality of elections; (3) a strengthening the competence of local elected bodies to identify and meet the needs of the poor; (4) an increase in the awareness of legal

rights and obligations by both poor men and women; and (5) an improvement in the quality of alternate dispute resolution.

Poor Bangladeshis expect government to be fair and equitable in the distribution of public resources and in the administration of justice. However, there is a widespread belief that they lack influence over decisions about who gets what, when and how. At the same time, they view local associations and the election process as positive channels for exerting influence over such decisions. They emphasize that local institutions -- both formal and informal -- affect them most directly; and this is where they would most like to see positive change. Therefore, USAID's strategy focuses primarily on the local level.

**BANGLADESH  
FY 1997 PROGRAM SUMMARY  
(\$000)**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democra- cy	Providing Humanitar- ian Assistance	Total
USAID Strategic Objectives						
1. Use of Modern Contraceptives by Eligible Couples Increased		\$27,280				\$27,280
2. Use of High-Impact Maternal and Child Health (MCH) Services Increased		\$3,125				\$3,125
3. Institutional, Programmatic, and Financial Sustainability of Family Planning and MCH Programs Enhanced		\$3,000				\$3,000
4. Diets of the Poor Nutritionally Enhanced  Development Assistance  PL 480 Title II		\$9,625			18,800	\$9,625  18,800
5. Agricultural productivity per hectare increased  Development Assistance	- 0 -					- 0 -
6. Rural household income increased	\$3,550					\$3,550
7. Enhanced Participation in Local Decision Making				\$2,520		\$2,520
8. More Accessible and Equitable Justice, Especially for Women.				\$1,680		\$1,680
<b>Total</b>						
Development Assistance	\$3,550	\$43,030	- 0 -	\$4,200	- 0 -	\$50,780
P.L. 480 Title II					\$18,800	\$18,800

## ACTIVITY DATA SHEET

**PROGRAM:** BANGLADESH

**TITLE AND NUMBER:** Use of Modern Contraceptives by Eligible Couples Increased, 388-SO01

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$27,280,00 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY1997

**Purpose:** Decrease the high total fertility rates through increasing the voluntary use of modern contraceptives by eligible couples.

**Background:** Bangladesh is the most densely populated agricultural country in the world. Population density and growth affect the country's ability to feed itself, create jobs for all, and provide health, education and other public services. For Bangladesh to develop, it must slow its population growth rate. Increased modern contraceptive use is the most effective means to reduce fertility.

**USAID Role and Achievements to Date:** The USAID program in Bangladesh has already demonstrated that sustained support for family planning information and services can contribute to measurable reductions in fertility despite continued low economic and social indicators. The challenges to further increased use of modern contraceptives include enhancing the quality of clinical family planning services and improving the counseling of potential family planning clients, especially men. USAID has been a major partner with the Bangladesh Government (BDG), the World Bank, the United Nation UNFPA, and other donors in the National Family Planning and Maternal and Child Health (FP/MCH) Program. Under this strategic objective, USAID supports family planning service delivery through local nongovernmental organizations (NGOs) and local governments; social marketing; information, education, and communication; operations and survey research, and quality assurance. In total, these programs have contributed to a rise in the contraceptive prevalence rate of all methods from 30% in 1986 to 45% in 1994. This has resulted in the fall of the total fertility rate from 5.6 in 1987 to approximately 3.4 in 1997.

**Description:** USAID's work focuses on four activity areas: (1) increasing access to family planning information and services through local NGOs and through support to local governments; (2) improving the quality of family planning clinical and non-clinical services; (3) improving access to non-clinical family planning methods through the private, non-profit Social Marketing Company; and (4) improving information, education and communication programs aimed at family planning clients and service providers. Through these activities, USAID provides family planning sub-grants to approximately 115 local NGOs and about 100 sub-district family planning committees. The USAID-funded Social Marketing Company works through approximately 110,000 retailers to market oral contraceptives and condoms at subsidized prices. USAID also provides support to implement the National Family Planning Program's national information, education and communication strategy.

**Host Country and Other Donors:** Since 1987, USAID and the World Bank consortium including nine bilateral and five multilateral donors have each provided about one-third of all funding for the National Family Planning and Health Program. The BDG provides approximately one-third of the total investment costs of population programs in Bangladesh.

**Beneficiaries:** Approximately 12 million eligible couples, who have access to or receive family planning information or services, will be the beneficiaries of this objective.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities through U.S. private firms, NGOs and universities; local NGOs; and a private, non-profit Bangladeshi company.

<u>Major Results Indicators:</u>	<u>Baseline</u>	<u>Target</u>
Contraceptive Prevalence Rate (CPR)		
- All Methods Increased	30% (1986/87) <sup>1</sup>	50% (1997)
Contraceptive Prevalence Rate (CPR)		
- Modern Methods Increased	23% (1986/87) <sup>1</sup>	43% (1997)

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Source : Demographic Health Survey

## ACTIVITY DATA SHEET

**PROGRAM:** BANGLADESH

**TITLE AND NUMBER:** Use of High Impact Maternal and Child Health Services Increased, 388-S002

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$ 3,125,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1997

**Purpose:** To reduce current high levels of infant and child mortality by increasing the availability and use of key child survival and maternal health services.

**Background:** Infant mortality in Bangladesh is high. There are constraints to increased use of maternal and child health (MCH) services, including inadequate coordination of health and family planning services within the public sector and between the public and nongovernmental sectors.

**USAID Role and Achievements to Date:** USAID's support includes urban vaccination, social marketing of oral rehydration salts (ORS), and other MCH programs. As a result, full vaccination of urban infants rose from 5% in 1986 to 63% in 1995. Private sales of ORS packets rose from four million in 1986 to 38 million in 1995. USAID activities contributed to reducing infant deaths from 128 per 1,000 live births in 1986 to 88 in 1994, or about a 30% decrease in eight years. Similarly, mortality for children under five declined by about 20%, from 168 to 132 per 1,000 live births in the same timeframe.

**Description:** USAID focuses on four activity areas: (1) increasing and sustaining vaccination rates for urban infants and women of reproductive age; (2) improving access to and quality of nongovernmental (NGO)-delivered MCH services and information; (3) promoting further use of ORS for diarrheal disease treatment; and reducing the risk of sexually transmitted diseases including HIV/AIDS. Under its municipal immunization program, USAID supports routine immunization programs, improved disease surveillance, and special immunization initiatives such as the three year campaign to eradicate polio through national immunization days. USAID also supports a private, non-profit company for the social marketing of ORS. By the year 2000, this company is expected to be self-reliant in the marketing of ORS. In addition, USAID-supported NGOs are supplementing family planning programs with MCH interventions such as antenatal and postnatal care.

**Host Country and Other Donors:** The United Nations Children's Fund (UNICEF) supports rural immunization, control of diarrheal diseases, and acute respiratory infections programs. The World Bank provides nutrition, immunization, diarrheal disease control assistance and support for other MCH services. The Bangladesh Government (BDG) supports the delivery of MCH services through its rural network of health and family planning field workers, family welfare centers, sub-district health and family planning facilities and MCH clinics in urban areas.

**Beneficiaries:** Children under five years of age and women of child-bearing age in Bangladesh represent 35% of Bangladesh's population of about 42 million people. USAID-supported programs reach about half of these beneficiaries.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities through a U.S. firm, a private non-profit company, and U.S. and local NGOs.

<b>Major Results Indicators:</b>	<u>Baseline</u>	<u>Target</u>
Infant mortality per 1,000 live births	128 (1986/87) <sup>1</sup>	83 (1997)
Child mortality per 1,000 children under 5 years	168 (1986/87) <sup>1</sup>	120(1997)
Percentage of urban infants fully vaccinated by 1 year	5 (1986/87) <sup>2</sup>	75 (1997)
Private sector sales of ORT packets (in millions)	4 (1986/87) <sup>3</sup>	35(1997)

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1. Source: Demographic Health Survey

2. Source: Vaccination Coverage Report

3. Source: Project Records

## ACTIVITY DATA SHEET

**PROGRAM:** BANGLADESH

**TITLE AND NUMBER:** Institutional, Programmatic, and Financial Sustainability of Family Planning and Maternal and Child Health Programs Enhanced, 388-SOO3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,000,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1997

**Purpose:** To increase the institutional, financial, and programmatic sustainability of the National Family Planning and Maternal and Child Health FP/MCH Program.

**Background:** Bangladesh has been characterized by high fertility and infant and child mortality, although these figures have been declining in recent years. The long-term future of family planning and health service delivery depends upon sufficient financing and institutional capabilities. Accordingly, increased emphasis is being placed on such issues as cost-effectiveness, efficiency of management systems and services, reducing administrative and programmatic redundancies, decreasing dependence on donors for recurrent cost financing, and user fees.

**USAID Role and Achievements to Date:** USAID aims to improve the institutional, financial, and programmatic sustainability of NGO and public sector FP/MCH programs; the Social Marketing Company; the national contraceptive logistics system; and the municipal immunization program. Measurable progress is being made toward the long-term sustainability of the National Family Planning and Maternal and Child Health (FP/MCH) Program. Government of Bangladesh expenditures in population and health are steadily increasing; as a result, from 1990-91 to 1994-95, the proportion of the national budget allocated to the health and population sectors rose from 5.9% to 6.9%. The USAID-funded Social Marketing Company has increased its cost recovery for the marketing of contraceptives and oral rehydration salts from 52% in 1992 to 78% in 1995. In addition, local communities supported by the USAID Family Planning Local Initiative Program have increased their contributions to the program from zero in 1986 to almost 20% in 1995. The annual stock-out rate of the national contraceptive logistics system has been systematically reduced from 23% in 1989 to about 4% in 1995. Finally, urban municipalities are contributing increasing amounts to the local costs of routine immunizations.

**Description:** USAID supports activities that: (1) improve the efficiency of organizations that provide family planning and MCH services; (2) find ways for providers and program managers to become less dependent on donor financial and technical assistance; (3) improve the institutional capabilities of service delivery organizations; and (4) enhance the capability of indigenous organizations to design, conduct and apply survey and operations research. The USAID-supported Rural and Urban Extension Programs test alternative management and service delivery models in several project sites using the existing government service delivery system. USAID also supports periodic demographic and health surveys and other programmatic research. In addition, USAID supports a technical assistance program to develop in-country capacity for contraceptive logistics management, including the capability to forecast commodity needs, monitor the distribution and utilization of contraceptives, and maintain a functional management information system.

**Host Country and Other Donors:** USAID works closely and coordinates its assistance with the World Bank consortium (consisting of nine bilateral and five multilateral donors) and the United Nations Population Fund (UNFPA). The Bangladesh Government (BDG) is supporting this effort by contributing increasing funds to the family planning sector, by supporting a new health economics unit in the

Ministry of Health, and by endorsing new policies aimed at introducing user fees and community financing of FP/MCH services.

**Beneficiaries:** Approximately 12 million eligible couples who have access to or receive FP/MCH services, will beneficiaries this program.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities through a U.S. firm, a private non-profit company, and U.S. and local NGOs.

<b>Major Results Indicators:</b>	<u>Baseline</u>	<u>Target</u>
Percent of Overall Recurrent Costs of the Family Planning Program Funded by Donors Reduced	70% (1993) <sup>1</sup>	60% (1997)
Percent of Aggregate Costs of USAID Funded NGOs Covered by Program-Generated Revenues Increased	3% (1991) <sup>2</sup>	20% (1997)
Local Government and Community Contribution to the Family Planning Program Increased	0% (1986/87) <sup>2</sup>	20% (1997)
Percentage of Social Marketing Company Operating Costs Covered by Program-Generated Funds Increased	24% (1986/87) <sup>2</sup>	100% (1997)

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1. Source: BDG Financial and Planning Reports

2. Source: Project Reports

## ACTIVITY DATA SHEET

**PROGRAM:** BANGLADESH

**TITLE AND NUMBER:** Enhancing the Diets of the Poor, 388-SOO4

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** \$9,625,000 DA; PL 480 Title II: \$18,800,000

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY2002

**Purpose:** To nutritionally enhance the diets of the poor and thereby reduce malnutrition.

**Background:** Bangladesh has the highest child malnutrition rates in the world, with two-thirds of children undernourished. Malnutrition exacerbates poor health, inadequate education, and the relatively low productivity and income-earning potential of the poor. Reducing malnutrition improves health, income-earning potential, and productivity in agriculture and other sectors. Malnutrition is best reduced by enhancing the diet and increasing food availability and income.

**USAID Role and Achievements to Date:** USAID has supported protein-energy related programs for many years, working with the Bangladesh Government (BDG) and other partners to shift foodgrain distribution programs towards the needs of the poor. With USAID Title III policy conditions and technical assistance in food policy, the BDG has reoriented its large public food system away from replacing the private sector and towards helping the poor with safety net food programs the private sector cannot provide. As a result, the relative weight of these effective programs has shifted from approximately one-third going to the poor in 1992, to almost two-thirds of public food resources today. In addition, USAID has supported several micronutrient programs assisting poor women and children, leading to major expansion in vitamin A consumption by the poor.

**Description:** USAID focuses on two intermediate results. These are (1) to increase the production and consumption of micronutrient- and protein-rich foods by poor households; and (2) to increase the effectiveness of targeted food programs. Activities to promote the first intermediate result involve nongovernmental organizations and international organizations developing and then disseminating productive techniques and seeds to poor people in the areas of fish farming and homestead vegetable production. Activities to promote the second intermediate result involve food aid and technical assistance programs with the BDG to provide foodgrains to the poor and to help better orient BDG food policy towards the food needs of the poor.

**Host Country and Other Donors:** Most micronutrient programs and other nutrition programs are undertaken by nongovernmental organizations (NGOs) in Bangladesh, with the exception of the new BDG, United Nations Children's Fund (UNICEF), and World Bank nutrition program focused on improving nutritional behavior and knowledge of the poor. Foodgrain programs are supported by most major donors through the BDG, although traditionally USAID has taken the lead on food policy and on reorienting the public food system. The BDG provides significant foodgrain and other resources in support of these foodgrain programs.

**Beneficiaries:** Poor households, in particular women and children under five years old in those households whose diets are improved, will benefit from this program.

**Principal Contractors, Grantees, or Agencies:** USAID implements this strategic objective through one NGO, a private firm, and two public international organizations working with a network of NGOs.

**Major Results Indicators:**

	<u>Baseline</u> (1991)	<u>Target</u> (2000)
Wasting Decrease for children 6 - 59 months	14%	9%
Prevalence of Nightblindness Decreased for children 24-59 months	1.68%	1%

## ACTIVITY DATA SHEET

**PROGRAM:** BANGLADESH

**TITLE AND NUMBER:** Increasing Agricultural Productivity, 388-SO05

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** \$ -0- DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2002

**Purpose:** To increase agricultural productivity per hectare through technical improvements, policy reform, and improved rural infrastructure.

**Background:** Food insecurity is a major problem in Bangladesh. One of the several reasons for this food insecurity is the lack of availability of food due to lower agricultural productivity and lack of access to markets for both agricultural inputs and farm products. While overall production levels have grown impressively over the past two decades, productivity has stagnated and must be increased to accommodate the needs of the poor for food and income.

**USAID Role and Achievements to Date:** Since the start of USAID support to East Pakistan in 19 , and then to independent Bangladesh, USAID has supported improvements in agricultural productivity, through policy reform and technical innovation linked to food aid, through agricultural research developing new high-yielding crop varieties, and through rural roads and electricity for irrigation and food processing. The result has been a remarkable evolution in Bangladesh from a famine-prone country in the early 1970s, to a country capable of handling food emergencies by the 1990s. Food production has doubled since Independence in 1971. The future is worrisome, however, without an increase in productivity to feed Bangladesh's rapidly growing population and without success in growing crops that require more labor -- and provide more employment -- to the poor.

**Description:** USAID focuses on three intermediate results: (1) increased farmers' use of more productive, environmentally sound technologies, involving a private firm and the Bangladesh Government (BDG), using Development Assistance and P.L. 480 and Title III generated local currency, to develop and disseminate new technologies increasing the value of agricultural production; (2) policy changes to increase farmers' access to inputs and output markets, involving private firms and the BDG in policy dialogue and analysis to improve policies affecting farmers' productivity; and (3) improved, environmentally sound rural infrastructure, involving a private voluntary organization (PVO) making extensive improvements in key rural road networks linked with agricultural productivity, and a contractor providing assistance to the BDG in expanding the rural electrification program for expansion of the use of electricity for irrigation pumps.

**Host Country and Other Donors:** The BDG, local nongovernmental organizations (NGOs), and Bangladeshi farmers and firms are concerned about agricultural productivity and have invested in a broad array of activities to increase production. Many of these efforts are supported by major donors. USAID plays a leadership role among donors in agribusiness, agricultural policy, rural roads, and rural electrification.

**Beneficiaries:** All Bangladeshis benefit from the increased availability of food. Poor farm families and farm laborers' families using improved agricultural techniques benefit from improved agriculture-related policies. Small entrepreneurs, using roads, electricity and new agribusiness opportunities, also benefit directly.

**Principal Contractors, Grantees, or Agencies:** U.S. firms, NGOs, and public international organizations (National Rural Electric Cooperative Association (NRECA), Cooperative for American Relief Everywhere (CARE), International Fertilizer Development Cooperation (IFDC) and others) implement this strategic objective.

**Major results indicators:**

	<u>Baseline</u> (1991)	<u>Target</u> (2000)
Value added in agriculture	Taka 193,421 million	Taka 255,322 million

## ACTIVITY DATA SHEET

**PROGRAM:** BANGLADESH

**TITLE AND NUMBER:** Real Household Income Increased, 388-S006

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** \$3,550,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2002

**Purpose:** To increase the real household incomes of the poor of Bangladesh.

**Background:** Food insecurity is a significant problem in Bangladesh. One major reason for food insecurity is the lack of ability to purchase food due to insufficient income. Given the high rate of population growth, the labor force has been growing faster than the rate of job creation. Therefore, approximately one-half of the population of Bangladesh lives below the poverty line on annual per capita incomes of \$220, while approximately 30% live in abject poverty. Expanding non-farm employment opportunities, particularly through micro- and small business development, contributes to increased household incomes. In addition, the poor in Bangladesh are particularly vulnerable to natural disasters such as floods and cyclones which can destroy a poor family's life savings and means of livelihood in a matter of moments.

**USAID Role and Achievements to Date:** USAID's support includes the provision of technical assistance, training, and commodities to improve the (a) operating efficiencies of Bangladeshi financial institutions; (b) access to credit for the rural poor (predominantly women); (c) disaster preparedness activities; and (d) access to improved rural infrastructure. As a result, over 100,000 individuals in the banking sector have been positively impacted through the provision of technical assistance to facilitate appropriate modern banking and financial technology transfer. In addition, over 26,000 poor families (an average of five persons per family) have benefited from increased access to credit. Also, more than 3.5 million people now have access to safer shelters during times of disaster through nearly 2,600 kilometers of road reconstructed through USAID activities. Finally, 13.05 million people now have access to electricity which also has directly generated 4.14 million jobs in the rural areas.

**Description:** USAID activities focus on: (1) an enabling environment within which small and microentrepreneurs can operate profitably; (2) improved business efficiencies through policy change, skills training, introduction of better technologies, and nontraditional credit availability; and (3) improved levels of disaster preparedness to mitigate the amount of property and related income loss caused by disasters.

**Host Country and Other Donors:** USAID resources are joined with those of the World Bank to support reforms in the financial and industrial sectors, with those of the Asian Development Bank to support market reforms in the agricultural sector, and with those of the United Nations Development Program UNDP and British Overseas Development Administration (ODA) to support administrative reform. UNDP, United Nations Children's Fund (UNICEF), ODA and other donors are contributing to disaster preparedness activities. The Bangladesh Government contributes to implementation of the activities through provision of counterpart resources and logistic support.

**Beneficiaries:** The beneficiaries are employees in newly created or more productive jobs; small loan recipients; entrepreneurs who receive technology and, business information, and who benefit from policy changes; and Bangladeshis in disaster-prone areas.

**Principal Contractors, Grantees, or Agencies:** USAID implements these activities through ministries of the Bangladesh government and related parastatal organizations, U.S. and local private voluntary and nongovernmental organizations, and U.S. consulting firms for the provision of technical assistance.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Per Capital GDP increased.	4,466 (1991)	6,227 (2000)
Industrial sector employment increased. (in millions)	4.6 mil (1989)	8.5 mil (2000)
Agricultural sector employment increased. (in millions)	21.3 mil (1989)	31.1 mil (2000)

## ACTIVITY DATA SHEET

**PROGRAM:** BANGLADESH

**TITLE AND NUMBER:** Enhanced Participation in Local Decision Making, 388-S007

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,520,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To enhance the capacity of local associations to advocate community interests, the quality of local elections, and the ability of locally elected bodies to hear and respond to community interests.

**Background:** During spring 1995, USAID conducted extensive interviews with the socially and economically disadvantaged peoples of Bangladesh to determine their democratic needs. These interviews showed the poor valued democratic participation highly, but lacked effective means for making their interests known locally and for holding local officials accountable. This program will support activities to strengthen the advocacy skills of local associations; to carry out voter education programs; increase the number of women elected to local government bodies; to increase the level of interaction between elected officials and citizens; and to promote greater transparency in local government.

**USAID Role and Achievements to Date:** Prior USAID technical assistance enabled the Bangladeshi Election Commission to successfully pilot the administration of local elections by citizens rather than deputed government officials and domestic election monitors to observe all national and local elections since 1991. It also enabled elected members of Parliament to develop reform proposals to make Parliament more effective and nongovernmental organizations (NGOs) to assist members to draft legislation on critical issues. However, USAID has not worked directly with locally elected bodies on issues of advocacy or to encourage women to stand for elected office. Activities under this program began in FY 1996.

**Description:** This program aims at three results: (1) advocacy on behalf of the interests of the poor strengthened; (2) quality of elections enhanced; and (3) competence of local elected bodies to identify and meet voter needs strengthened. Activities related to the first result include programs to assist local voters and community associations to become more informed about resource flows, policies and programs that affect them and to strengthen their ability to interact with local elected bodies over such issues. Those related to the second result include programs to make voters more aware of polling procedures, their voting rights and the campaign standards to which they can hold political actors and election officials accountable. Activities related to the third result, programs to enable locally elected officials to be better informed about and more responsive to citizen interests and to encourage more women to stand for election.

**Host Country and Other Donors:** Activities will be carried out primarily through nongovernmental or private developmental organizations. Accordingly, it will be difficult for the government to provide financial support for the program. The government, however, will be expected to provide appropriate approvals to the organizations conducting program activities. In 1996, USAID and eight bilateral donors collaborated on supporting domestic election observation activities. It is expected that such collaboration will expand as the activities under this program become more widely known.

**Beneficiaries:** Ultimate beneficiaries are the approximately 50 million socially and economically disadvantaged Bangladeshis who, by becoming better informed about democratic processes institutions, and issues, will be better able to exert their influence over public policy decisions and the allocation of public resources. Intermediary beneficiaries include members of local associations who are trained in advocacy techniques, locally elected officials who are introduced to new ways of interacting with voters, and women who are encouraged to stand for election.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities through The Asia Foundation, the Bangladesh Rural Advancement Committee, a Bangladeshi NGO, and sub-grantees of these organizations.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Number of women candidates for local elected bodies increased	155(1992)	300(1997)
Number of advocacy associations in target communities increased	0(1995)	20(1997)
Number of local elected bodies using "best practices" increased	0(1995)	1000(1999)

## ACTIVITY DATA SHEET

**PROGRAM:** BANGLADESH

**TITLE AND NUMBER:** More Accessible and Equitable Justice, Especially for Women, 388-SO08

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,680,000 (DA)

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To increase awareness of legal rights and obligations; the quality alternate dispute resolution; and the capacity of independent garment workers to bargain collectively.

**Background:** During spring 1995, USAID/Bangladesh conducted extensive interviews with the socially and economically disadvantaged peoples of Bangladesh to determine their democratic needs. These interviews showed the poor valued equitable justice highly and preferred to seek it through informal dispute resolution mechanisms because they were blocked from seeking legal redress through the formal court system by inadequate knowledge of their legal rights and limited incomes.

**USAID Role and Achievements to Date:** USAID support has encouraged five existing NGOs to provide legal awareness training to approximately 2,000 activists, establish a regional resources and training center for legal awareness programs, developed the Bangladesh Legal Aid and Services Trust, and helped these groups mediate more than 5,000 cases (56% on behalf of women) and settle approximately 1,000 court cases in target communities. USAID support has also helped form the Bangladesh Independent Garment-workers Union, the first independent, democratically organized union in Bangladesh with a membership of approximately 40,000 workers (90% of whom are women).

**Description:** This strategic objective encompasses ways to spread understanding and respect for the legal rights of the socially and economically disadvantaged on a nationwide basis, and broaden the availability and use of local channels to resolve disputes fairly. Activities related to this strategic objective include: (1) nonformal education on human rights and legal affairs for the poor and those elites involved in resolving disputes locally; (2) nonformal mediation skills training for those involved in dispute resolution at the local level; and (3) technical guidance on the organization and operation of an independent, democratic union for garment workers.

**Host Country and Other Donors:** Activities will be carried out primarily through non-governmental or private developmental organizations. Accordingly, it will be difficult for the government to provide financial support for the program. However, it will be expected to provide appropriate approvals to the organizations conducting program activities. The ILO and UNICEF are involved with child labor issues in the garment industry.

**Beneficiaries:** The ultimate beneficiaries are the approximately 50 million socially and economically disadvantaged Bangladeshis whose understanding of their legal rights and access to redress will be increased. Intermediate beneficiaries include those individuals who receive training in mediation skills and alternate dispute resolution techniques and members of the Bangladesh Independent Garment-workers Union.

**Principal Contractors, Grantees, or Agencies:** USAID implements legal awareness and dispute resolution activities through The Asia Foundation, the Bangladesh Rural Advancement Committee, a Bangladeshi NGO, and sub-grantees of these organizations. Activities related to collective bargaining are carried out through the Asian-American Free Labor Institute.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Number of village mediation councils using "best practices" increased.	0 (1995)	5,000 (1999)
Percentage of registered marriages in target communities increased.	TBD	80% (1999)
Number of BIGU members increased.	40,000 (1995)	100,000 (1998)

## CAMBODIA

FY 1997 Economic Support Funds . . . . . \$35,000,000

### Introduction

The United States national interest is defined in the commitment to support democracy and the nation building process now underway in Cambodia. The increased stability of the region, brought on by Cambodia's move to democracy and market economics, will lead to expanded opportunities in trade and investment and to reduced tensions throughout this part of the world. Cambodia is a major casualty of the Cold War era. The country is slowly emerging from one of humanity's most brutal episodes of social, political and economic destruction. Consequently, Cambodia continues to be one of the world's poorest nations, lagging well behind the development of its Southeast Asian neighbors. The Royal Government of Cambodia (RGC) remains weak, and depends heavily on foreign assistance, which provides nearly half of its operating budget.

### The Development Challenge

While many other countries in the East Asia region have enjoyed three decades of growth and improvements in social welfare, Cambodia has been torn by strife and civil war. Key social and economic indicators illustrate the degree of poverty still facing this developing nation: per capita income is \$180, infant mortality is 115 per thousand, life expectancy is less than 50 years, and literacy rates among adults are below 50% for males and 22% for females. These problems are compounded by the rapidly spreading HIV/AIDS epidemic, potentially the most severe in Southeast Asia. Decades of war and fratricide have left Cambodia with a population skewed in age and gender: nearly half the population is under 15 years of age, and more than 55% of the adult population is female. This imbalance in age and gender creates high dependency ratios, a source of instability. In addition, years of war and neglect have ravaged the physical infrastructure, while sustained poverty has had a negative impact on human health and well-being. Productivity in agriculture and other sectors has declined for a number of reasons, including poor health status, the prevalence of landmines, and limited education, to name a few. Cambodia is a country with considerable natural resources suitable for rapid economic development, yet a lack of government legislation and enforcement is resulting in rapid environmental degradation. With fertile alluvial soils, abundant but unharnessed irrigation water, and a tropical monsoon climate with excessive rainfall, Cambodia was once a rice-exporting country and thus has significant unexploited agricultural potential. The Mekong River is a major source of untapped capacity in irrigation and hydroelectric power. The Tonle Sap River and coastal areas are potentially rich sources of marine life, with promise for expanded catches if managed prudently. At present, an estimated 85% of the population is rural, and the country enjoys one of the lowest population densities in Asia. Cambodia has some of the last remaining tracts of virgin rain forest in Southeast Asia. However, where Cambodia is rich in natural resources, it is poor in human resource development. The current population aged 18 to 36 lacks the basic skills necessary for more than subsistence living. The education system, totally destroyed along with the educated cohort of teachers, managers and other skilled professionals, remains in critical condition today, unable to provide the human resources to support sustained development. The RGC has combined donor resources with good macroeconomic management to improve Cambodia's economic performance. Growth in 1995 is estimated to be 7%, up from 4% in 1994. Inflation has been reduced to under 10% in 1995, down from 18% in 1994. The fiscal deficit has improved as the RGC has increased revenues. The 1996 budget projects using increased revenue and containment of military expenditure to increase investment in the health and education sectors. Simultaneously, the government is encouraging private investment into value-added export industry.

## **Other Donors**

At the March 1995 Paris meeting of the International Committee for the Reconstruction of Cambodia (ICORC), donors pledged nearly \$900 million in new assistance. The United States remains the second largest bilateral donor. Other major donors include Japan, France, Australia, the Netherlands, and Sweden, providing sizeable programs over a wide spectrum of development sectors. Major multilateral contributors are the Asian Development Bank, the International Monetary Fund, and the World Bank.

## **FY 1997 Program**

The USAID strategy in Cambodia is a transitional one, shifting from an emphasis on meeting emergency needs through relief and rehabilitation to a focus on reconstruction and setting the stage for sustainable development and economic growth. Over this transition period, FYs 1995-97, the program is concentrating on three strategic objectives, while exploring possibilities for the sustainable development program to come. The three strategic objectives support both Agency goals and Cambodian development priorities.

### **Agency Goal: Building Democracy**

#### **Strategic Objective 1: Strengthening Democratic Institutions**

Democracy has been demonstrated to be an important element in the process of economic development and nation building. Recovering from over two decades of civil war, Cambodia has a fragile democracy. This fragility is demonstrated by political crises which have occurred, but which have each time been resolved. Donor resources have been essential to the growth and evolution of democracy in Cambodia by providing assistance to such democratic institutions and processes, including elections, the judiciary, the indigenous non-governmental organizations (NGO), and the national assembly. USAID's resources will focus on the three areas described below:

The upcoming elections for local office in 1997 and national office in 1998 are crucial to solidifying a democratic tradition. Planning for the upcoming elections is in a very preliminary stage, but discussions have been held with the Government and among donors and a wide array of NGOs active in this sector. Work has been initiated with the RGC in laying out a clear calendar of events necessary for successful elections; talks also are underway on financing the election process. While RGC plans are not yet firm, the USAID strategy anticipates accomplishing the following intermediate results:

- ▶ Establishment of an electoral framework and plan, and means for implementing that plan, which are supportive of free and fair elections, including the participation of civil society;
- ▶ Civic education programs carried out by the NGO community; and
- Election monitoring to insure free and fair procedures.

The *sine qua non* to democratic development in Cambodia is the establishment of the rule of law. At present there is no single basis for Cambodia's legal system. A whole new set of laws and regulations must be written to address the issues facing Cambodia as a democratic, market-oriented country in today's world. There are few Khmer qualified to undertake this task. Likewise, there are only a few lawyers and university graduates with any background in common law capable of working in a business community that is increasing its links with the Association of Southeast Asian Nations (ASEAN) countries and the broader international market. At the provincial level the court system is badly in need of rehabilitation, with minimally trained judges, prosecutors and court administrators. The courts also are burdened by a reputation for corruption, incompetence and lack of respect for human

rights, especially towards women, minorities and the poor. There is, nonetheless, growing evidence that the RGC better understands the requirements of operating in a modern legal system and is prepared to take the steps necessary to reform.

To support the RGC, court training, human rights and legal education interventions have been designed to increase competence and transparency in the legal system. Expected intermediate results include:

- ▶ Legal and procedural reforms supportive of business development and human rights;
- ▶ More knowledgeable lawyers, judges, prosecutors and court personnel concerning the law and how to apply it;
- ▶ Improved court management;
- ▶ A public more knowledgeable about its rights;
- ▶ Improved monitoring and defense of human rights; and
- ▶ Improved capacity of the Cambodia Bar Association to form and support the legal profession and the concept of public defenders.

Finally, the third area of focus in democracy calls for a greater legislative role in the policy process. USAID plans a limited effort to enhance legislative support services which, in turn, will result in improved articulation of laws, especially those promoting a fair and transparent framework for business and respect for human rights. Limited efforts will further the understanding of women's issues in the legislature. USAID will be attentive to the close fit between these efforts and the rule of law. Results expected include:

- ▶ Enhanced legislative support services resulting in improved quality of laws; and
- ▶ Improved understanding of women's issues within a legislative context.

#### **Agency Goal: Encouraging Broad-based Economic Growth**

##### **Strategic Objective 2: Promoting Sustainable Economic Growth**

Cambodia's tragic experiences of the last several decades have rendered its economy a shambles and its people among the poorest in the world. USAID aims to improve the foundation for sustainable economic growth through its interventions in education, the environment, and improving the policy framework. The massive deficit in human capacity is one of the most serious constraints facing future development. Most of the population aged 18-36 lack even the most basic skills needed in a modern economy. Literacy rates are below 35% overall. The entire education system was completely dismantled under the Khmer Rouge and remains a shambles to this day. USAID works with the RGC and the private sector to support key interventions to address human resource needs. One component of this strategy is to strengthen the primary education system that is the foundation of human capacity development. USAID will collaborate with the RGC in a national primary education program that will upgrade teacher skills and curricula. Intermediate results are expected to show increased completion rates, decreased repetition rates, and higher average test scores. Other expected results include:

- ▶ Improved curricula and text books utilized in cluster schools;
- Functioning resource centers in cluster schools;
- More effective teaching techniques being utilized; and

- ▶ Effective donor coordination in education policy formulation.

A second component of the human resource development strategy is to strengthen business and public policy skills in Cambodia. A linkage between Georgetown University in Washington, D.C. and the Faculty of Business at the University of Phnom Penh is upgrading undergraduate business education and providing small business management skills to entrepreneurs. USAID also works with the RGC to upgrade the business, economic and policy analysis skills of a subset of the over 7,000 graduates of former eastern bloc universities. The elimination of the majority of the educated leaders by the Khmer Rouge means that Cambodia is faced with implementing a private sector growth strategy with a civil service trained in a Marxist-socialist tradition. Success in human resource development at the higher educational levels requires a reform of the present system. The intermediate results from these activities include:

- ▶ Revised policy developed and presented to the legislature to revamp the higher education system of Cambodia;
- ▶ Majority of Faculty of Business graduates hired by the private sector as a result of revised curricula and upgraded staff training;
- ▶ Graduates of small business training program open new or expand existing businesses; and
- ▶ Program developed to train (on and off shore) and place 400 former eastern bloc graduates in business and economic positions.

Cambodia is a country with considerable natural resources and conditions suitable for rapid economic development. To develop these natural resources in a sustainable manner, USAID supports the adoption and implementation of a national environmental action plan. This plan will assist the RGC to develop a long-term, comprehensive management plan. Expected results include:

- ▶ An action plan that addresses major environmental concerns and reflects the concerns of diverse elements of the populations is adopted by the legislature; and
- ▶ Donors and the RGC agree to fund portions of the plan's recommendations.

Several factors limit Cambodia's capacity to achieve and sustain broad-based economic growth. These constraints include, but are not limited to, the lack of a fully market-oriented policy framework, an inexperienced private sector, and an untrained labor force at all levels. USAID will continue to provide technical assistance and training to address this constraint and to support Policy Reform, with the following results expected:

- ▶ Cross cutting agricultural policy changes made in the fertilizer and rural credit systems to ensure continued Asian Development Bank (ADB) agricultural sector loans; and
- ▶ Medium-term strategy developed in conjunction with the Council for Cambodian Development to increase private sector investment in Cambodia.

#### **Agency Goal: Stabilizing Population Growth and Protecting Human Health**

##### **Strategic Objective 3: Increased Access to Basic Human Services**

Cambodia faces a host of serious problems in the social sectors as a result of poor government infrastructure, rural poverty, and insufficient financial and human resources. These problems are reflected in the poorest social indicators in the region, including a mortality rate of 181 per 1,000 for children under five and maternal mortality ratios estimated at 500 per 100,000. Approximately 80% of Cambodians live in rural areas and continually express the need for basic health services to ensure maternal and child survival, a safe water supply, and access to affordable credit.

This objective will strengthen the capacity of the government and NGOs to provide sustainable family support services. Activities to date include water and sanitation, microcredit, child survival, hospital rehabilitation, birth spacing, women's skill development, community development, vocational training, prosthetics, and demining. Examples of success stories include a social marketing program for condoms, which in one year has reached sales of 1 million condoms a month. Through USAID grantees, there is now an active national birth-spacing policy, protocols, and a standardized curriculum. USAID grantees work with the Ministry of Health in seven provinces to introduce birth spacing through the public sector, reaching over 150,000 women. USAID's grant to Helen Keller International is introducing iodized salt to Cambodia. USAID completed an HIV/AIDS assessment in October 1995, producing groundbreaking data concerning the impact of the epidemic. A prevalence study for HIV/AIDS and sexually transmitted diseases (STDs) has been designed, and in March 1996, USAID will expand sentinel surveillance from 7 to 18 provinces.

As Cambodia moves towards reconstruction, USAID is focusing the portfolio on Agency goals, country priorities, and building on successes of the Private Voluntary Organization (PVO) Co-Financing project. Data analysis shows an unmet need for contraception of over 75%, and the region's fastest population growth rates at 2.8. Cambodia has HIV prevalence rates growing at a faster rate than even the peak years of the Thai epidemic. Given these data and the criteria above, improved maternal child health (MCH) will be a key strategic objective. The RCG has identified it as their number one health sector priority. USAID's new MCH strategy will focus on integrated reproductive health and child survival, including birth spacing, STD/HIV prevention, safe motherhood, childhood diarrheal disease, and acute respiratory infections, through interventions and assistance to the RCG, NGOs and the private sector. Key intermediate results include:

- ▶ Leadership role for quality MCH care assumed by the public sector;
- ▶ Improved human resource capacity in the MCH sector; and
- ▶ Improved MCH commodity accessibility and management.

Specific interventions in support of the above include:

- ▶ Medical protocols, guidelines, curricula and supportive policies in place;
- ▶ Private and public sector, health care providers have improved knowledge and are delivering quality MCH care;
- ▶ Commodity logistics management capacity developed in the public sector;
- ▶ Appropriate, high quality MCH products offered in the private sector; and
- ▶ Voluntary surgical sterilization services piloted.

Poverty lending and microfinance are successful areas of USAID support and offer positive opportunities for further assistance. The current program has a focus on the poorest urban and rural women with subsequent impact on increasing household security. Anticipated ongoing results include:

- ▶ Increased women's access to affordable credit; and
- ▶ Increased number of viable rural financial institutions.

Because of the potential for impact on household security that these interventions hold and the lack of affordable financial services in rural areas, USAID will do further analysis of the sector to consider additional future funding. Also, USAID will continue ongoing activities supporting the rehabilitation of war victims, one of the special objectives in the program. While demining is proceeding, land mines continue to claim 150-200 victims a month, and it will take many more years to remove this threat throughout Cambodia. This is a special humanitarian objective rather than a development one. It includes efforts to increase the number of fitted prostheses, to improve psychological treatment of war-related trauma, and to enhance demining operations.

**CAMBODIA  
FY 1997 PROGRAM SUMMARY**

USAID/Cambodia Strategic Objective	Encouraging Economic Growth	Stabilizing Population Growth & Improving Human Health	Protecting the Environment	Building Democracy	Total
1. Strengthening Pluralism and Governance	0	0	0	11,500,000	11,500,000
2. Supporting Broad-based Economic Growth	12,000,000	0	1,000,000	0	13,000,000
3. Meeting Basic Human Needs	6,000,000	4,500,000	0	0	9,500,000
Total (ESF)	18,000,000	4,500,000	1,000,000	11,500,000	35,000,000

USAID/Cambodia Representative: Joseph Goodwin

## ACTIVITY DATA SHEET

**PROGRAM:** Cambodia

**TITLE AND NUMBER:** Strengthen Democratic Institutions, 442-SO01

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$11,500,000 (ESF)

**INITIAL OBLIGATION:** FY 1995: **ESTIMATED COMPLETION DATE:** FY 1998

Purpose: To strengthen democratic institutions through activities which promote the rule of law and a functioning civil society, to enhance the legislative capacity of the National Assembly, and to develop a fair elections system.

Background: U.S. national interest is to assist the Royal Government of Cambodia (RGC) in building a nation based on democratic principles and practices, including respect for human rights. Following two decades of civil war and purposeful dismantling of civil society, the major institutions of democratic governance have been systematically destroyed. Rehabilitation of the rule of law, the judiciary, electoral processes, and a national legislature are all fundamental prerequisites for Cambodia's transition into a sustainable and economically viable democratic society. At present, prospects for building a nation under democratic rule are hopeful, as evidenced by a gradual transition to peace. Strengthening key democratic institutions will promote the participation of all Cambodians and deepen their commitment to their emerging nation, rendering it less fragile.

USAID Role and Achievements to Date: USAID's \$30 million Cambodia Democracy Initiatives project has played a pivotal role in supporting the transition to a more stable and prosperous democratic nation. Grantees funded by USAID have established a Department of Law in Cambodia's Business Faculty and continue strengthening the 120-member National Assembly, provincial court system, newly established Cambodia Bar Association, professional media organizations, and an array of human rights and public policy organizations. These local entities interact with marginalized populations, especially women and minorities, and are striving to reduce corruption and to promote a more civil society. USAID has helped introduce internationally recognized fair business practices, fair labor practices, and the presence of public defenders in court. USAID-supported non-governmental organizations (NGOs) were prominent in supporting preparations for the May 1993 elections, and have taken an effective lead in the early preparations for local-level and national elections scheduled for 1997 and 1998, respectively.

Description: USAID provides assistance primarily through provision of training and technical advisors in three critical areas: establishing the rule of law, promoting free and fair elections, and increasing the role of the legislature in establishing national policy. Three U.S. NGOs have major grants to help strengthen the rule of law: (1) the International Human Rights Law Group, which works throughout the country in the provincial courts; (2) the American Bar Association, which provides advisory assistance to the newly formed Cambodian Bar Association and several ministries; and (3) the University of San Francisco, which is teaching law and training Khmer teachers in law at both the University of Phnom Penh and the Cambodia Bar Association. The Asian-American Free Labor Institute is helping to write and implement labor law. The Asia Foundation (TAF) works to improve the capacity of the National Assembly; to expand legal education; and to support local organizations engaged in human rights training and monitoring and the development of independent, responsible media and public policy. Three U.S. grantees were active in the successful 1993 national election, including the National Democratic Institute, which is still active along with the International Republican Institute, and TAF local NGOs in elections preparations. USAID plans a new program of elections assistance, to include voter education and election monitoring to facilitate upcoming local and national elections.

Host Country and Other Donors: The United States and France are the major donors in establishing the rule of law. Coordination of assistance plans and activities between the donors is increasing.

Australia, Sweden, and Denmark will increase their involvement in this sector. The broader donor community has an interest in the elections, although donors have not yet outlined the scope of their planned support. NGOs, assisted by USAID, collaborate closely with RGC counterparts. The RGC is unable to contribute financially to USAID-funded NGO programs due to its limited resources; a host-country contribution has been waived in this case.

**Beneficiaries:** Improved legislation, stronger rule of law, and free and fair elections will benefit the entire Cambodian population. Beneficiaries directly involved in grant-funded training activities include: 40 lawyers in training; 300 students at the Faculty of Business; 50 journalism students; 2 journalism associations containing 50 media organizations; 10 local NGOs; 120 members of the National Assembly; clerks, judges, and prosecutors in 15 provincial courts; 15 USAID-trained lawyers; and 10 public defenders trained in-country.

**Principal Contractors, Grantees or Agencies:** Grantees are those identified in the description above, except for the elections element, which is yet to be determined.

**Major Results Indicators:** USAID may rely on qualitative data concerning systemic improvements to a greater extent than quantitative data in this sector, due to the nature of the programs, and the absence of adequate baseline data. Selected results indicators include:

- Legal and procedural reforms supportive of business development and human rights are approved;
- The National Assembly is more effective and better informed in amending and initiating legislation, especially on issues relating to business development, human rights, and the status of women;
- Lawyers, public defenders, judges, prosecutors, and court staff are more skillful in applying the law, with a 50% increase in the number of defendants represented by qualified defenders;
- Court management systems are improved, as indicated by compliance with legal norms in the area of criminal justice in 21 trial courts throughout Cambodia;
- The public is more knowledgeable about their rights (surveys may be used to collect baseline and outcome data) ;
- Improved monitoring and defense of human rights, especially on behalf of women and minorities, with strategies/mechanisms for human rights education, advocacy and monitoring in place in 70% of the provinces by 1999;
- Support of an electoral system which produces free and fair elections, as indicated by the implementation of local elections in 1997 and national elections in 1998.

## ACTIVITY DATA SHEET

**PROGRAM: CAMBODIA**

**TITLE AND NUMBER: Encourage Broad-based Economic Growth, 442-SO02**

**STATUS: Continuing**

**PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1997: \$13,000,000 (ESF)**

**INITIAL OBLIGATION: FY 1995: ESTIMATED COMPLETION DATE: FY 2000**

Purpose: To strengthen the foundation for sustainable economic growth by improving the quality of primary education, environmental management, and the human resource base for private sector growth.

Background: The limited human capital resource base is one of the most serious constraints to future development in Cambodia. During the reign of the Khmer Rouge, a large majority of the educated population was either killed or forced to flee, leading to the loss of one generation. Attempts to re-establish the dismantled education system in the early 1980s by the Vietnamese occupation forces fell far short of expectations, so yet another generation is at risk. At present, the literacy rate is 35% overall, and the majority of the population aged 18-36 lacks even the most basic skills needed in a modern economy (e.g., accounting, management, computers, and English language). Managerial skills have been identified by many ministries as the single most important human resource factor needed to meet its goal of becoming a member of the Association of Southeast Asian Nations (ASEAN) by 1997. In addition, the lack of effective advocacy, legislation, and enforcement is resulting in rapid environmental degradation.

USAID Role and Achievements to Date: USAID is presently launching an effort to retrain primary school teachers throughout Cambodia. This effort will begin field activities in mid-1996 and complements the activities of other donors in primary education. Since 1993, USAID, through grants to Georgetown University, has supported the Faculty of Business to train professors and assist in curriculum development, and to implement an entrepreneurial skills short course for small business operators. This short course has now been expanded to four provinces. USAID also provides assistance to establish the Cambodian Development Council's Strategic Planning Unit. The unit will be responsible for developing a human resource plan and a public and private investment framework. To assist with planning and coordination of assistance in the agricultural sector, a small amount of policy assistance is being provided to the RGC's Council on Agriculture and Rural Development. Finally, to assist the RGC in the area of environmental management, USAID participates in a multi-donor effort to develop and adopt a national environmental action plan. The action plan will help frame conditions for sustainable economic growth, include local input in the development of strategies for key thematic areas (e.g., forests, inland fisheries, coastal zones), and in the process, foster more sustainable use of the country's considerable, but dwindling, natural resources.

Description: USAID will focus on four activity areas: training of primary school teachers and development of school clusters to support teacher training efforts; training in entrepreneurial skills for potential middle-level managers, including support to the Faculty of Business for degree and non-degree training and continuing education; assistance to develop a national environmental plan and to eventually attract other donor/international finance institution support; and assistance for planning and coordination in the agricultural and rural development ministries.

Host Country and Other Donors: As USAID's program of assistance moves away from emergency relief, development and implementation of activities will increasingly conform to RGC initiatives, such as the RGC's investment plan for the education sector. This will ensure not only that USAID's activities are consistent with RGC objectives, but that they also are coordinated with those of other donors. Other donors contributing to improvements in primary education include the European Union,

France, Australia, the United Nations Children's Fund (UNICEF), and the Asian Development Bank.

**Beneficiaries:** The beneficiaries of USAID's assistance under this activity are numerous. First will be Cambodia's children, who will be better able to learn through improved teaching techniques taught by more qualified teachers. Second, both the public and private sector will benefit, as skills are better matched to jobs and trainees who, through skills enhancement, are better able to perform job functions and are better able to function in the private sector. There also will be those who start their own business and those who get jobs created by expanding businesses. Better aid coordination in the agricultural and rural sectors will also hopefully result in a more equitable distribution of assistance in rural areas, in addition to greater emphasis on integrated activities, and, hence, benefit those in areas that have been neglected until now. Finally, Cambodians in general will benefit as improved environmental management and sensitivity to environmental issues results in adoption of more sustainable natural resource uses.

**Principal Contractors, Grantees, or Agencies:** USAID will implement ongoing activities through a variety of methods, including grants and cooperative agreements to U.S. private voluntary and nongovernmental organizations, and contractors. Current grantees include a consortium among CARE, the World Resources Institute, the World Wildlife Fund, the International Development Research Centre, and PACT. Contractors include Development Alternatives, Inc. and its consortium members.

**Major Results Indicators:**

- 9000 teachers and administrators trained each year in utilizing student-centered teaching methodologies (country-wide coverage by the year 2002);
- 75 school clusters are established each year, with functioning resource centers in cluster schools constructed and stocked, allowing country-wide coverage by 2002;
- Percentage of Small Business Training Program graduates employed by the private sector increases by 10 percent per year (baseline to be determined based on enrollment data);
- Functioning Council on Agriculture and Rural Development providing planning and coordination assistance to the rural sector;
- Recommendations on agricultural credit policy changes developed for the Committee on Agriculture and Rural Development (CARD) by June 1997 and the target for adoption by the Royal Cambodian Government is December 1997;
- National Environment Action Plan developed and adopted by the RGC by April 1997;
- National Environment Investment Program developed in collaboration with and for multilateral bank funding in 1998.

## ACTIVITY DATA SHEET

**PROGRAM:** Cambodia

**TITLE AND NUMBER:** Increased Access to Basic Human Services, 442-S003

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$9,500,000 (ESF)

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To strengthen the capacity of public organizations and non-governmental organizations (NGOs) to provide sustainable family support services.

**Background:** Cambodia has some of the highest maternal and child mortality rates in the world, the region's highest population growth rate (2.8), and an alarming increase in HIV/AIDS. More than 80% of the population does not have access to potable water; many do not have access to basic health care, affordable credit, or passable roads. Many Cambodians suffer from physical and mental impairments related to 25 years of war, and an estimated 8-10 million land mines are still present in the country. Local NGOs, which before 1992 were not allowed to exist, have been supported with sub-grants and technical and organizational training to improve their ability to deliver services at the village level. This program addresses these and other needs and includes existing NGO grant activities programmed under the Private Voluntary Organization Co-Financing project and the Family Health and Birth Spacing project.

**USAID Role and Achievements to Date:** USAID's support for a social-marketing program has resulted in condom sales of up to 1 million per month, contributing strongly to the nascent HIV/AIDS prevention program of the Ministry of Health. NGOs supported by USAID have succeeded in rehabilitating hospitals and training health workers to deliver health care and birth spacing-services, convincing the Ministry of Health to adopt vitamin A and iodine-deficiency programs, installing wells and latrines to improve sanitation and control diarrheal disease, and assisting the Ministry of Health to develop dengue hemorrhagic fever control programs. USAID's NGO grantees have provided 7,086 prosthetic limbs and 2,519 wheelchairs to-date, and have played a crucial role in helping the RCG develop strategies for sustainable services for the disabled.

Aside from health, USAID's program to-date has established more than 100 women' village banks, trained RCG and village social workers in carrying out community development projects, provided vocational training to orphans, women, and disabled veterans, funded the installation of hundreds of wells, latrines, and low-technology treadle pumps, and contributed to the creation and strengthening of three Khmer-American and 18 local NGOs that deliver village-level services and serve as engines of civil society.

**Description:** Over the next few years, USAID's primary focus in this sector will be on maternal and child health (MCH). Current and projected MCH activities aim to improve delivery of MCH, including birth-spacing services, in both the public and private sectors; to limit transmission of sexually transmitted diseases and HIV/AIDS; to reduce child mortality and morbidity from diarrheal disease and acute respiratory infections; and to improve nutrition in women and children. Support also will be given to mental health programs, an area of serious concern in Cambodia.

**Host Country and Other Donors:** The United Nations' Children's Fund (UNICEF), with assistance from Japan and the World Health Organization (WHO), supports the national immunization program. UNICEF and other bilateral donors also support the essential drug distribution system. WHO provides technical advisors to the Ministry of Health in health systems planning, continuing education, and management information systems. The United Nations' Population Fund provides contraceptives and support for a nationwide census. The Asian Development Bank, Japan, and the World Bank support health

infrastructure development. Cambodia provides personnel and is instituting major reforms to rationalize and improve the country's health system.

In the water and sanitation sector, UNICEF and the European Union support installation of wells and latrines in certain parts of the country. Donors such as United Nations Development Programme (UNDP), the United Kingdom, France, Holland and Australia support NGO efforts in prosthetics, demining, and to a more limited extent, mental health. The micro-credit/enterprise sector receives funding from the International Labor Organization, UNDP, and the French Development Fund (Caisse-Francaise de Developpement); the European Union and the Asian Development Bank are developing credit programs as well.

Beneficiaries: For MCH activities, primary beneficiaries include an estimated 2.1 million children under 5 years of age, and 2.6 million women of reproductive age. Secondary beneficiaries, particularly for STD interventions, include 2.7 million men of reproductive age. Cambodia's disabled veteran population is conservatively estimated at 50,000; disabled civilian numbers are not known, but they are unacceptably high due to the continuing presence of land mines. In the realm of mental health, 100 physicians to be trained will, in turn, treat patients throughout the country. Demining verification surveys at 900 sites will enable villagers in adjacent areas (estimated at about 500 per village) to know definitively where mines are located and thereby avoid injury. Many more Cambodians already benefit from potable water, hospital rehabilitation, primary health care, vocational training, and credit that USAID grantees have provided since 1992.

Principal Contractors, Grantees, or Agencies: USAID implements the above activities through U.S., international, and local NGOs, working collaboratively with the Ministries of Health and Rural Development. Grantees include the American Red Cross, CARE, Family Planning International Assistance, Handicap International, Harvard School of Public Health, Helen Keller International, Doctors Without Borders, Population Services International, Salesian Missions and PACT. In addition, selected USAID centrally-managed contracts and cooperative agreements will be accessed for technical support.

#### Major Results Indicators

- Improved delivery of reproductive health care and child survival services as indicated by:
  - Infant mortality rate reduced from 115 per 1,000 to 100 per 1,000 by the year 2000;
  - Child mortality rate reduced from 181 per 1,000 to 155 per 1,000 by the year 2000;
  - Contraceptive prevalence increases from 7 to 17 percent by the year 2000;
- Increased marketing of MCH products, as indicated by 80% of pharmacists (from a baseline of zero) adhering to appropriate prescribing practices;
- Improved case management of diarrheal disease and acute respiratory infection (baseline and targets to be determined);
- Improved micronutrient status in children (baseline and targets to be determined);
- Increased access to affordable credit will be increased for Cambodian women from 286 women served by 7 village banks, to over 3,000 women utilizing 78 banks; 3 local NGOs and employees of the Ministry of Rural Development will be trained in successful village banking methods;
- Mental health services/treatment provided to approximately 2,000 patients by 1999 (baseline: zero);
- An annual production/fitting level of 1,560 prosthetic/orthotic devices (no baseline as Cambodia's population disabled by mines continues to increase, and replacement of prosthetic/orthotic devices is needed approximately every 2 years);
- 300 kilometers of laterite road in Cambodia's northwest provinces will be rehabilitated.

## EGYPT

**FY 1997 Economic Support Funds . . . . . \$815,000,000**

### Introduction

Beginning with the Camp David Accords in 1979 and continuing today, Egypt has used its political leadership to foster a broader peace between Israel, the Palestinians, and neighboring Arab states. Egypt has not reached its true potential as a national or regional economic power, however, due to the slow growth of its economy and persistent structural imbalances. Slow growth has also led to growing unemployment which threatens Egypt's long-term stability. Both the United States and Egypt recognize that for regional stability to continue, Egypt must be both prosperous and stable.

The U.S.-Egyptian Partnership for Economic Growth and Development launched by Vice President Gore and Egypt's President Mubarak in September 1994 was created to deal more effectively with problems hindering rapid and sustainable economic growth in Egypt. The Partnership initiative has brought about two fundamental changes in the policy dialogue environment: it has been elevated to the highest levels of decision-making and it embodies vital private sector participation.

The visit of Vice President Gore in January 1996 for the Partnership initiative, provided timely, positive reinforcement at a difficult juncture in Egypt's development. President Mubarak announced a new vision of Egypt's economic future: a vibrant private sector led open market fully integrated into the global economy. To reinforce this vision, he has appointed a new economic cabinet and a new Prime Minister who shares his vision. The new cabinet is committed to liberalizing the economy by deregulating the trade sector, increasing competition in the financial sector and accelerating the pace of the privatization of the public sector. The Partnership initiative will help facilitate Egypt's transition to a private sector led market economy.

### The Development Challenge

Egypt's path to a market-oriented economy following 40 years of heavy state intervention in resource allocation has yielded significant macroeconomic results. The program began to take meaningful shape in March 1991 with the signing of an IMF Agreement. This was followed in July 1991 by debt forgiveness by members of the Paris Club, who agreed to forgive 50% of their holdings of Egyptian debt. The program was reinforced by a World Bank structural adjustment loan in November 1991 and by a USAID sector policy reform program in August 1992. Thus far, the program has led to a reduction in the budget deficit from 21% to 1.6% of GDP, a drop in inflation from 25% to approximately 9%, the unification of three different exchange rates to a market-determined rate, a shift in the current account deficit from an unsustainable \$3 billion equivalent per year to a slightly positive level, and an increase in foreign exchange holdings from \$1 billion to \$18 billion. Substantial improvements were also made in the foreign trade sector both in the reduction of tariff and non-tariff barriers and in facilitating exports. Both competition and efficiency in the banking and capital markets have improved substantially with liberalization of interest rates at market clearing levels and the rebirth of the stock exchange and the bond market.

The Government of Egypt (GOE) has successfully carried out a difficult first phase agenda of economic stabilization. Today the focus is on accelerating growth to generate jobs for Egypt's large, 60-million strong population.

Even with a declining population growth rate (2.4% to 2.2% over the 1990-94 period), Egypt's ability to create jobs and expand basic human services will be sorely challenged and sustainability questionable without greater private sector involvement. The government sector, which dominates the economy, has been unable to provide sufficient jobs for Egypt's work force and the private sector

is as yet too small and constrained to meet the growing demand. As a result, Egypt has experienced a gradually rising unemployment rate for years. With an economy growing at 2.5% per year, per capita GNP stagnant at \$660, and weak domestic purchasing power, Egypt must look to the export market for much of its growth.

The primary challenge is to accelerate reforms that will encourage private sector-led, export-oriented economic growth. Reliable infrastructure, such as telecommunications and power, to support new private sector investments will also be essential. Agriculture's potential contribution to export growth, particularly for horticultural crops, is considerable but constraints remain in areas of agricultural policy, technology, institutions and sustainable water use. Agriculture will also have to play a greater role in meeting the country's job needs.

At the same time, other quality of life concerns must continue to be addressed. Infant and under-five child mortality rates have progressively improved, but remain too high. Excellent progress in child spacing has contributed to decreases in maternal mortality, but more effort is required in this area. Treated water has greatly increased over the past decade but demand continues to outpace supply. Serious environmental degradation constrains the country's development and endangers the health and livelihood of its people. Finally, strengthened political, civil, and government institutions are important for the country's evolution to a sustainable democracy.

#### **Other Donors**

USAID works closely with the donor community whose individual contributions to Egypt are substantial and vital to Egypt's development needs. Together, USAID and the donor community disbursed \$2.3 billion in 1993 for development activities in Egypt. Complementary support for structural reforms comes from the IMF, the World Bank and the European Union. Other major donors include the African Development Bank, Germany, the Islamic Development Bank, the European Investment Bank, France, Japan and Denmark.

#### **FY 1997 Program**

The FY 1997 request, which maintains the traditional level of U.S. economic assistance for Egypt, supports USAID's country-specific goal of broad-based sustainable development with improved quality of life and 16 strategic objectives (SOs) programmed in accordance with the four Agency goals.

#### **Agency Goal: Broad-based Economic Growth Achieved**

The objective of USAID/Egypt in meeting this Agency goal is to increase private sector-led, export-oriented economic growth. Accelerated economic growth requires a definitive shift from Egypt's inward-looking, protected, centrally-planned, public sector dominated economy towards a competitive, outward-looking, market-based one in which the private sector plays the leading role in business and trade decisions. This shift is now being spurred by the Partnership initiative and guided by the President's Council created under it. The Council, composed of major business leaders from the United States and Egypt, has recommended three areas for immediate examination and improvement: trade promotion, privatization and regulatory reform. These areas figure prominently in support being provided by USAID.

USAID promotes export development through trade liberalization measures under its sector policy reform program (SPRP); through the Trade Development Center, a non-governmental organization (NGO) established by the U.S./Egypt Joint Business Council with USAID support to promote exports by networking (trade shows, visits, etc.) and technical assistance at the company level; through agricultural research focused on horticultural crops for the export market; through the development of

a modern telecommunications system that facilitates international business contacts; and through a new activity starting in FY 1996 to assist Egypt to enter the global market.

USAID's SPRP makes available \$200 million annually for cash transfers linked to the achievement of policy reform measures. This program is complemented by technical assistance to help the GOE develop, carry out, monitor and evaluate select elements of its reform program. In 1995, for example, USAID helped the GOE bring about increases in sales tax revenues which rose from the equivalent of about \$90 million to \$3 billion. Other progress in meeting reform targets in 1995 included the removal of price controls for the tourism industry and the privatization of some enterprises. Over the next year, USAID will work with the GOE on key reforms for trade liberalization such as the continuing reduction in tariffs and the establishment of simplified procedures at major ports where final export/import approvals are processed. USAID in FY 1997 will provide the GOE with timely and effective support for those financial, fiscal, trade, enterprise and environmental reforms within USAID's focus so that greater achievements on a scale envisioned by the U.S.-Egyptian Partnership for Economic Growth and Development can be realized.

USAID has tackled privatization using a number of approaches including SPRP-promoted reforms and technical assistance activities that analyze policy options, introduce advisory and merchant banking services to evaluate the marketability of properties and assist in their sale, and develop an outreach campaign to encourage greater understanding of privatization issues, among others. With donor support, privatization has gone from a forbidden word to official government policy. By 1995, the GOE completed the sale of 26 companies and the partial sale of another group, but these achievements remain modest relative to the magnitude of government holdings. The Presidents' Council believes that the acceleration of privatization will be the signal to the international business community of Egypt's real commitment to the establishment of a free market economy. With the Council's support, FY 1997 could well be a banner year for progress in this area.

Much of the country's legal, regulatory, judicial, institutional, and tax structures remain linked to the past. Because so many of the elements that make up a conducive business environment still need to be established, the private investment response to Egypt's progress in macroeconomic reform and liberalization has not been substantial. Again, using SPRP and technical assistance, USAID is helping overcome these rigidities. USAID is also providing assistance to help Egyptian firms increase their access to market information and technology, improve their competitiveness, strengthen advocacy groups, and support an active securities market. USAID's private sector commodity import program helps Egyptian private firms establish linkages with U.S. suppliers for expanding production needs. The Partnership initiative, working with USAID, has added a number of important new dimensions such as encouraging private firms to introduce international quality standards into their operations which will lead to international certification known as ISO 9000. In 1995, 30 Egyptian companies signed up for ISO 9000 assessments, of which 6 are now complete. By FY 1997, business technology centers will be added to support increased productivity through the upgrading of technologies and the operation of a business information highway linking the major business associations in Egypt with businesses around the world, using the International Business Exchange and the U.S. Chambers of Commerce.

USAID provides U.S. expertise to Egyptian businesses as a catalyst for change. Firms transitioning from state to private ownership, as well as existing private sector firms, are able to tap the experience of the USAID-supported International Executive Service Corps (IESC) to improve their technical and managerial performance. IESC has already finished over 1,000 technical consultancies to Egyptian firms, helping them introduce modern business practices, increase productivity, sales, investment and trade. Small and micro-enterprises also receive support through USAID's small and emerging business (SEB) sector program. USAID is working through NGOs to meet SEB needs for credit and related non-financial services. The Partnership initiative has been instrumental in expanding the SEB support network to under-served areas in Upper Egypt to ensure that economic incentives for the private sector are regionally widespread. Since USAID began helping Egyptian small and micro-enterprises in 1988,

about 50,000 jobs have been created through 180,000 loans valued at about \$120 million equivalent made to more than 75,000 borrowers who collectively have less than a 3% default rate.

Egypt's economy is largely dependent on agriculture which accounts for approximately 40% of the country's GDP (including agricultural production, marketing and processing), 50% of overall employment, and 22% of commodity exports. Due to state intervention, agricultural growth during the early to mid-1980s was very poor with the value of production growing at less than 1% per year. During the decade 1980-90, the real value of crop production (measured for 23 major crops) increased by 89%, or by 6.6% annually, leading to a significant increase in real farm income of approximately 24%. Agricultural production slowed in the early 1990s, and grew at an estimated 2.7% in 1995. If agriculture is to realize its potential to add significantly more impetus to Egypt's overall economic growth, the sector must overcome the slow growth of net value added. In Egypt, purchased inputs such as fertilizer and pesticides are used at high levels by the standards of even developed countries. The productivity of those inputs has been declining which is a major reason why value added has not grown significantly since 1986, while gross value of output has grown modestly.

USAID's agricultural assistance strategy is an integrated approach aimed at technology and policy reform. It is working to overcome constraints to greater agricultural growth, including those impacting on net value added. With USAID support, further improvements in irrigation structures and systems are giving farmers greater control over water delivery and increased water-use efficiency. Horticultural technology has demonstrated that with improved water-use efficiency, yields can be increased from 1.6 kilograms of fruit per cubic meter to over 15.7 kilograms, almost a tenfold increase. Agricultural policy reforms have been extraordinarily successful. All major markets except sugarcane and fertilizer are completely open to private competition and have generated prices equal to world prices. There is no longer a bias against farmers, as there was in the period of heavy government intervention (1960-92) when agriculture suffered net taxation of over 44%. In FY 1997, technical assistance will further the adoption of technologies for the development of high value horticultural crop exports and address critical constraints to efficient production of Egypt's staple food crops. Reforms will target pricing, marketing and trade, water resources, private sector participation in agribusiness and the GOE's sector resource allocations.

Industry and business have benefitted from USAID's large investments in power, over \$1.6 billion to date. To ensure the long-term sustainability of the power systems, reforms are an important part of the program. In 1995 reforms included steps taken to improve management efficiency and employee productivity measured in kilowatts per hour generated per employee. In 1997 this sector will face serious policy decisions. The economic pricing of power and the reduction of overdue arrears by public sector companies are among the hardest to be implemented. On the positive side, the Cabinet has reportedly approved the establishment of a vital regulatory board that will be assigned responsibility for pricing and collections. In addition, Egypt's new Prime Minister openly discusses the government's new receptiveness to proposals from private sector enterprises to build, operate and transfer (known as the "BOT" approach) power to the marketplace to supplement public sector generation.

The Presidents' Council has urged the "BOT" approach for both telecommunications and power to give the private sector a more prominent role in infrastructure. Modern, reliable, sustainable telecommunications services were an early target of USAID assistance, with assistance totalling about \$360 million to date. Increasing emphasis has been placed on the sustainability of the systems. The GOE has made substantial progress on telecommunications reforms. The utility has complied with all financial benchmarks (increased revenues, improved services and efficiency, and adopted business and marketing plans). In 1997 the most notable reform will be opening the telecommunications sector for private business participation while continuing to improve the utility and transform it into an autonomous, self-sufficient entity. Management training will continue to be provided to help the utility deal more efficiently with burgeoning telecommunications demands expected in the next decade.

Finally, "investing in people" through education is the latest addition to USAID efforts to promote economic growth. These investments are also essential for improvements under other goals, e.g., those promoting family planning, health and the environment. Support beginning in FY 1996 will be targeted to the most disadvantaged areas of the country and the most neglected members of society, women and girls. To compete in the 21st century, Egypt must do a better job of ensuring universal primary education, a prerequisite to national economic take-off as experienced by the "tiger" nations of Asia. Egypt has one of the highest literacy gender gaps in the world and unacceptably low literacy rates for both males and females (63% and 34%, respectively). The GOE has acknowledged the problem, has allocated significant budget increases for education in recent years, and has sought assistance from its development partners, including USAID and others (the EU, World Bank, UNICEF, Canada and Germany). As USAID assistance tackles these problems in 1997, the operational watchword will be participation, working primarily through partnerships with local communities and non-governmental organizations. Nine activities in USAID/Egypt's portfolio support these outcomes.

**Strategic Objective 1: Accelerated Private Sector-led, Export-oriented Economic Growth**

**Strategic Objective 2: Increased Female Participation in Quality Basic Education in Targeted Areas**

**Agency Goal: Building Democracy**

The subgoal improved environment for the growth of democracy builds on Egypt's strengths -- the rule of law, the relative freedom of the print media, the existence of representative groups, such as the People's Assembly and the Shura Council, and the proliferation of special interest groups. With GOE support, USAID is working with the legislature, civil society organizations (CSOs) and the judiciary at a pace that takes into account political sensitivities that exist in these areas. While there is a long history of formal democratic institutions in Egypt dating back to its first parliament in the 1860s, the two bodies of legislature that exist today, the People's Assembly and the Shura Council, a consultative body, suffer from inadequate information services. To overcome this serious constraint, in 1995, to build their capacity for in-depth analyses and briefing resources, USAID sent 144 legislative staffers to the Congressional Research Service of the U.S. Library of Congress. There they participated in workshops on the role of parliamentary information services in decision making and the methodology of objective, non-partisan research and analysis. Staff from the Library of Congress also provided in-country training in Egypt for legislative staff. In FY 1997, USAID will continue to work with the legislative staff to strengthen automation technology, improve the management of human resources made available to support information services and help build up library systems.

The pace of democratic changes may be gradual, but promising signs exist for forward movement. Over the past two years, with the support of USAID and other donors, the number of local civil society organizations has grown and become increasingly active. The ability of CSOs, including advocacy groups, to identify their problems and voice them in the public arena is an important focus of USAID assistance. The GOE recently initiated a nationwide participatory rural development program that focuses on locally-based decision making and citizen empowerment. This initiative to strengthen local government is important and should improve the enabling environment for CSOs. USAID assistance plans to support these positive trends. Major challenges to be faced in FY 1997 are the fragmentation of the CSO community which makes it difficult to reach them through conventional activities, Egyptians' general frustrations with continuing economic hardships and their perceived link to structural adjustment, and the continued challenge of Law 32 which restricts freedom of association and activity of the CSO community.

The judicial system is unable to be fully supportive of the growing private sector because delivery of justice is slow and judicial personnel are not fully briefed on new laws and regulations affecting the private sector. USAID support for the justice sector, launched in FY 1996, will help improve the operation and performance of Egyptian civil courts as well as the quality of judicial and legal services with respect to commercial and other aspects of modern law. These improvements in the legal system

will continue in FY 1997 to serve the emerging private sector more effectively. Three activities support this program outcome.

**Strategic Objective 3: Increased Use of Information Services by the Legislature in Decision Making**

**Strategic Objective 4: Increased Civil Society Organization Participation in Public Decision Making**

**Strategic Objective 5: Improved Civil Legal System**

**Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

Tackling family planning and the interrelated problems of maternal and child health requires an integrated approach to the provision of related services along with improvements in the quality of care at both the household and facility levels. This strategic objective focuses on mutually reinforcing objectives that are building on strong records of success.

After two decades of work strengthening the Egyptian family planning program, the long-term accomplishments are dramatic. Contraceptive prevalence (the percentage of married women of reproductive age currently using contraception) reached 47% in 1992, almost double the 1980 rate. The total fertility rate (a measure of the average number of live births per woman during her lifetime) fell from 5.2 in 1980 to 3.9 in 1992. USAID support in FY 1997 will continue to work towards Egypt's long-term objective of achieving a contraceptive prevalence rate of around 74% by the year 2015 at which point fertility is expected to reach the "replacement" level of 2.1 children per family.

During the late 1970s and early 1980s, USAID assistance in the health sector resulted in greatly expanded access to health services by the rural and urban poor. Substantial investments were made in training health personnel, upgrading the physical infrastructure, and improving the service delivery system. Since 1983, the focus of the program has been to reduce mortality and illness of infants and children. The Egypt child survival program has been a phenomenal success. The infant mortality rate was reduced 43% between 1980 and 1990; the child mortality rate declined 55% in the same period. However, in 1990, infant and under five child mortality rates remained unacceptably high at 61.5 and 84.8 per 1,000 live births, respectively. When regional and rural disparities are taken into account, a striking gap appears. In Upper Egypt, infant and under five child death rates for 1990 were 105.8 and 146.7 per 1,000 live births, respectively. Maternal mortality, which is also declining, is at 174 deaths per 100,000 live births nationwide, but regional disparities are even more striking. In one Upper Egyptian governorate, Assiut, the maternal mortality ratio is 544. An urgent need exists to target resources to narrow these regional gaps and to improve the health status of the poorest Egyptians throughout the country. In FY 1997, USAID will work to cut mortality rates further, expand and target maternal/child health services and improve their sustainability, building on a range of mechanisms including policy reforms, decentralization and increased private sector and community participation.

**Strategic Objective 6: Reduced Fertility**

**Strategic Objective 7: Sustainable Improvements in the Health of Women and Children**

**Agency Goal: Protecting the Environment**

USAID's country-specific objective is environment managed for long-term sustainability in Egypt provides resources for activities focused in the areas of water/wastewater, air pollution and ecotourism. Since 1975, USAID has invested over \$2 billion in urban water and wastewater infrastructure benefitting about 22 million Egyptians. Population density, together with long-postponed infrastructure investments, had severely overwhelmed the water and wastewater services of urban areas throughout Egypt, creating numerous environmental health hazards. In 1995, several of the

more recent investments were completed with the following results: 700,000 residents in the poor Cairo neighborhoods of Pyramids and Embaba received sewer hook-ups; more than 500,000 residents of Suez were connected to the new wastewater treatment plant funded by USAID and, in Cairo, the three major potable water reservoirs serving the heart of the city at Darassa were put into service providing improved water supplies to 3 million people.

Institutional reforms in public water/wastewater utilities in 1995 included presidential decrees granting institutional autonomy to the utilities in seven governorates allowing them to operate as economic entities on a cost recovery basis. Tariff collection rates have increased in Cairo and Alexandria and separate bank accounts were established which give these utilities a degree of flexibility in planning their operations. Utilities in both Cairo and Alexandria will be encouraged in FY 1997 to make more progress in increasing the level of tariffs towards cost recovery. In smaller urban areas, tariff reform for water/wastewater is already well advanced.

Urban air pollution is another major environmental problem which jeopardizes Egypt's economic development and its citizens' health. Urban air quality is seriously degraded as a result of industrial emissions, vehicles, construction, garbage burning, and natural dust from surrounding deserts. Levels of suspended particulate and lead pollution in Cairo are the highest among the world's megacities and cause an estimated 10,000 to 25,000 additional deaths per year. Children reared in Cairo are particularly vulnerable to the higher than average lead pollution which lowers IQ by four to five points. USAID industrial energy and environment activities are helping reduce the discharge of industrial pollutants and promote energy conservation. Energy efficiency activities have eliminated the following accumulated pollutants from urban air expressed in metric tons (M/T): 25,200 M/T of sulfur oxide; 4,000 M/T of nitrogen oxide, and 7,800 M/T of carbon monoxide. A new Cairo air quality activity initiated in FY 1995 will be working with the GOE in a number of areas: reducing lead emissions from local smelters and in gasoline; instituting a vehicle emissions testing and certification program; and introducing natural gas-fueled buses to reduce diesel emission particulate pollution using support from the U.S. private sector.

The protection of the environment is also vital to sustaining Egypt's tourism industry, which is the second highest foreign exchange earner. A new activity in sustainable tourism, which grew out of the Partnership, focuses on the preservation of both natural (e.g., coral reefs) and cultural (e.g., antiquities) national treasures that are two keys to the continued health of the tourism sector.

**Strategic Objective 8: Increased Access to and Sustainability of Water and Wastewater Services**

**Strategic Objective 9: Reduced Generation of Air Pollution**

**Cross Cutting Issues.**

In addition to the strategic objectives above, USAID supports cross-cutting assistance through several special objectives and mission support objectives which provide resources to foster university linkages, improve English language skills, encourage capacity building through development training, and some limited technical and financial assistance to support development problems related to the overall program.

**EGYPT**  
**FY 1997 PROGRAM SUMMARY**  
(\$ Thousands)

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
<b>USAID Strategic Objectives</b>						
<b>1. Accelerated Private Sector-led, Export-oriented Economic Growth ESF</b>						
<b>1.a. Improved Economic Policy Framework ESF</b>	210,000					210,000
<b>1.b. Strengthened Private Market Institutions ESF</b>	244,000					244,000
<b>1.c. Increased Privatization ESF</b>	10,000					10,000
<b>1.d. Improved Capacity of NGOs to Promote Small and Emerging Business Growth ESF</b>	15,000					15,000
<b>1.e. Accelerated Adoption of Agriculture Technologies ESF</b>	14,000					14,000
<b>1.f. Improved Agriculture Policies ESF</b>	75,000					75,000
<b>1.g. Increased Capacity, improved Efficiency and Enhanced Sustainability of Power Services ESF</b>	50,000					50,000
<b>1.h. Increased Access, improved Efficiency and Enhanced Sustainability of Telecommunications Services ESF</b>	0					0
<b>2. Increased Female Participation in Quality Basic Education in Targeted Areas ESF</b>	10,000					10,000

<b>3. Increased Use of Information Services by the Legislature in Decision Making ESF</b>				<b>3,283</b>		<b>3,283</b>
<b>4. Increased Civil Society Organization Participation in Public Decision Making ESF</b>				<b>25,000</b>		<b>25,000</b>
<b>5. Improved Civil Legal System ESF</b>				<b>5,000</b>		<b>5,000</b>
<b>6. Reduced Fertility ESF</b>		<b>10,000</b>				<b>10,000</b>
<b>7. Sustainable Improvements in the Health of Women and Children ESF</b>	<b>37,500</b>					<b>37,500</b>
<b>8. Increased Access to and Sustainability of Water and Wastewater Service ESF</b>			<b>53,217</b>			<b>53,217</b>
<b>9. Reduced Generation of Air Pollution ESF</b>			<b>20,000</b>			<b>20,000</b>
<b>Other Cross-cutting Assist ESF</b>	<b>33,000</b>					<b>33,000</b>
<b>Total ESF</b>	<b>698,000</b>	<b>10,000</b>	<b>73,217</b>	<b>33,283</b>		<b>815,000</b>

## ACTIVITY DATA SHEET

**PROGRAM:** Egypt

**TITLE AND NUMBER:** Accelerated Private Sector-led, Export-oriented Economic Growth, 263-SO01  
(1.a. Improved Economic Policy Framework)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$210,000,000 ESF

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

**Purpose:** To improve the economic policy environment with particular focus on trade, fiscal, monetary, financial and environmental policies within which the economy operates to encourage accelerated, private sector-led, export oriented economic growth.

**Background:** The economic policy framework in Egypt is inadequate for facilitating rapid, job-creating export oriented economic growth where the private sector is responsible for the major investment decisions. Despite improvements in the macroeconomy since 1991, annual economic growth has not exceeded 2.5%. Numerous studies and surveys have identified the economic policy framework as the major constraint to increased investment and growth. This program subsumes ongoing activities from the Sector Policy Reform Program (SPR), the Technical Support for Sector Policy Reform Project (TSSPR), and the Public Finance Administration Project (PFA).

**USAID Role and Achievements to Date:** USAID, through its cash transfer program, has supported the elimination of all but two tariff preferences and all special conditions for imports. It has also eliminated all import bans except for poultry and textiles. In coordination with the World Bank and the International Monetary Fund, reductions were brought about in tariff rates from a maximum of 150% to a maximum of 60% in early 1996. Further reduction is expected, probably by the end of the year. Other improvements include greater efficiency and competition in banking and the securities market, implementation of a privatization program, improved tax laws and administrative procedures, and reduced regulation of the private sector. The PFA project introduced a new sales tax and personal income tax, greatly increasing tax revenues and helping to reduce the budget deficit from about 20% to 1.5% of GDP. Numerous USAID-funded studies have facilitated policy reform by laying out the rationale for reforms and plans for accomplishing them.

**Description:** The activities within this strategic objective include the following:

- SPR is a policy-based cash transfer program with an annual budget of \$200 million. Disbursements are based on substantive progress against a predetermined list of policy reforms. The average list contains some 20 required reforms, setting the stage for a stronger more open economy. Broadly, SPR is focused on reform in the areas of trade, regulation and privatization, the fiscal and financial sectors, and the environment. Many of the measures require specific reforms such as a stipulated number of firms privatized, increased access for foreign banks, etc. In other cases, a multi-year process of studies, plans and implementation of reforms is required when the desirable improvements are not known with certainty. A process is underway to reform the quality control system on imports and to reduce lead emissions from smelters, vehicles and other sources.

- TSSPR provides technical assistance to support and complement SPR activities. It has provided assistance to the Ministry of Economy and International Cooperation to promote trade and regulatory reform; the Ministry of Science and Technology to improve intellectual property rights; training to upgrade the regulatory capacity of the Central Bank of Egypt; support to the Capital Market Authority to improve its functioning; and assistance to the Central Agency for Public Mobilization and Statistics to produce and disseminate accurate economic data. It is also helping the Ministry of Finance to reformulate tax policy and implement tax reforms. In addition, it is supporting the Egyptian Environmental Affairs Agency in developing a lead pollution reduction action plan and helping improve air quality regulations.

- PFA provides long-term technical assistance to the Ministry of Finance to reform and modernize elements of its tax system. The project is currently modernizing the computer and communications networks of two tax divisions and setting up three economic analysis units in the MOF as well as assisting in the implementation of the new sales and personal income taxes.

**Host Country and Other Donors:** The GOE's strong commitment to policy reform is essential to achieve results under this strategic objective. Policy reform negotiations are linked to a large extent with the SPR policy-based cash transfer program. TSSPR provides technical assistance to GOE entities for studies to determine which reforms are required, how they should be designed as well as assistance in their implementation. One example is intellectual property rights (IPR) where successive SPR policy measures are pushing the GOE to revise its IPR system and laws while technical assistance is facilitating the adoption and extension of new procedures and their promotion. USAID coordinates its efforts closely with the IMF and World Bank to maximize our collective policy impact. The IMF and World Bank, after consultation with USAID over several years, negotiated the Economic Reform and Structural Adjustment Program with the GOE in 1991, which the GOE adopted and then upgraded in 1993. In addition, depending on policy performance and resulting dollar disbursements, the GOE deposits, in a special account, the local currency equivalent of between \$100 and \$200 million for joint programming with USAID. Local currency is used for general or sector budget support, project activities or USAID trust fund expenses. The GOE also provides staff, commodity and facility support for developing and coordinating reform actions.

**Beneficiaries:** A number of policy reforms such as reduced tariffs, more competitive banking conditions and environmental regulations have or will benefit the entire population directly in terms of lower prices, higher quality and more varied goods and cleaner air and wider choices. For other measures the private sector is the intermediate beneficiary as it would benefit most by the proposed reforms. The ultimate beneficiaries will be the Egyptians who are employed by the growing private sector and the consumers who will benefit from a more competitive market place.

**Principal Contractors, Grantees or Agencies:** USAID is implementing long and short-term activities through a number of U.S. firms, several GOE entities and the other U.S. agencies. Nathan Associates is working on trade and regulatory reform. We are planning to employ other long term contractor during FY 97 to provide specialists in a variety of areas. The U.S. Bureau of the Census is currently working with USAID in Egypt to assist the GOE in developing accurate economic data. The Environmental Protection Agency is assisting us in our lead reduction activities and the Federal Reserve Board may provide a team to improve the Central Bank's monetary policy and strengthen the government securities market.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Index of Economic Freedom <sup>A</sup>	37 (1994)	45 (2000)
Commercial Policy Index <sup>B</sup>	41 (1994)	55 (2000)
Amun Oracle <sup>C</sup>	61 (1994)	73 (2000)

<sup>A</sup> The Index of Economic Freedom is published by the Heritage Foundation. It grades 10 aspects of a country's economic policy for 101 countries. The index has been rebased so it extends from 0 to 100. On the rescaled basis, Cuba and North Korea have an index of zero, and Hong Kong, 94.

<sup>B</sup> The Commercial Policy Index measures commercial policies among different countries. The Egyptian component is prepared annually by the Egyptian Center for Economic Studies in Cairo.

<sup>C</sup> The Amun Oracle is a survey of 10-20 knowledgeable Egyptian professionals who rank eight areas of economic policy progress in Egypt. Scores range from 0 to 100, with scores above 50 representing positive progress in economic reforms.

## ACTIVITY DATA SHEET

**PROGRAM:** EGYPT

**TITLE AND NUMBER:** Accelerated Private Sector-led, Export-oriented Economic Growth, 263-S001  
(1.b. Strengthened Private Market Institutions)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$244,000,000 ESF

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

**Purpose:** To establish and strengthen private market institutions, thereby enhancing the competitiveness of Egyptian firms worldwide, mobilizing and transforming savings into productive investment, and expanding private sector participation and dialogue in decision-making.

**Background:** For nearly 40 years, Egypt has had an inward-oriented, import substitution-based command economy, with limited voice for the private sector and state-dominated shallow financial markets. Additionally, Egypt's overly centralized system for policy formulation and implementation and a cumbersome legal system have discouraged private investment and other business dealings, further depressing the functioning of markets. USAID has been substantially involved in this sector for many years. The ongoing Export Enterprise Project and Commodity Import Program will be incorporated in this effort. Also included are ongoing grants that provide assistance to advocacy or assistance groups supporting private sector development.

**USAID Role and Achievements to Date:** For many years, USAID has supported activities that provide technical assistance on export promotion, financial and capital market expansion and to business and advocacy groups. USAID resources have been instrumental in achieving technical improvements as well as in helping formulate policies and procedures appropriate for a liberalizing economy. Impact includes the expansion of total private non-petroleum exports from a baseline figure of \$760 million in FY 1992 to \$1.34 billion in FY 1995; the expansion and deepening of financial services, including the increased value of shares traded on the stock exchange from \$180 million in FY 1992 to \$412 million in FY 1994; the increased number of shares traded from 22 million in FY 1994 to 95 million in FY 1994; and the increased number and quality of private advocacy groups resulting from USAID assistance to at least three major research and business organizations.

**Description:** USAID provides funding for activities to strengthen three main groups of private market institutions: (1) globalization of private commerce; (2) increased participation in economic dialogue; and (3) expanded and deepened financial services. These activities enhance the competitiveness of Egyptian firms worldwide, help mobilize and transform savings into productive investment, and permit private sector participation and dialogue in decision-making, all of which should strengthen markets, spur economic growth and generate employment. Specifically, USAID resources will be directed to increasing access to market information and technology, facilitating and strengthening private policy research and effective advocacy groups, and supporting an active securities market. USAID also makes commercial credit available to Egyptian businesses that want to establish linkages with U.S. suppliers for expanding production needs.

**Host Country and Other Donors:** The Government of Egypt and participating private firms together contribute approximately \$10 million in local currency, staff and operation costs to the total costs of this program. USAID provides substantial resources in this sector. Other principal donors include the IMF, IBRD, European Union (EU), and UNDP. Both the IMF and the IBRD have encouraged policy, legal and regulatory environment reform. The EU is negotiating a "partnership" with Egypt to provide substantial resources for private sector development. Since 1992 assistance to private sector organizations has been a principal component of the UNDP program in Egypt.

**Beneficiaries:** All Egyptian business associations, totaling some 20 organizations and the Presidents' Council under the U.S. - Egypt Partnership for Economic Growth and Development, are key beneficiaries. Other beneficiaries include the private market institutions that are strengthened to provide better services.

**Principal Contractors, Grantees or Agencies:** USAID implements activities through U.S. institutional and technical assistance contractors, PVOs and non-governmental organizations. These include Chemonics International, Center for International Private Enterprise and International Executive Service Corps.

**Major Results Indicators :**

	<u>Baseline</u>	<u>Target</u>
Private sector % of non-petroleum exports	\$760 million (1992)	\$1.8 billion (1997)
Value of shares traded	\$180 million (1992)	\$0.6 billion (1997)
Number of shares traded	22 million (1992)	600 million (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** EGYPT

**TITLE AND NUMBER:** Accelerated Private Sector-led, Export-oriented Economic Growth, 263-S001  
(1.c. Increased Privatization)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$10,000,000 ESF

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

**Purpose:** To transfer to the private sector majority ownership and control of state-owned enterprises (SOEs) in Egypt by helping create an environment more supportive of privatization and accomplishing privatization transactions.

**Background:** The Government of Egypt (GOE) has declared that privatization of SOEs is an integral part of its Economic Reform Structural Adjustment Program (ERSA), but the pace has been disappointingly slow to date. However, following a recent Cabinet change, GOE officials and the state-controlled media have been aggressively promoting privatization and giving it extensive public attention.

The Egyptian public sector accounts for approximately 40% of domestic value added, 50% of manufacturing output, and 50% of exports (mainly petroleum). SOEs not only retain a large share of the total productive assets of the economy, but also hold monopolistic control and absorb a vast proportion of Egyptian financial resources. Their pervasiveness and inefficiencies continue to inhibit the expansion of private production, investment and exports. USAID has been supporting GOE privatization efforts since FY 1993 through its ongoing Privatization Support Project and Sector Reform Program policy agenda. USAID is hopeful that the latest policy shift being pursued by the new government will significantly accelerate the pace of privatization.

**USAID Role and Achievements to Date:** USAID will continue to provide technical assistance in SOE valuation and sale, merchant banking, promotion and awareness campaigns, policy formulation and performance monitoring and evaluation. USAID's future role will be to help build a wider and more solid base of support for privatization. To date, 46 SOEs have been brought to the point of sale, of which 26 have been sold with USAID assistance.

**Description:** USAID resources finance specific activities critical to creating a policy environment supportive of privatization and completing sales of SOEs. These activities support improvements in privatization policies, plans and processes; effective communications with key stakeholder groups to build political and technical support for privatization; and broadening of the scope of privatization to include other non-manufacturing businesses and service SOEs. In addition, the services of sales agents will be used to prepare the documentation required to offer companies for sale, and new financial instruments will be introduced to facilitate the participation of additional investors.

**Host Country and Other Donors:** The GOE contributes approximately \$10 million for staffing and operational expenses of the entity responsible for overseeing privatization. Planned contributions also include resources from the GOE Social Fund for Development, which supports training and the relocation of displaced workers. USAID is the lead donor in assisting with privatization in Egypt. Other donors include: the World Bank, which encourages privatization through the ERSA Program and has provided \$7 million in IDA funding for technical assistance for organizational and financial restructuring; the European Union, which is initiating a \$30 million technical assistance program directed at both restructuring and privatization; and other bilateral donors such as the British, Canadians and Germans which provide technical and financial support on a smaller scale.

**Beneficiaries:** Three groups benefit from USAID-funded activities: the sellers of the companies/properties (holding and affiliated companies, state banks, ministries); the buyers of those

companies/properties (business, financial and individual investors, employees and/or management); and other parties to these transactions (businesses, non-governmental organizations, the media and parliament and political parties). A reduced level of SOEs benefits private firms by improving the competition and opportunities for viable investments in many sectors of the economy where SOEs are involved.

**Principal Contractors, Grantees or Agencies:** Arthur Anderson is the prime institutional contractor and International Business and Technology Consultants, Inc. is the monitoring and evaluation contractor.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Economically important new sectors open for privatization	0 (1996)	3 (1997)
Sales in each new sector	0 (1996)	2 (1997)
USAID-assisted sales completed (sales per year)	0 (1996)	15 (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** EGYPT

**TITLE AND NUMBER:** Accelerated Private Sector-led, Export-oriented Economic Growth, 263-S001  
(1.d. Improved Capacity of Non-Governmental Organizations (NGOs) to Promote Small and Emerging Business Growth)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$15,000,000 ESF

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

**Purpose:** To strengthen the capacity of NGOs to promote the growth of Egyptian small and emerging businesses.

**Background:** Dramatic improvement in small and emerging business (SEB) performance is essential to expand private sector-led, export-oriented economic growth in Egypt. SEBs already constitute the bulk of the private sector productive capacity. Among Egypt's SEB population exists a large unmet demand for credit and related non-financial services. This SEB group includes approximately 3 million non-agricultural micro-entrepreneurs, or 98.5% of Egypt's private sector non-farm firms who do not usually have access to credit, competitive savings opportunities and other essential business services. To address SEB needs, USAID plans to build on its successful experience in developing self-sustaining SEB services from two ongoing projects, Small and Micro Enterprises and Small Enterprise Credit.

**USAID Role and Achievements to Date:** In 1988 and 1989, USAID designed and implemented two innovative SEB activities that used an existing bank and an existing businessmen's association to establish NGO spin-offs supporting SEB needs. Despite an environment that was not conducive towards private sector support at that time, these activities achieved impressive results in reaching a large number of SEB borrowers on a cost recovery basis and bringing NGOs to operational break-even status ahead of schedule. USAID has been providing technical and financial assistance to NGOs. Its future support will help to broaden outreach to NGOs through an intermediary organization and resolve policy and systemic constraints to SEB sector growth.

Over the 1990 - 1995 period 55,000 SEBs have received credit under the current program, with 20,000 of those receiving credit over the past year. The volume of SEB credit (in the form of loans) increased from \$5 million in 1990 to almost \$30 million in 1994, reaching approximately \$46 million in 1995. The number of NGO service units established to deliver financial and non-financial services to SEBs rose from two in 1991 to 28 in 1995; by 1995, 27 units reached break-even status.

**Description:** This program will support activities to expand access and opportunities for SEBs by building on and broadening the successful experience and NGO models developed under ongoing USAID-financed projects. It will support the development and eventual sustainability of an institutional mechanism capable of effectively providing assistance to SEBs, using various NGO intermediary organizations that combine financial, technical assistance, training and other services needed by the SEBs. Sustainability will be addressed on two levels: on the policy level, in the form of permanent improvements in the legal, fiscal, regulatory and financial environment within which Egypt's private sector must operate; and on the operational level, in the form of break-even, or cost coverage, which should occur during the life of the activities supported. Other USAID-financed activities will facilitate the reduction of the systemic and structural obstacles to SEB growth -- e.g, the improved economic policy framework program and private market institutional, eco-tourism and civil society efforts.

**Host Country and Other Donors:** SEB initiatives are being funded and implemented by a wide range of donors, including CIDA, DANIDA, UNICEF, the Ford Foundation and the Egyptian Social Fund for Development. These donors have provided an estimated \$250 million for SEB development activities that cover a broad range of program sizes and approaches. As a principal donor in Egypt, USAID is

in an important leadership position with NGOs and other donors to help shape the direction of SEB growth in Egypt. USAID is coordinating closely with other donors to achieve expanded outreach and increased services to SEBs. The Government of Egypt is contributing approximately \$25 million for capitalization of the loan fund, staff and operating expenses for the activities.

**Beneficiaries:** The ultimate beneficiaries are a broad range of low-income people who earn their living through self employment and business ownership. These small entrepreneurs include street vendors selling food and consumer goods, small service providers, and owners of workshops. By 2001, the program will reach 200,000 small and emerging businesses. The intermediate beneficiaries are the NGOs that benefit from USAID-provided technical assistance in order to provide sustainable SEB services. These organizations include formal financial institutions, business associations, community development associations, foundations, and PVOs.

**Principal Contractors, Grantees or Agencies:** National Cooperative Business Association, Agricultural Cooperative Development International and Environmental Quality International.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Number of participating NGO units reaching break-even	27 (1995)	45 (1997)
Number of NGO units established	28 (1995)	65 (1997)
Number of SEBs assisted	55,500 (1995)	80,000 (1997)
Volume of SEB credit (\$millions)	46 (1995)	66 (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** EGYPT

**TITLE AND NUMBER:** Accelerated Private Sector-led, Export-oriented Economic Growth, 263-S001  
(1.e. Accelerated Adoption of Agricultural Technologies)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$14,000,000 ESF

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

**Purpose:** To improve technologies developed and adopted for the production, processing, and marketing of selected agricultural commodities, leading to increased production, productivity and income.

**Background:** Agricultural production, marketing and processing in Egypt accounts for approximately 40% of Egypt's Gross Domestic Product, nearly 50% of employment and 22% of total commodity exports. If Egypt is to succeed in increasing the value of agricultural production, research must be applied to both domestic and export markets and increased emphasis must be placed on commodities of economic importance. Because expanded agricultural output will have to be obtained almost entirely from more intensive cultivation in areas already under production, continuous advances in agricultural technology will be required, and these technologies must be environmentally sustainable to safeguard the resource base. This effort builds on USAID's National Agricultural Research Project which ended September 1995 and other predecessor agricultural research projects under which a broad agricultural technology development and transfer foundation was established, as well as the Agriculture Technology Utilization and Transfer Project started in FY 1995.

**USAID Role and Achievements to Date:** USAID has provided about \$300 million to support Egyptian agricultural research since program inception. Today the capacity and capability of public sector research is solid as a result of that long-term support. Through research, Egypt has developed a comparative advantage in the production of cereal and food crops and has made important gains in yields. Total wheat production more than doubled from 1986 to 1992 as a result of a 38% increase in yields as well as an increase in acreage devoted to that crop. Rice production increased from 5,830 kilograms per hectare (kg/ha) in 1988 to 7,710 kg/ha in 1993, the highest rate of growth in the world for that period. These remarkable annual yield increases can only be sustained through a continuation of agricultural research support in basic crops.

**Description:** Research capacity is no longer a major issue in Egypt but the government's ability to maintain high levels of broad-based research is. As a first step in creating a more sustainable research agenda, USAID will limit its support for broad-based agricultural research to four staple food crops (wheat, rice, maize, and fababeans) whose production must increase to meet the demands of the growing population. This research is essential to keep ahead of serious pests, to create adaptations to poor growing conditions such as saline soils and to reduce farmers' previous uneconomical dependence on subsidized agricultural inputs. In addition, USAID will also support research focused on select horticultural export crops which require rapid adoption of technologies designed to enhance production and improve post-harvest handling, packing and processing. For example, at present, horticultural crops occupy only 16% of agricultural land while accounting for some 40% of value added. As horticultural exports are destined for an increasingly competitive European market, there must be a corresponding emphasis on market quality rather than on the highest possible yield per hectare, the traditional emphasis. In addition, a greater emphasis on the active participation of customers (producers and exporters) in setting the research and technology transfer agenda is planned. Greater public/private sector collaboration is seen as a key to greater results in the sector.

**Host Country and Other Donors:** The agricultural research and extension personnel of the Ministry of Agriculture and faculty from the agricultural universities will play a critical role in the development, implementation and overall success of these activities. The Government of Egypt (GOE) will contribute

an equivalent of \$4.6 million for cash support (e.g., air fare tickets for participants) and in-kind contributions including facilities, commodities and staff salaries. Key donors include the Germans, Dutch (especially in horticulture) and Great Britain. The World Bank is the largest other contributor to Egypt's irrigation development.

**Beneficiaries:** Egypt's 4 million small farm households, with 7-8 people per household, and all poor food consumers whether they are in rural or urban areas are USAID's target beneficiaries or ultimate customers for the agricultural sector. A broad-based effect is expected since approximately 70% of Egyptian farmers grow wheat, 65% cultivate maize, 34% produce vegetables and 40% grow fruits. Large and medium-sized farmers and agri-businesses may be the first to benefit because they are often more able to adapt or change in response to new technologies. New technologies will ultimately enhance the viability of the sector to the benefit of nearly all private sector participants.

**Principal Contractors, Grantees, or Agencies:** To be determined.

**Major Results Indicators:**

Production yield per hectare for targeted crops: wheat, maize, and rice:

	<u>Baseline</u>	<u>Target</u>
Wheat	1989 = 4.9 Metric Tons/Hectare	5.8 MT/H (1997)
Maize	1989 = 5.4 Metric Tons/Hectare	6.6 MT/H (1997)
Rice	1989 = 6.5 Metric Tons/Hectare	8.1 MT/H (1997)

10% average increase in value-added of fresh fruits and vegetables due to new technologies introduced over the period 1996-2001. Baseline TBD.

5% average increase in the volume of select horticulture exports due to new inputs over the period 1996-2001. Baseline TBD.

## ACTIVITY DATA SHEET

**PROGRAM:** EGYPT

**TITLE AND NUMBER:** Accelerated Private Sector-led, Export-oriented Economic Growth, 263-S001  
(1.f. Improved Agricultural Policies)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$75,000,000 ESF

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

**Purpose:** To remove remaining policy barriers to private enterprise in agriculture, thereby creating a liberal, competitive marketing system and stimulating sustainable agricultural growth.

**Background:** In the early 1990s, disappointing growth in agricultural production constrained the overall economy, which grew at about 2.5%. The slow pace of growth in agricultural output and the much slower growth of net value added in agriculture also contributed to Egypt's gradually rising unemployment problem. By 1995, agricultural output was growing at 2.7%. To spur overall economic growth and employment, agriculture must grow much more rapidly to exceed Egypt's 2.2% population growth rate by at least two percentage points. While the Government of Egypt (GOE) is committed to policy reform, greater growth requires, inter alia, difficult deregulation and privatization decisions which in a scarcity economy will occur only erratically and with less efficiency without external support. USAID's program builds on the policy component of the Agricultural Production and Credit Project launched in FY 1986 which ends this year and the continuing Agricultural Policy Reform Program launched in FY 1995 and the project assistance which accompanies it.

**USAID Role and Achievements to Date:** USAID has provided about \$1.26 billion to support Egyptian agriculture since the inception of the program, of which about 20% has been directed towards improving the policy environment. Some significant changes have occurred since 1986 when USAID support for agricultural reforms began: markets and prices for 13 major crops, including cotton, rice, wheat, and maize, have been liberalized; input subsidies and government marketing monopolies have been almost eliminated for most farm inputs; and exchange rates are now determined by market forces.

**Description:** Government control in the agricultural sector is still pervasive. Sugarcane production remains completely dominated by the government. Virtually all textile spinning capacity remains under government control. The GOE manufactures 100% of domestically-produced fertilizer and owns 50% of wheat and rice milling capacity. Overall, the policy climate is still inimical to private investment. USAID-supported agricultural reforms will focus on five categories: pricing, marketing and trade; private investment and privatization; efficiency of public investment and sustainable agriculture; and water policies, as well as food security concerns. USAID plans to disburse cash transfers funds of \$50 million annually upon the GOE achievement of agreed-to reforms. Technical assistance will be provided to study, develop, and monitor the impact of policy reforms. In addition, research grants will be provided for special topics, e.g., food security.

**Host Country and Other Donors:** The GOE will contribute the local currency equivalent of each cash transfer, depositing it in a special account for joint programming with USAID for general budget support, general sector support, specific sector support for projects and activities, or Trust Fund expenses. The GOE will also provide staff, commodity and facility support for developing and coordinating reform actions. USAID's agricultural sector reform program, along with the Sector Policy Reform Program focusing on the broader economic policy framework, complement the efforts of the IMF and the World Bank, both of which have helped restore macroeconomic balance and reduce inflation to provide a stable basis for resumed growth. Key donor activities in agriculture include those supported by the World Bank (irrigation, technology transfer and agricultural credit); Great Britain (privatization); Germany (credit, liberalization of the seed sector, small farm machinery); Italy (dam

reconstruction); and Japan (retrofitting irrigation pumps, small farm machinery), and the European Union (privatization, irrigation management).

**Beneficiaries:** Egypt's four million small farm households, with 7-8 people per household, and all poor food consumers whether they are in rural or urban areas, are USAID's target beneficiaries or ultimate customers for the agricultural sector. Large and medium-sized farms and agri-businesses may be the first to benefit because they are often more able to adapt or change in response to modified policies. However, reforms will ultimately enhance sector viability for the benefit of most private sector participants.

**Principal Contractors, Grantees, or Agencies:** To be determined.

**Major Results Indicators:**

Relative share of the private sector in the marketing of agricultural production inputs: fertilizer and machinery:

	<u>Baseline</u>	<u>Target</u>
Fertilizer	1990 = 0%	100% (1997)
Machinery	1987 = 20%	95% (1997)

Relative share of private sector firms' involvement in the commercial processing and marketing of selected principal agricultural products: cotton, rice and wheat:

Cotton-ginning	1992 = 0%	50% (1997)
Cotton-spinning	1992 = 0%	30% (1997)
Cotton-weaving	1992 = 50%	80% (1997)
Rice-milling	1987 = 54%	95% (1997)
Wheat-milling	1990 = 30%	90% (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** EGYPT

**TITLE AND NUMBER:** Accelerated Private Sector-led, Export-oriented Economic Growth, 263-S001  
(1.g. Increased Capacity, Improved Efficiency and Enhanced Sustainability of Power Services)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$50,000,000 ESF

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

**Purpose:** To accelerate and enhance the transformation of the Egyptian Electricity Authority (EEA) into an autonomous electric utility capable of operating on a commercially sound, self-sustaining basis.

**Background:** To accelerate economic growth in Egypt, adequate, reliable and efficient electric power services must be available to the private sector. Without adequate and efficient power, the private sector will be reluctant to make major investments to generate needed jobs and spur economic growth. Power generation capacity has increased substantially over the last 20 years but as the economy expands, even greater expansion and better system reliability are needed to meet demand effectively. Improved cost recovery of existing facilities is important to ensure future operational sustainability. Further, the Government of Egypt (GOE) will need to look increasingly to the private sector to develop and operate power plants. Ongoing projects included in this program are Alexandria Electric Network Modernization, Power Sector Support and Power Sector Support II:

**USAID Role and Achievements to Date:** Since 1975, USAID and the GOE have jointly funded and implemented a total of 24 major activities in the electric power sector totaling more than \$1.6 billion in project and commodity assistance. This assistance has supported the construction and upgrading of generation and transmission facilities, distribution networks, and control centers. USAID assistance has contributed to the installation of nearly 3,000 megawatts (MWs) of new generating capacity currently in operation, the installation of an additional 1,200 MWs to be placed in operation over the next two years, and the rehabilitation of an additional 2,700 MWs of Egypt's generating capacity. These improvements in physical plant and equipment have been supplemented with training of technical and managerial staff as well as assistance in expanding and modernizing the managerial capacity of EEA. These efforts have led to a substantial efficiency improvements in the operation of the electrical power supply. The system has grown from a disconnected, unreliable operation to a modern, well-connected system with central control operated by a competent work force. Overall, USAID funds have contributed to the development of this vital sector of the Egyptian economy, enabling it to close the gap between demand and supply.

**Description:** This program includes two categories of outputs -- namely, policy/institutional reforms and infrastructure development. USAID encourages reform by conditioning disbursement of funds upon GOE implementation of policy and institutional reforms. Although program funds are disbursed primarily for engineering services, equipment and construction for expanding capacity, policy implementation and EEA management improvements are primary outcomes. USAID supports reforms to improve EEA's financial viability, increase autonomy, establish regulatory reform and improve planning and efficiency across the sector. EEA receives technical assistance and training support to help implement many of the agreed-to policy reforms. Once the reforms are met, USAID supports equipment and construction services to finance discrete, stand alone infrastructure development activities.

**Host Country and Other Donors:** The GOE has been financing local currency costs associated with this program or approximately 25% of the USAID annual funding. The formulation and implementation of a power sector reform program has been a central topic of the policy reform agendas of the IMF and

the World Bank. The African Development Bank (AFDB) and the European Investment Bank have also linked financing to policy reform of the sector. IBRD, AFDB and other multilateral donors have provided financing valued at \$1.1 billion in the past. The Arab Fund for Economic and Social Development and a number of bilateral donors have provided a total of approximately \$1 billion for power sector development, but without conditioning major policy reform. Though a number of donors are involved in the sector, USAID remains the key donor.

**Beneficiaries:** The benefits and the beneficiaries of this activity are many. A reliable, more efficient, and sustainable power sector means increased quality of life, security, health services, and education for all Egyptians. Provision of a reliable source of electrical power will enhance the possibility of increased private investment leading to increased economic growth. Growth will provide additional jobs and increased prosperity. Further, the activity is providing substantive environmental (air quality) benefits by encouraging the shift in fuel use from heavy oil to natural gas and increasing efficiency in power generation and transmission. The activities address policy and institutional constraints that negatively impact on economic growth, thereby benefitting Egyptian society as a whole.

**Principal Contractors, Grantees, or Agencies:** General Electric, Westinghouse Electric, International Resource Group, and Babcock and Wilcox.

**Major Results Indicators:**

	<u>Baseline</u>		<u>Target</u>	
Electricity rates as a % of long-run marginal cost	73%	(1993)	100%	(1997)
Electrical energy losses	14.5%	(1993)	13.2%	(1997)
System capacity (MW)	12,046	(1993)	14,308	(1997)
Fuel consumption (grams/KWH)	229	(1993)	223	(1997)
Accounts receivable (days)	221	(1995)	75	(1997)
Self financing ratio	15%	(1993)	30	(1997)
Debt service ratio	1.0	(1993)	1.5	(1997)

## ACTIVITY DATA SHEET

**PROGRAM:** EGYPT

**TITLE AND NUMBER:** Accelerated Private Sector-led, Export-oriented Economic Growth, 263-S001  
(1.h. Increased Access, Improved Efficiency and Enhanced Sustainability of Telecommunication Services)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: No funding until FY 1998

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To accelerate the evolution of the Arab Republic of Egypt National Telecommunication Organization (ARENTO) to an autonomous telecommunications utility capable of self-financing necessary expansion, thereby improving the efficiency, access and scope of telecommunications services in Egypt.

Background: Increased economic activity by the private sector in Egypt requires a reliable, updated and expanded telecommunications system. The demand for telecommunication services outstrips the supply. The country's current investments to improve and expand telecommunication services is not sufficient to meet demand. ARENTO was organized in 1980 under a law that provided for autonomous operation. Portions of the law have been implemented, leading to substantial improvement in ARENTO's management structure and financial condition. To operate more effectively, ARENTO must be privatized or, at a minimum, operate as an autonomous commercial public utility. It must be allowed to maintain control over daily costs, adjust tariffs for services, improve cash flow, retain operating surpluses, and acquire private investment for network expansion and modernization to meet the increasing demand for services in a sustainable way. Ongoing projects incorporated in this program include Telecommunications IV and Telecommunications Sector Support.

USAID Role and Achievements to Date: Since 1978, USAID and the Government of Egypt (GOE) have jointly implemented a substantial program in the telecommunications sector, valued at approximately \$405 million to date. The earlier implemented activities financed primarily necessary improvements and expansion of the system. Current USAID-financed activities are installing state-of-the-art digital switching systems to serve new exchanges, expanding existing exchanges, replacing obsolete exchanges, rehabilitating and expanding associated outside plant cable networks, and training operations and maintenance staff.

Description: The program targets two broad areas: (1) policy and institutional reforms and (2) infrastructure development. Studies and assessments undertaken in the program have helped define the specific reforms required. These reforms include, inter alia, the modernization of ARENTO's operating procedures and management policies (as they relate to autonomy of operation), retention of net income, employee retention, and staff development. Other reforms include pricing strategies to insure an adequate return on ARENTO's investment and adequate cash generation to provide appropriate levels of maintenance. ARENTO receives technical assistance from the USAID program to implement some of the policy reforms agreed-to under the program. The achievement of the policy and institutional reforms are critical for future sustainability of the telecommunications sector. Future investments in infrastructure will finance system expansion, replacement of inefficient equipment, and training for improvements in financial and administrative management of ARENTO. The disbursement of USAID funds for infrastructure investment in the sector is based on the GOE's achievement of these agreed-to policy and institutional reforms.

Host Country and Other Donors: GOE contributions for the improvement and expansion of the telecommunication system approximate \$33 million. In addition to GOE and USAID resources (\$323

million), ARENTO has received nearly \$1 billion in financial assistance from several other donors over the past ten years for the procurement of switching systems, outside plants facilities, transmission equipment, etc. Much of this financial assistance has been in the form of soft loans and/or supplier credits by other countries (e.g. France, Germany, Austria, Japan, Italy and Greece) which produce telecommunication equipment. Their assistance is generally provided without policy conditionality and can be considered as a commercial transaction. Other donor efforts complement USAID assistance by providing needed infrastructure in other geographic areas.

**Beneficiaries:** The major benefits of the telecommunications improvements and expansion are received by the individuals and firms who use the telecommunications system for work or convenience in their daily lives (at least 10 million people have access to telecommunication services). Indirectly the entire population benefits over time by the expanded growth of the economy and increased employment in the private sector which a modern well-run telecommunications sector supports. The activity will also directly benefit ARENTO and its employees.

**Principal Contractors, Grantees, or Agencies:** ARENTO, General Telephone and Electrical, AT&T, and Booz, Allen and Hamilton.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Cairo telephone density (lines per 100 people)	10.2 (1992)	14.4 (1997)
Alexandria telephone density (lines per 100)	10.7 (1992)	15.0 (1997)
Telephone lines installed	2,022,597 (1992)	4,390,000 (1997)
Percent of telephone exchanges served by preventive maintenance program	100% (1995)	100% (1997)
Faults/100 lines/year	45.8 (1993)	23.7 (1997)
Days to install new services	60 (1994)	40 (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** EGYPT

**TITLE AND NUMBER:** Female Education, 263-S002

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$10,000,000 ESF

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

**Purpose:** To increase female participation in quality basic education in targeted areas of Egypt, where the gender gap in enrollment is greater than 60 girls per 100 boys.

**Background:** Investments in basic education will reap returns not only in a more skilled and productive labor force prepared to compete in the 21st century, but in improved health and nutritional status, reduced population growth rates, and enhanced skills for participation in the democratic process. Most development experts agree that investments in female education have the highest return of all educational dollars spent, whether females receiving that education eventually work in or outside the home. No developing nation has graduated to sustainable economic growth without educating its women, while universal primary education is a prerequisite to national economic take-off. With female illiteracy at 66% and with an estimated 1.6 million of its girls at the basic education age range out of school, the Government of Egypt (GOE) has declared female education to be one of its highest investment priorities.

**USAID Role and Achievements to Date:** This program begins in FY 1996. A previous project in this area, Basic Education, financed the construction of almost 2,000 schools, which enroll 900,000 students per year (360,00 of whom are girls), and provided extensive technical assistance to the Ministry of Education.

**Description:** USAID has defined three objectives which include the necessary conditions for increasing female participation in basic education: an appropriate supply of facilities, curriculum and teaching methodologies; an increased demand (awareness of the import and appreciation of its quality) for female educational services; and a broader policy environment supporting quality, flexibility and other incentives to female attendance. USAID will assist grassroots community organizations in targeted areas to mobilize local communities in the design and realization of the most appropriate solutions to local constraints to female education.

An umbrella activity will be designed to offer a range of interventions to communities for use in their local strategies. Included will be such tools as: multi-channel or distance learning systems (e.g. interactive radio instruction) or gender-sensitive learning materials to supplement and enhance school curricula; training for teachers and other personnel in interactive, child-centered teaching methods; technical assistance for the design and organization of skills-based literacy programs and other appropriate training for young women; life skills activities and other supplementary educational enhancement programs for females to be provided through local schools; mass media campaigns to highlight the advantages of female education; scholarships designed to test the impact of financial constraints; and technical assistance to the Ministry of Education for appropriate and relevant policy reforms.

**Host Country and Other Donors:** The GOE will contribute a minimum of 20% of total activity costs in cash and in kind. The current five year plan of the MOE (1992-97) increased the share of total government expenditures on education from about 10% to about 14.5%, and allocates \$2.06 billion annually for education, of which approximately \$760 million is for basic education.

Donor coordination in education is very strong, with donors meeting monthly to discuss programs and priorities. The World Bank and the European Community are currently negotiating with the GOE over a joint loan of \$200 million for teacher training, educational technology and increasing access to primary schools. After these two, USAID will be the largest donor in basic education. The World Bank, the German Bank for Reconstruction and Development (KfW) and the multi-donor Social Fund are currently financing school construction. UNICEF and Canada (CIDA) are collaborating on an innovative and promising community school project.

**Beneficiaries:** The direct beneficiaries will be girls in targeted (high risk) communities between the ages of 6 and 13 who are currently out-of-school or at risk of dropping-out. Additional beneficiaries will be the other primary school students in the targeted areas. The community-based activities should reach about 16% of all children out of primary school nationally. Other additional beneficiaries will be illiterate young women and mothers in these communities between the ages of 14 and 35.

**Principal Contractors, Grantees or Agencies:** To be determined.

<u>Major Results Indicators:</u>	<u>Baseline</u>	<u>Target (1999)</u>
Increased female primary school enrollment in targeted areas	TBD	5% over base
Reduced primary school enrollment gender gap in targeted areas	TBD	2% below base

Baselines are being collected for the targeted areas in 1996. The first results are expected in 1999 and will be a 5% increase in female primary school enrollment and a 2% reduction in the primary school enrollment gender gap from the baselines.

## ACTIVITY DATA SHEET

**PROGRAM:** EGYPT

**TITLE AND NUMBER:** Increased Use of Information Services by the Legislature in Decision Making, 263-S003

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,283,000 ESF

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

**Purpose:** To enhance the quality and impact of the legislative, advisory and oversight functions carried out by the legislature by providing relevant and reliable information services and expanding the use of information.

**Background:** Among the critical factors impeding the effectiveness of Egypt's legislative branch is the inadequacy of available information. This limits members and staff ability to comment productively on government bills, analyze the budget and propose legislation. This program consists of the final four years of the six-year Decision Support Services project.

**USAID Role and Achievement to Date:** USAID's support includes increasing the legislative staff's capabilities to conduct in-depth analyses and provide briefing resources, increasing members demand for information, and improving legislative administration. Over the past year, 144 legislative staffers participated in workshops and observational study tours conducted by the Library of Congress' Congressional Research Service on the role of parliamentary information services in decision making and the methodology of objective, non-partisan research and analysis. Specific measures of impact are being developed.

**Description:** USAID activities will improve the technical capacity and institutional development of the legislature. Through technical assistance and training, three activities are being implemented: developing a demand for and understanding of the use of information in the legislative process; developing services to adequately meet the information needs of the members; and increasing the efficiency and effectiveness of the institution so it contributes to a stronger, more sustained legislature. Local universities and training centers will be the main training resources, which will ensure their availability over the long term. Also, in-house trainers will be created within the legislature.

**Host Country and Other Donors:** USAID is the major donor currently working with the legislature. In the late 1980s, the GOE conducted a series of studies to assess the legislature's information needs, resulting in a comprehensive plan to establish a legislative information system and modernize the legislative procedures. The UNDP subsequently assisted the legislature to set up a computer center. UNICEF is providing consultation workshops on gender issues to parliamentarians. The GOE contributes approximately \$450,000 in airfares for training participants.

**Beneficiaries:** USAID-supported programs directly benefit about 356 members of the two legislative assemblies and 650 staffers.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities through Associates for Rural Development, a U.S. firm. The Congressional Research Service provided first year training before the contractor's arrival.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Legislative actions indicate more information is used in the decision-making process.	TBD	TBD

## ACTIVITY DATA SHEET

**PROGRAM:** EGYPT

**TITLE AND NUMBER:** Increased Civil Society Organization (CSO) Participation in Public Decision Making, 263-SO04

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$25,000,000 ESF

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To increase civil society participation in the formal decision making process by increasing the effectiveness of CSOs and reducing restrictions on civil society organizations.

Background: CSOs are not playing a dynamic role in the public decision-making arena in Egypt. Restrictive government regulations limit the freedom of association of professional and special interest non-profit groups. Also, the effectiveness of CSOs is limited by their lack of vision and organizational skills. This effort includes the PVO Development project.

USAID Role and Achievement to Date: While the pace of democratic changes has been gradual, promising signs exist for forward movement. Over the past two years, local civil society organizations have grown and become increasingly vocal in their challenges to the Egyptian Government's restrictions on their activities. The ability of CSOs to identify their problems and voice them in the public arena is an important focus of USAID assistance. Specific measurements of progress are being developed.

Description: Currently, USAID support focuses on increasing the effectiveness of selected CSOs through training and technical assistance to develop leadership, planning, management and team building skills. In addition, U.S. PVOs are provided grants for implementation of development activities in collaboration with partner Egyptian PVOs. The program will be expanded to include: improving the capacity of Egyptian nongovernmental organizations (NGO) to network between one another and with government agencies at the local, regional and central levels; supporting a fund to provide operational support and possibly to provide small loans to Egyptian NGOs on a matching basis for economic development and to grant seed money for feasibility studies and technical assistance; setting up a training fund and mechanisms to survey Egyptian NGO training needs and establish an appropriate organization to provide training and continued research and development in this field; and training NGOs in communication skills to allow them to express opinions effectively in the public arena. USAID will also initiate a policy dialogue with the Egyptian Government to increase local participation in the rural development process and to encourage policy reforms that prevent or deter the formation and function of independent CSOs.

Host Country and Other Donors: USAID is the lead donor in the field of CSO participation. Multilateral donors include UNICEF, UNFPA, the European Commission and the Arab Council for Childhood Development. An Egyptian/Swiss Development Fund supports employment generation and environmental and social services projects. The World Bank will become a major supporter in one governorate of decentralized participation. Other donors working in rural participation activities include UNDP, WHO, Denmark and Switzerland. The GOE has budgeted approximately \$40 million since 1994 in rural participation and development activities and is committed to substantially increase this amount over the next five years.

Beneficiaries: USAID-supported programs will reach several million villagers who will increase their participation in the democratic and developmental process. Also, local NGOs representing millions of citizens will receive training in effective management skills will benefit from improved operation.

Principal Contractors, Grantees, or Agencies: USAID implements activities through the National Council of Negro Women, a U.S. PVO.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Percent of CSOs whose members perceive that their CSO participated more in public decision making.	TBD	TBD
Increase in number of documented CSO attempts to influence public decision-making.	TBD	TBD

## ACTIVITY DATA SHEET

**PROGRAM:** EGYPT

**TITLE AND NUMBER:** Improved Civil Legal System, 263-SO05

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$5,000,000 ESF

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

**Purpose:** To improve the operation and performance of Egyptian civil courts as well as the quality of judicial and legal services with respect to commercial and other aspects of modern law in order for the legal system to serve the emerging private sector more effectively.

**Background:** The judicial system is unable to be fully supportive of the growing private sector because delivery of justice is slow and judicial personnel are not fully briefed on new laws and regulations affecting the private sector. These constraints negatively impact on the newer and smaller Egyptian private investors and the foreign trade and investment community who cannot trust that contracts entered into will be enforced or that justice will be delivered in a timely fashion. This program includes the five-year Administration of Justice project.

**USAID Role and Achievement to Date:** USAID's support for the justice sector launched in FY 1996 will improve the efficiency of two pilot court systems, improve judges' knowledge of Egyptian civil law and undertake other judicial strengthening programs. These newly initiated activities to improve the legal system are expected to serve the emerging private sector as they are implemented and expanded.

**Description:** USAID focuses on two activity areas: 1) automation of streamlined court procedures along with the requisite training; and, 2) transfer of knowledge on legal trends in the fields of Egyptian commercial and contracting law for judges. To ensure sustainability, a permanent small staff of trainers will be created at the National Center for Judicial Studies. Professors at the center will be drawn from practicing judges to assure full knowledge of procedures and practices. Training will be provided in teaching methodology to the rotating staff of judges.

**Host Country and Other Donors:** USAID is the major donor currently working with the judiciary. The World Bank has conducted a thorough assessment of the commercial judicial system in Egypt. The Konrad Adenauer Foundation (German) has conducted a series of seminars on international arbitration and international contract drafting. The GOE contributes approximately \$250,000 in training, technical assistance and commodities.

**Beneficiaries:** USAID-supported programs will reach private firms and individuals who use the pilot civil courts located in Cairo and one to be selected in a provincial capital. Eventually, citizens, businesses and nongovernmental organizations throughout Egypt using the services of better trained judges will benefit.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities through a U.S. PVO and USIA.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Model courts accepted by the Ministry of Justice for replication.	0	0 (1997)
Increased percentage of rulings that accurately follow Egyptian civil law.	TBD	TBD (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** EGYPT

**TITLE AND NUMBER:** Reduced Fertility, 263-S006

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$10,000,000 ESF

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

**Purpose:** To reduce Egypt's total fertility rate from 3.9 in 1992 to 2.92 in 2004 and to support the Government of Egypt's goal of reaching replacement fertility by the year 2015.

**Background:** Despite encouraging signs that the pace of growth of the Egyptian population is slowing, the level is still high. Population growth continues to surpass economic growth and have important negative consequences for maternal and child health. While there is consensus among the highest level political and religious leaders that current population growth rates are unsustainable, the Egyptian Government does not yet have the resources needed to implement its family planning strategy at the required levels. Egypt is one of 15 USAID-assisted countries through which USAID expects to have a measurable impact on stabilizing global population. The on-going Population/Family Planning III Project is subsumed under this strategic objective.

**USAID Role and Achievements to Date:** USAID has been assisting the Government of Egypt (GOE) in the family planning sector since 1975. Total fertility rates have declined from 5.3 births per woman in the late 1970s to 3.9 births per woman in 1990-92, and contraceptive prevalence (the percentage of married women of reproductive age currently using contraception) reached 47% in 1992 from approximately 24% in 1980. Institutional capacity for management and service provision in both the public and not-for-profit sectors has grown significantly through USAID assistance, establishing the foundation for the program's sustainability. Current USAID activities are successfully meeting, and in some cases exceeding, projections for increased couple years' protection (CYPs), an indicator of increased demand.

**Description:** On-going population/family planning activities directed at increasing the level and effectiveness of contraceptive use among married couples are expected to raise contraceptive prevalence to 53% by 1997. Work is concentrated in eight areas: further strengthening management capacity and quality of care in Ministry of Health family planning clinics; building the planning, monitoring and research capacities of the National Population Council, the central policy-formulating institution; enhancing the quality of clinical training offered by two key institutions; expanding the very effective information, education and communication (IEC) campaign led by the Ministry of Information; assisting family planning organizations to become more self-sufficient; and enhancing the quality and acceptability of private sector services.

The next stage of the program will build on accomplishments to date, but give greater emphasis to increasing the use of family planning services and strengthening the sustainability of family planning systems. To increase use, an enhanced supply of high quality services and contraceptive commodities must be ensured. In addition, new demand must be created, particularly in areas of high unmet need. The program will continue to strengthen implementing agencies' institutional capacity for cost-recovery and revenue generation; efficiencies in service provision; and reducing dependence on donor subsidies. It will do so through human resource development, improved management systems and by building strategic planning systems. Finally, the program will support an enabling policy environment to reduce restrictive regulations and increase budget allocations for the family planning sector.

**Host Country and Other Donors:** The GOE contributes approximately 24% of the total project cost for the current Population/Family Planning III project in cash and in-kind, including salaries and benefits, travel and other costs for participant training, and air time on television and radio.

USAID is the lead donor in family planning. Among other donors, UNFPA has also been an important supporter of the Egyptian program, followed by the International Planned Parenthood Federation (IPPF) and the Japanese. The European Union and the Dutch and German governments provide limited assistance. The donors meet regularly in a working group on population and effectively coordinate their activities.

**Beneficiaries:** At the macro level, the entire Egyptian population will benefit from a rate of population growth more commensurate with national development goals and from increased choice in planning their families. More specifically, however, the strategy targets Egyptian married women of reproductive age (15-49) to receive more accessible and high-quality care. The program gives maximum priority to areas of greatest need in Upper Egypt, thus reaching women at most risk from high fertility. Intermediate beneficiaries are the family planning managers and workers in USAID-assisted organizations whose employment options and practices are improved.

**Principal Contractors, Grantees or Agencies:** Currently one contractor, Pathfinder International, provides a range of technical and management assistance to GOE implementing agencies involved in USAID's population/family planning activities in support of GOE national fertility goals.

<b><u>Major Results Indicators:</u></b>	<b><u>Baseline</u></b>	<b><u>Target</u></b>
Reduced total fertility rate	3.9	3.51 (1997)
Reduced crude birth rate (proxy)	29.2	26.0 (1997)
Increased contraceptive prevalence	47	52.9 (1997)
Decreased extended use failure rate	10%	6% (2004)

## ACTIVITY DATA SHEET

**PROGRAM:** Egypt

**TITLE AND NUMBER:** Sustainable Improvements in the Health of Women and Children, 263-S007

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$37,500,000 ESF

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

**Purpose:** To improve the quality and availability of child and reproductive health services as well as to ensure the sustainability of improved systems through cost recovery and policy reform.

**Background:** Although infant and child mortality have declined rapidly in the past years, deaths among young children remain unacceptably high for a country with good access to care and a moderate amount of spending on health (4.7% of GNP). Within Egypt there is great variation in health indicators: infant and under five mortality rates are about twice as high in Upper Egypt (105.8 and 146.7, respectively) as in urban governorates (55 and 68, respectively), and are more than three times higher among mothers with no education. The maternal mortality ratio (MMR, women dying of causes related to pregnancy and childbirth per 100,000 births) is also unnecessarily high at 174 per 100,000 births given the access to medical care. This, too, varies greatly within Egypt: the MMR is 217 for Upper Egypt, and within that region, the MMR is 544 in the governorate of Assiut and 386 in Qena. USAID is targeting more resources to these high risk areas of Upper Egypt in an attempt to narrow the gap in regional disparities and improve the health status of the poorest Egyptians. This program includes the on-going Child Survival Project, the Healthy Mother/Healthy Child Project, the Cost Recovery for Health Project, the Schistosomiasis Research Project, along with a Hepatitis C Research Activity and a new Health Policy Support Program being added in FY 1996.

**USAID Role and Achievements to Date:** Since 1983, the focus of USAID's support has been to reduce mortality and illness of infants and children principally through three key interventions: oral rehydration therapy, an expanded program of immunizations (EPI), and the acute respiratory control program. The infant mortality rate has been reduced 43% between 1980 and 1990 and the child mortality rate has declined 55 % in the same period. A goal to eradicate polio by 1996 has been set. Reported confirmed cases of polio dropped from 584 cases in 1992 to 60 in 1995. Similarly, elimination of neonatal tetanus has been targeted for 1996. Reported cases of tetanus among newborns dropped from 1,823 in 1992 to 851 in 1995. A national study was carried out to document the causes of maternal mortality and determine avoidable factors which could guide reproductive care program improvements. At the same time as services are improved and extended for mothers and their children, efforts to improve the sustainability of the systems are underway. Intensive dialogue between the Ministry of Health and Population and the donors resulted in the GOE's paying for all routine vaccines for the EPI. Experiments in financing of services in pilot cost recovery facilities are being done in a way that will improve the quality of care people receive and the efficiency of the facilities offering care. The management information system of the Health Insurance Organization, which covers 30% of the population with health insurance, has been partially automated and is providing data with which to improve management of this strategically important organization. New tools and approaches are being developed under the schistosomiasis research program; these have been effectively used to reduce the prevalence of schistosomiasis from 40% to 10% in rural areas of Egypt.

**Description:** Sustainable improvements in the health of women and children in Egypt are being realized through the achievement of four interrelated objectives: increased knowledge and improved health behavior in households, improved quality and utilization of care provided to women, infants, and children; new tools and approaches to combat selected endemic and emerging diseases; and improved environment to plan, manage and finance sustained health systems.

The Healthy Mother/Healthy Child activities are targeted to high risk areas of Upper Egypt. This program is developing a basic package of essential reproductive care and child health services to be

available in all public and private facilities in selected districts. Non-governmental organizations (NGOs), including US PVOs, are increasingly involved in community health promotion efforts. Mothers, as the primary providers of health for themselves and their families, are the focus of efforts to increase knowledge and improve health behavior in vulnerable households. Strengthening the curricula in medical and nursing schools as well as practical pre-service training are also important interventions supported by USAID to improve the quality of the basic package of essential reproductive health and child care services.

Testing is underway on several candidates for a vaccine to prevent schistosomiasis, the most significant cause of long term morbidity and curative care expenditures in Egypt. USAID is also supporting urgently needed efforts to determine the causes of transmission of Hepatitis C which is emerging as the greatest public health threat in the country. An assessment of the HIV/AIDS situation in Egypt will guide work with national organizations to keep the prevalence of this disease low throughout Egypt.

Improving the country environment to plan, manage and finance sustainable health systems is a critical element of our program. USAID/Cairo shares the worldwide experience that child survival gains cannot be sustained without a national policy environment that puts a priority on resources for these programs. The Cost Recovery for Health Program and the Health Policy Support initiative are working to enhance the capacity to plan, manage, finance and monitor health services. A broad-based dialogue on health policy is developing which involves public and private sector representatives working to resolve health sector problems. USAID is assisting the intensive efforts underway within the Health Insurance Organization to restructure and reengineer the agency.

Host Country and Other Donors: GOE contribution to these activities approximates \$119.2 million, including cash, salaries and operational expenses. Fourteen other donors are supporting health activities in Egypt, together averaging \$22 million annually. UNICEF is the most active donor in the sector after USAID. USAID has recently awarded an \$8 million grant to UNICEF to work with us in high risk areas of Upper Egypt to reduce child and maternal mortality.

Beneficiaries: Egyptian women of child-bearing age and children under five are the primary focus of our activities. In addition, doctors and nurses and health sector managers are the recipients of improved and extended short term training as well as some long term public health and administration training designed to increase national capacity to manage public health programs. USAID is promoting the use of indigenous NGOs in health activities and works with US PVOs to strengthen NGO capacity.

Principal Contractors, Grantees, or Agencies: USAID is implementing the program through a number of U.S. firms and universities. Clark Atlanta University, (an Historically Black College and University), the University Research Corporation, Maximus, and Medical Services Corporation International are the primary U.S. contractors currently working on health programs. USAID is also about to award an umbrella grant to a U.S. PVO to promote more NGO activity in the health sector.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Under five mortality rate	130.1 (1985)	71 (1996)
Maternal mortality ratio	174 (1992)	130 (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** EGYPT

**TITLE AND NUMBER:** Increased Access to and Sustainability of Water and Wastewater Services, 263-S008

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$53,217,000 ESF

**INITIAL OBLIGATION:** FY1996; **ESTIMATED COMPLETION DATE:** FY2001.

**Purpose:** To increase access to improved and sustainable potable water and wastewater services in selected urban areas.

**Background:** A doubling of Egypt's population over the past 30 years and the influx of people from the rural areas to the cities have put a severe strain on Egypt's ailing urban infrastructure, especially water and wastewater facilities. Outmoded and poorly maintained, the inadequate number of operational wastewater facilities poses a significant health hazard. Lack of capital to invest in the rehabilitation and expansion of the systems, as well as inadequate institutional capabilities to plan, construct, operate, and maintain them further, exacerbate the problem. This program includes work in Alexandria, Cairo, Suez, Ismailia, Port Said, Minya, Beni Suef, and the Fayoum.

**USAID Role and Achievements to Date:** In 1975, USAID began to address the urgent issue of raw sewage in the streets of Cairo, Alexandria and the canal cities of Ismailia, Suez and Port Said, and later in the provincial cities of Minya, Fayoum, and Beni Suef. Given the poor condition of the water and wastewater systems, rehabilitation preceded expansion. Over the past several years, several of the completed activities have impacted 4 million customers: 700,000 residents in the poor Cairo areas of Pyramids and Embaba who received sewer hook-ups; more than 500,000 residents of Suez who were connected to the new wastewater treatment plant funded by USAID; and more than 3 million people now have improved potable water service from reservoirs built in the heart of urban Cairo.

**Description:** USAID assistance in the water and wastewater sector is focused on urban centers of production and commercial growth where water and wastewater problems are the most critical and where the maximum number of people can benefit from the interventions. Basic institutional reforms are now required as prerequisites to new infrastructure developments to ensure sustainability of these public utilities. The institutional reforms and USAID assistance to the water and wastewater utilities are designed to ensure financial viability and institutional autonomy. Once conditionality has been met in the structure and fees of the utility organizations, USAID provides funds for additional infrastructure construction. Assistance will continue in Alexandria, Cairo, Suez, Ismailia, Port Said, Minya, Beni Suef, and the Fayoum and will begin in cities like Mansoura, Nuweiba, Sharm el Sheikh, Luxor and a group of cities in the Aswan Governorate.

**Host Country and Other Donors:** The Egyptian Government is heavily involved as a major partner in the large urban areas of Alexandria and Cairo and is contributing approximately \$514 these activities. While USAID is by far the major donor in the sector, there are other foreign donors, including Denmark in the Aswan Governorate and Britain and Italy on Cairo's east bank. Cooperation with other donors is excellent; examples include a joint British-American consortium of construction companies working on both sides of the Nile as part of the greater Cairo Wastewater Project and a close working relationship with the Danes in the Aswan Governorate.

**Beneficiaries:** Beneficiaries include some 22 million Egyptians, or one out of every three individuals in the country. Among the beneficiaries, the health impact has been noteworthy, especially among the children.

**Principal Contractors, Grantees, or Agencies:** USAID is currently implementing its water and wastewater program through 13 major U.S. firms, such as ABB SUSA, Inc.; Black & Veatch Int'l.;

Camp Dresser & McKee; CH2M-Hill; Harbert Jones Construction; Harza Engineering Co.; Metcalf & Eddy Int'l.; Morrison-Knudsen Co.; and Stanley Consultants. In addition, these U.S. firms have subcontracts with numerous private-sector Egyptian firms which have strengthened domestic design and construction capabilities in the sector.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Estimated population connected to improved sewerage systems (in millions of people)	0 (1992)	1 .6 (1997)
Estimated population connected to improved sewerage collection and treatment (in millions of people)	2.4 (1992)	8.0 (1997)
Estimated population with access to improved water supply (in millions of people)	0 ( 1992)	4.4 (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** EGYPT

**TITLE AND NUMBER:** Reduced Generation of Air Pollution, 263-S009

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$20,000,000 ESF

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

**Purpose:** To achieve a sustainable reduction in the generation of air pollution (including total suspended particulates, carbon monoxide, nitrogen oxide, sulfur oxide, and hydrocarbons) through the demonstration of successful pilot activities and new technology applications. Technologically and economically viable demonstrations lead to replication, thereby laying the foundation for sustainability.

**Background:** In Egypt, poorly managed urbanization and weakly regulated industrial growth have resulted in enormous generation of pollution which poses serious human health and environmental risks. For air pollution, many factors contribute to this continued deterioration: excessive and inefficient use of energy in industry; ineffective standards for industry, commerce and transportation; and a lack of a sustainable institutional framework to reduce the rate of environmental deterioration. If not effectively managed, serious environmental degradation will constrain Egypt's long-term economic development. This program includes two projects: the final two years of the ten-year Energy Conservation and Environment Project (ECEP) and the recently initiated Cairo Air Improvement Project (CAIP).

**USAID Role and Achievements to Date:** Collaborating with the Government of Egypt (GOE), USAID has conceived and implemented activities related to air pollution reduction since 1988. Thus far, USAID assistance has helped improve the conservation and efficient use of energy and encouraged the widespread application of pollution prevention applications. Achievements include: (1) the installation of dozens of energy efficiency technology demonstrations which amount to \$14 million in annual energy savings, (2) the aversion of accumulated air pollution emissions amounting to 7,800 metric tons of carbon monoxide and 25,000 metric tons of sulfur oxide, and (3) the installation of low cost/no cost gas analyzers for monitoring boilers and furnaces demonstrating \$26 million in fuel cost savings.

CAIP is in initial stages of implementation, with results expected in future years.

**Description:** ECEP finances primarily energy conservation and pollution prevention activities. It funds technical assistance, the installation of low cost/no cost applications and energy efficiency technology/practices, and training through numerous subactivities. CAIP represents the first donor assisted effort that directly addresses air pollution. Results are structured to have immediate and longer term impacts through the demonstration of technologically and economically viable environmental solutions.

For CAIP, illustrative activities to reduce particulate air emissions include: the introduction of compressed natural gas (CNG) fuel technology on approximately 100 public sector buses, lead and cement plant control technology installation, vehicle tune-up and inspection programs, air quality monitoring/analysis, public awareness campaigns, and policy dialogue which supports increasing the use of unleaded gas. Illustrative activities to reduce carbon monoxide, sulfur oxide, nitrogen oxide, and hydrocarbon air emissions include: the establishment of a Cairo-wide vehicle emissions testing system, vehicle tune-up and inspection programs, public awareness campaigns, air quality monitoring and analysis, and a broad range of pollution prevention technology demonstrations.

An appropriate lead smelter action plan will also be developed and implemented. This plan will identify the supporting institutional, policy, regulatory and financial framework necessary to support long term sustainability for lead smelter reduction. If CNG becomes a demonstrably viable substitute, then its use and replication will become self sustaining. Establishment of a vehicle emissions testing system for Cairo will ultimately lead to a decentralized network of private sector testing and tune-up stations

across Cairo. Public awareness campaigns will reinforce public knowledge and go a long way in ensuring public participation in the achievement of results. Installation of pollution prevention technologies is already being replicated by the public and private sectors and has demonstrated significant fuel and energy savings.

Host Country and Other Donors: Within the donor community, USAID is the largest donor that focuses on the reduction of air pollution. USAID gives very high priority to coordinating its environmental program with those of other donors. Quarterly meetings are held with the Environmental Donor Subcommittee to discuss current and planned activities, common approaches to perceived environmental problems, and coordination with the Egyptian Environmental Affairs Agency. The environmental coordinating subgroup includes: Denmark, Canada, EU, France, Germany, Japan, UNDP, World Bank, and ODA. USAID is currently assisting the World Bank with the design of its Environmental Pollution Abatement Project, coordinating with the EU's new energy demand side management program, and consulting closely with ODA, DANIDA and CIDA on pollution prevention and air quality monitoring. A major USAID-funded activity will develop an air quality monitoring system to complement the system initiated by DANIDA. The GOE is contributing \$12.7 million in cash, salaries, operational expenses and facilities for these activities.

Beneficiaries: The health of all 14 million inhabitants of Cairo will continuously benefit from the cleaner air resulting from activities funded under this strategic objective. The public and private sectors of Egypt as a whole stand to gain long term economic, social, and health benefits from the reduced generation of air pollution.

Principal Contractors, Grantees, or Agencies: USAID presently implements activities with these US contractors: Hagler-Bailly and Overseas Bechtel, Inc.

<u>Major Results Indicators</u>	<u>Baseline</u>	<u>Target</u>
No. of pollution prevention technologies replicated	0 (1993)	36 (1997)
Accumulated pollution reduction in: ( metric tons)		
Sulfur Oxide	0	21,435 (1997)
Nitrogen Oxide	0	4,010 (1997)
Carbon Monoxide	0	21,585 (1997)

## INDIA

FY 1997 Development Assistance . . . . . \$ 56,970,000  
FY 1997 P.L. 480 Title II . . . . . \$ 96,075,000

### Introduction

With nearly one billion people and a large diversified economy, India is the world's largest democracy and a growing economic and political power in Asia. Recent reforms to open the economy have greatly improved prospects for reducing the country's massive poverty and have thereby increased India's importance to U.S. economic interests. The United States is India's largest trade and investment partner. Annual trade between the two countries is valued at over \$8 billion, and U.S. direct investment in India is rapidly rising. Continued economic progress is contingent upon further improvements in the human resource base. In this context, India continues to face profound challenges in providing sufficient food, jobs, medical services, schools and infrastructure for its growing population. How India continues to develop and the nature of these social and economic trends have implications of real importance to the United States and to the world. India's concentration of poverty in urban areas has significant impact in the development and spread of communicable diseases; its population is expected to surpass China's early in the next century; its industrial base--the 10th largest in the world--is a major contributor to greenhouse gases; its remarkable biological diversity is threatened by the needs of its expanding population. The USAID program, which concentrates on population stabilization, environmental protection and economic growth, strengthens American ties with India, the most important nation in South Asia.

### The Development Challenge

As India enters a turbulent election year, there are reassuring signs that the world's largest democracy has reached consensus on the need for economic liberalization. Reforms initiated in 1991 to open the economy, liberalize the market and provide a greater role for the private sector have begun to achieve results. Trade and foreign investment are up, inflation is in check, and during the past year, economic output grew by more than 6% nationwide. India's extensive natural resources, well developed industrial base, diversified agriculture sector, and burgeoning middle class--now more than 100 million--offer the potential for rapid and broad-based economic growth that can rival its east Asian neighbors. Such growth would provide the prospect of alleviating India's chronic and massive poverty.

To complete the successful transition to a strong market economy and sustained economic growth poses real challenges. Years of socialist, inward-looking policies have left a legacy of crippling bureaucracy, distorted markets, and limited entrepreneurship and innovation. Dramatic population growth--India's population has more than doubled in the last 40 years--has burdened urban infrastructure and threatened natural resources. The result is the world's greatest concentration of poor people, a per capita income of \$300, and over 400 million people--nearly half the world's extremely poor--living below the poverty line.

USAID is working to help India with these challenges through its programs supporting economic reform, health and family planning, food security, environmental protection and economic growth. The potential for significant impact of limited, but well-targeted assistance has been demonstrated. USAID programs helped launch a new capital market and are demonstrating new approaches to financing urban infrastructure; they have shown that by meeting the expressed needs of married couples, India can make major inroads into reducing population growth; they have demonstrated that joint-ventures with U.S. firms can commercialize new energy-efficient and pollution-reducing technologies to India; and they have proven that food aid, if programmed carefully, can contribute importantly to improving nutrition. While progress is being made, India is not an early candidate for rapid graduation from

USAID development assistance. India's convertible currency external debt as of September 1994 was \$90.5 million. India maintains a strong record of servicing its debt.

### **Other Donors**

In 1995, the United States provided about 2.5% of the \$6 billion in donor assistance to India. Major donors are: the World Bank, the International Monetary Fund, the United Nations agencies, the Asian Development Bank, Japan, Germany and the United Kingdom. The United States, while not a major donor, is now India's largest trade and investment partner. Annual trade between the two countries is valued at \$8.2 billion.

### **FY 1997 Program**

USAID's program addresses pressing global problems of population growth, environmental degradation, loss of biodiversity, and the HIV/AIDS pandemic, while supporting reforms important for sustained economic growth, trade and investment opportunities. USAID targets its assistance at four Agency goals and two special objectives:

- Accelerated broad-based economic growth through financial sector reforms and increased mobilization of capital;
- Stabilized population growth by reducing fertility in north India, specifically increasing contraceptive use in Uttar Pradesh, increasing child survival and empowering women;
- Enhanced food security through increased child survival and improved nutrition;
- Environmental protection by increasing energy conservation and productivity, reducing pollution and protecting biodiversity;
- Reduced transmission of HIV/AIDS; and
- Improved investment climate for private agribusiness in horticulture.

### **Agency Goal: Encouraging Broad-based Economic Growth**

With limited funding for economic growth, USAID's strategy targets activities that have broad impact through policy reform or by support to areas with significant multiplier effects. For example, USAID helped the private housing finance sector grow from one single institution to a network of 78 companies with over 250 branches managing more than \$2 billion in credit. Since USAID helped launch India's over-the-counter exchange in 1993, the exchange has raised more than \$50 million for more than 40 small enterprises.

The current capital market assistance program is working with the Securities and Exchange Board of India (SEBI) to increase the transparency and administrative efficiency necessary to attract domestic and foreign capital. Last year, the market raised more than \$14 billion in new capital, including significant sums from foreign--including U.S.--investors. USAID is supporting continued growth of the market by providing assistance on both policy and regulatory reform and the introduction of new technologies required to assure protection to investors. For example, USAID's Bombay-based contractor, Price Waterhouse, assists SEBI in the development of (1) disclosure standards for the issuers of equity and debt; (2) market surveillance, inspection and enforcement plans that meet international standards; and (3) regulations for an efficient securities trade settlement system.

Inadequate urban infrastructure, such as water supply, sewage and waste treatment systems, is a significant impediment to sustained growth in India. It is now clear that the resources required to meet

the demand for these urban services cannot come from the public sector. USAID, therefore, is supporting the development of a debt market to finance such environmental infrastructure projects in India. The program provides \$125 million in loan guarantees (Housing Guaranty funds), as well as technical assistance and training, to generate commercially viable, urban infrastructure projects. USAID has already developed the first project under the program in Tamil Nadu by employing \$25 million in loan guarantees to leverage the first \$85 million phase of an important water and municipal sewage project.

USAID's housing finance program promotes the development of a financially sound, private sector, housing finance system. The objective is to expand long-term home finance for median-income and below-the-median-income households. USAID has supported private housing finance in India since 1979 and has assisted in the rapid expansion of registered housing finance companies. Building on past successes, this program, which draws on \$100 million in USAID loan guarantees, provides capital through the National Housing Bank for new housing finance companies. The expanded policy agenda includes increasing the financial resources available to the housing sector, expanding the number of market-oriented housing finance institutions, and expanding the supply of housing finance to poor income households.

- Strategic Objective 1: Increased Mobilization of Capital Through Financial Sector Reforms

**Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

With nearly a billion people, India has one-sixth of the world's population. At current rates of growth, its population will reach 1.6 billion and surpass China by the middle part of the next century. This growth has obvious implications for health and nutrition, growth in per capita income, demand for education and public services, employment, and the environment.

Nevertheless, some gains have been made. Fertility rates have dropped by almost half in the past 30 years, and some southern states like Tamil Nadu and Kerala have reached the point of zero growth. If north India were able to achieve replacement levels similar to those in the south, India would have 480 million fewer people by the time it reaches population stabilization at the national level around 2088.

The USAID program focuses on Uttar Pradesh, India's most populous state. The program aims to increase the quality of, demand for, and access to a broad range of reproductive health and family planning services and to address related fertility parameters including the status of women.

Since 1994, the program has established an autonomous agency to coordinate implementation of USAID's largest family planning project. The agency has held workshops for all senior district officials and family planning managers in Uttar Pradesh; financed training by the Indian Medical Association of 7,000 doctors in family planning counselling and the use of oral contraceptives; developed training curricula and programs for nurse midwives, private practitioners and traditional doctors; and provided USAID project-funded grants to 30 nongovernmental organizations (NGOs) involved in providing a range of health and family planning services, increasing coverage of an additional five million people. During the next three years, it will train 12,000 village doctors, upgrade hundreds of primary health care centers, and support a major social marketing of contraceptives, educating villagers on birth spacing and increasing access to services through private providers.

As part of the effort, USAID financed the national family health survey, India's most complete analysis to date of family health, covering 24 states and based on interviews with nearly 90,000 women. It supported analysis, publicity and distribution of the valuable base-line data on demographic, health and nutrition status, fertility and family planning practices, and is the key to measuring the results of USAID's efforts.

USAID continued support to local NGOs providing maternal and child health services and contributed to one of the largest polio eradication drives in the world, immunizing more than 90% of India's 75 million children under three in 1995.

- **Strategic Objective 2: Reduced Fertility in North India**

**Agency Goal: Enhancing Food Security**

With eight successive good monsoons, India's foodgrain production has increased markedly, but massive poverty, inadequate infrastructure and policy failures at both state and federal levels mean more than half of India's young children are malnourished and maternal malnutrition is widespread. One-third of India's population, or 300 million persons, is food insecure. Long-term food security is challenged by India's rapid population growth--18 million people every year--and the real likelihood of a failed monsoon.

USAID's strategy is to focus its food aid increasingly in the northern states where the need is greatest. The P.L. 480 Title II program, managed by the Cooperative for Assistance and Relief Everywhere (CARE) and the Catholic Relief Services (CRS), supports efforts to improve maternal and child nutrition and health, thereby reducing mortality rates, influencing fertility, and complementing our efforts in population and health. In 1995, both organizations moved more of their resources to the north. CARE closed operations in three southern states to concentrate more in the north; CRS closed operations in Tamil Nadu and Kerala and is initiating a program in Uttar Pradesh.

Both CARE and CRS work through local organizations to reach some seven million children and pregnant and lactating mothers. CARE supports the Government of India's (GOI's) Integrated Child Development Services, the largest child survival program in the world. Responding to a USAID-funded impact evaluation, CARE last year developed an integrated nutrition and health program to strengthen ancillary nutrition and health services in coordination with P.L. 480 Title II food supplements in more than 92,000 of India's villages. CRS works through organizations affiliated with people such as Mother Teresa and the Dalai Lama to reach some of India's most destitute. Included among the programs successes are the following:

- o CARE has developed an impressive logistical base, allowing the program to move large quantities of food to a widely dispersed beneficiary population.
- o CARE and CRS outreach systems provide access to the most remote geographical areas and to some of the most vulnerable people, including tribes and castes.
- o CARE and CRS programs support established women's groups and provide a point of entry for widespread dissemination of family planning, health, and nutrition information.

- **Strategic Objective 3: Increased Child Survival and Improved Nutrition in Selected Areas**

**Agency Goal: Protecting the Environment**

The combination of accelerated economic development and rapid population growth could precipitate an ecological crisis that reverses India's hard won economic gains and increases negative impacts on the global environment. Already the second fastest growing producer of greenhouse gases in the world, India could triple its emissions between 1987 and 2010 if there is no change in current practices. Carbon dioxide emissions are expected to double during the same period, and chloro-fluorocarbon (CFC) emissions, which cause ozone depletion, are growing rapidly. USAID's environmental protection activities address these environmental concerns.

India's demand for power, expected to double in the next five years, poses a significant threat to the global environment. Power plants fueled with high ash coal are a major source of pollution in India. USAID's environmental energy program is increasing the percentage of power generated by clean technologies to decrease the volume of CO<sub>2</sub> emissions per unit of power generated. USAID promotes the development of innovative clean coal and renewable energy technologies. For example, USAID has lent funds to a U.S.-India joint venture to manufacture a variety of air pollution control equipment to reduce emissions from steel, cement and thermal power plants. This joint venture has already installed equipment valued at \$18 million and has orders for an additional \$18 million. It is typical of a rapidly expanding pollution-control industry, growing largely as a result of joint ventures with foreign firms, many of which are U.S.

A principal criterion for USAID's pollution prevention activities is their potential to serve as a catalyst to leverage expansion and follow-on activities supported by other donors such as the World Bank and Asian Development Bank. USAID worked with the World Bank on its \$250 million industrial pollution control project. It is also coordinating with the Asian Development Bank on environmental projects, including one designed to develop environmentally sound coal technology. Because of the considerable amount of donor activity on the environment, USAID maintains an active dialogue with other donors in this area.

In addition to promoting increased private investment in clean power generation, the USAID program also targets technical assistance on policies, regulations and technologies that can dramatically reduce the amount of air pollution per unit of power generated. USAID-financed technical assistance to state electricity boards and the GOI facilitates the evaluation and processing of the numerous pending private power investment proposals which will result in more efficient and environmentally sustainable plants. USAID has been particularly successful in leveraging government contributions, as demonstrated by Indian investments which are additional to the USAID program of more than \$4 million in air and water pollution control equipment. A total of 25 consortium projects have been funded for technology development in areas such as coal beneficiation. Multilateral development banks are preparing more than \$1 billion in new energy efficiency and environmental programs which are in various stages of preparation.

India's rapidly growing cities pose crucial environmental challenges: poorly managed urbanization, weak local governments, and the near absence of functioning urban infrastructure contribute to deplorable conditions affecting growing numbers of families. This situation leads to environmental degradation downstream from cities that lack suitable facilities to treat, recycle or dispose of municipal solid waste and sewage. USAID helps India address this urgent issue by strengthening the management capability of state and local governments, community groups and NGOs with environment workbooks and risk assessments that create an accessible information base to prioritize investments by supporting the implementation of legislation to give women a greater role in decision making and control of resources; and by helping India's debt market meet the long-term requirements of new and upgraded environmental infrastructure.

At the same time, USAID is working to preserve India's biodiversity. India is one of the foremost sources of the world's biodiversity and the origin of at least 20 important crop species, including rice, citrus (lemon and orange), banana, cucumber and millet. Loss of genetic diversity threatens many of these crops; deforestation and water pollution also threaten animal and plant diversity. USAID is constructing and equipping one of the world's largest national genebanks to protect germplasm, to preserve India's biodiversity, and to increase global access to important plant species. More than 175,000 germplasm accessions have been identified, collected, and stored for long-term preservation and future access. These plants are now safe from extinction and are being used to develop new and improved food, fodder and medicinal crops.

- Strategic Objective 4: Improved Environmental and Financial Sustainability in the Electric Energy Sector
- Strategic Objective 5: Improved Air and Water Quality at Selected Industrial Sites and Municipalities
- Strategic Objective 6: Increased Conservation and Availability of Crop-Related Germplasm

**Special Objective 1: Reduced Transmission of HIV Infection**

USAID's HIV/AIDS prevention and control program, located in the southern Indian state of Tamil Nadu, responds to concerns about both health and economic growth. India has been cited as one of the world's most vulnerable growth points for HIV/AIDS. The number of Indians estimated to be HIV positive--1.5 million today--could grow to five million by the end of the decade. The cost to India, both in demand on its already overtaxed health system and in loss of productive workers, could be staggering. USAID is supporting nongovernmental organizations operating programs known to have impact on the spread of AIDS: condom use, treatment for sexually transmitted diseases, and changed behavior. In the last year, USAID has financed the establishment of a new unit in a well-respected Indian NGO to manage grants to organizations working with high-risk groups, their spouses, children and communities. The unit has recruited, hired and trained staff, briefed government counterparts and local NGOs, established criteria, and made its first grants.

**Special Objective 2: Increased Investment in Agri-business by Private Firms**

USAID's Agricultural Commercialization and Enterprise (ACE) program helps improve the investment environment for private agri-business in horticulture. The project is designed to enhance the skills of its partner, a national development bank, to better serve profitable agri-business development and expansion. The ACE program also nurtures Indo-U.S. agri-business linkages by integrating agriculture with industry. The ACE program finances innovative demonstration projects, providing technical and financial assistance to private companies, business associations and trade and investment tours. The program has already proven effective in increasing rural employment, in providing new employment for women (management and labor), in transferring technology for modern farm inputs, in promoting regulatory reform and in fostering U.S. exports of goods and services. For example, the ACE program helped launch India's first high-quality grape operation. The affected program region now has 15 grape pre-cooling (U.S. equipment) and packing firms as a direct result of the original intervention. The growth of India's grape industry also has spawned a revolution in food packaging, refrigeration, transport and new, improved customs procedures.

**INDIA**  
**FY 1997 PROGRAM SUMMARY**  
(\$000)

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Providing Humanitar- ian Assist.	Total
<b>USAID Strategic Objectives/ Special Objectives</b>						
<b>1. Increased Mobilization of Capital through Financial Sector Reforms Dev. Assistance</b>	\$5,870					\$5,870
<b>2. Reduced Fertility in North India Dev. Assistance</b>		\$19,450				\$19,450
<b>3. Increased Child Survival and Improved Nutrition in Selected Areas Dev. Assistance P.L. 480 Title II</b>		\$11,650			\$96,075	\$11,650 \$96,075
<b>4. Improved Environmental and Financial Sustainability in the Electric Energy Sector Dev. Assistance</b>			\$5,250			\$5,250
<b>5. Improved Air and Quality at Selected Industrial Sites and Municipalities Dev. Assistance</b>			\$9,300			\$9,300
<b>6. Increased Conservation and Availability of Crop- related Germplasm Dev. Assistance</b>			\$0			\$0
<b>1. Reduced Transmission of HIV Infection Dev. Assistance</b>		\$1,500				\$1,500
<b>2. Increased Investment in Agri- business by Private Firms Dev. Assistance</b>	\$3,950					\$3,950
<b>Total Dev. Assistance P.L. 480 Title II</b>	\$9,820	\$32,600	\$14,550	\$0	\$0 \$96,075	\$56,970 \$96,075

USAID Mission Director: Linda E. Morse

## ACTIVITY DATA SHEET

**PROGRAM:** INDIA

**TITLE AND NUMBER:** Increased Mobilization of Capital through Financial Sector Reforms, 386-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$5,870,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1998

Purpose: To increase mobilization of capital through financial sector reforms.

Background: India is struggling to raise the capital it needs for sustained economic growth, for new infrastructure and expanded social services to a rapidly increasing population. Tax resources and other government revenues are inadequate. India's fledgling capital market offers great potential for mobilizing resources, foreign and domestic, for new and expanding businesses and for infrastructure investment in water, power and sewage. The extent to which it succeeds will depend, in large part, on its ability to develop more efficient administration, greater transparency and protection for investors. USAID's program offers technical assistance to improve securities market regulations, enforcement and oversight while modernizing the securities trading systems. It also supports the development of a debt market and innovative private-public financing arrangements to fund environmental infrastructure projects such as water supply, sewerage and waste treatment systems. In addition, it promotes expansion of a housing finance system in order to reach lower income families.

USAID Role and Achievements to Date: USAID's economic growth strategy targets activities that have broad impact through policy reform or by support to areas with significant multiplier effects. For example, since USAID helped launch India's over-the-counter exchange in 1993, the exchange has raised more than \$50 million for more than 40 small enterprises, creating many permanent jobs in the process. USAID support also has helped the private housing finance sector grow from one single institution to a network of 78 companies with over 250 branches managing more than \$2 billion in credit.

Description: USAID supports growth of the private capital market by helping on both policy and regulatory reform and by introducing new technologies required to protect investors. Last year this market raised more than \$14 billion in new capital, including significant sums from foreign--including U.S.--investors. USAID is working with the Securities and Exchange Board of India (SEBI) to increase the transparency and administrative efficiency of its equity and bond markets.

USAID supports the development of a debt market to finance environmental infrastructure projects in India to meet the demand for urban services that cannot come from the public sector. The program provides \$125 million in loan guarantees (Housing Guaranty funds), as well as technical assistance and training, to generate commercially viable, urban infrastructure projects. The first project under the program--an initial \$80 million portion of a water and municipal sewage system in the state of Tamil Nadu--has recently been developed.

USAID has supported private housing finance in India since 1979, has assisted in the rapid expansion of registered housing finance companies, and has supported the development of partnerships with community-based financial institutions which provide credit to upgrade homes. The housing finance program promotes the development of a financially sound, private sector, housing finance system. The objective is to expand long-term home finance for median-income and below-the-median-income households. This program, which draws on \$100 million in USAID loan guarantees, provides capital through the National Housing Bank (NHB) for new housing finance companies.

Host Country and Other Donors: Asian Development Bank (ADB) has provided a \$250 million loan for development of India's capital markets through policy reforms. This and other multilateral bank loans directly support USAID efforts. The host country contributes well above the total amount of assistance provided by USAID.

**Beneficiaries:** Beneficiaries include new employees of start-up and expanding companies which create jobs as a result of increased availability of debt and equity capital; Indian and foreign institutional investors (including U.S. investors) who benefit from access to an efficient and transparent capital market; and low-income urban dwellers, including many women, who benefit from improvements in urban sewage and water supply.

**Principal Contractors, Grantees, or Agencies:** USAID implements this strategic objective through two U.S. contractors and U.S. and local nongovernmental organizations.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Increased amount of new capital (equity and debt) raised through the securities markets (Rs. billion)	244 (1993/94) <sup>1</sup>	700 (1998/99)
Increased foreign indirect institutional (portfolio) investment (\$ billion)	1.6 (1993/94) <sup>1</sup>	5 (1998/99)
Increased amount of private capital used to finance commercially urban environmental infrastructure (Rs. billion)	0 (1994) <sup>2</sup>	3.75 (1998)

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<sup>1</sup> Source: Securities & Exchange Board of India discussion paper

<sup>2</sup> Source: Regional Housing & Urban Development Office  
National Institute of Urban Affairs  
Infrastructure Leasing and Financial Services  
Housing & Urban Development Corporation

## ACTIVITY DATA SHEET

**PROGRAM:** INDIA

**TITLE AND NUMBER:** Reduced Fertility in North India, 386-S002

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$19,450,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2002

**Purpose:** To reduce current high level of fertility and improve women's reproductive health by increasing access to, quality of, and demand for a broad range of reproductive health and family planning services and to address related fertility parameters, including the status of women, in India's most populous state, Uttar Pradesh.

**Background:** The northern Indian, Hindi-speaking states have the country's highest fertility and maternal and child mortality. National and state family planning programs have not provided adequate access to information and quality services to address these problems. The fertility and mortality rates in these states are high, in part, because of inadequate health care services, poorly trained and skilled health providers, and women's low social status (literacy below 30%). This strategic objective includes activities under the Innovations in Family Planning Services Program in Uttar Pradesh, the PACT/CCRH activity which develops new technologies and approaches in the private commercial sector, the PVOH II activity which strengthens nongovernmental organizations' (NGO) capacity to provide maternal and child health and family planning services. New activities (EXPAND, WIN, Girls Education Initiatives) currently under design will further complement this strategic objective.

**USAID Role and Achievements to Date:** USAID has played an active role in health and family planning activities, and has made clear contributions to the substantial drop in fertility and child mortality. However, because India has only made limited use of new technologies and service approaches, progress in recent years has been considerably slower than in many other countries. USAID is now playing a major role in introducing new service approaches and technologies, to improve quality of services and increase access. In 1994 and 1995, USAID's program in Uttar Pradesh successfully established and staffed an autonomous agency to implement USAID's largest family planning activity. It has successfully established support for improving Government services and has brought in the participation of a wide range of nongovernmental agencies to complement and strengthen the overall family planning and reproductive health program. To increase access to quality services, USAID has supported training of district health officials and family planning providers throughout the state; introduced new training methodologies to make the training programs more competency-based and client-oriented; financed training of almost 7,000 private doctors in family planning counselling and contraceptive use; trained midwives and other village-level private practitioners and traditional doctors; and provided more than 30 NGOs with a range of health and family planning services, increasing service coverage by almost five million people over the past two years. To greatly expand information and provide distribution of contraceptives and information, a pilot social marketing activity has begun.

At the same time, USAID financed a national family health survey, one of the largest of its kind in the world, which provided extremely valuable data and analysis on key demographic and health, fertility and family planning practices and is a key to measuring the result of USAID efforts.

**Description:** USAID's strategic focus supports broadened access to quality family planning and reproductive health services through the public sector; engagement and funding of the non-government sector, i.e., private voluntary organizations (PVOs), cooperatives, and employers groups in the provision of community-based family planning and reproductive health services; use of commercial networks to promote, market and sell contraceptive products through commercial outlets, and support for a range of government and non-government efforts to improve the role and status of women. The IFPS Project, working in the state of Uttar Pradesh, will focus efforts in 15 priority districts over the next two years, serving 30 million people. Reaching out through the vast government infrastructure,

government doctors and paramedical staff will be trained in contraceptive technology, screening for reproductive tract infections, infection prevention, counseling, client follow-up, and supervision and management of services. In the private sector, successful efforts will be scaled up through the provision of an additional 40 to 50 PVO grants serving a population of up to 10 million people either directly or through referral to the government clinics for services. Contraceptive Social Marketing will promote awareness, sales and use of oral contraceptives and condoms resulting in sales of 1.4 million cycles of oral contraceptives and 40 million condoms. This three-pronged approach through the public, private, and commercial sectors will be supported by a statewide communications campaign, and will lay the foundation for phasing into more districts throughout the state. Another effort (the Commercial Contraceptives and Reproductive Health component of the PACT project) will support private sector production, distribution and marketing of reproductive health products with a sales volume increasing by 15% annually.

**Host Country and Other Donors:** The World Bank, United Nations Population Fund (UNFPA), United Nations Children's Fund (UNICEF), and British Overseas Development Administration (ODA) provide complementary donor support in reproductive health, safe motherhood and child survival. These efforts are primarily channeled through the existing government program. Thus, USAID's support to the private sector is a unique contribution in the Indian context. The GOI contributes substantial resources through its personnel and infrastructure that exists throughout India to provide health and family welfare services to the general public and serves an important need in reaching the large numbers of extremely poor clients that are unable to purchase health services from the private sector.

**Beneficiaries:** The direct beneficiaries of this strategic objective are the women of child-bearing age (age 15-49) of Uttar Pradesh, totaling approximately 30 million women. Secondary beneficiaries are the children under age five, in particular, female children whose survival will be enhanced by the activities in this program.

**Principal Contractors, Grantees, or Agencies:** The major grantees are the State Innovations in Family Planning Services Project Agency (SIFPSA) and the Industrial Credit and Investment Corporation of India Limited (ICICI). USAID supported cooperating agencies include: JHPIEGO, PCS, CEDPA, AVSC, the Population Council, INTRAH, POLICY, SOMARC and PROFIT.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Total Fertility Rate (TFR) for Uttar Pradesh	4.8 (1992) <sup>1</sup>	3.9 (2001)
Contraceptive Use Rate for Uttar Pradesh	20 (1992) <sup>1</sup>	30 (1997)
Contraceptive Use Rate for 6 Focus Districts <sup>2</sup>	33 (1995) <sup>3</sup>	37 (1997)
Population Served by Non-government Projects (in million)	5 (1995) <sup>4</sup>	11 (1996)
Contraceptive Social Marketing (CSM) Sales		
A. Condoms (million pieces)	21.3 (1995) <sup>5</sup>	26.2 (1996)
B. Pills (,000 cycles)	233 (1995) <sup>5</sup>	753 (1996)

<sup>1</sup> Source: National Family Health Survey

<sup>2</sup> Kanpur Nagar, Sitapur, Jhansi, Gorakhpur, Tehri Garhwal and Rampur (Population: 11 million)

<sup>3</sup> Source: PERFORM Evaluation Survey

<sup>4</sup> Source: SIFPSA MIS

<sup>5</sup> Source: Operations Research Group Retail Audit

## ACTIVITY DATA SHEET

**PROGRAM:** INDIA

**TITLE AND NUMBER:** Increased Child Survival and Improved Nutrition in Selected Areas, 386-S003

**STATUS:** Continuing

**PROPOSED OBLIGATION FY 1997:** \$96,075,000 P.L. 480 Title II, \$11,650,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To reduce the high levels of infant and child mortality of poor children and women in North India through integration of P.L. 480 Title II supplementary feeding into health, nutrition, and other services.

Background: One-third of India's population of 900 million persons lacks adequate food. Over one-half of young children (73 million) are underweight, and chronic maternal malnutrition is widespread. Infant and child mortality rates are very high. Poor access to health care, high illiteracy rates and poor nutrition and health practices are causative factors for high mortality rates.

USAID Role and Achievements to Date: USAID supports Government of India (GOI) and nongovernmental organizations (NGO) efforts to improve child survival in the states where malnutrition, fertility, illiteracy and mortality rates are high. CARE and Catholic Relief Services (CRS) have increasingly focused resources in needier northern states, closing down operations in better-off southern states. P.L. 480 Title II commodities provide nutrition and serve as an entry point for provision of services in health education and nutrition. A 1994 USAID impact evaluation of the CARE program found that immunization coverage and nutrition of under-three year old children was better in CARE-assisted village centers. Over the years, USAID assistance has contributed to a steady decline in infant and child mortality from 101 in 1978-82 to 79 in 1992-93. The PVOs have developed a sustainable logistic base, allowing the program to move large quantities of food to desperately poor people in remote areas.

Description: The P.L. 480 Title II program and Private Voluntary Organization (PVO) Health II project assist efforts to improve maternal and child nutrition, thereby reducing mortality rates and enhancing the impact of USAID's population and health activities. Under another project, the National Institute of Biologicals is being constructed to expand India's capacity to ensure quality vaccines, blood products and other biologicals. Also, USAID's large family planning project in the state of Uttar Pradesh supports spacing contraception which positively impacts child survival. CARE supports India's Integrated Child Development Services program (India's Head Start Program) and reaches 6.5 million beneficiaries in 92,000 villages. In response to the impact evaluation, CARE has now developed an integrated nutrition and health program to improve performance. CRS, working through private registered social service societies, reaches 661,000 beneficiaries, including programs managed by Mother Teresa's and the Dalai Lama's organizations.

Host Country and Other Donors: GOI funds all Integrated Child Development Services personnel, infrastructure, in-country transportation (for both CARE and CRS) and storage costs for P.L. 480 Title II commodities. CARE provides technical assistance, training and logistic support. Other donors include United Nations Children's Fund (UNICEF), World Bank, SIDA, and the UN World Food Program (WFP). Japan is a co-donor with USAID for the National Institute of Biologicals.

Beneficiaries: Direct beneficiaries are the more than seven million children under six years of age and pregnant and lactating women and adolescent girls.

Principal Contractors, Grantees and Agencies: USAID implements the P.L. 480 Title II India program through CARE and CRS.

**Major Results Indicators:**

	<b><u>Baseline</u></b>	<b><u>Target</u></b>
Under-five mortality rate declines (No. of under 5 deaths per 1000 children) in selected states in north India	U.P. 141 (1992/93) <sup>1</sup> Orissa 131 M.P. 130 Bihar 128 Rajasthan 103	U.P. 113 (2000) Orissa 105 M.P. 104 Bihar 103 Rajasthan 81
Infant mortality rate declines (No. of infant deaths per 1000 live births) in selected states in north India	U.P. 100 (1992/93) <sup>1</sup> Orissa 112 M.P. 85 Bihar 89 Rajasthan 73	U.P. 85 (2000) Orissa 95 M.P. 73 Bihar 75 Rajasthan 62
Percent of children less than four years old classified as under-weight in selected states in north India (%)	U.P. 50 (1992/93) <sup>1</sup> M.P. 57 Rajasthan 42	U.P. 38 (2000) M.P. 38 Rajasthan 38

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<sup>1</sup> Source: National Family Health Survey

## ACTIVITY DATA SHEET

**PROGRAM:** INDIA

**TITLE AND NUMBER :** Improved Environmental and Financial Sustainability in the Electric Energy Sector, 386-S004

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$5,250,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2002

**Purpose:** To improve efficiency of energy supply and use in selected industrial sectors; and to increase the use and adoption of clean coal and renewable energy technologies in generation of power.

**Background:** A major factor affecting both the pace of India's economic growth and the quality of its environment will be its ability to generate and use electricity efficiently. India is unable to cope with current demand for power. The state power utilities are inefficient, often bankrupt, and unable to serve the needs of a country which already has one of the lowest rates of per capita electricity availability. Yet at current rates of economic growth, demand for electricity will more than double in the next five years, and, to the extent that it is met, it will be met by the use of India's abundant but high-ash coal with environmental implications in India and globally.

**USAID Role and Achievements to Date:** USAID's technical assistance 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 helped open the way for millions of dollars of potential U.S. investment in private power generation through improving the policy and institutional environment for private investment. Specifically, it has facilitated the evaluation and processing of more than 24 private power proposals now pending with the government. USAID-financed technical assistance efforts have led to new policies in two states affecting the possibility of cogeneration, and work in a third state has introduced the state electricity board to demand-side management. Six USAID-funded projects have commercialized technologies that reduce carbon dioxide and other emissions, and USAID assistance resulted in a \$14 million joint venture in coal washing--the first of its kind in India.

**Description:** USAID has three major activities focused on achieving increased financial and environmental sustainability in the energy sector. Working with major development banks, the Energy Management Consultation and Training (EMCAT) project uses a combination of technical assistance and training to address the critical issues affecting the Indian power sector: identifying and supporting policy reforms, reducing power transmission and distribution losses, increasing investments in energy efficiency and demand-side management, and promoting innovative financing of energy efficiency projects. The Program for Acceleration of Commercial Energy Research (PACER) works through a major development financial institute to provide conditional grants for market driven research to develop energy efficient, alternate fuel or renewable energy technologies which have potential for near-term commercial success. The Greenhouse Gas Pollution Prevention (GEP) project will reduce greenhouse gas emissions by facilitating investments and providing specialized technical assistance in advanced coal combustion technologies and bagasse and other biomass cogeneration.

**Host Country and Other Donors:** Host country contributions exceed \$1 billion through implementing agencies and industries' cost share. Multilateral development banks are preparing more than \$1 billion in new energy efficiency and environmental programs.

**Beneficiaries:** Independent power producers, national and state level utilities, private power utilities, selected high energy intensity industries, energy audit and service companies, sugar industries, agricultural biomass providers, development financial institutions and consumers -- both urban and rural -- also need access to power for everything from irrigation to lighting.

Principal Contractors, Grantees, or Agencies: U.S. companies and consultants, nongovernmental organizations (NGOs) and U.S. Government organizations such as the U.S. Department of Energy.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Private power as percentage of power generating capacity (%)	4.4 (1993/94) <sup>1</sup>	20(2001/02)
Percentage increase in kilowat hour billed to KWH produced (%)	73 (1992/93) <sup>1</sup>	77 (2002/03)
Ratio of net CO2 emissions per unit of power generated (volume of emissions/KWH)	1.24 (1993/94) <sup>2</sup> (kg/KWH)	1.05 (2004/05)

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<sup>1</sup> Source: Centre for Monitoring Indian Economy

<sup>2</sup> Source: Asian Development Bank

## ACTIVITY DATA SHEET

**PROGRAM:** INDIA

**TITLE AND NUMBER:** Improved Air and Water Quality at Selected Industrial Sites and Municipalities, 386-S005

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$9,300,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1998

**Purpose:** To improve environmental protection through competitive technologies for the industrial and energy sectors and municipalities; and to finance environmental investments through long-term debt instruments to strengthen local government's management capability.

**Background:** India, the second fastest growing producer of greenhouse gases in the world, could triple its emissions between 1987 and 2010; its carbon dioxide emissions are expected to double; and ozone-depleting emissions will grow considerably. Of India's 3,119 towns and cities, only eight have full sewage disposal and treatment and only 209 have partial facilities. Environment conditions are deteriorating rapidly within these cities, and the effects fall disproportionately upon the poor.

**USAID Role and Achievements to Date:** USAID has initiated programs to identify technology gaps or emerging market opportunities and to enable U.S. companies to supply a wider market for environmentally friendly technologies. India's current market for pollution control goods and services of around \$1.7 billion is expected to surge to \$4 billion by the turn of the century. To date, USAID has facilitated, through technical assistance and funding support, nine Indo-U.S. environmental business collaborations. For example, a 1993 Indo-U.S. joint venture between Mysore Kirloskar and SnyderGeneral, Texas with \$1.8 million in USAID project assistance has already resulted in installed air pollution control equipment valued at \$10 million to reduce gaseous and particulate emissions. Similarly, another Indo-U.S. joint venture between Agro Pulp Machinery Limited and Enders Process Equipment Corporation, Illinois was set up in 1994. With 150 agrobased paper mills in India, the potential market for this technology has been estimated at \$600 million. USAID also is fostering the evolution of India's debt market to address the enormous requirement for long-term financing for environmental infrastructure.

**Description:** USAID has three major activities focused on addressing environmental concerns. The Trade in Environmental Services and Technologies (TEST) activity provides technical assistance to foster increased Indo-U.S. business linkages and project financing to assist Indo-U.S. environmental collaborations. The Greenhouse Gas Pollution Prevention (GEP) project, provides assistance to promote efficient use of bagasse and other biomass fuels to co-generate power for reducing greenhouse gas emissions. The GEP project also promotes the use of advanced technologies in conventional fossil fuel plants to bring in efficiency improvements and encourage commercial utilization of fly ash. Part of the Financial Institutions Reform and Expansion (FIRE) project helps expand India's capacity to finance treatment and safe disposal of sewage and municipal waste through a commercially viable system.

**Host Country and Other Donors:** Indian industries receiving financial assistance through the Industrial Credit and Investment Corporation of India (ICICI) will provide the equivalent of \$10.8 million; the Industrial Development Bank of India (IDBI) will lend up to \$80 million for bagasse cogeneration investments, and the National Thermal Power Corporation (NTPC) will provide \$10 million investment in energy efficient equipment as part of the host country's contribution.

**Beneficiaries:** The beneficiaries are Indian companies, primarily in urban areas, benefiting from clean air and improved access to water and sewerage; Indian technology and service firms; industry and business associations; financial institutions, power utilities, sugar industry, municipalities, and lower-income communities.

Principal Contractors, Grantees, or Agencies: Principal U.S. partners include: Sanders International and Community Consultants Inc.; U.S. Department of Energy PETC. Principal Indian partners include: Industrial Development Bank of India, Industrial Credit and Investment Corporation of India, National Thermal Power Corporation, Housing Urban Development Corporation (HUDCO) and the Infrastructure Leasing and Financial Services (ILFS).

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Reduction in pollutants in waste water at selected industrial sites (%)	0 (1993/94) <sup>1</sup>	15 (1997/98)
Reduction in gaseous emissions and suspended particulate matter in air at selected industrial sites and power plants (%)	0 (1993/94) <sup>1</sup> * 0 (1994/95) **	95 (1997/98)* 4 (2000/01)**
Hectares of fly-ash ponds and land fills avoided due to commercial utilization of ash (hectares)	0 (1994/95) <sup>2</sup>	TBD (2002/03)

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\* Data is for TEST Project

\*\* Data is for GEP Project

<sup>1</sup> Source: Project Reports, National Environmental Engineering Research Institute, Central/State Pollution Control Boards, Industry

<sup>2</sup> Source: National Thermal Power Corporation, State Electricity Boards, Captive Power Plants

## ACTIVITY DATA SHEET

**PROGRAM:** INDIA

**TITLE AND NUMBER :** Increased Conservation and Availability of Crop-Related Germplasm, 386-S006

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$-0- DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1997

**Purpose:** To increase India's capability in conservation and availability of crop-related germplasm for national, regional and global research and exchange.

**Background:** India is one of the foremost sources of the world's biodiversity and the origin of at least 20 important crop species including rice, citrus (lemon and orange), banana, cucumber and millet. Loss of genetic diversity threatens many of these crops, which must be preserved for posterity.

**USAID Role and Achievements to Date:** USAID is supporting the construction of four quarantine greenhouses and a major genebank facility to store about 800,000 germplasm samples. USAID also supports a comprehensive joint exploration and collaborative research network with U.S. institutions; the development of a database management and exchange system; the training of scientific staff; and the development of an improved capability for in-country, regional and global training in the collection, preservation, and global exchange of germplasm.

Of the 200,000 million germplasm samples already stored, 70,000 samples have been exchanged with 78 countries, including 10,000 with the United States. Cucumber and melon samples exchanged with the United States have not only increased the U.S. national collection by 25% but have saved the multi-billion dollar melon industry from susceptibility to viral and other diseases. Similarly, through the exchange of disease resistant wildraces (sunflower and jojoba) with potential high oil content, India will soon dramatically increase its vegetable oil production. Recent exchanges of citrus (orange and sweet lime) wildraces with the United States have a potential of doubling varietal availability and flavor of oranges in the United States.

**Description:** The genebank will be the world's largest and will serve as a leading global repository of crop-related germplasm samples. Collaborative research programs have fostered institutional linkages between Indian and U.S. institutions resulting in scientific exchanges and transfer of technology such as DNA fingerprinting. Regional quarantine facilities have accelerated conservation and exchange of endangered medicinal and herbal plant species used in the multi-billion dollar global medicine and cosmetic industry.

**Host Country and Other Donors:** India is contributing more than 50% of the cost of the construction of the genebank, as well as financing the procurement of indigenous equipment and in-country training. India also funds the operation of the entire genebank storage system. Other donor assistance supplements USAID's efforts by providing, for example, equipment for the genebank.

**Beneficiaries:** Farmers, researchers and communities involved in preservation of crop germplasm samples, nationally, regionally and globally who will benefit from this program.

**Principal Contractors, Grantees, or Agencies:** USAID implements the activity through a U.S. institutional contract or Winrock International, and an inter-agency agreement with the U.S. Department of Agriculture. The host country, through the National Bureau of Plant Genetic Resources (NBPGR), implements construction of the genebank, procures indigenous equipment, conducts in-country training and coordinates the nationwide plant genetic resource system development.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Increased number of germplasm samples stored in genebanks (number of accessions)	176,000 (1993/94) <sup>1</sup>	800,000 (2004/05)

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<sup>1</sup> Source: Progress report, Newsletters, National Bureau of Plant Genetic Resources

## ACTIVITY DATA SHEET

**PROGRAM:** INDIA

**TITLE AND NUMBER:** Reduced Transmission of HIV Infection in India, 386-S007

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,500,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2002

**Purpose:** To assist the southern state of Tamil Nadu to control the spread of the human immunodeficiency virus (HIV) and the acquired immunodeficiency syndrome (AIDS).

**Background:** USAID's program in the southern state of Tamil Nadu to prevent and control HIV/AIDS responds to concerns about both health and economic growth. Recent studies have shown India is potentially one of the countries in the world most vulnerable to a dramatic increase in HIV/AIDS. The number of Indians estimated to be HIV positive--1.5 million today--could grow to five million by the end of the decade. The cost to India, both in demand on its already overtaxed health system and in loss of productive workers, could be staggering. Tamil Nadu is one of the areas of documented high HIV transmission.

**USAID Role and Achievements to Date:** USAID's seven-year, \$10 million, AIDS Prevention and Control (APAC) activity in Tamil Nadu supports the participation of nongovernmental organizations (NGOs) in AIDS prevention, capitalizing on their commitment, credibility and access to high-risk groups. In the past year, USAID has financed the establishment of a new AIDS unit at Voluntary Health Services, Madras, a well respected Indian NGO, as the implementing agency to manage sub-grants to NGOs working with high-risk groups, their spouses, children and communities. The unit has recruited and trained staff, briefed government counterparts and local NGOs, trained 50 journalists in improved HIV/AIDS reporting, established criteria and made its first grants to NGOs to provide training, counseling and education on HIV/AIDS prevention. A statewide sexually transmitted disease (STD) control strategy has been developed by the NGO implementing agency.

**Description:** USAID supports NGOs with both funds and technical assistance to design and implement community-based prevention programs which target high-risk populations, including prostitutes and their clients, and STD patients. NGOs educate target populations, promote condom use, and enhance STD services and counseling.

**Host Country and Other Donors:** The Government of India's (GOI) World Bank-funded \$100 million, seven-year, National AIDS Control Program (NACP) assists the government health system in Indian states to work on HIV/AIDS prevention. The British Overseas Development Agency is engaged in developing a country-wide intervention with truck drivers to promote behavior modification and STD treatment. The European Union is supporting NGO activities in several Indian states. Most other donors contribute funds to the GOI's NACP. After the creation of UNAIDS, UN agencies are in the process of redefining their involvement in India's NACP.

**Beneficiaries:** Though high-risk sexual activity takes place mostly between female commercial sex workers and their male clients, infection is transmitted to the female partners of clients. In addition to commercial sex workers and their clients, women and their children who are family members of clients form 50% of the beneficiaries.

**Principal Contractors, Grantees, or Agencies:** USAID's worldwide AIDSCAP Project provides technical support to Voluntary Health Services, Madras, which is the modal voluntary agency entrusted with APAC activity implementation.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Increased knowledge of at least two protective measures against HIV transmission amongst those engaging in high-risk behavior.	TBD (1995/96)*	70% increase (2001/2002)**
Increased use of condoms among high-risk groups.	TBD (1995/96)*	35% increase (2001/2002)**
Increase in the proportion of the high-risk population receiving appropriate STD care.	TBD (1995/96)*	49% increase (2001/2002)**
Increase in the number of NGOs involved in HIV/AIDS prevention activities.	TBD (1995/96)*	100 additional (2001/2001)**

\*Baseline figures currently being documented - available 5/96

\*\*Projected estimates - to be finalized after baseline figures become available

## ACTIVITY DATA SHEET

**PROGRAM:** INDIA

**TITLE AND NUMBER :** Increased Investment in Agri-business by Private Firms, 386-S008

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,950,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1998

**Purpose:** The purpose of the Agricultural Commercialization and Enterprise (ACE) project is to reduce post harvest losses and accelerate competitive agribusiness development through increased investment flows and Indo-U.S. business linkages.

**Background:** Agriculture contributes over 30% of India's gross domestic product (GDP) and, directly or indirectly, provides a living to almost 700 million people. Less than 1% of India's horticultural production is processed in India, compared to 70% in Brazil and the United States. Inadequate infrastructure causes approximately 30% post harvest losses.

**USAID Role and Achievements to Date:** USAID, through its Agricultural Commercialization and Enterprise (ACE) project assists competitive and pioneering agribusiness ventures producing high value horticultural produce and agroprocessing that will expand rural employment, including women, and incomes. Among the 20 projects approved by ACE, grape production has led to additional investments in 15 new projects where U.S. companies (e.g., ThermoKing and HumiFresh) have supplied cooling equipment. Convinced by this success, formerly reticent financial intermediaries now invest nine dollars for every dollar financed by the ACE project. USAID also has actively facilitated Indo-U.S. linkages through training programs in leading U.S. universities (e.g. the University of California at Davis), business exchanges (e.g., spices, almonds), and by sponsoring Indian agribusiness leaders at key U.S. trade events. These business-nurturing activities have improved India's perception of U.S. exporters and manufacturers of agribusiness equipment. For example, ACE project support of Chicago's 1995 Megashow resulted in a new joint venture in cooling equipment and will open South Asia's markets to a medium-sized U.S. company.

**Description:** USAID lends seed capital for pioneering horticultural and agribusiness ventures, and in so doing paves the way for larger investors. USAID also provides U.S.-based technical assistance and training to individual firms and industry associations and nurtures Indo-U.S. business linkages.

**Host Country and Other Donors:** In response to ACE effectiveness, the Government of India (GOI) transferred over \$20 million in local currency to the Industrial Credit and Investment Corporation of India (ICICI) to finance agribusiness operations. Additionally, after the creditworthiness of agribusiness projects had been demonstrated, ICICI invested over \$45 million from its own resources in similar agribusiness projects. Other donors such as the European Union, United Nations Development Program, Food and Agriculture Organization, and the World Bank have sought USAID assistance in replicating these activities. As an example, the World Bank is designing a similar \$300 million project for the state of Uttar Pradesh.

**Beneficiaries:** Farmers, rural women, young entrepreneurs, financial institutions and business associations benefit from the establishment and expansion of agribusiness.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities through Chemonics International, a U.S. contractor; the International Executive Services Corps, a U.S. private voluntary organization; and ICICI, the leading Indian private development bank.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Increase in total investments in ACE-funded agribusiness projects (\$ million)	0 (1991/92) <sup>1</sup>	60 (1997/98)
Increase in ICICI lending to the agri- business sector (\$ million)	0 (1991/92) <sup>1</sup>	200 (1997/98)
Increase in value of horticultural exports (\$ million)	155 (1991/92) <sup>2</sup>	380 (1997/98)

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<sup>1</sup> Source: Industrial Credit and Investment Corporation of India, Chemonics International

<sup>2</sup> Source: Agricultural Products Export Development Authority (APEDA)

## INDONESIA

**FY 1997 Development Assistance . . . . . \$56,657,000**

### Introduction

Indonesia's huge market, consistently strong economic performance, and free-market orientation make it an increasingly attractive trading partner for the United States. At the same time, its deft leadership role in regional and global issues has given the country increasing political prominence. Indonesia is a non-permanent member of the United Nations' Security Council for the 1995-1997 term, and it will assume the chairmanship of the 52-nation Organization of Islamic Conference (OIC) this year. Indonesia is a founder and an active member of the Non-Aligned Movement and the Association of Southeast Asian Nations (ASEAN). The management of its rich but threatened natural resources is having global impact on biodiversity and greenhouse gas emissions. Indonesia is the fourth most populous country in the world, with 190 million people, and has the world's largest Moslem population. The Indonesian archipelago, which spans a distance greater than 3,000 miles east to west, is strategically located in terms of trade and international security.

Indonesia's economy continues to grow at an annual rate of about 7%, with strong potential to emerge as a major new economic force in the Asia-Pacific rim. This performance is primarily a result of sound macroeconomic and sectoral growth policies, an area in which USAID has provided key assistance. With a current per capita income of \$919 and a poverty rate of just under 14%, Indonesia's economic performance ranks among the best in the developing world. Noted achievements include sustained growth in jobs, reduced dependency on oil exports, liberalization of banking, the development of financial markets, foreign investment deregulation, and trade deregulation. Globally, Indonesia is playing an unprecedented leadership role in trade deregulation through the General Agreement on Tariffs and Trade (GATT) and the Asia Pacific Economic Cooperation (APEC). The country's debt burden is approaching \$100 billion, and only Brazil and Mexico have larger external debts among developing nations. However, the Government of Indonesia (GOI) does have a long record of prudent debt management.

Indonesia's economic achievements have been matched by similar improvements in the quality of life with, for example, a dramatic increase in life expectancy from 44 years in 1965 to 61 years in 1990, a halving of the infant mortality rate from 138 per 1,000 births in 1965 to 56 per 1,000 in 1993, a halving of the fertility rate from 5.6 births per woman in the late 1960s to 2.9 in 1994, and nearly universal primary school enrollment. USAID's involvement in helping to achieve these successes in the social sectors has included long-term efforts in the areas of family planning (including a successful social marketing model), health (especially child survival and health care financing), and education and training.

### The Development Challenge

Many challenges still lie ahead for Indonesia. Current per capita income is less than half of Thailand's and the lowest of any country in southeast Asia, and its goal of newly industrialized country (NIC) status is 25 years away at best. The 26 million Indonesians living in poverty exceed the populations of most countries in which USAID works. While improving, the infant and maternal mortality rates are still the highest in ASEAN. To reach the goal of two children per family by 2005, the number of new contraceptive users will need to increase by a staggering 10 million (more than all of the current contraceptive users in sub-Saharan Africa). Although still in the early stages of the HIV/AIDS epidemic, conditions exist in Indonesia that are conducive to rapid, widespread transmission. Only 60% of Indonesians aged 13-15 attend school. Less than 1% of Indonesia's population has bachelor degrees or higher. Only 35% of the population has access to safe drinking water compared to 81% in the Philippines.

Growing incomes and increased economic welfare have given rise to demands for greater political freedom and broader participation, but these aspirations are yet to be matched by significantly more openness and transparency in government decision-making. The government's reaction to demands for a more open political system has been mixed.

To protect its natural resources, the government has recently enacted laws to prohibit the export of endangered marine species and to reduce fishing practices that destroy coral reefs. Indonesia also led the effort to support marine resource management in the Biodiversity Treaty Conference of the Parties II in November, 1995, in Jakarta, pledging significant commitments to decentralize and strengthen marine resource management. However, as industrial growth brings jobs and prosperity to many, poorly enforced and outdated environmental regulations are raising costs to society and slowing expansion. Deforestation, which occurs at the rate of 1 million acres per year, is a problem that has global ramifications.

Yet these formidable challenges cannot belie Indonesia's improving economic and social indicators and, as these improvements continue, USAID is increasingly emphasizing transition to a program which is more reliant on Indonesian institutions and which will ultimately be less resource-intensive. The long-term goal of our strategy in Indonesia is to consolidate the successes of the program, foster relationships between U.S. institutions and their Indonesian counterparts, and to graduate Indonesia from development assistance.

#### **Other Donors**

The donor community pledged over \$5 billion in 1995 for development activities in Indonesia. The United States is the fifth largest bilateral partner. Bilateral contributors with programs currently larger than that of the United States (based on 1995 pledges) are Japan, the United Kingdom, France, and Germany. The World Bank's program in Indonesia is its fourth largest (only the Bank's programs in India, China, and Mexico are larger) and the Asian Development Bank (ADB) program in Indonesia is its largest.

#### **FY 1997 Program**

USAID's strategy for helping Indonesia achieve broad-based and sustainable growth concentrates on economic management, health and family planning, environmental management, and local institutions which support democracy. United States national interest is defined by Indonesia's trade and investment potential, its potential as a democratic and stabilizing influence in the region, and its key role in global issues such as natural resources management. Indonesia's strategic location and growing international influence are having an impact on security, trade and investment issues within the region and with the United States.

Nearly one-half of Development Assistance funding planned in FY 1997 is for activities in the health and population sector. About one-third of the FY 1997 funding is for environmental activities, with the remainder to be used for promoting economic growth and strengthening institutions that promote rule of law and popular participation.

#### **Agency Goal: Encouraging Broad-based Economic Growth**

- Strategic Objective 1: Sustained Economic Growth in the Transition from Economic Development Assistance to Development Cooperation

Indonesia's per capita income is the lowest in ASEAN, and there are still 26 million people living in poverty. At the same time, Indonesia's human capital and institutional base for dealing with economic policy and management issues is still very thin. Indonesia can benefit from continued access to U.S. know-how in economic management in order to succeed in the formidable task of achieving sustained

economic growth and to bring itself to the edge of newly industrialized country status in the twenty-first century. USAID's objective is to promote continued economic growth while moving to a relationship which emphasizes sustainable, mutually beneficial linkages between Indonesia and the United States. This objective will provide support in key areas of economic management and simultaneously will enhance the opportunities for U.S. business to participate in and contribute to Indonesian economic growth. This objective anticipates two specific outcomes:

- Policies for sustainable, broad-based economic growth improved, and
- Economic management in key sectors and institutions improved.

Over the past year, USAID's support for policy and institutional development continued to yield significant results. Passage of the new Capital Markets Law in November 1995 was among the most impressive achievements. The law establishes basic accounting standards and disclosure requirements for listing shares on the Jakarta Stock Exchange (JSE) and enables greater oversight to prevent securities fraud. It also strengthens the position of securities companies and makes investment in the capital market as convenient as opening a bank account. In setting clear and transparent rules on public offerings, the law greatly strengthens the foundation for the sustainable development and growth of Indonesia's financial markets. U.S. technical advisors played a critical role in helping to draft this important law as well as in strengthening the Capital Markets Supervisory Board's regulatory and enforcement capacity. While this technical assistance activity has now ended, the positive returns on this investment will extend well into the future.

Impressive progress also was achieved in the area of trade policy reform. Indonesia fully met all of its Uruguay Round obligations, and in April, it became a founding member of the World Trade Organization (WTO). In May, 1995, the government demonstrated its commitment to the WTO and APEC by announcing its most significant trade liberalization package to date. These reforms reduced tariffs across the board on approximately two-thirds of all tariff line items. Further, the government committed itself to reducing most tariffs to 5% by the year 2003. U.S. trade policy advisors were instrumental in helping to advance these key reforms and in strengthening their counterparts' capacity to analyze, formulate, and implement sound, market-oriented trade policies.

U.S. technical advisors provided key support for the development of Indonesia's commercial laws. Transparent and enforceable commercial codes are essential to the sustainable expansion of equitable and efficient private sector trade and investment. USAID advisors, working closely with their counterparts, played a critical role in advancing some key legal reforms. One of these is the new Corporation Law which was recently signed into law. The law establishes simple and clear procedures for company formation and dissolution, and protects minority stockholders' interests by separating management and control and by defining minority shareholders' rights.

While Indonesia's past economic achievements are formidable, the challenges ahead are daunting. Indonesia must continue to reform its economic policies and laws to strengthen the foundation for fair and efficient private sector activity. At the same time, it must improve its capacity to implement and enforce policies and laws which encourage open market competition in an increasingly competitive global economy. Indonesia's high foreign debt and burgeoning current account deficit must be managed cautiously to prevent a crisis similar to that which occurred in Mexico. To preserve and sustain the gains of increased trade liberalization, the nation's economic managers must achieve macroeconomic stability without resorting to protectionist policies. While Indonesia's fundamentals remain strong, a high degree of vigilance and technical competence is required. At the same time, Indonesia's human resource and institutional capacity to meet these challenges is still limited. The high value which Indonesians place on U.S. technical expertise and linkages to U.S. institutions gives the United States a unique advantage in influencing policy formulation and implementation in Indonesia. USAID is preparing to establish and strengthen linkages which promote two-way, mutually beneficial cooperation between U.S. and Indonesian private and public sector actors and institutions.

## **Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

- **Strategic Objective 2: Improved Health and Reduced Fertility**

Despite impressive strides, Indonesia is still beset with major health and population challenges. As the fourth largest country in the world, Indonesia's ability to overcome its existing population and health challenges has global implications. HIV infections, currently estimated at 100,000 cases, are increasing rapidly. Indonesia's maternal mortality rate far exceeds other ASEAN nations and many lesser developed countries, even in Africa. Despite significant improvement, infant mortality is still the highest among ASEAN countries. Indonesia, which after India has the largest population of any country in which USAID provides family planning assistance, needs to increase the total number of current family planning users from 15 million to over 25 million by 2005 in order to reach the national goal of an average of two children per family by 2005. Reduction of the fertility rate will help Indonesia preserve its gains from economic growth. Of the FY 1997 assistance request, USAID will allocate \$11.272 million for health activities and \$17.371 million for population activities, as described below.

USAID's objective of improving health and reducing fertility anticipates four specific outcomes:

- Total fertility rate reduced,
- STD/HIV/AIDS prevalence among high-risk groups decreased,
- Maternal mortality decreased, and
- Provision of health and family planning services offered through the private sector increased.

USAID has had a major impact on improving the knowledge, utilization and quality of family planning services in Indonesia. Knowledge of modern family planning methods is almost universal, and over 55% of married women are now using contraceptives. One-third of these women rely on clinical methods which provide long-term effectiveness. USAID programs have renovated facilities and funded the medical training of thousands of physicians and midwives. Innovative interpersonal and media communications efforts have increased the knowledge of millions of Indonesian couples about the economic, social and health benefits of family planning. A particularly noteworthy accomplishment is that USAID has been the major donor to expand the capacity and use of family planning services delivered through the private sector. In just five years, the proportion of people obtaining services and contraceptives from private physicians and midwives has doubled, from 12% in 1991 to 28% in 1994. The government would like this proportion to increase to 50% in the next five years. Given the huge and growing numbers of clients who need services, the government recognizes that greater provision of private sector services will lessen the burden on its budget and, in the long term, will help the program to be more sustainable. In recognition of Indonesia's world-renowned success in the family planning sector, USAID will focus its efforts in the next four years on the areas of service delivery, clinical training, communication and institutional development to achieve an orderly phaseout of direct USAID family planning assistance.

Indonesia is challenged by an accelerating HIV/AIDS epidemic which threatens to erode the resources which are available for other urgent health problems. USAID is successfully coordinating with other donors to assist the Ministry of Health to formulate effective national HIV/AIDS policies and to develop and implement a national HIV/AIDS strategy. Assistance provided by USAID also is being used for data collection to monitor the prevalence of the disease in high-risk areas. Since Indonesians are largely unaware of how to prevent the spread of this disease, USAID also has initiated activities on prevention policies, patient counseling and information and communication. While USAID bilateral efforts in this sector are relatively new, significant progress has already been made. The government has issued two new national AIDS policies, one on condom promotion and one on care for AIDS patients. National

health resources allocated to HIV/AIDS have increased substantially. USAID has played a critical role in helping the government to develop an appropriate strategy. A national discourse on HIV/AIDS has begun, and a range of prevention and care issues is now being openly discussed almost daily in national fora and the media.

USAID also assists the Ministry of Health to reduce the unacceptably high levels of maternal mortality. An extensive national midwife training program has begun, to which USAID will provide essential training in life-saving skills. To strengthen the capability of the National Midwives Association, USAID provides management assistance. Two pilot activities are underway to test innovative service delivery interventions in Kalimantan province, and to provide small loans to private midwives to enable them to set up or expand their private practices.

USAID funding of a promising health sector financing trial activity will enable the Indonesian government to learn from an innovative managed health care scheme targeted to serve the health needs of lower-income families. Other donors have expressed interest in helping to expand this model on a large scale throughout the country.

#### **Agency Goal: Protecting the Environment**

- Strategic Objective 3: Decentralized and Strengthened Natural Resource Management
- Strategic Objective 4: Strengthened Urban Environmental Management

Indonesia's natural environment is the most diverse of any country in which USAID works. It is also among the most threatened. Rapid industrialization and urbanization are placing great pressure on the country's natural resources, resulting in depletion of the resource base by the extractive sectors, and degradation of the quality of water and air resources by the industrial sector, power generation and urban centers. Indonesia's urban environmental crisis is unique among countries receiving USAID assistance, because of the size of the Indonesian population, the speed with which it is concentrating in cities, and the adverse impacts of rapid industrialization. It is estimated that by the year 2004, 60% of the entire population (155 million people) will reside in urban areas.

USAID's environmental objectives are to strengthen natural resources and urban environmental management. Four natural resources-related achievements are expected:

- Stakeholder participation in the management and monitoring of natural resources increased,
- Natural resources policy development and implementation improved,
- Environmental non-governmental organizations strengthened, and
- Conservation and pollution reduction efforts by natural resource-based industries increased.

Current government efforts to solve environmental problems have been through a centralized command-and-control approach. Popular preference for community-based, natural resource management conflicts with such centralized control. USAID's challenge is to successfully promote the government's working together with NGOs on environmental issues and to promote policies supporting a less centralized approach. USAID also will continue to strengthen and finance key NGO initiatives.

During the past year, USAID realized important gains in rallying NGOs, local governments and communities to change natural resource policy and policies throughout the archipelago. For example, concerned local governments recently approved precedent-setting agreements which restored historical forest-use rights to indigenous communities. This will allow some of Indonesia's poorest households to once again undertake legal and sustainable income-generating activities in the government forest

lands surrounding their communities. USAID is promoting the use of eco-tourism as an incentive for community participation in protecting the environment.

Furthermore, NGOs strengthened with USAID assistance are now playing a more effective role in engaging local communities in the planning and execution of effective conservation activities across the archipelago. One such case involved the development of a participative planning and management process in one of Indonesia's principal marine parks.

USAID was successful in establishing and endowing the Indonesia Biodiversity Foundation, an independent institution which will assume increasing importance in biodiversity conservation efforts in the years ahead. USAID-financed experts and policy studies are being used by the government in developing the policy framework which will guide natural resource investment in the next five-year government plan.

USAID's objective to strengthen urban environmental management anticipates three key outcomes:

- Access by urban populations to clean water increased,
- Industrial pollution emissions reduced, and
- Environmentally sound industrial processes adapted and more widely adopted.

Over 11% of infant deaths in Indonesia are related to water-borne disease. Industrial polluters go largely unchallenged. Rapid increases in energy demand are straining the resources of the government and have placed severe pressure on the environment. While most donors will continue to finance much-needed infrastructure projects, USAID will focus on the financial policies and organizational frameworks necessary for Indonesia to expand its urban infrastructure investments, to reduce industrial pollution, and to generate more energy in a cleaner fashion. USAID's approach will rely both on national policy formulation and on networks of local decision-makers and community groups that will remain in place after USAID activities cease.

Progress has been achieved in increasing access by urban populations to clean water. This reflects the degree to which the government accepts USAID recommendations regarding policies and practices necessary for increasing the flow of resources to local governments for urban infrastructure purposes. For example, the government has approved the establishment of a secondary mortgage facility and the promotion of municipal bonds to finance water supply investment. Through several pilot projects, USAID technical assistance was indispensable in the effort to privatize several urban environmental services. In one case, USAID assisted in the decision to use build-operate-transfer financing for a \$60 million bulk water supply project. As a result, poor urban residents in Jakarta and several other cities are receiving more piped water and better urban environmental services (especially waste-water handling, water supply, and solid waste disposal and processing). In addition, USAID has persuaded the government to seek support from other donors to continue and extend the reform agenda in these areas. To date, the ADB and the Overseas Economic Cooperation Fund (OECF) of Japan have agreed to contribute substantial funding.

Industrial pollution emissions have registered reductions in 1995, as measured by the number of firms that meet pollution emission standards set by the government's environmental protection agency. The 1995 data show that 93 firms have met the new pollution standard. The number of firms voluntarily participating in the evaluation program is rising (over 200 have registered), and the number of approved firms is likely to rise as well. USAID's training and assistance for firms in the domestic environmental consulting industry is expected to support future progress in this area.

Environmentally sound industrial processes are being adopted more widely, as measured by a substantial increase in installed electrical generating capacity that makes use of renewable energy resources. However, recent data indicate that energy consumption remains high, suggesting that substantial challenges still lie ahead for efforts to increase energy conservation and to extend efficiency improvements.

By 1997, USAID's assistance to factory-level, pollution prevention will have demonstrated its advantages to manufacturing companies and its marketability to the private consulting, engineering sector. In the second phase of its clean industrial strategy, to be started in FY 1997, USAID will assist the GOI to strengthen its industrial pollution policies and their enforcement. Specifically, USAID will assist the GOI to establish positive policy incentives for clean industrial production in existing factories and new investments, and to improve regulatory enforcement through assistance to government agencies responsible for industrial pollution abatement.

#### **Agency Goal: Building Democracy**

- **Strategic Objective 5: Increased Effectiveness of Selected Institutions which Promote Democracy**

The pace of democratization in Indonesia has not paralleled its rapid progress in economic growth. A well-informed, fully participatory citizenry is a critical element for Indonesia's future development. Internal and international pressure for significant political and judicial reform -- a less centralized and more open, participatory and transparent government, and an independent judiciary -- is increasing. Indonesian civil society has become more politically active and assertive in expressing its diverse interests. Demands are growing for more freedom in political competition, for greater adherence to Indonesia's laws and international human rights standards, for a more accountable government and for increased equality of opportunity and equity in development.

USAID's strategic objective of increasing the effectiveness of institutions which promote democracy has three specific outcomes:

- NGO advocacy for democratic participation increased,
- Activities that promote rule-of-law increased, and
- Capacity, reliability, and responsiveness of selected NGOs enhanced.

USAID is the largest and most influential donor in this controversial sector. Indonesian and U.S. NGOs supported by USAID are among the leading institutions in helping to build a stronger civil society, pressing the GOI for systematic democratic reform and assisting the GOI to devise new laws and policies.

Almost all landmark legal cases are pursued by the Indonesian Legal Aid Society, USAID's largest local grantee, or its allied NGOs. Over the past year, cases of national importance have focused on farmer land titles and compensation relative to GOI infrastructure projects and forestry and mining concessions; freedom of expression as restricted by GOI newspaper licensing regulations and mandatory accreditation of journalists; and freedom of association limits curtailing labor union formation and meetings of five persons or more.

NGOs, supported by USAID, have worked with the GOI to improve policy formation. Improved labor law and legislation for a new dispute resolution mechanism and conservation practices are direct results of NGO involvement. In addition, NGOs have advocated for issues as diverse as the removal of the ex-political detainee symbol on national identification cards to a reduction in telephone rates. The awareness and involvement of the National Human Rights Commission on various issues have been heightened by the activism of the NGOs. The Ministry of Justice, with USAID support, has

standardized, indexed, and distributed over 6,500 laws and regulations by CD-ROM disks to facilitate the administration of justice and increase the availability of legal information.

USAID also operates in politically sensitive geographic areas, including East Timor, Irian Jaya and Aceh. In East Timor, one NGO grantee organized the first GOI-NGO consultation; this resulted in a provincial government policy on NGOs in the development of the province. The National Cooperative Business Association, a U.S. private voluntary organization played an influential role in helping to end a coffee-buying cartel in East Timor.

Indonesia has far to go before it reaches the levels of democracy existing in other Asian countries assisted by USAID. Through modest investments, USAID is significantly contributing to a more pluralistic society and a freer political system in Indonesia.

**INDONESIA**  
**FY 1997 PROGRAM SUMMARY**  
(\$000)

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Providing Humanitar- ian Assist.	Total
<b>USAID Strategic Objectives</b>						
1. Sustained Economic Growth in the Transition from Economic Development Assistance to Development Cooperation	6,880					6,880
2. Improved Health and Reduced Fertility		26,713				26,713
3. Decentralized and Strengthened Natural Resources Management			8,582			8,582
4. Strengthened Urban Environmental Management			8,582			8,582
5. Increased Effectiveness of Selected Institutions which Support Democracy				5,900		5,900
<b>Total Development Assistance</b>	6,880	26,217	17,164	5,900	0	56,657

USAID Mission Director: Vivikka M. Mollrem

## ACTIVITY DATA SHEET

**PROGRAM:** INDONESIA

**TITLE AND NUMBER:** Sustained Economic Growth in the Transition from Economic Development Assistance to Development Cooperation, 497-SO01

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$6,880,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2002

Purpose: To strengthen open markets by fostering continued economic policy reform and by expanding Indonesian access to counterpart organizations in the United States.

Background: Indonesia presents a major commercial opportunity for U.S. investment thanks to the increased openness of its economy and favorable economic conditions. The size of the Indonesian economy -already larger than Canada, South Korea or Thailand - creates enormous complexities and difficulties for its management. Remarkable economic progress has been made over the last thirty years. However, the human capital and institutional framework on which this progress is based remains thin, particularly as problems and their solutions become ever more complex as the economy continues to expand. U.S. technical assistance can still make significant contributions to Indonesian economic management as the country moves toward consolidating and expanding upon its gains of the last thirty years. However, such assistance must be carefully targeted and the means for delivery must now be altered to account for the changing development status of the country. Two principal threats to continued economic growth and progress in Indonesia are: 1) the potential for a rise in protectionist sentiment which, if realized, could undermine the efficiency and competitiveness of the economy and also threaten export and investment opportunities for the United States and other countries; and 2) continued barriers to domestic economic competition that limit the broadening of participation in the benefits of economic growth. Activities encompassed by this strategic objective, including those under the Agriculture and Rural Sector Support Program (ARSSP), the Agribusiness Development Project, the Economic Law and Improved Procurement Systems Project, and the Mission's microenterprise program will be targeted on these primary threats to the prevailing economic paradigm. Additionally, one final activity will be established to assist in strengthening and developing new linkages between institutions and constituencies in the United States and Indonesia with mutual interests in key economic problems. The objective is to so promote and support such linkages and alliances that there is sufficient interest by both parties to pursue their agendas in support of the current economic paradigm even after U.S. Government assistance has ended.

USAID Role and Achievements to Date: USAID's technical assistance for improved economic management has continued to be utilized effectively by the GOI. Among donors, the United States stands foremost in its ability to promote policy change that positively impacts on Indonesia's overall economic performance as well as U.S.-Indonesia trade and investment potential. Recent progress includes an upward revision in macroeconomic growth targets from 6.25 percent to 7.1 percent per annum, passage of a new Capital Markets Law, passage of a new Corporation Law, establishment of a new bond rating company, creation of a secondary mortgage facility, and implementation of a major trade liberalization program. Weighted average import tariff rates have declined from 22 percent in 1990 to 15 percent at the end of 1995. Also, with USAID involvement, shares of a major state-owned enterprise (Indosat, a telecommunications company) were floated simultaneously on the New York and Jakarta stock exchanges.

Description: Over the next two years, USAID will continue to use a blend of technical assistance contracts and grants to support continued improvements in openness and competition in the Indonesian economy, issues which directly affect growing U.S.-Indonesian business and economic relationships. Using existing activities of the ARSSP, Agribusiness, Economic Law and microenterprise programs, the Mission will seek to (1) improve the policy environment for continued economic growth; (2) codify key

policy changes in updated law and regulation and work to assure that these new laws are widely available to the public; and 3) work with a limited number of institutions to assure that such policies, laws and regulations are actually used to promote openness and competition. Concurrently, a five-year program will be developed which emphasizes the forging of new partnerships between Indonesian organizations and U.S. counterpart groups in sectors of mutual interest regarding economic reform. Activities will be co-funded with a strong private sector participation. This approach will ensure private sector involvement in the transition from development assistance to development cooperation. Well-placed support for selected Indonesian associations to access U.S. know-how and expertise will buoy sustained economic growth and help accelerate Indonesia's entry into the ranks of the "newly industrialized countries" during the first quarter of the 21st century.

**Host Country and Other Donors:** Host country involvement now includes more than eight GOI ministries and agencies. However, future assistance will also encompass new linkages with private sector and non-governmental organizations. USAID has long been the preeminent donor in the economic reform sector, often piloting reforms that were later expanded by the World Bank or the Asian Development Bank. An example is USAID's work in the financial market sector which is now being followed up under a major IBRD loan. The size of USAID's total assistance pledge ranks seventh among the donors in Indonesia after Japan, the Asian Development Bank, the World Bank, the United Kingdom, France, and Germany. The estimated host country contribution for this activity is \$30,700,000.

**Beneficiaries:** Partners in the economic policy reform field have included a wide range of public institutions. The range of partners will now be expanded to include private institutions which either wish to affect or are affected by the process of economic reform. The potential customer base for such reforms is country-wide, encompassing not only members of the public bureaucracy, but also private employers and employees and a wide range of consumers of both domestic and foreign goods and services. Much of the thrust of the continuous process of reform to which USAID is contributing is to assure that benefits which are produced by economic efficiency are as widely shared as possible. USAID is now conducting structured interviews with a sample of its customers and partners. Their opinions will contribute to the current redesign of USAID's economic growth activity which will focus on the transition from economic development assistance to development cooperation by the year 2000.

**Principal Contractors, Grantees, or Agencies:** Several institutional contractors now at work on parts of the economic growth objective, including those working with the Ministry of Trade and Industry and those working on economic law reform, will complete their work within a year and a half from the beginning of FY 97. The U.S./Indonesian linkages for economic growth activity will require one new institutional contractor to assist in management of the program over a five-year period. Short-term technical assistance from a variety of sources (universities, research centers, and professional associations) will also be required to support the new linkage program.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Lower weighted average import tariff rate	15% (1995) <sup>1</sup>	10% (2000)
Adoption of major new economic laws which strengthen openness, transparency, and competition	2 (1995) <sup>2</sup>	10 (2000)

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<sup>1</sup> Source: IBRD data on calculation of average tariff rates

<sup>2</sup> Source: Government of Indonesia Gazette for text of new laws

## ACTIVITY DATA SHEET

**PROGRAM:** INDONESIA

**TITLE AND NUMBER:** Improved Health and Reduced Fertility, 497-SO02

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$26,713,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To improve reproductive health by reducing the fertility rate, lowering the maternal mortality ratio, and reducing the transmission of HIV/AIDS and other sexually transmitted diseases and by improving the quality of health services among key population groups in Indonesia.

**Background:** Although Indonesia has a highly successful family planning program, use of long-term contraceptive methods is still low, and its current family planning program does not reach some population groups. The maternal mortality ratio remains the highest among southeast Asian countries. The spread of HIV/AIDS is potentially Indonesia's biggest health problem. Yet, few Indonesians have adequate knowledge to prevent this disease. Shrinking public resources will require a shift in the burden of providing basic health care from the government to the private sector. This activity includes the balance of programs under three prior projects: Health Sector Financing, HIV/AIDS Prevention project, and Service Delivery and Expansion Support - Pathfinder International. Three external constraints must be overcome: (1) the leadership of the Government of Indonesia (GOI) and social groupings must avoid a pattern of denial in response to behavioral research findings that may not be flattering to the Indonesian public image; (2) GOI politicians may be averse to allocating scarce public funds to mount a massive public HIV/AIDS public awareness campaign when so few citizens are confirmed to have HIV/AIDS; and (3) the GOI commitment to implement national health policies that rely increasingly on private sector providers may initially be weak in view of the GOI's 50-year role as primary health care provider to the nation.

**USAID Role and Achievements to Date:** USAID's unique contribution in the health and population sector is its ability to provide high quality, short- and long-term technical assistance in a number of key program areas: policy development, family planning and health care service delivery, and operations research. No other donor in Indonesia provides health and population technical assistance on a sustained basis. Recent progress has been noteworthy. The percentage of married women now using contraception is 55%, or approximately 20 million women. This represents a five percentage point increase from just three years ago and indicates that Indonesia is overcoming its plateau in contraceptive use. Total fertility also declined from 3.1 in 1991 to 2.8 children per woman in 1994. Commercial sales from the Blue Circle campaign grew steadily in prime urban markets, and nearly 30 percent of current family planning users received family planning services from private sector sources. In FY 1995, a national HIV/AIDS strategy was launched; national health resources allocated to HIV/AIDS increased by 40% to \$3.5 million; and nearly 14% of the population in the Klaten District are participating in an integrated managed health care program.

**Description:** USAID will continue to provide advice and analysis in the family planning and health and nutrition sectors which will rely increasingly on private sector delivery of goods and services. Small grants to local non governmental organizations (NGOs) will catalyze Indonesia's implementation of appropriate HIV/AIDS prevention strategies. Technical assistance will help the GOI Ministry of Health assess how well pilot managed-health-care plans are performing and how they can be expanded nationwide. This activity focuses on reproductive health issues and intends to: (1) increase the use and quality of family planning services, (2) increase the use and quality of sexually transmitted disease/HIV/AIDS, and reproductive health services, (3) develop and implement national AIDS and reproductive health policies, and (4) improve the balance of public and private sector provision of health and family planning services through the provision of targeted technical assistance. The private sector will have a larger role as supplier and financier of family planning services. The development

of coherent and appropriate AIDS policies will help increase public knowledge of prevention practices and encourage a more effective allocation of public funds to combat HIV/AIDS.

Host Country and Other Donors: The Ministry of Population and the Ministry of Health are now collaborating with USAID to pursue this activity by formulating new national policies and by coordinating activities. Local government offices and NGOs are already cooperating in carrying out three USAID-funded programs: an HIV/AIDS prevention program, an improved maternal health service delivery activity, and family planning activities in hard-to-reach areas. Multilateral banks have expressed interest in replicating the health care pilot effort, if successful. The Japan International Cooperation Agency in coordination with USAID is launching an integrated health program which will emphasize improved maternal mortality and HIV/AIDS prevention. USAID has always been the lead donor and advisor in the family planning sector, is the leader of the donor committee coordinating HIV/AIDS, and is the only donor piloting managed health care systems. The estimated host country contribution for this activity is \$16,300,000.

Beneficiaries: End-users are millions of family planning service beneficiaries, expectant mothers, lower-income people who use government-owned health facilities, and persons who practice high-risk sexual behavior. Privatization of family planning activities will provide better service to end-users and will make the service more customer-oriented. The pilot activity on managed health care has been designed to provide some cross subsidy to lower income families to ensure their equitable access to quality health care. By 1998, at least 51% of the Klaten district population will benefit directly from participation in the managed-health-care program; 55% of births in the Mothercare demonstration area will be attended by trained health personnel; and 60% of those persons in HIV/AIDS prevention demonstration areas will know at least two ways of protecting themselves against HIV transmission. Approximately six million eligible couples will receive contraceptive services by 1997.

Principal Contractors, Grantees, or Agencies: Contractors and grantees, such as John Snow International, Futures Group, Project Concern International, Johns Hopkins University, Centers for Disease Control and AIDSCAP, will continue their work on family planning, HIV/AIDS prevention, and health sector financing. As the activity progresses, a growing reliance on centrally funded, short-term advisors is expected. Grants to NGOs and private sector entities are used increasingly as a natural adjunct to enhancing the sustainability of an expanding reproductive health program.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Total fertility rate	2.86 (1994) <sup>3</sup>	2.70 (1997)
Syphilis prevalence rate among high-risk populations in demonstration areas: male and female	TBD (1996) <sup>4</sup>	TBD (1997) <sup>5</sup>
Maternal mortality ratio (maternal deaths per 100,000 live births)	450 (1992) <sup>6</sup>	400 (1996)

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<sup>3</sup> Source:

Demographic and Health Survey; BKKBN service statistics

<sup>4</sup> Baseline data available in September 1996

<sup>5</sup> Targets to be set or revised pursuant to baseline data analysis.

<sup>6</sup> Source:

Ministry of Health's Household Survey in the National Social and Economic Survey (SUSENAS) (every three years)

## ACTIVITY DATA SHEET

**PROGRAM:** INDONESIA

**TITLE AND NUMBER:** Decentralized and Strengthened Natural Resources Management, 497-S003

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$8,582,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2005

**Purpose:** To enhance the sustainable use of Indonesia's natural resources by encouraging local communities and non governmental organizations (NGOs) to participate actively in natural resource policy implementation, planning, and management and by establishing a national system to monitor, analyze, and disseminate the results of these activities.

**Background:** Indonesia has the most diverse natural resource base of any USAID recipient. Blessed with the widest range of biodiversity and the world's richest marine resources, it has the longest list of endangered species. Its tropical forests (second only to the Amazon) are disappearing at a rate of nearly 1 million hectares per year. In response, the Government of Indonesia (GOI) has passed key laws and decentralized the operations of its environmental management agencies. Its development plans give high priority to environmental issues. This activity includes Natural Resources Management and Indonesian Biodiversity Foundation. Three external constraints could adversely affect achievements under this activity: (1) certain quarters of the GOI may be slow to admit that government intervention cannot solve all environmental problems through a centralized, command-and-control approach; (2) the GOI may deny USAID direct access to NGOs out of sovereignty concerns; and (3) GOI officials may be reluctant to cooperate with NGO leaders.

**USAID Role and Achievements to Date:** USAID has two comparative advantages over other donors that enable it to support strategic, complex programs at a level significant enough to influence decisions about strategy and priorities. These two comparative advantages are: (1) top-level technical expertise, and (2) the ability to use grant resources flexibly. The ability of USAID to collaborate directly with NGOs - difficult or impossible for most donors - is an invaluable contribution that greatly enhances USAID's role in natural resource management (NRM) in Indonesia. Recent progress includes start-up of two large, potentially influential, independent NGOs: the Eco-labelling Institute and the Indonesia Biodiversity Foundation. The GOI began testing the policies and providing the guidance to accelerate the devolution of natural resource management to the local level over the next five years; Indonesia led the effort to support marine resource management in the Biodiversity Treaty Conference of Parties II held in Jakarta, pledging to promote decentralized and strengthened marine resource management; and the GOI enacted laws to prohibit the export of endangered marine species and to reduce fishing practices that destroy coral reefs.

**Description:** USAID will work with GOI and NGO counterparts to promote greater community involvement in natural resource management. Pilot activities located throughout Indonesia, such as the already successful Park Management Plan at Bunaken National Park in Sulawesi, will provide information valuable in formulating national policy options in the natural resource management sector. This activity intends to promote: (1) greater stakeholder participation in decisions about planning, management, use, and monitoring of natural resources; (2) increased conservation and pollution reduction by natural resource-based industries; (3) improved policy development and implementation; and (4) strengthened institutional capacity for biodiversity conservation. Improved policies, practices, and enforcement will help regulate industries that currently practice unsustainable harvesting, farming, and fishing techniques. By strengthening the capacity of NGOs, Indonesian professionals will be able to train community groups to become effective in managing their own local natural resources.

Host Country and Other Donors: The GOI's Ministry of Forestry is a key host country partner. USAID is providing community-based management models for other donors. Multilateral banks, bilateral donors, and international research centers support Indonesia's forestry conservation. The Government of Japan, the United Nations' Global Environmental Fund, and multilateral banks contribute to biodiversity conservation efforts. Selected private sector entities and NGOs also will pool resources to pursue this activity. USAID provides leadership to the donor community in the formulation of forestry policy with the active support of Canada, Finland, and Japan. The estimated host country contribution for this activity is \$24,500,000.

Beneficiaries: Direct end-users are: (1) the rural citizens of Indonesia's tropical forests who receive natural resource management training that will increase their incomes; (2) Indonesia's network of environmental NGOs; (3) universities who provide professional assistance and training for natural resource management; and (4) owners of natural resource companies that will be more efficient. It is estimated that one-third of Indonesia's population (i.e., 65 million people) are dependent upon forest resources. Their welfare will be substantially improved by the success of this activity. Similarly, there are approximately 16 million people employed in fishing activities whose livelihood is directly dependent on the health of coastal and marine ecosystems. They, too, will benefit from the success of this activity. Indirect beneficiaries are (1) the future generations of citizens whose use of natural resources will be more sustainable, and (2) those outside Indonesia who will benefit from the cooling effects of forest preservation.

Principal Contractors, Grantees, or Agencies: The activity will be implemented through a variety of complementary instruments: (1) a partnership of key GOI ministries (Environment, Forestry, and Home Affairs), local NGOs, Indonesian universities, and local governments with U.S. environmental NGOs (World Wildlife Fund, the Nature Conservancy, World Resources Institute, Conservation International); (2) the ongoing Biodiversity Support Program, (3) a cooperative agreement with the University of Rhode Island; and (4) technical assistance through a competitively awarded contract with a U.S. consulting firm.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
GOI-approved national park management plans that include procedures for integrating provincial, regional and local governments and local communities into park planning and management	0 (1993/94) <sup>7</sup>	7 (1996/97)
Decree issued or legal instrument approved ensuring local community's active participation in natural resources planning and management	0 (1994/95) <sup>8</sup>	4 (1996/97)
Number of hectares covered by stewardship agreements	0(1994/95)	10,000(1996/97)
Number of NGOs strengthened	22 (1995/96) <sup>9</sup>	27 (1996/97)
Natural resource-based industries using "best practices" for land-use management and production processes (cubic meters of wood certified each year)	0 (1993/94) <sup>10</sup>	100,000 (1996/97)

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<sup>7</sup> Source:

Ministry of Forestry, Directorate General for Forest Protection and Nature Conservation

<sup>8</sup> Source:

Ministry of Forestry

<sup>9</sup> Source:

USAID/Indonesia

<sup>10</sup> Source:

Ministry of Forestry and the Eco-labeling Institute

## ACTIVITY DATA SHEET

**PROGRAM:** INDONESIA

**TITLE AND NUMBER:** Strengthened Urban Environmental Management, 497-SO04

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$8,582,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2003

**Purpose:** To strengthen the management of Indonesia's urban environment by increasing access to clean water, reducing industrial pollution emissions, and increasing the environmentally sound production and use of energy.

**Background:** The speed and scale of urban growth in Indonesia are causing severe environmental damage and are overwhelming the ability of local officials to provide a healthy, productive living and business environment. To meet this challenge the central government is devolving significant authority to municipal leadership that also needs to be empowered to increase local revenues and to issue revenue bonds. This activity includes the Municipal Finance project and the Private Sector Participation in Urban Services project. Three external constraints must be addressed: (1) Government of Indonesia (GOI) commitment to give greater discretion to local governments in their use of central government finance for local projects must be strengthened; (2) GOI commitment to open investment decision-making for greater community participation must be forthcoming; and (3) there must be interest on the part of Indonesian private company managers to implement industrial pollution rules and regulations and to make necessary investments in cleaner production and more efficient use of energy.

**USAID Role and Achievements to Date:** USAID is the demonstrated leader in advising the GOI on the reform of its policies dealing with urban environmental management, municipal finance, and private participation in environmental services. Recent progress includes: (1) the number of megawatts of installed generating capacity that use renewable energy resources exceeded expectations; (2) the use of renewable energy resources for electricity generation is increasing, for grid connected applications and for isolated systems; (3) low-income urban residents are receiving piped water and other urban environmental services at an increasing rate; and (4) Indonesia has registered increases in all essential financial components of the resource flow to urban environmental services: loans, grants, and private investments. The GOI has implemented an environmental rating system that provides incentives to environmentally friendly industries and disincentives to polluting industries. In 1995, the first year of the program, 93 firms met government standards.

**Description:** In recognition that central budgets and staff are stretched to their limits, this activity intends to promote a constructive dialogue between local community leaders and their government, at both the municipal and national levels. The activity will rely on a blend of technical assistance and grants to bring greater balance into the community-government relationship. Through the provision of technical assistance for regulatory and incentive programs and community development grants, the activity will foster: (1) the adoption of new policies and practices to facilitate decentralized financing of urban environmental infrastructure; (2) the wider adoption of improved practices in urban environmental infrastructure service provision; (3) the adoption by government and industry of policies and procedures to reduce industrial pollution; and (4) the adoption by government and industry of policies and procedures to promote cost-effective use of clean, renewable energy. Decentralized financing will result in greater community participation in reviewing investment decisions of local utilities and improved service response capacity of city managers. Cost-effective pollution prevention will reduce the public burden such as poor health, lost work productivity, higher-cost products, and industrial clean-up charges.

**Host Country and Other Donors:** The GOI's Ministries of Public Works, Home Affairs, and Finance play key roles in the success of this activity. Private investors, the semi-public power sector, selected industrial firms, and local community groups also will contribute their resources and time to this activity. Likewise, the Asian

Development Bank (ADB) and the Overseas Economic Cooperation Fund of Japan (OECF) have agreed to contribute substantial funding to the Regional Development Account (RDA), the GOI's environmental infrastructure loan fund capitalized with USAID-guaranteed loan assistance. The ADB and World Bank's urban sector loans also encourage GOI policy initiatives to privatize electric power services and to establish self-financing schemes for urban infrastructure expansion. USAID has consistently been the lead advisor in the urban environment sector, with the ADB and World Bank typically providing the greatest funding once USAID-sponsored pilots have proven successful. The estimated host country contribution for this activity is \$15,600,000.

**Beneficiaries:** End-users are the 55% of urban residents without access to piped water. Beneficiaries also include neighborhoods contending with industrial waste and all electricity consumers whose power is unreliable and inefficiently produced. Intermediate customers include municipal staff, industrial associations, and representatives of the financial and power sectors. Forty-seven million Indonesians have treated water piped into their homes; USAID's urban environmental activity will promote the extension of water utility networks to serve an additional five million beneficiaries.

**Principal Contractors, Grantees, or Agencies:** Long-term technical assistance contractors, such as Chemonics International and Research Triangle Institute, will continue their work in the areas of municipal finance and private sector funding of public utilities. A new element in the mix of advisory services under this activity will be the inclusion of local environmental action networks made up of representatives of local government, NGO community groups, business, and technically trained local consultants. A combination of contracts and grants will be designed to meet the needs of these new teams.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Percent of total urban population served by local water treatment and piped distribution	40% (1993/94) <sup>11</sup>	43% (1996/97)
Number of factories in targeted sectors whose environmental performance meets or exceeds government requirements for the discharge of pollutants	0 (1994) <sup>12</sup>	220 (1997)
Megawatts (MW) of installed generating capacity using renewable energy resources	3,399 (1993/94) <sup>13</sup>	3,560 (1996/97)

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<sup>11</sup> Source: Ministry of Public Works, Ministry of Home Affairs

<sup>12</sup> BAPEDAL (Environmental Impact Management Agency)

<sup>13</sup> Source: Bureau for Regional Finance Analysis, Ministry of Finance; BAPPENAS (Planning Ministry)

## ACTIVITY DATA SHEET

**PROGRAM:** INDONESIA

**TITLE AND NUMBER:** Increased Effectiveness of Selected Institutions Which Promote Democracy,  
497-SO05

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$5,900,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: To enhance respect for the rule of law and human rights, to encourage the development of politically active civil society, and to foster more transparent and accountable governance.

Background: The pace of democratization in Indonesia has not paralleled the rapid progress in raising incomes and economic welfare. Indonesians' demands are growing for more freedom in political competition, for greater adherence to Indonesia's own laws and international human rights standards, for a more accountable government, and for increased equality of opportunity and equity in development. Special problems also exist in the troubled East Timor, Irian Jaya and Aceh regions of Indonesia. Civil society in Indonesia remains relatively weak and disorganized relative to the government; however, non-governmental organizations (NGOs) are becoming more active in expressing their diverse interests and the Government of Indonesia (GOI) is permitting more, but still limited, independent political activity. Clearly the GOI's tolerance for contrary views is increasing, while NGOs are taking advantage of every opening for more freedom. Regarding external constraints, the possibility of the GOI imposing severe restrictions on NGOs still exists but has receded over the past year. This activity includes Strengthening Institutional Development, Economic Law and Improved Procurement Systems, and Strengthening Democratic Initiatives.

USAID Role and Achievements to Date: USAID assistance is helping both the GOI and civil society introduce reforms which are responsive to the democratic changes Indonesians themselves desire. Among donors assisting Indonesia, USAID enjoys a special role in helping build democracy; USAID is the largest, most active and leading donor in this sometimes controversial sector. Recent progress in this sector attributable to the actions of USAID-sponsored NGOs includes: (1) improved regulations regarding the right for labor to organize, (2) the removal of the ex-political detainee symbol on national identification cards, (3) legislation for new alternative dispute resolution mechanisms and conservation practices, (4) the breaking of the East Timor coffee cartel, (5) heightened activism by the National Human Rights Commission, and (6) a reduction in telephone rates. Additionally, working directly with the GOI, over 6,500 laws and regulations have been standardized, indexed and distributed by CD-ROM disks to enhance the administration of justice and the availability of information and Parliament's research and documentation unit has been strengthened.

Description: Based on its democracy assessment of Indonesia, USAID will continue to support this activity, largely through grants to local NGOs focused in the areas of advocacy, human rights, and labor law, while seeking new activity with the GOI. This activity intends to promote three results: (1) increased NGO advocacy for democratic participation; (2) greater respect for the rule of law; and (3) enhanced capacity, reliability, and responsiveness of selected NGOs. By encouraging greater participation, average citizens will be able to channel their views more effectively to government and political decision-makers. A heightened respect for due process also will encourage a more inclusive political process as citizens demand that judicial rulings be applied more transparently and less arbitrarily. As NGOs become administratively and financially sound, they will have more professional staff capable of representing public issues in an independent manner. USAID will continue to program resources in the politically sensitive geographic areas.

Host Country and Other Donors: USAID is by far the lead donor in Indonesia's democracy sector. Local NGOs dealing with citizens' rights, freedom of the press, legal aid, labor relations, land disputes and consumer protection are USAID's primary development partners. International donors and foundations, such as the World Bank, the Konrad Adenauer Stiftung and the Asia Foundation, look to USAID for leadership and direction in

this sensitive program area. A few other bilateral donors, for example Canada and Germany, have very small programs in the democracy/governance sector. The estimated host country contribution for this activity is \$3,600,000 derived almost exclusively from private, voluntary organizations.

Beneficiaries: End-users are those Indonesians who benefit from the wide range of NGO programs in the areas of legal advocacy, labor rights, land tenure, consumer protectionism, and freedom of the press. The executive directors and boards of local NGO are direct beneficiaries, while the indirect benefits of a more participatory form of public policy formulation should have a salutary effect throughout the society.

Principal Contractors, Grantees, or Agencies: USAID will continue to pursue this activity primarily through selected NGOs, such as the U.S. National Cooperative Business Association, the Asian American Free Labor Institute and the Asia Foundation, and the Indonesian Legal Aid Society (LBH), who are focused on democracy advocacy and rule of law. When appropriate, U.S. advocacy and research institutions are also engaged. Occasional short-term consultancies will add analytical depth to USAID's assessment of democracy in Indonesia. A long-term contract grant is contemplated to provide training and managerial advice to selected local NGOs.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Number of times that the activities of grantee NGOs have a measurable impact on the formulation of government policy	20 (1994) <sup>14</sup>	35 (1996/97)

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<sup>14</sup> Source:

NGO reports

## ISRAEL

**FY 1997 Economic Support Fund: . . . . . \$1,200,000,000**

### **Introduction.**

The overall goal of U.S. assistance to Israel is to support the furtherance of peace in the Middle East, initiated at Camp David when Egypt and Israel signed the Peace Accords. The process moved forward with Israel's signing of the Declaration of Principles with the Palestinians on September 13, 1993 and the Interim Agreement on September 28, 1995, and the signature of the Peace Treaty with the Jordanians on October 17, 1994. Israel remains the only fully democratic form of government in the region.

Israel's economy has responded favorably in recent years to the restructuring imposed after the crises and hyper-inflation of the mid-80's. Economic growth has averaged six percent since 1990, as the economy becomes increasingly sophisticated and technologically advanced. GDP growth in 1995 was about 6.8 percent and unemployment declined to 6.3 percent from 1992 levels of 11%. Despite this good news, however, the government still faces economic challenges associated with absorbing over 600,000 immigrants since 1989 in a country of only five million. Its political and economic stability, stressed by the recent absorption of vast numbers of immigrants, continues to be important in furthering U.S. foreign policy objectives in the Middle East.

Concurrently, the unanticipated and substantial expenditures associated with the implementation of the peace agreement with the Palestinians and Jordan have exacerbated Israel's domestic budget deficit. U.S. assistance provides Israel the funds it needs both to promote economic reforms and to carry out a domestic agenda that reinforces the government's peace process policy.

### **The Development Challenge.**

There has been some success in stabilizing the economy of the Government of Israel (GOI) in spite of the massive inflow of immigrants which has increased the population by about two percent per annum. Since 1993, employment has risen, export competitiveness has improved, and inflation has been reduced. Expanding business investment and governmental infrastructure investment coupled with sustained export growth are projected to maintain the gross domestic product growth rate at about five percent.

To strengthen the economy, more work is needed to liberalize and restructure the large public sector. Continued expenditure reductions and privatization of public sector enterprises are needed, but political obstacles remain.

### **Other Donors.**

The United States remains the largest bilateral donor. Germany, France, the Netherlands and Switzerland are also major contributors.

### **FY 1997 Program.**

The structure of the USAID program for Israel is atypical of other USAID assistance programs in that there is neither projected assistance nor USAID staff in Israel for this program. Rather, the program supports the implementation of the historic Camp David accords and provides Israel with an annual cash transfer. Hence, there are no structured specific objectives.

**Agency Goal: Encouraging Broad-Based Economic Growth (\$1,200,000,000)**

The fundamental USAID objective in Israel is to reduce Israel's balance-of-payment pressures as it continues to pursue the economic reforms required for financial stability and structural adjustments needed for rapid sustainable growth. Though the U.S. cash transfer is not conditioned on economic policy reform, the ongoing U.S. State Department-chaired Joint Economic Development Group encourages Israeli reforms to reduce government spending and deficits, to improve tax and public wage structures, to increase privatization, to reform labor markets and to continue to liberalize its trade regime. The cash transfer is used by Israel primarily for repayment of debt to the United States, including Foreign Military Sales debt, and purchases of goods and services from the United States.

By supporting and maintaining the peace process, the program encourages more investment and economic activity, thereby contributing to increased foreign exchange earnings. The GOI's resultant ability to forge new relationships with its neighbors provides further stimulus for exporting goods. Eased border crossings, another result of the peace process, also promise new sources of tourists and export markets.

**ISRAEL  
FY 1997 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
<b>USAID Strategic Objective</b>					
1. Support policy reforms required for financial stability and structural adjustments needed for rapid sustainable growth	\$1,200,000,000				\$1,200,000,000
Cross-cutting Issues:  Democracy/ Governance					
<b>Total</b>	\$1,200,000,000				\$1,200,000,000

Office of Middle East Affairs Director: Philip-Michael Gary

## ACTIVITY DATA SHEET

**PROGRAM:** Israel

**TITLE AND NUMBER:** Israel Cash Transfer. 271-K636

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,200,000,000

**INITIAL OBLIGATION:** FY 1997 **ESTIMATED COMPLETION DATE:** FY 1997

Purpose: To support policy reforms required for financial stability and structural adjustments needed for rapid sustainable growth.

Background: The overall goal of U.S. assistance to Israel is to support the furtherance of peace in the Middle East, initiated at Camp David when Egypt and Israel signed the Peace Accords. Israel remains the only fully democratic form of government in the region. Its political and economic stability, stressed by the recent absorption of vast numbers of immigrants, continues to be important in furthering U.S. foreign policy objectives in the Middle East.

USAID Role and Achievements to Date: The fundamental USAID objective in Israel is to reduce Israel's balance-of-payment pressures as it continues to pursue the economic reforms required for financial stability and structural adjustments needed for rapid sustainable growth. Though the U.S. cash transfer is not conditioned on economic policy reform, the ongoing U.S. State Department-chaired, Joint Economic Development Group encourages Israeli reforms to reduce government spending and deficits, improve tax and public wage structures, increase privatization, reform labor markets and continue to liberalize its trade regime.

Description: The cash transfer is used by Israel primarily for repayment of debt to the United States, including Foreign Military Sales debt, and purchases of goods and services from the United States.

Host Country and Other Donors: The United States remains the largest bilateral donor. Germany, France, the Netherlands and Switzerland are also major contributors.

Beneficiaries: The Government of Israel is the primary beneficiary.

Principal Contractors, Grantees, or Agencies: The transfer is accomplished by a direct grant to the Government of Israel.

Major Results Indicators: By supporting and maintaining the peace process, the program encourages more investment and economic activity, thereby resulting in increased foreign exchange earnings., The GOI's resultant ability to forge new relationships with its neighbors provides further stimulus for exporting goods. Eased border crossings, another result of the peace process, also promise new sources of tourists and export markets.

## JORDAN

FY 1997 Economic Support Fund: . . . . . \$10,000,000  
FY 1997 Development Assistance Fund: . . . . . \$7,357,000

### Introduction

Jordan is a small, Middle Eastern kingdom which has common borders with Israel, Syria, Iraq and Saudi Arabia. Because of its strategic location and its astute leadership, Jordan has historically played an important political role in the region. The signing of a peace treaty with Israel in October 1994 reinforced that role and provided a new impetus to the Middle East Peace Process. With a constitutional monarchy and a bicameral legislature, Jordan has set a democratic standard for the rest of the Arab world. But the development of Jordan's fledgling democracy, its ability to "wage peace" and its continuing efforts to promote regional peace, all key U.S. foreign policy interests, will depend on political and economic stability, which can only be achieved with U.S. and other donor assistance. Hence, in view of Jordan's continuing key role in the attainment of objectives critical to the U.S. national interest, we do not foresee a near or medium-term cessation of the economic assistance program.

### The Development Challenge

Jordan has few natural resources, primarily phosphate and potash from the Dead Sea, and these offer limited export growth potential. About the size of Indiana, Jordan covers approximately 35,000 square miles of land, but only about 8% is arable; the rest is desert. Population growth has put tremendous pressure on water, Jordan's most scarce critical resource. Water from aquifers and surface sources is extremely limited and must be conserved. Jordan's 4.1 million population is growing at an average annual rate of 4.3%<sup>1</sup>, which is one of the highest population growth rates in the world.

The mainstays of the economy, donor assistance and remittances from Jordanians working abroad, are dependent on political vagaries. Both were drastically curtailed because of the Gulf Crisis, for example. Consequently, the challenge to Jordan has been to continue to diversify its exports and increase its foreign exchange earnings. Creating a policy, administrative and investment climate conducive to encouraging domestic and foreign investment is vital to Jordan's long-term economic growth, political stability, and ability to reap the benefits of peace with Israel.

Overall economic indicators demonstrate that Jordan is serious about controlling problems constraining development. Jordan is meeting the conditions of the International Monetary Fund (IMF) and World Bank Structural Adjustment Program. For example, the budget deficit has declined to 5% of gross domestic product (GDP) from 17.4% in 1991; external debt is now only 90% of GDP, down from a 1990 peak of 190%; and debt service as a share of exports of goods and services fell to 18.4% from 21% in 1991. Moreover, the government has initiated a series of policy reforms that will make Jordan "open for business." Parliament passed new legislation on sales, corporate and income taxes. The IMF commended USAID for its work with the Government of Jordan (GOJ) on the investment law, a law that makes foreign and local investors equal in most cases. The law represents the culmination of efforts under the USAID Sector Policy Reform Program to support a more liberal trade and investment regime. Another significant achievement under the same program has been modernization and computerization at the Customs Department designed to encourage exports. In July 1995, the first ever Overseas Private Investment Corporation (OPIC) mission to Jordan took place. The crowning achievement, however, was the November 1995 Middle East North Africa Economic Summit that Jordan hosted. It attracted over 1,000 business leaders from all over the world, and four major U.S.-Jordanian deals were announced. USAID facilitated a number of these business contacts and joint

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<sup>1</sup> Including returnees due to the Gulf Crisis; excluding the returnees, the estimated growth rate is 3.77%

ventures. As a prelude to the summit, USAID sponsored a seminar for company executives to help them learn more about joint ventures and foreign investment and to sustain momentum, a Jordanian trade delegation visited the United States in February 1996. In the international visitor industry, which average around 10% of gross national product and is second only to workers' remittances in terms of redressing Jordan's balance-of-payments deficit, USAID efforts contributed materially to Jordan's joining the important Middle East and Mediterranean Travel Association.

Jordan has made additional progress toward establishing democratic institutions. Municipal elections were held last year. This was the first time that Jordanians elected mayors (except Amman). In Amman, half of the council was elected, but elsewhere, all members of the local councils were elected by the people. Two women were elected mayors of their towns.

In the water sector, the government has demonstrated its commitment to promote the use of treated wastewater for irrigation, and is considering options for cost recovery, including private sector, fee-based operation of water and wastewater facilities.

In family planning, the Government of Jordan's decision to allow provision of family planning services in government health facilities was a significant step forward against the backdrop of a traditionally conservative society.

Despite the noted progress, Jordan faces several serious obstacles which require our continued assistance. Even with the forgiveness of official U.S. debt, Jordan still has over \$5 billion in external outstanding debt and requires foreign exchange to service that debt. Jordan still imports far more than it exports; its current account deficit is 11.8% of GDP. Jordan's foreign exchange reserves are continuously fluctuating around the \$350 million mark, an amount which barely covers the country's import financing needs for a period of two months. Jordan has one of the lowest per capita water consumption rates in the world, yet the current rate of consumption cannot be sustained. The total fertility rate, down from 5.6 is still high at 4.4, and will determine long-term water demand.

#### **Other Donors**

In 1995, the United States provided 1.9% of \$704 million in assistance to Jordan. Major donors are Japan, the World Bank, the Arab Fund and Germany. The United States is the ninth largest donor. This does not include \$420 million in debt forgiveness that the United States accorded to Jordan in 1995.

#### **FY 1997 Program**

A politically stable, prosperous Jordan is pivotal to the achievement of U.S. foreign policy objectives in the Middle East. It is a key partner in the peace process and a source of moderation in a region often marked by extremism and turbulence. Hence, USAID efforts to promote Jordan's economic viability are very much in our national interest. Increasing the country's foreign exchange earnings is critical to ensuring its economic viability. Also, the paucity of water in Jordan and the region has implications for the stability of both and lends an important political and U.S. foreign policy dimension to the issue of water availability. Meanwhile, population growth eats away at economic growth and exerts great pressure on the country's water resources. USAID's strategy addresses these fundamental constraints to sustainable development by increasing foreign exchange earnings, increasing the quantity and improving the quality of water available for use, and contributing to stabilizing population growth.

To help Jordan address its macroeconomic issues and, at the same time, generate employment, USAID assists the Government of Jordan (GOJ) in attracting visitors interested in its archaeological attractions and natural beauty. Activities undertaken as part of this effort include preservation of cultural sites, enterprise development (to spread the benefits of tourism to small businesses and their employees), international marketing and policy reform.

USAID also approaches broad-based economic growth by addressing critical constraints to water availability and water quality. Activities are conducted through the GOJ and nongovernmental (NGO) entities in conservation awareness, planning, training and construction.

Population pressures are, in significant part, due to a lack of family planning knowledge, services and products. However, demographic health survey data indicates that there is a large unmet need in family planning -- the desired family size is about four children and 26% of married women either want to delay their next birth or stop having more children. To help stabilize population growth, our funding broadens the range of affordable contraceptives and supports an information and education campaign that targets service providers, as well as couples, who are informed about modern family planning methods.

#### **Agency Goal: Encouraging Broad Based Economic Growth**

A high population growth rate, small land area, small internal market, and limited natural resource base make economic growth in Jordan particularly challenging. USAID's contribution to this effort addresses two major constraints--foreign exchange and water.

This objective is a refocusing of the FY 1996 Congressional Presentation SO1, Increased foreign exchange earnings from selected export industries and services: fruits and vegetables; the cultural and environmental visitor industry; and manufacturing industries. To increase Jordan's foreign exchange earnings, USAID is supporting the culture and nature visitor (CNV) industry. Progress was made in all aspects, including site development, business development (with its important employment generation dimension), and marketing. Excavation work and preservation at the Amman Citadel, Madaba and Petra, key culture and nature attractions, occurred. The opening of the Archaeological Park and Mosaic School in Madaba has led to the development of several new restaurants and arts and crafts shops. A handicraft consultant continues to work with the GOJ, NGOs and local societies. A marketing campaign, specifically designed for the culture and nature visitor market niche, was launched at the Amman Economic Summit. The updated "Tour Planning Guide" aimed at industry professionals, a prototype for a monthly CNV-oriented magazine, and new brochures were widely well received.

Due in large part to the signing of the peace treaty with Israel, Jordan received an upsurge of visitors. However, future growth expectations are much more modest. In fact, Jordan will need to increase its international marketing efforts simply to maintain the newfound gains. Therefore, USAID will continue to help Jordan's public and private sectors to: (1) upgrade culture and nature sites to attract a greater variety of visitors; (2) protect and increase market share through international "niche" marketing activities; (3) spread the benefits to communities adjacent to sites by promoting small business development and training local people to enable them to find employment in the hospitality industry and to provide quality products and amenities for the visitors; and (4) improve the overall policy framework to allow the industry to flourish.

As benefits accrue to communities adjacent to the sites, local people will provide the cooperation that is critical to ensuring that site preservation and indeed, the entire CNV thrust, is sustainable.

**Strategic Objective 1: Increased foreign exchange from culture and nature visitors. (\$4,000,000)**

In the water sector, USAID is undertaking several activities to address the problems of water availability and quality, primarily in conservation and wastewater treatment. These interventions mean more potable and irrigation water available to Jordanians.

In the area of conservation, over 10,000 people have received information, particularly women (principal domestic users) and students. Jordanian NGOs proved an effective vehicle to reach substantial numbers of consumers. The two-mile Walk for Water in the Amman city center attracted over 1,200 people, including many school children. The focus was on water conservation and sustainable use.

Control of industrial pollution and wastewater treatment are important elements of USAID's water strategy because the quality of the wastewater will be upgraded to the point where it can be used for unrestricted irrigation. Otherwise, valuable water of potable quality will continue to be put to agricultural use. With regard to control of industrial pollution, comprehensive industrial audits have been conducted for 15 industries; as a result, a number of industries have already adopted specific measures to save water and clean up their effluent before discharging it into the wastewater system. The upgrading of the wastewater treatment facility at As-Samra continues. The feasibility and design for water and wastewater services for the Wadi Mousa area, locus of the famed archaeological attraction, Petra, is under way. Finally, a master plan for wastewater services through the year 2025 for the greater Amman metropolitan area is under development. This activity provides a planning model to the government because it systematically incorporates both technical and environmental analyses. The last two activities also strengthened the planning capability of the government. As for policy reform, new water legislation will soon be drafted. To facilitate this reform, USAID is supporting a series of policy studies and a consensus-building and information-sharing effort.

The public awareness program will be expanded from domestic users to include the industrial and agricultural sectors. Technical assistance in operation and maintenance of drip irrigation systems, and demonstration projects will improve irrigation efficiency. The actual construction of collection and treatment facilities in Wadi Mousa will begin in 1997. The quality of treated wastewater will be significantly improved when the facilities are completed. In addition, USAID will fund feasibility studies, particularly for regional ventures, and pilot infrastructure projects involving the private sector. These will lead to upgrades and improvements of several more water supply and sewage treatment systems.

**Strategic Objective 2: Improved quality and increased quantity of water available for use. (\$6,000,000)**

**Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

Jordan's population growth rate of 4.3% remains one of the highest in the world. As a way to address this critical problem, USAID is concentrating on modern family planning methods--providing information and expanding the variety of products at prices most Jordanians can afford.

USAID has played a major role in assisting the Government of Jordan to put the systems in place which will support a national family planning program. As lead donor in family planning, USAID has helped Jordan to increase modern contraceptive prevalence rate (CPR) from 27% in 1990 to about 39.7% in 1995. Total CPR is now estimated at 51.6%, while the total fertility rate has dropped from 5.6 to 4.4.

In the last year, USAID, and its partners in the Ministry of Health (MOH), the private commercial sector and the nongovernmental organizations (NGOs) have been putting the pieces of a quality family planning program in place. In this period, USAID resources have been used to train over 1,000 physicians, nurses, pharmacists and family planning counselors in the private and public sectors. Additionally, a management information system for NGO family planning clinics has been established

and is functioning. Four additional clinics have been established in the NGO sector with protocols for quality of care instituted. Also in the NGO sector, couple years of protection have increased from 21,676 (January to June 1994) to 26,861 (January to June 1995).

USAID and the Ministry of Health are cooperating to encourage women to space births at least two years apart. Although 80% of all Jordanian births occur in the hospital, only 6% of women return for postpartum care and family planning services. Now postpartum family planning services are to be provided in the 12 hospitals in which most of the births occur. Over the last year, four postpartum centers have been renovated and furnished with equipment on order. In these centers postpartum family planning services have begun. Instituting family planning services in public hospitals represents a major advance in a traditionally conservative environment.

During the last year, USAID, working with its private sector partners in the pharmaceutical industry, was instrumental in launching a contraceptive social marketing program. With our technical leadership DMPA, an injectable contraceptive, has been registered for use in Jordan. Thus, women in Jordan are now able to easily find three modern contraceptives (oral contraceptives, intrauterine devices and an injectable contraceptive) at affordable prices in pharmacies throughout the country. With USAID guidance, the Ministry of Health (MOH) and the pharmaceutical industry agreed to offer contraceptives through the private sector at a market-oriented price which market research revealed women would be willing to pay, if they perceived the products to be of high quality, and if their health care provider was well trained to provide correct information and services. The program was launched in November 1995. USAID and the MOH are carefully monitoring the sales of the contraceptives.

For the first time in 1995, the MOH agreed to the use of the television to provide information about birth spacing and family planning. USAID paid for the development and production of a seven-part educational drama which contained family planning messages and was aired on Jordanian television in December 1995. The pre-test of the program was very positive, and the post-test survey is now under way. Additionally, seven 25-second television spots have been successfully pre-tested, and plans are under way to air them in 1996.

USAID will be able to reach significantly more women with family planning information and services by contacting women in hospitals where most deliveries occur. In addition, the private sector distribution system will become an increasingly important means of providing contraceptives, while market-oriented prices will constitute an important step toward sustainability. To spur political will in this sensitive area, information activities to encourage support for the national family planning program among parliamentarians, academics, physicians, and NGOs also are planned.

**Strategic Objective 3: Increased practice of family planning with an emphasis on modern methods.  
(\$7,357,000)**

**JORDAN  
FY 1997 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
USAID Strategic Objectives					
1. Increased Foreign Exchange from Culture and Nature Visitors ESF	\$4,000,000				\$4,000,000
2. Improved Quality and Increased Quantity of Water Available for Use. ESF	\$6,000,000				\$6,000,000
3. Increased Practice of Family Planning with an Emphasis on Modern Methods Dev. Assistance		\$7,357,000			\$7,357,000
Total Dev. Assistance ESF	\$10,000,000	\$7,357,000 --	--	--	\$7,357,000 \$10,000,000

USAID Mission Director: William T. Oliver

## ACTIVITY DATA SHEET

**PROGRAM:** JORDAN

**TITLE AND NUMBER:** Increased Foreign Exchange Earnings from Culture and Nature Visitors to Jordan - 278-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** \$4,000,000 ESF

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: To increase foreign exchange earnings by increasing the number of Culture and Nature Visitors (CNVs) from targeted countries and their expenditures in Jordan. Selected cultural and natural attractions will be preserved, improved and presented so as to sustain the cultural and natural heritage as an economic resource. Communities adjacent to selected sites will benefit economically from the use of local culture and nature attractions. The policy and legal framework will be changed so that it expands, improves, and sustains CNV industry development.

Background: Jordan needs foreign exchange to correct its chronic balance-of-payments deficit and to promote long term economic stability. It has few sources of foreign exchange, and these are subject to wide price fluctuations. Jordan's culture and nature attractions, if managed well, can be a sustainable source of foreign exchange earnings from international visitors. If the appropriate actions are taken to preserve, better manage and promote the culture and nature resources of Jordan, they will continue to be attractions, and equally important, Jordanians will preserve a valuable part of the world's heritage.

USAID Role and Achievements to Date: USAID is supporting the culture and nature visitor industry in Jordan, in close coordination with the Government of Jordan (GOJ), nongovernmental organizations (NGOs), and selected communities. Progress has been made in all aspects, including site development, development of small businesses in the vicinity of the sites (with its important employment-generation dimension), and marketing. The American Center for Oriental Research (ACOR) has been awarded a cooperative agreement with USAID to continue its work at Petra, Madaba, and the Amman Citadel, in protecting and presenting sites. The opening of the Archaeological Park and Mosaic School in Madaba has led to the development of several new restaurants and arts and crafts shops. A consultant continues to work with the GOJ, NGOs, and local societies to improve the quality and marketing of handicrafts.

Jordan is only beginning to promote itself in a strategic manner as a destination for United States and European markets. With USAID support, a public and private consortium was established to market Jordan. In 1994, USAID assisted the GOJ and the marketing consortium to develop and implement a coordinated marketing campaign, including development of a tour planning guide, rack brochures, site brochures and posters in major target languages. The materials have won awards for both their advertising merit and the quality of the printing, and were used successfully at the annual London Travel Mart.

A marketing campaign, specifically designed for the culture and nature visitor market niche, was launched at the November 1995 Amman Economic Summit. The updated "Tour Planning Guide" aimed at industry professionals, a prototype for a monthly CNV-oriented magazine, and new brochures were widely and well received. Jordan has joined with Israel to market regional itineraries through the American Society of Tour and Travel Agents.

Description: Due in large part to the signing of the peace treaty with Israel, Jordan has received an upsurge of visitors. However, future growth expectations are much more modest. In fact, Jordan will need to increase its international marketing efforts simply to maintain the new-found gains. Therefore, USAID will continue to help Jordan's public and private sectors to: (1) upgrade culture and nature sites to attract a greater variety of visitors; (2) protect and increase market share through international "niche"

marketing activities; (3) spread the benefits to communities adjacent to sites by promoting small business development, and training local people to enable them to find employment in the hospitality industry and to provide quality products and amenities for the visitors; and (4) improve the overall policy framework to allow the industry to flourish.

Host Country and Other Donors: The GOJ is expected to contribute \$3,330,000 to the strategic objective.

USAID is presently the largest donor in the sector. The World Bank is planning a tourism sector development loan which will assist in developing infrastructure at the Dead Sea, Wadi Mousa, Wadi Rum, and Amman, and provide institutional support for the Ministry of Tourism and Antiquities. The Japanese have identified six infrastructure projects in downtown Amman, the nearby city of Salt, and in the vicinity of the Dead Sea.

USAID has cooperated closely with the German and Italian archaeological missions to Jordan and with the World Bank. The development of the Archaeological Park (primarily Byzantine churches and Roman buildings) and Mosaics School at Madaba, the latter teaching the restoration of Jordan's famed mosaics, provides an excellent example of donor cooperation. Funds for the Mosaics School have come mainly from the Italian assistance program with some funding from the Canadians, while USAID has made the major investment in developing the Archaeological Park, aided by local currency generated by the Commodity Import Program.

Beneficiaries: USAID assistance is expected to generate significant employment opportunities in a growing service sector. The indirect beneficiaries are suppliers of commodities for the hotel industry, producers of traditional arts and transport services. Ultimately, the general public benefits because USAID-assisted activities will increase the foreign exchange earnings of Jordan while assisting in the preservation and presentation of Jordan's valuable cultural and natural heritage.

Principal Contractors, Grantees, or Agencies: USAID implements these activities through the U.S. firm Chemonics, Inc., the American Center for Oriental Research and other nongovernmental, not-for-profit organizations.

Major Results Indicators:

	<u>Baseline</u>	<u>Targets</u>
● Annual percentage increase in travel receipts from tourist arrivals to Jordan.	\$582 Million (1994)	annual increases by 10% (1995), 3% (1996), and 3% (1997)
● Ratio of CNVs to all non-transit arrivals to Jordan.	0.044 (1994)	annual increases to 0.07 (1995), 0.075 (1996), and 0.08 (1997)
● Priority degradation problems, essential visitor services and amenities, and presentation requirements, as identified in a "Priority Action Plan" for selected sites, are corrected according to the plans and available resources.	0% completion (1994)	annual increases to 7% (1995), 14% (1996), and 40% (1997)
● Annual percentage increase in visitors from targeted countries (United Kingdom, Germany, Italy, France, and USA) to Jordan's culture and nature sites.	80,340 CNVs (1994)	annual increases by 10% (1995), 5% (1996), and 5% (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** JORDAN

**TITLE AND NUMBER:** Improved Quality and Increased Quantity of Water Available for Use - 278-SO02

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997; \$6,000,000 ESF

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: To improve water resources management, increase conservation and efficient water use, and improve water and wastewater infrastructure.

Background: Lack of water in Jordan is a serious problem and, without vigorous interventions, there will be a national crisis within the decade. Virtually all economically viable sources of fresh water have been tapped. Water scarcity is exacerbated by rapid population increase, weak government institutions, inefficient water management and use, lack of adequate wastewater treatment capacity, and inappropriate pricing policies. The Government of Jordan (GOJ) is fully aware of the impending crisis and is committed to making the difficult reforms required.

USAID Role and Achievements to Date: USAID water sector contributions have been made through developing infrastructure, increasing the capacity to design and implement water projects, improving the monitoring of water quantity and quality, facilitating open discussions on water policy reform, increasing public awareness, and improving cooperation between Jordan and its neighbors on water issues. With water a key factor in regional peace, and with the strong U.S. commitment to promoting that peace, continued high-profile involvement in the water sector is essential.

Description: A number of major activities are planned for FY 1997. An emergency upgrade of the facility providing wastewater treatment for the Amman and Zarqa area (80% of Jordan's population) will be completed in 1997. This will significantly improve the quality of treated wastewater, thereby making it available for irrigation use. A comprehensive master plan, feasibility study, and preliminary engineering design for wastewater services (including reuse) for the greater Amman area through the year 2025 will be completed. Final design of new water supply and wastewater treatment facilities for the area surrounding the archaeological attraction, Petra, which must serve a heavy influx of visitors, will be completed, and construction begun. Several environmental impact assessments for water and wastewater facilities will be completed. Hardware and software permitting improved data management and analysis will be installed and made operational as will additional stream flow monitoring stations at key locations. Additional activities in irrigation efficiency, groundwater recharge, laboratory upgrades, water sector policy reform, and public awareness will continue to improve water management capacity and efficient water use.

Host Country and Other Donors: Other major donors in this sector are the Germans, the Canadians, the British, the European Union, and the World Bank. USAID is cooperating closely with Germany in a number of key areas, including emergency upgrades of the existing Amman wastewater treatment system, preparations for construction of facilities envisioned under the wastewater master plan, and development of data management systems. USAID coordinates activities with Canadian and World Bank efforts in institutional restructuring and water policy reform. The Ministry of Water and Irrigation (MWI) is the host country counterpart in USAID's activities. The MWI has invested significant financial and personnel resources in implementing USAID-funded activities.

Beneficiaries: The direct beneficiaries will be water users (municipal, industrial, and agricultural) in the greater Amman area, in the Jordan River Valley, and in the Wadi Mousa area where Petra is located. These beneficiaries constitute approximately 75% of the population of Jordan.

Principal Contractors, Grantees, or Agencies: USAID implements these activities through the following U.S. and Jordanian firms, and two Jordanian environmental nongovernmental organizations:

Principal Contractors, Grantees, or Agencies: USAID implements these activities through the following U.S. and Jordanian firms, and two Jordanian environmental nongovernmental organizations:

- U.S. Firms: Development Alternatives, Inc.,; Harza Environmental Services; Camp, Dresser, Mckee Inc.; Sigma One Inc.; Morganti International; and Science Applications International Corporation
- Jordanian NGOs: Jordan Environment Society; and Royal Society for the Conservation of Nature

Major Results Indicators

	<u>Baseline</u>	<u>Target</u>
● Decrease in unaccounted-for water	60% (1991)	47% (1997)
● Increase in operation and maintenance costs recovered	43% (1991)	55% (1997)
● Increase in efficiency of irrigation water use in the Zarqa Triangle of the Jordan Valley	56% (drip) (1991)	65%(drip) (1997)
	42% (plastic houses) (1991)	55% (plastic houses) 1997
● Increase in industries adopting clean technology measures in the Zarqa River Basin	48% (1991)	60% (1997)
● Increase in number of people with better knowledge of water conservation and efficient use issues	0 (1991)	20%/year (1997)
● Increase in the quantity of water delivered to the Wadi Mousa area	1.2 mcm (1991)	2.3 mcm (1997)
● Increase in wastewater treated to design criteria at As-Samra and Wadi Mousa facilities	0 mcm (1991)	48 mcm (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** JORDAN

**TITLE AND NUMBER:** Improved Practice of Family Planning, With an Emphasis on Modern Methods -278-S003

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$7,357,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: To improve maternal and child health by reducing the number of unwanted pregnancies, and to promote the continued use of modern family planning methods by improving knowledge of family planning, by making services in the public and private sectors more accessible, and by making products more affordable in the private sector.

Background: The 1990 demographic and health survey (DHS) revealed that there is substantial unmet demand for family planning services. Close to one-half of the women surveyed had completed their family size and wanted no more children. An additional 25% wanted no more children within the next two years. The survey also revealed that if all unwanted births were avoided, each woman would have only 3.9 children, on average, instead of the actual 5.6 found in the survey. The DHS revealed that 95% of the women in Jordan could name a contraceptive method and 94% of women actually know where to obtain services. However, 15% of women did not use one because of myths and rumors about the efficacy and safety of these methods, and 21% discontinued use for the same reasons. To address the challenges associated with the strategic objective, USAID and its partners are focusing on a package of activities which will promote the acceptance and continued use of modern family planning methods. There are several constraints toward achieving this objective. First and foremost is the lack of a reliable and predictable contraceptive distribution system in the public sector. Additionally, in spite of positive reactions toward improved service delivery and the use of mass media to promote services and products, the Ministry of Health (MOH) continues to fear a negative reaction by Islamic fundamentalists toward promotion of family planning services. Further, inadequate donor funding of necessary elements (contraceptive supplies, information, and materials) of a national family planning program will impede progress.

USAID Role and Achievements to Date: Through 1995, USAID provided all of the Intrauterine Device (IUD) contraceptives available in the public sector. Although the Government of Jordan (GOJ) regulates the price of pharmaceuticals in the country, USAID was instrumental in convincing the GOJ not to subsidize the cost of contraceptives for the contraceptive social marketing (CSM) activity. Additionally, USAID was able to convince the pharmaceutical companies in Jordan that increased sales would result if the products were marketed at an affordable price to low-income consumers. The two major policy breakthroughs which USAID facilitated in 1995 were: (1) the agreement by the MOH to use the television and radio for family planning information; and (2) gaining approval from the Director of the Directorate of Pharmaceuticals (the Jordanian equivalent of the Food and Drug Administration) and from the Pharmacists' Syndicate to place the CSM logo on contraceptive products and at pharmacies and private clinics. This logo identifies products and service providers participating in the CSM program and operates like a "Good Housekeeping Seal of Approval." Preliminary results from the Jordan 1994 Census on Population and Housing revealed that modern contraceptive prevalence has risen from 27% in 1990 to an estimated 39.7% in 1995.

Description: The program will continue its emphasis on improving the quality of services it provides to the customer. Eleven model maternal child health and family planning centers will be established, personnel trained and services implemented using quality assurance protocols. A program of operations research is envisioned to evaluate the quality of care being provided and to help program managers improve service delivery. A model program to include the lactation amenorrhea method of breast feeding will begin. Activities to encourage postpartum care and family planning services will begin.

The demographic health survey will be undertaken to verify the results achieved toward this objective. A series of activities are planned to disseminate information for MOH and other GOJ planners and opinion leaders. In addition to working with the traditional family planning NGOs, USAID and its partners will expand their outreach to include NGOs that work to improve the quality of the lives of women overall. Training of health care providers will continue in the public and private sector. The CSM activity will continue with an emphasis on increasing sales and improving information to customers and providers as new products and/or new methods enter into the program. The pharmaceutical companies are forecasting a 10% increase in sales. It is estimated that total CPR will increase to 62.8% from the 1995 level of 51.6% and modern CPR will increase to 48.3% from 39.7% in 1995.

**Host Country and Other Donors:** The United Nations Population Fund (UNFPA), through its fourth country program, has provided \$7 million from 1995-1996. USAID and UNFPA are discussing the provision of oral contraceptives (OCs), by UNFPA, to the family planning program. USAID-supplied OCs are not registered in Jordan and so are not allowed to be distributed. Consequently, method of choice, in the public sector, for Jordanian women is limited to IUDs. USAID and UNFPA meet regularly to make sure that activities undertaken in support of this strategic objective are not duplicative but mutually reinforcing. In December 1995, the European Union (EU) and the Japanese Government fielded exploratory teams to Amman to consider developing family planning and reproductive health programs for Jordan. USAID held discussions with both donors on ways to collaborate and ensure complementary efforts.

**Beneficiaries:** This objective has three distinct sets of customers. The customers, or beneficiaries, are the 418,840 currently married women 15-49 who are at high risk of conceiving a child who risk dying due to age and number of children already born, the 346,368 currently married women of reproductive age who have a demand for family planning services, and the men who are married to these women.

**Principal Contractors, Grantees, or Agencies:**

- Host Country: MOH; Jordan University Hospital; Jordan University for Science and Technology; Royal Medical Services; Department of Statistics; Jordan Association for Family Planning and Protection; National Population Commission; Soldiers' Welfare Society, Pharmaceutical Companies, Cubeisey Advertising Agency, and Market Research Organization
- Cooperating Agencies: University Research Corporation, Brown University, Pathfinder International, The Futures' Group, Johns Hopkins University Population Communication Services ; Johns Hopkins Program for International Education in Obstetrics and Gynecology (JHPIEGO); Association of Voluntary Surgical Contraception International.

**Major Results Indicators**

	<u>Baseline</u>	<u>Target</u>
● Total Contraceptive Prevalence Rate	51.6(1995) <sup>1</sup>	62.8(1998)
● Modern Contraceptive Prevalence Rate	39.7(1995) <sup>2</sup>	48.3(1998)

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<sup>1</sup> Total contraceptive prevalence rate is projected based on the 1990 ratio of traditional methods (excluding breastfeeding) to modern methods.

<sup>2</sup> Contraceptive prevalence rate (CPR) for modern methods is predicted according to a regression equation on the relationship between total fertility rate and CPR based on preliminary 1994 census results.

## LEBANON

FY 1997 Development Assistance.....\$2,000,000  
FY 1997 Economic Support Funds.....\$4,000,000

### Introduction

Lebanon is a non-presence country. USAID's assistance program, while very limited, is cast in the framework of demonstrating U.S. concern and commitment to help Lebanon recover and take part in the evolving Middle East peace process. Lebanon has achieved considerable progress and economic recovery since 1990, following the end of almost two decades of civil war and conflict in its border areas. It is important to the United States that Lebanon rebuild into a stable, responsible, and prosperous partner who shares our goal of peace. U.S. assistance is playing a targeted role in Lebanon's recovery by supporting private voluntary and nongovernmental organizations (PVOs and NGOs) engaged in critical reconstruction and relief efforts, including housing and village infrastructure, jobs training, rehabilitation of war victims, and efforts to strengthen public administration, medical services, and managerial and technical education.

### The Development Challenge

The political instability and civil conflict that engulfed Lebanon since 1975 resulted in massive destruction of the country's infrastructure and economy (e.g. a 40% drop in industrial output) and marginalization of the government and public management systems. The strife caused massive suffering, flight, and increased impoverishment of the Lebanese people.

The end of the war provided an opportunity for many Lebanese to return to their homes and villages and to start rebuilding their lives. However, this return has been difficult. Thousands of homes, villages and businesses were destroyed or severely damaged during the war. Electricity, water and telecommunications networks were destroyed, directly affecting 1.5 million people and cutting off potable and irrigation water. Government health care and education also suffered. Lebanon is now in the process of extensive reconstruction, hindered by fiscal imbalance, income distribution issues, social problems, and fragile political stability.

As these elements begin to be restored and Lebanon progresses, new sustainable development efforts have become more feasible. More than 200,000 highly educated and technologically sophisticated Lebanese expatriates have now returned to the country, bringing with them advanced skills in the scientific, technical, financial, and entrepreneurial areas. In the first six months of 1995, the Lebanese economy grew by about 6 % per annum, and recent reports are upbeat about the potential for rebuilding Lebanon into an upper middle-income country which plays a significant role in the Middle East region. Improved political stability, increased confidence, and an effective economic adjustment effort have spurred favorable macroeconomic developments in Lebanon.

However, the lack of adequate infrastructure, weakening of the institutional and legal framework, and shortages of human and physical capital continue to constrain overall economic activity. Lebanon faces enormous problems to re-establish its economy and society. The war catalyzed an unequal development of different economic sectors, excessive urban concentration and polarization around Beirut, and destroyed regional structures. This imbalance must be redressed in order to guarantee balanced growth. The rural areas have lost their youth, their elites, and their fundamental social and economic structures. Emerging settlements of marginal groups have become a major problem in the urban areas. Unemployment and resultant social tensions and social ills are at a critical level. Economic recovery has been uneven, and there are wide income disparities and differences in living standards among the population. The public administration is weak, and social and education services are running far below par. U.S.-based universities have emerged from the war years to face needs for

restoration of plant, equipment, and faculty. The depletion and degradation of land, water, air, coastal and natural resources, as well as pollution, are also of major concern in Lebanon.

### **Other Donors**

In 1995, the United States provided 5% of all development assistance to Lebanon and was the sixth largest donor. The United Nations Relief Works Agency (UNRWA) is the largest donor at 31%, and France is the second largest, providing 22% of donor assistance. USAID grantees work closely with World-Bank-supported projects and United Nations Development Program-coordinated activities. PVO grantees also mobilize and match funds with European NGOs.

### **FY 1997 Program**

Lebanon faces enormous challenges in order to ameliorate the severe problems described above. With very limited resources, USAID's strategy for helping Lebanon face these challenges gives very modest resources to continue limited programs in four areas: (1) community-level rehabilitation, (2) public administration improvements, (3) strengthening U.S. educational institutions in Lebanon, and (4) promoting integrated financial market development, an activity that includes microenterprise credit and capital market development components.

USAID has focused on these areas as a means to aid individuals to rebuild their own lives and their communities; to assist in the reconstruction of infrastructure and public institutions; to strengthen the capacity of the government to effectively manage its resources; and to help build Lebanon's technical and managerial work force through restoring the quality of education in U.S. educational institutions that operate in Lebanon.

### **Agency Goal: Humanitarian Assistance**

USAID is supporting a wide range of reconstruction and rehabilitation activities that are being implemented by eight U.S. PVOs and more than 30 Lebanese NGOs.

- **Special Objective 1: Sustained rural community reconstruction and rehabilitation**

Activities include: community-level reconstruction of Lebanese Red Cross facilities and strengthening of Red Cross capacity to deliver emergency and basic health services; reconstruction of homes, villages, roads and irrigation and potable water systems; technical assistance and training to enhance the capacity of Lebanese NGOs to deliver services; and procurement of critical medical supplies and equipment needed in Lebanese schools, hospitals and other public institutions. The FY 1997 program will continue to shift resources to strengthen the capacity of Lebanese NGOs to anticipate community needs and plan accordingly, to raise and manage funds, and thus to upgrade the quality and quantity of their services. By 1998, all activities in this area will be completed and receive no further funding.

Significant progress was made in USAID's program in Lebanon from 1993 through 1995. U.S. PVOs provided relief, including medical services and reconstruction services or materials, to individuals and families, including orphans, children and the handicapped. More than 300,000 Lebanese directly benefited. In addition, 200 infrastructure projects were completed and 3,000 displaced families were assisted in rebuilding their destroyed homes and in returning to their villages. The U.S. PVOs work through Lebanese NGOs which have well-trained staff and operate effectively in Lebanon's complex social structure. The PVOs and their counterparts provide mutual support in certain locations to combine skills and resources to meet expressed community needs. In some instances, PVOs have been able to mobilize as much as \$3 of local contributions or resources from non-USAID sources for each \$1 of USAID funds.

### **Agency Goal: Building Democracy**

USAID supports public administration activities aimed at strengthening the capacity of selected institutions of the Lebanese government to recover from years of civil war. USAID targets its public administration efforts (chiefly training and installation of information systems) at key Lebanese government agencies and civil servants involved in the formation of public policy and in establishing the overall quality of government operations. Besides the Parliament, the four central control agencies are the Civil Service Board, the Government Accounting Office, the Central Inspections Board, and the Central Disciplinary Board. In 1996, USAID expanded the reach and utility of the computer systems in the Parliament (including an automated voting system) and in control agencies. USAID will continue to help modernize and streamline information systems as well as rules and procedures.

- **Special Objective 2: Increased effectiveness of selected public institutions which support democracy.**

Computer systems and operational software have been installed in the Parliament and the four central agencies. 100 technicians and users have been trained. More important to transparency and accountability, the agencies' procedures and systems are being reformed and streamlined. This latter activity, though still in a nascent stage, has been backed by the Cabinet, the Minister for Administrative Reform, the Parliamentary leadership, and heads of the affected agencies. They plan to make the USAID program a model for all administrative reform being carried out by the Government of Lebanon.

### **Agency Goal: Encouraging Broad-Based Economic Growth**

USAID assists American institutions in Lebanon, most notably the American University of Beirut (AUB) and the Lebanese American University (LAU, formerly Beirut University College). The American universities are still recovering from the war years. In FY 1996 and FY 1997, the universities will receive additional assistance to help them restore their top-quality educational, training, and research and development capacities.

- **Special Objective 3: Enhanced capability of institutions of higher education to contribute to Lebanon's development.**

During the war years, assistance to universities was directed to keep the universities open and operating. Now, USAID is seeking more direct development-related outcomes from its limited investments in these institutions. Both universities maintain executive offices in New York and representatives in Washington who are accessible for program and policy dialogue. Both universities are assessing their future roles and are seeking support for specific strengthening activities which can be monitored through key performance indicators. The effectiveness of this objective will be measured by the extent to which the universities are restructuring, equipping and staffing themselves to meet the needs of post-war Lebanon and a more peaceful Middle East region. USAID support for LAU will help them adapt their curricula to educate women for the changing labor market, and for AUB to provide technical assistance to government development programs such as analyzing and resolving pollution problems in urban and coastal areas.

- **Special Objective 4: Integrated financial market development.**

With modest resource levels, USAID has adopted a two-pronged, mutually reinforcing approach to help Lebanon achieve its goals to develop financial markets and credit delivery systems. First, the strategy targets the poor directly by developing sustainable microenterprise financing; and second, it targets the financial markets by mobilizing savings and attracting private investment through capital markets development. The latter should contribute to a stable and growing economic environment which is essential to the success of enterprise development. In FY 1997, USAID will introduce targeted technical assistance and training to assist Lebanon to develop its capital markets, an area where

American expertise can make modest, but unique contributions in financial market development. Efforts in this area are critical if Lebanon is to reintegrate into the global market place and if it is to enable its emerging domestic businesses to access credit and financial markets. Despite its recent positive economic performance, Lebanon must still overcome enormous problems to re-establish its economy and society, particularly correction of its fiscal imbalance. Private capital markets development will assist Lebanon to attract needed capital for reconstruction and business expansion. Successful development will help to build a national constituency to support reducing the government deficit and contribute to job creation and overall economic growth.

USAID's strategy in this area is to train Lebanese government and exchange officials by the U.S. Securities and Exchange Commission and to provide technical assistance in the design and improvement of the legal and regulatory framework for the Lebanese Stock Exchange. USAID will conduct in-country training on broker-dealer issues, clearing and settlement, and regulatory matters. This effort also will develop sustainable microfinance service delivery linked to the formal financial sector.

**LEBANON**  
**FY 1997 PROGRAM SUMMARY**  
(\$000)

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Humanitarian Assistance	Total
<b>USAID Program Objective</b>						
1. Sustained Rural Community Reconstruction & Rehabilitation						
2. Public Administration Improvements						
3. Strengthened U.S. Educ. Instit. Dev. Asst.	\$2,000					\$2,000
4. Integrated financial markets dev. ESF	\$4,000					\$4,000
<b>TOTAL Dev. Asst. ESF</b>	<b>\$2,000</b> <b>\$4,000</b>					<b>\$2,000</b> <b>\$4,000</b>

Director, Office of Middle East Affairs, Philip-Michael Gary

**PROGRAM:** LEBANON

**TITLE AND NUMBER:** Sustained Rural Community Reconstruction and Rehabilitation, 268-SO01

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$0

**INITIAL OBLIGATION:** FY 1996: **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: To promote sustained rural community reconstruction and rehabilitation.

Background: The end of the war provided an opportunity for many Lebanese to return to their homes and villages and start rebuilding their lives. However, this return has been difficult. Thousands of homes, villages and businesses were destroyed or severely damaged during the war. Electricity, water and telecommunications networks were destroyed, directly affecting 1.5 million people and cutting off potable and irrigation water. Government health care and education also suffered. Lebanon is now in the process of extensive reconstruction, hindered by fiscal imbalance, income distribution issues, social problems, and fragile political stability.

USAID Role and Achievements to Date: Significant progress was made in USAID's Relief and Development program in Lebanon from 1993 through 1995. U.S. private voluntary organizations (PVOs) provided relief, including medical services and reconstruction services or materials, to individuals and families, including orphans, children and the handicapped. More than 300,000 Lebanese benefited directly from the program. In addition, 50 infrastructure projects were completed and 2,000 displaced families were assisted in rebuilding their destroyed homes and in returning to their villages.

Description: USAID is supporting a wide range of reconstruction and rehabilitation activities that are being implemented by U.S. PVOs and Lebanese non-governmental organizations (NGOs). Activities include community-level reconstruction of Lebanese Red Cross facilities and strengthening of Red Cross capacity to deliver emergency and basic health services; reconstruction of homes, villages, roads and irrigation and potable water systems; technical assistance and training to enhance the capacity of Lebanese NGOs to deliver services; and procurement of critical medical supplies and equipment needed in Lebanese schools, hospitals and other public institutions. The FY 1997 program will continue to shift resources to strengthen the capacity of Lebanese NGOs to anticipate rural community needs and to plan accordingly, to raise and manage funds, and thus to upgrade the quality and quantity of their services.

Host Country and Other Donors: The World Bank, the United Nations Development Program (UNDP), and a number of international private voluntary agencies are working in reconstruction. Additionally, the Government of Lebanon is gradually assuming more of the responsibility for repair of major infrastructure.

Beneficiaries: Rural residents of Lebanon are the primary beneficiaries. Apart from individuals and families who benefit from the general program, special assistance is targeted at orphans, children and the handicapped.

Principal Contractors, Grantees, or Agencies: USAID implements activities through six U.S. private and voluntary agencies and more than 30 Lebanese nongovernmental organizations.

Major Results Indicators: Each subproject grant has targets related to the activities being pursued, such as numbers of homes rehabilitated, families assisted, water systems restored, or medical service units equipped and staff trained. In addition, the grantees apply selection criteria for communities and families who are assisted to assure that all religious groups and geographic areas are equitably served.

**PROGRAM:** LEBANON

**TITLE AND NUMBER:** Lebanon Relief and Redevelopment Project 268-S002

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$0

**INITIAL OBLIGATION:** FY 1996: **ESTIMATED COMPLETION DATE:** FY 1999

**Purpose:** To increase the effectiveness of selected institutions which support democracy.

**Background:** USAID, through the Relief and Rehabilitation project, supports limited public administration activities aimed at strengthening the capacity of the Lebanese government to recover from years of civil war. The program emphasizes that an investment in Lebanon's public sector is an investment in Lebanon's overall recovery. USAID targets its public administration efforts (chiefly training and installation of information systems) at key Lebanese government agencies and civil servants involved in the formation of public policy and establishing the overall quality of government operations that support democracy.

**USAID Role and Achievements to Date:** In FY 1996, USAID expanded the reach and utility of the computer systems in the Parliament (including an automated voting system) and in control agencies. Additionally, USAID brought senior officials from four government agencies to the United States for training. USAID has helped, and will continue to help, modernize and streamline information systems, rules, and procedures within these entities.

**Description:** With limited resources, USAID targets its public administration efforts (chiefly training and installation of information systems) at key Lebanese government agencies and civil servants involved in the formation of public policy and establishing the overall quality of government operations. These, besides the Parliament, are the four central control agencies: the Civil Service Board, the Government Accounting Office, the Central Inspections Board, and the Central Disciplinary Board.

**Host Country and Other Donors:** To assure communication and complementarity and to avoid duplication of efforts, USAID and its grantee work with the World Bank teams who are focused on the finance ministry and related agencies, and with the United Nations Development Program (UNDP) which is supporting the overall administrative reform effort. This is particularly important while establishing information systems and computer networks. The Government of Lebanon has supported this effort by developing a comprehensive needs assessment and by making public officials available for training.

**Beneficiaries:** Parliamentarians, law-makers, and civil servants are the primary direct beneficiaries.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities through a grant to the Center for Legislative Development at the State University of New York in Albany.

**Major Results Indicators:** Progress is measured presently by numbers of computer and information systems installed and their use by trained personnel to conduct business and make informed decisions in the targeted agencies. Program results also measure the numbers of senior and mid-level managers with improved skills to manage modernized government operations.

**PROGRAM:** LEBANON

**TITLE AND NUMBER:** Strengthened Higher Education Institutions, 268-SO03

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,000,000 (DA)

**INITIAL OBLIGATION:** FY 1996: **ESTIMATED COMPLETION DATE:** FY 1999

**Purpose:** To enhance the capability of institutions of higher education to contribute to Lebanon's development.

**Background:** Through the Lebanon Relief and Redevelopment project and the American School, and Hospitals Abroad program, USAID assists American institutions in Lebanon, most notably the American University of Beirut (AUB) and the Lebanese American University (LAU, formerly Beirut University College). The American universities are still recovering from the war years.

**USAID Role and Achievements to Date:** The program supports U.S.-based educational institutions in Lebanon. It has been successfully implemented to rebuild damaged structures, to provide scholarships for more than 200 low-income students of war-damaged families, to improve services at one of the university's hospitals in support of war victims, and for general operating costs during the worst years of conflict when the universities were barely able to function. Today USAID supports these institutions in their efforts to design programs, such as a masters program in environmental studies, that will carry them into the twenty-first century.

**Description:** In FY 1996 and FY 1997, the universities will receive additional assistance to help them restore or improve their top-quality educational, training, and research and development capacities.

**Host Country and Other Donors:** The United States is the only international donor government providing assistance to the American University of Beirut and the Lebanese American University. The Government of Lebanon provides no donations to the universities; however, the AUB hospital receives fee payments for treatment provided to government and defense employees.

**Beneficiaries:** The student bodies and faculties are the primary direct beneficiaries of this assistance; however, the benefits of a better educated society go beyond immediate recipients as newly trained technical and managerial leaders work toward Lebanon's recovery.

**Principal Contractors, Grantees, or Agencies:** USAID provides direct grants to the universities. Both universities maintain offices in New York and representatives in Washington who are accessible for program and policy dialogue.

**Major Results Indicators:** Both universities assessed their future roles in 1995, and have helped design USAID-funded activities which can be monitored through key performance indicators. This includes monitoring the progress of LAU to incorporate the Institute of Women's Studies in the Arab World research into formal education and occupational curricula, and AUB's ability to develop an environmental center for research and technical assistance.

**PROGRAM:** LEBANON

**TITLE AND NUMBER:** Integrated Financial Market Development, 268-SO04

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$4,000,000 (ESF)

**INITIAL OBLIGATION:** FY 1997: **ESTIMATED COMPLETION DATE:** FY 1999

**Purpose:** To promote integrated financial market development.

**Background:** Efforts in the area of financial market development are critical if Lebanon is to reintegrate into the global market place and if it is to enable its emerging domestic businesses to access credit and financial markets. Despite its recent positive economic performance, Lebanon must still overcome enormous problems to re-establish its economy. Private capital markets development will assist Lebanon to attract needed capital for reconstruction and business expansion. Successful development will help to build a national constituency to support reducing the government deficit and contribute to job creation and overall economic growth.

**USAID Role and Achievements to Date:** USAID began implementation of the microenterprise credit component of this activity in 1995. Two grants were awarded to U.S. private voluntary organizations (PVOs) to begin rural-level, credit-delivery programs that will be fully operational in 1997. Grantees have now selected country directors, developed work plans and begun the process of opening offices in Lebanon. With modest resources, the capital market development component of this activity will be developed and introduced in FY 1997.

**Description:** In FY 1997, USAID will introduce limited and targeted technical assistance and training to assist Lebanon to develop its capital markets, an area where American expertise can make modest, but unique contributions in Lebanon's financial market development. It will train Lebanese government and exchange officials by the U.S. Securities and Exchange Commission and to provide technical assistance in the design and improvement of the legal and regulatory framework for the Lebanese Stock Exchange. USAID will conduct in-country training on broker-dealer issues, clearing and settlement, and regulatory matters. USAID will adopt a two-pronged, mutually reinforcing approach to help Lebanon achieve its goals to develop financial markets and credit-delivery systems. The strategy targets the poor directly, first, by developing sustainable microenterprise financing, and second, by mobilizing savings and attracting private investment through capital markets development. The latter should contribute to a stable and growing economic environment which is essential to the success of enterprise development.

**Host Country and Other Donors:** The International Monetary Fund provides the government with policy analysis and advice, primarily in the fiscal and monetary areas, that support the development of integrated financial markets. The International Finance Corporation has announced plans to provide five of Lebanon's leading banks with long-term credit for lending to small businesses. This will complement USAID's credit program, but does not duplicate USAID's lending efforts to micro-enterprises in rural areas.

**Beneficiaries:** This effort will develop sustainable microfinance service delivery linked to the formal financial sector. Promotion of sustainable microenterprises will benefit the poor, including women and other disadvantaged groups, enabling them to participate in the growing economy. The financial markets development element of this activity will benefit the overall economy of Lebanon by mobilizing savings and attracting private investment.

**Principal Contractors, Grantees, or Agencies:** USAID implements the microenterprise credit component of this activity through two U.S. private voluntary organizations, Catholic Relief Services and Save the Children Foundation. Capital markets development will be implemented through contractors or grantees and will draw upon the U.S. Securities Exchange Commission for a portion of the training

needs.

**Major Results Indicators:** This activity will contribute to the Agency's goal of encouraging broad-based economic growth and will support the following program outcomes: (a) Sustainable microfinance service delivery systems in place and linked to the formal financial sector; and, (b) Capital markets and stock exchange functioning to attract private investment and enterprise growth.

## MOROCCO

FY 1997 Development Assistance . . . . . \$19,375,000

### Introduction

Morocco has historically supported the Middle East Peace Process and enforcement of United Nations (UN) sanctions against Iraq, and Libya. As a moderate voice in the Arab world, Morocco serves as a role model for economic and political moderation among Islamic nations, and a bulwark against anti-Western Islamic fundamentalism of the type now seen in neighboring Algeria. However, Morocco remains vulnerable to threats from internal and external radicalism. Morocco is turning increasingly to the United States to expand business ties, and seeks to emulate the United States in many aspects of its social and economic development.

### The Development Challenge.

Morocco is a country of contrasts and dualistic development. Morocco has 27 million people, including 38% under 15 years of age. Debilitating rural and urban poverty coexists alongside modern urban centers. With per capita Gross Domestic Product (GDP) estimated at \$1,150 in 1994, Morocco falls in the lower-middle-income (LMI) country category. Economic growth, estimated at -5.0% in 1995, has lagged to an annual average of 0.3% since 1992, owing to drought and the slow pace of reform at the sectoral level. Natural resources are scarce: the most significant, phosphate and its derivatives, accounted for 30% of exports in 1994. Only 20% of the land is arable and agricultural production is dependent on irrigation due to frequent droughts. Morocco's successful structural adjustment program has been sustained for key factors of stabilization: the budget deficit is around 2% to 3% of GDP; foreign debt declined to 68% of GDP in 1994, with debt servicing at about 33% of exports; the currency is based on realistic, market-based pricing, with convertibility for current balance of payment transactions; and inflation rose to an estimated 6.3% in 1995.

Despite a good record of economic stabilization and performance, Morocco's economic growth rate is not keeping pace with expansion in the labor force. Lack of jobs and access to housing, land, credit, and other productive resources remain chief causes of poverty and major contributors to social instability. Unemployment is creating a pool of disaffected educated youth, from which extremist appeals find adherents. Poverty and illiteracy remain extensive, especially among women and female-headed households. Large family sizes strain meager incomes and government services. Natural resource degradation and industrial, urban, and agricultural pollution pose threats to the productive base of the economy, to ecosystems, and to human health and productivity. As a sharply dualistic society, Morocco has a weak institutional capacity for policy advocacy and an inadequate policy and institutional framework for integrating poorer Moroccans into the mainstream of social services and economic well-being. Morocco's dualism is evidenced by lagging social indicators: (1) infant mortality at 66 per thousand compares to 39 for LMI countries and 52 per thousand for the Middle East and North Africa (MENA) region; (2) the annual population growth rate, despite recent declines, is still 2.1% (1.5% in LMI countries on average), doubling the country's population in approximately 33 years; (3) the illiteracy rate is 51% of the adult population (15 years old and over), compared to 19% for LMI countries and 45% for the MENA region; (4) an estimated 5.6 million people (22% of the population) live at or near the poverty level, with two-thirds of the poor in rural areas; and (5) unemployment affects nearly 20% of the labor force and is increasing at 7% annually, with particularly deleterious effects among educated urban youths. In short, the trend in social indicators has not kept pace with economic progress.

USAID programs increasingly have sharpened their focus and impact on equity and the participation of the poor. Through collaboration with government, the private sector, and the growing nongovernmental organization (NGO) community, USAID programs are demonstrating the viability of

interventions which address the well-being and employment of the poor. The key areas of progress include family planning and health service delivery, child survival, small business development, agribusiness export expansion which generates employment for the poor, privatization, energy conservation, clean technology, improved water management in irrigated areas, and self-help housing for low-income communities. In each of these areas, USAID works with the government, private advocacy groups, and other donors to establish a more transparent and equitable framework for participation and growth.

Morocco stands at a cross-roads where it must choose between (1) economic and political liberalization involving transparency and greater empowerment and participation of Moroccans in the economic, political, and social life of the country; or (2) the status quo and the elitism of the past, whereby few gained disproportionately. The legal and regulatory structures generally favor the status quo. Economic and social pressures are being exerted toward pluralism and greater participation in economic, social and political actions, providing opportunities for the United States to influence development toward more sustainable and equitable systems which will promote future stability and support Morocco as a model for less democratic Arab countries.

Even with a good record of development performance, Morocco is not prepared now for graduation from development assistance. Comprehensive planning for USAID's transition has focused on sustainable institutional capacity to address equity problems. It is doubtful these problems can be sufficiently resolved by the end of the millenium. By 1999, USAID plans to phase out of population and health service delivery support for privatization and agri-business promotion. Recent initiatives in water resources management, mircoenterprise finance and basic girls' education may require more time to establish the sustainable capacity to achieve the targetted objectives. At the macro level, Morocco requires support in making the tough policy decisions necessary to establish policy and institutional frameworks which redress social inequities, poverty, environmental degradation, and gender disparities for education and child survival. The slackening of economic reforms, which affects the cost of living and quality of life at the grassroots level, also compromises Morocco's ability to compete in international markets and to attract foreign investment. These are key to achieving high economic growth rates (6% to 7% in real terms) to create jobs for a growing labor force. USAID, with other donor assistance, will help Morocco establish an enabling environment so that all Moroccans may benefit from social and economic development.

### **Other Donors**

Donor assistance to Morocco (grants, loans, commercial credits, guaranties) totals about \$1 billion per year. An estimated 80% of donor assistance is for infrastructure development (roads, ports, dams, railroads, electricity, water, housing, sewerage, telecommunications) and is drawn down as loans, loan guaranties or commercial credit. The United States is the fourth largest provider of grants, which account for 20% of donor grant assistance. However, the U.S. donor presence is one of the most visible and active. USAID plays a disproportionate role in leveraging other donor resource flows due to: (1) a strong field presence; (2) a conceptual ability to address problems systemically in the context of policy, regulatory and institutional frameworks; (3) the risk-taking and innovative nature of U.S. assistance; and (4) the perception that North America represents world leadership in technical and managerial innovation. USAID's strong technical presence on the ground is effective in leveraging private resources for business and urban housing, as well as donor and government resources, toward greater access and equity in social services and economic participation.

### **FY 1997 Program**

USAID's strategy for assisting Morocco to achieve an improved quality of life for poorer Moroccans through equitable and sustainable social and economic development concentrates on (1) reduced fertility and improved health of children under five and women of child-bearing age; (2) improved water resources management in the agricultural, urban, and industrial sectors; (3) expanded base of

stakeholders in the economy, targeting people of below-median income; (4) increased basic educational attainment for rural girls and women in target areas; and (5) strengthened civil society in target areas.

Several common themes are threaded throughout the USAID program strategy and integrated into each strategic objective: (1) targeting of poorer Moroccans, especially those below median income; (2) emphasis on the "enabling environment," e.g., the policy, regulatory, and institutional framework; (3) integration and empowerment of women; (4) broad-based participation to ensure the involvement and empowerment of beneficiaries and intermediaries; (5) emphasis on private initiative and expansion of civil society, NGOs, and private associations; and (6) human capacity development .

#### **Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

- **Strategic Objective 1: Reduced Fertility and Improved Health of Children Under Five and Women of Child-Bearing Age**

USAID initiated support for family planning and maternal child health (FP/MCH) in Morocco beginning in 1971, and since has become the Government of Morocco's (GOM) principal external partner in this program. U.S.-Moroccan collaboration has resulted in an increase in contraceptive prevalence from 42% in 1992 to 50% in 1995, and a concomitant decline in total fertility of 25%, from 4.8 in 1987 to 3.6 children per woman in 1995. The total fertility rate in Morocco's urban areas is approaching replacement levels at 2.2%. U.S. assistance also has supported GOM efforts to increase childhood immunizations from 76% to 85% since 1992 and to increase the usage rate of oral rehydration solutions for treatment of diarrheal diseases from 15% in 1992 to 29% in 1995. Further, the private sector increasingly is participating in family planning activities. Social marketing of oral contraceptives initiated in 1991 has reduced the cost of contraceptives to the consumer by 27%, with contraceptive marketing gaining outlets throughout the pharmaceutical industry. In 1993, private sector sales of contraceptives provided over 300,000 couple-years of protection in Morocco, exceeding targets by 50%.

While progress has been made in extending FP/MCH services, many potential clients do not use these services, especially in rural areas. The gap between desired childbearing and use of family planning services persists. Services reflect low user rates for long-term and permanent methods of contraception, underutilization of prenatal and postpartum services, and continued high mortality due to childhood diarrheal disease and acute respiratory infection. If FP/MCH services are to be used effectively, they must be readily accessible when a health care need arises; the quality of services must be high enough to attract and retain clients and promote improved health practices; and the population must be informed and motivated to use services appropriately.

To enhance sustainability of health service delivery, the GOM must make progress on several major initiatives, including: decentralization of integrated service delivery; encouraging a more rapid expansion of private sector participation in health services; strengthening of management and logistics systems; and an increasing assumption of costs for preventive health care activities (which historically have been donor-funded).

Funding is requested in FY 1997 to sustain the momentum of this integrated activity, and to fund a challenging transition plan. As more women enter their reproductive years, sustaining and expanding current rates of contraceptive prevalence and FP/MCH service utilization will necessitate: serving more clients at existing delivery points; extending FP/MCH services to under-served areas; and ensuring that an expanded range of quality FP/MCH services is available, particularly long-term family planning methods. The potential benefits to successful program implementation are high: if the Moroccan FP/MCH program succeeds in reaching every woman who desires a smaller family, there will be *six million fewer Moroccans born between now and the year 2012*. If the information, education and communications component of USAID's current program is successful in expanding the demand for family planning, this number could increase. Clear policy signals from the highest levels of the GOM

provide an opportunity for USAID to move farther and faster in this sector than has previously been thought possible. The GOM is keenly interested in testing and implementing innovative service-financing models, and in expanding partnerships and coordination with a wider range of both public and private sector institutions. The GOM is convinced of the urgency of creating a policy and regulatory environment that encourages sustainable service delivery.

The achievement of improved quality of life for poorer Moroccans through equitable and sustainable social and economic development is predicated on stabilizing Morocco's population and assuring the health and vitality of its people. Sustainable delivery of essential social services; acceptable levels of income and employment generation, especially for the young; and sustainable use of natural resources, especially water resources, cannot be achieved without reduced family size, especially as a large cohort of young Moroccans reach child-bearing years. Even when the replacement fertility rate is reached, there will be a lag of two to three generations before the population will stabilize by the year 2067. Improved levels of health, especially child survival and maternal health, are important to achieving reductions in the desired family size, as well as for ensuring an acceptable level of productivity and quality of life. The achievement of other USAID objectives is integrally linked to reduced fertility and improved health of Morocco's most vulnerable groups, children and women. Conversely, achieving FP/MCH objectives will be reinforced by expanding basic education and employment opportunities for women, improved women's rights, and the involvement of men in family planning.

#### **Agency Goal: Protecting the Environment**

- **Strategic Objective 2: Improved Water Resources Management in the Agricultural, Urban, and Industrial Sectors**

Under USAID's urban environmental programs, modern sewerage and potable water systems have been brought to over 400,000 people (70% of whom are below-median income), with indirect benefits such as reduced seasonal flooding and related water-borne diseases to an additional 200,000 low-income people over the last decade. Energy and environmental audits have led to energy savings of more than \$12 million to date for companies involved in USAID-assisted activities and have resulted in reduced emissions into the atmosphere and reduced industrial petroleum usage. Clean technology activities have reduced surface water pollution in targeted areas and improved conditions for both workers and the public. New laser land levelling and level-basin irrigation technologies have improved water use efficiency in one of Morocco's largest irrigation areas.

Like most developing countries, Morocco is beset with a myriad of environmental problems. The lack of water -- due, in part, to inefficient water management and the negative effects of water pollution -- is a key limiting factor for economic growth and meeting basic human needs. With water demand expected to exceed supply by 2020, the management of water resources is key to Morocco's future economic success. Currently, the quality of the resource base is declining as a result of water pollution from agriculture, urban and industrial sources. Accelerated water erosion of soil caused by deforestation is a major contributor to water supply and quality problems. Water always has been a key part of Morocco's economic and social fabric, and its depletion and degradation provides a focus and organizing principle for USAID's environmental strategic objective.

With the phase-out of energy and clean technology activities in FY 1996 and significant progress in irrigation technologies, a new activity, which focuses on policy and institutional strengthening, pilot activities and leveraging of USAID resources, will require funding to consolidate past progress. Sustainable environmental practices are seriously constrained by the absence of a transparent and binding policy and regulatory framework which provides reasonable benchmarks and incentives for improving performance. Awareness of, and access to, improved environmental technologies also are limiting factors. Finally, limited public awareness of environmental problems and limited capacity to mobilize people to address problems within their communities constitute further constraints to

sustainable resource use and pollution prevention. Each of these constraints poses opportunities, if creatively addressed.

Morocco's economic and social development is jeopardized by a range of environmental issues which threaten the basis for agricultural production and exports, the integrity of sensitive ecosystems and human health. Agriculture contributes significantly to economic growth in this largely semi-arid country, providing about 19% of GDP, 32% of exports and 41% of employment, of which 38% is on-farm. USAID has focused its environmental program on key issues related to water efficiency and water pollution. By focusing on key policy issues, institutional strengthening and pilot activities which can impact across the sector, USAID can assist Moroccans to optimize the use of its scarce environmental resources, and leverage donor assistance in support of sound national policies and strategies.

#### **Agency Goal: Encouraging Broad-Based Economic Growth**

- **Strategic Objective 3: Expanded base of stakeholders in the economy, targeting people of below- median income.**

A broad range of activities has been achieved under this objective: (1) Through housing loan guaranties, the sale of nearly 5,000 housing lots in 1995 to low-income families, including legal titles and basic services, has provided the opportunity for the urban poor to capitalize savings; (2) Approximately 25 small business associations have been strengthened as advocates for member interests, policy reforms, and new market opportunities, supporting greater employment and production; (3) The export sales volume of horticultural products has been increased by an estimated \$22 million in 1995 alone, generating employment for unskilled laborers, including about 60% women; (4) Business linkages supported through USAID activities resulted in an estimated \$40 million increase in Moroccan trade, which provided technology resulting in greater demand for agricultural labor, and the establishment of sustainable export opportunities; and (5) The privatization of 41 firms valued at \$880 million has strengthened the Casablanca stock exchange and increased the number of equity owners from 5,000 to 100,000, including 5,000 employees who have purchased shares in their privatized companies.

Key problems which continue to require support under this objective include: (1) policy, regulatory, and institutional constraints; (2) lack of access to financial resources and services; (3) lack of competitiveness of Moroccan firms; and (4) lack of NGOs with the capacity to enhance the economic activities of the disadvantaged. USAID is engaged in addressing these issues through assistance to help mitigate policy and institutional constraints which generate disincentives, costs, and administrative burdens for businesses; providing access to credit to start and expand businesses and to finance home construction to enable poor people to lift themselves out of poverty and increase their participation in the economy; enhancing the competitiveness of Moroccan firms toward export-led growth and job creation; and fostering the formation of NGOs with the capacity and mission of bringing the disadvantaged into the economic mainstream.

FY 1997 funding is requested to support the microenterprise finance activity launched in FY 1995, and to promote policy, regulatory and institutional reform in areas which enable Moroccans of below-median income to expand their economic opportunities and to meet their basic needs. Key policy and institutional constraints continue to impede broad-based and equitable economic growth. The harmful effects of the current policy environment have disproportionate impact on the poor, and the educated but unemployed youth. The lack of a positive enabling environment imposes limits to the performance of the economy, and the creation of economic opportunity across the board, through negative impacts on the trade regime, the financial sector, the labor market, business start-up and growth incentives, and in training and human resource development. The availability of financial services must be democratized so that efficient micro- and small-scale enterprises can invest, generate employment for themselves and others, and finance home construction. Improvements in the competitiveness of

Moroccan businesses, especially agricultural export businesses, will provide employment for poorer Moroccans.

Morocco's highly dualistic development has generated the phenomenon of low growth, low employment and low incomes for the poorer segment of the population. As noted in earlier, poverty is a persistent phenomenon in Morocco, with about 22% of the population living at or near the World Bank-defined poverty level during a good rainfall year, and more during drought years. Sustainable economic growth must address the equity issue: if economic stakeholders are not expanded in Morocco, political and economic instability are more likely to ensue, and the goal of sustainable and equitable development cannot be attained. The attainment of higher employment levels and better living conditions also will enhance USAID efforts to reduce fertility, to improve family health, and to achieve a more rational utilization of water resources.

● **Special Objective 4: Increased Basic Educational Attainment for Rural Girls**

Morocco's poor performance in education is a major contributing factor to perpetuating poverty and larger family size. The shamefully low rate of education among women, especially in rural areas, limits their contributions to the economy and to their families' economic well-being, to improved environmental management and the wise use and regeneration of renewable resources, and to acceptance of family planning and health services. The major determinant of Morocco's low ranking in the United National Development Program human development index is poor performance in basic education. For example, the average length of schooling hardly reached 3 years in 1992; and *51% of adults are illiterate, including 70% of women*. Nationwide, the net enrollment rate at the primary school level is only 58% (48% for girls and 68% for boys). In rural areas the enrollment rate for girls is only 22%, and of these, only 40% complete five years of primary education. USAID is targeting rural primary education for girls for improvement in 20 of the most needy provinces of Morocco. Improving access to basic education and improving retention rates for rural girls through the sixth grade are the principal objectives.

FY 1997 funding is requested to launch this initiative. In 1995, USAID determined that improvements in girls' education would contribute to the achievement of our strategic objectives in population and health, environment and economic growth. Several factors convinced USAID that this was an opportune time to address basic education constraints for rural girls and women in Morocco: (1) the low levels and the marked disparity between male and female levels of educational attainment, especially for rural girls and women; (2) the GOM's recently launched effort to reform the entire national education system, an undertaking which provides a rare opportunity for donors to influence education policy and to address real basic education needs; (3) the ability of USAID resources to closely complement the assistance of other donors, such as the World Bank (which also is preparing to assist the GOM in basic education); (4) USAID's successful experience and expertise in other predominantly Islamic countries where educational opportunities for rural girls and women were severely limited; and (5) the role of basic education in helping to achieve USAID's strategic objectives.

The education of women and girls, especially in rural areas, is linked directly to their participation in the social, economic and political life of their communities and their country. Women who have had at least a primary education will have an enhanced awareness of their rights and responsibilities as citizens in the economic, social and political arenas. Investment in girls' education helps to mitigate against Islamic extremism, which often argues for restricted interpretations of women's roles. Educating girls also enhances women's contributions to: the economy and to their family's economic well-being; improved environmental management and the wise use and regeneration of renewable resources; wider acceptance of family health services; and their participation in civic society and democratization.

**MOROCCO  
FY 1997 PROGRAM SUMMARY**

	<b>Encouraging Economic Growth</b>	<b>Stabilizing Population Growth</b>	<b>Protecting the Environment</b>	<b>Building Democracy</b>	<b>Providing Humanitarian Assistance</b>	<b>Total</b>
<b>USAID Strategic Objectives</b>						
<b>1. Reduced Fertility and Improved Health in Children Under Five and Women</b>		<b>\$9,375,000</b>				<b>\$9,375,000</b>
<b>2. Improved Water Resources Management</b>			<b>\$5,000,000</b>			<b>\$5,000,000</b>
<b>3. Expanded Base of Stakeholders in the Economy</b>	<b>\$4,000,000</b>					<b>\$4,000,000</b>
<b>4. Increased Basic Educational Attainment for Rural Girls and Women</b>	<b>\$1,000,000</b>					<b>\$1,000,000</b>
<b>Total Dev. Assistance</b>	<b>\$5,000,000</b>	<b>\$9,375,000</b>	<b>\$5,000,000</b>			<b>\$19,375,000</b>

USAID Mission Director : Michael F...

## ACTIVITY DATA SHEET

**PROGRAM:** Morocco

**TITLE AND NUMBER:** Reduced Fertility and Improved Health in Children Under Five and Women of Childbearing Age, 608-SO01

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$9,375,000 DA

**INITIAL OBLIGATION:** FY 1995 **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To reduce fertility and improve the health of children under five and women of childbearing age.

**Background:** While progress has been made in extending and improving family planning/maternal and child health (FP/MCH) services, constraints to access and use of these services continue to be reflected in gaps between desired childbearing and use of family planning services, low use of prenatal and postpartum services, high child and infant mortality due to diarrheal disease and acute respiratory infections, and alarmingly high rates of maternal mortality. Challenges include ensuring that FP/MCH services are readily accessible, that quality is sufficient to attract and retain clients and promote improved health practices, and that populations are adequately informed and motivated to use services appropriately. Enhancing sustainability of health service delivery also must address issues related to decentralization, integration of service activities, policy reform for expanded private sector participation in health services, institutional and systems strengthening, and diversification of financing. This program includes the remaining 6 months of FP/MCH Phase IV and the last four years of the 7-year FP/MCH Phase V projects.

**USAID Role and Achievements to Date:** USAID initiated support for FP/MCH in Morocco beginning in 1971, and since has become the Government of Morocco's (GOM) principal external partner in this program. U.S.-Moroccan collaboration has resulted in an increase in contraceptive prevalence from 42% in 1992 to 50% in 1995; and a concomitant decline in total fertility of 25%, from 4.8 in 1987 to 3.6 children per woman in 1995. United States assistance has also supported GOM efforts to increase childhood immunizations from 76% to 85% since 1992, and to increase the usage rate of oral rehydration solutions (ORS) for treatment of diarrheal diseases from 15% in 1992 to 29% in 1995. Further, the private sector is increasingly participating in family planning activities, with social marketing of contraceptives reducing the costs of contraceptives to the consumer by 27% since 1991; and with 300,000 couple years of protection achieved through private sector sales of contraceptives in 1993.

**Description:** USAID focuses on increasing use of quality FP/MCH services and on their longer term sustainability through four activity areas: establishing greater access to quality FP/MCH services responsive to client demand; re-enforcing institutional capacity to manage FP/MCH programs with particular emphasis on decentralized approaches responsive to client need; improving the policy environment to support expansion of FP/MCH services; and promoting increased diversification of the resource base for financing the delivery of FP/MCH services. Support is channeled primarily through the Ministry of Public Health (MOPH), for strengthening the ability of the system to provide an expanded range of services, with emphasis on long term methods of family planning, diarrheal disease control, quality safe motherhood services, and sustainable immunization activities. Assistance is also provided in the areas of use of data for decision making and for effecting programs responsive to client needs; and for private sector participation in preventive health care service delivery. The GOM has been assuming increasing percentage of contraceptive and local cost requirements for the FP/MCH program. USAID is supporting private sector marketing of ORS as a self-reliant product.

Host Country and Other Donors: USAID has traditionally been the lead donor in family planning in Morocco and has been an important contributor to MCH activities. UNICEF is a major donor in child survival, particularly for immunizations and diarrheal disease programs, including the ORS social marketing activity. UNICEF also supports acute respiratory infection, safe motherhood and breastfeeding programs. UNFPA is a principal donor in the area of population, including Information, Education and Communications (IE&C) activities and safe motherhood initiatives.

The World Health Organization (WHO) provides support for AIDS control, public health training, communicable diseases and epidemiology. The European Union (EU) is assuming an increasingly significant role in the areas of population in health, specifically in post-partum family planning; and also contributes in the areas of vaccine production and safe motherhood. The World Bank and the African Development Bank are negotiating sector support. The MOPH develops national plans and strategies for the sector, for which it seeks donor support. MOPH contributions include infrastructure, personnel, operating costs, pharmaceuticals, etc. Family planning is clearly seen as a priority for the sector, and as an "engine" that promotes services and systems development in related areas.

Beneficiaries: Children under five years and married women of child-bearing age in Morocco represent approximately 28% of Morocco's population (27 million). USAID-supported programs, which operate at the national-level, are ultimately expected to reach these beneficiaries.

Principal Contractors, Grantees, or Agencies: USAID implements activities through a U.S. firm.

<u>Major Results Indicators</u>	<u>Baseline</u>	<u>Target</u>
Total Fertility Rate	4.2 (1992)	32 (1999)
Infant Mortality Rate	57.0 (1992)	52 (1999)
Child Mortality Rate	20.0 (1992)	18 (1999)
Maternal Mortality Rate	332.0 (1992)	245 (1999)
Contraceptive Prevalence Rate	41.5 (1992)	58 (1999)

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1Source: Demographic and Health Survey, 1992

## ACTIVITY DATA SHEET

**PROGRAM:** MOROCCO

**TITLE AND NUMBER:** Improved Water Resources Management, 608-SO02

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$5,000,000 DA

**INITIAL OBLIGATION:** FY 1995 **ESTIMATED COMPLETION DATE:** FY 2002

Purpose: To improve Moroccan water resources management practices and systems in the agricultural, urban and industrial sectors.

Background: The lack of water - due to inefficient water management and the negative effects of water pollution - is a key limiting factor for economic growth and meeting basic human needs. With water demand expected to exceed supply by 2020, the management of water resources is key to Morocco's future economic success. The following ongoing projects are being incorporated into this Strategic Objective: Water Resources Management, Urban and Environmental Services, Tadmra Resources Management.

USAID Role and Achievements to Date: The USAID role includes interventions in agriculture, industry and urban settings. USAID has had programs relating to water management in agriculture, industrial pollution, and urban environmental services. To this has been added a water resources management program. Residual industrial pollution activities are incorporated into that program. Achievements to date include the following. New laser leveling and level-basin irrigation technologies have improved water use efficiency in one of Morocco's largest irrigation perimeters. Energy and environmental audits have led to savings of more than \$12 million to date for companies involved in USAID-assisted activities and have reduced emissions and the use of petroleum. Clean technology activities have reduced surface water pollution in targeted areas and improved conditions for both workers and the public. Under USAID's urban environmental programs, modern sewerage and potable water systems have been brought to over 400,000 people (70% for whom are below median income), with indirect benefits such as reduced seasonal flooding and related water-borne diseases to an additional 200,000 low income people over the last decade.

Description: USAID water resources management interventions will focus on policy and institutional strengthening, with pilot activities demonstrating improved technologies related to erosion, water reuse, and reduction of effluents from certain industries. Urban environmental interventions will continue to work with governments and citizens on improving environmental services delivery and providing basic environmental infrastructure, such as sewers and sanitary landfills. Work with irrigated agriculture will advance water-saving technologies.

Host Country and Other Donors: The World Bank has complementary programs in irrigated agriculture and municipal finance, as well as planned programs which will be able to take advantage of USAID program models for pollution reduction and water savings. There are small interventions by various European donors. The host country will contribute at least 25% to total cost of the USAID interventions.

Beneficiaries: Beneficiaries range from farmers, to urban residents (in particular poorer families), to workers in polluting industries (such as tanneries).

Principal Contractors, Grantees or Agencies: U.S. firms and local organizations, including NGOs

<u>Major Results Indicators:</u>	<u>Baseline</u>	<u>Target</u>
20% reduction in harmful residues (chrome) released into river systems by Moroccan tanneries	100%(1994)	80%(1999)
Increased % of poor households connected to sewerage and potable water	60%(1994)	80%(1998)
Improved canal conveyance efficiency (measured for vol. of water savings from improved systems-level canal mgmt.)	0 mil m3/yr (1994)	70 mil m3/yr (1999)
Reduced amt. of soil erosion (measured by sediment outflow) in target areas	510tons/km2/yr (1994)	740tons/km2/yr (1999)

## ACTIVITY DATA SHEET

**PROGRAM:** Morocco

**TITLE NUMBER:** Expanded Base of Stakeholders in the Economy, 608-SO03

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$4,000,000 DA

**INITIAL OBLIGATION:** FY 1995 **ESTIMATED COMPLETION DATE:** FY 2002

**Purpose:** To encourage broad-based economic growth by expanding the base of stakeholders in the economy, targeting people of below-median income.

**Background:** Poverty among both rural and urban Moroccans persists at a high level. To date, Morocco has not yet developed the capacity in its institutions or policies to integrate poorer Moroccans into the mainstream of the economy. Although the country has made good progress, and its leaders remain committed to economic stabilization, continued USAID assistance will be key to making further improvements in Morocco's enabling environment, market competitiveness of employment-generating firms, and access to financial resources of small and micro-enterprises. Activities subsumed under this strategic objective include: New Enterprise Development (NED), Morocco Agribusiness Promotion (MAP), Microenterprise Finance (MFA), Accessing International Markets (AIM), and Privatization Sector Assistance (PSA). Some of the relevant results of the Mission's urban housing activities will also be reported under this SO.

**USAID Role and Achievements to Date:** During the Action Plan period, the Mission will focus on a set of direct, activity-level interventions, including policy and regulatory actions, to stimulate micro, small and medium-sized enterprise development, agribusiness market development, and low-cost housing construction. USAID achievements include helping Moroccan firms export \$50 million worth of horticultural and other products, \$22 million in 1995 alone. These increased sales generated 7,000 job-years of employment, of which about 60 percent were for women and nearly all were for people from lower-income strata. Nineteen million dollars of MAP- and AIM-assisted export sales have gone to non-traditional markets, and \$15 million in sales comprised new or non-traditional products which help to diversify Morocco's export product base now and in coming years. Through the Morocco Housing Guarantee Program (HG-004), urban households of below-median income are becoming home owners -about 40,000 families to date. The land development component of the HG program generates employment at the rate of about 1,000 person-years for every \$1 million in loans. Spinoffs are other jobs (estimated at an additional 13% in one study) generated in those neighborhoods, especially in microenterprise. Approximately 25 small business associations have been strengthened as advocates for member interests, policy reforms, and new market opportunities--supporting greater employment and production. Under the Privatization Program, 41 companies have been privatized, yielding \$880 million in revenues and 100,000 new, first-time shareholders. An additional 5,000 employees have purchased shares in their own privatized firms.

**Description:** Funding is required to support the microenterprise finance activity launched in FY 1995. Other on-going activities under this SO have adequate funds to continue until FY 1997, and two major activities (PSA and AIM) will end in FY 1996. Under MFA, an initial microenterprise finance entity will be strengthened and begin a pilot lending program to needy individuals during the first 18 months. In subsequent phases, additional lending units will be established, will develop self-financing lending programs, and should be providing easy access to credit for 5,000 poor families--30% women--by the end of the project. The NED project, working through the employer's confederation, should show significant movement over the next three years in reducing administrative obstacles for small business, in simplifying procedures, in fostering a more liberal interest rate structure, and in increasing the voice of small entrepreneurs in the Moroccan decision-making process. Through housing loan guaranties and leveraging of private sector financing, USAID supports a program that will provide access to serviced, titled housing lots to over 300,000

within Moroccan horticultural growing, processing and exporting firms, and will also place increasing emphasis on strengthening key institutions and regulatory functions which will ensure a successful transfer of responsibility after the project ends in 1998.

**Host Country and Other Donors:** Through separate activity agreements, the Government of Morocco will finance \$15 million and the private sector \$16 million of the total costs associated with the MAP, NED, MFA, AIM and PSA activities. The Ministry of Agriculture and World Bank are using the MAP project as a model for the Bank's agro-industrial project which is currently being designed. UNDP and World Bank grants complement USAID's efforts in privatization. The NED project also collaborates with the World Bank, and the MFA will be sharing information with the World Bank and the European Union.

**Beneficiaries:** The principal beneficiaries of the activities under this SO are people from lower economic strata, both rural and urban, who gain employment opportunities, low-cost housing, and access to financial resources. Micro- and small entrepreneurs acquire improved access to credit and other services, private employers of all sizes, especially agribusinesses, benefit from enhanced productivity and opportunities to compete in international markets and Moroccan consumers also benefit from increased availabilities of food products and improved food quality and safety standards.

**Principal Contractors, Grantees, or Agencies:** The primary contractors for these activities include: Development Alternatives, Inc., USDA/FAS, and the University of Minnesota (MAP); Chemonics International (NED); the International Executive Service Corps (AIM); and Price Waterhouse (PSA).

<u>Major Results Indicators:</u>	<u>Baseline:</u>	<u>Target:</u>
Person-years of employment for below-median-income people (60% women)	271 (1992)	13,300 (1998)
Increased number of below-median-income households owning homes (urban)	24,250 (1998)	70,000 (1998)
Business licenses issued to small and medium-sized enterprises	16,000 (1998)	102,000 (1998)

## ACTIVITY DATA SHEET

**PROGRAM:** MOROCCO

**TITLE AND NUMBER:** Increased Basic Educational Attainment for Rural Girls and Women, 608-SP04

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997; \$1,000,000 DA

**INITIAL OBLIGATION:** FY 1996 **ESTIMATED COMPLETION DATE:** FY 2002

**Purpose:** To improve opportunities for educational attainment for rural girls and women by increasing the participation of rural girls in primary schooling.

**Background:** Approximately 70% of Moroccan women are illiterate (approximately 50% of all adults). Nationwide, the net enrollment rate at the primary school level is only about 58% (48% for girls and 68% for boys). However, the primary school enrollment rate (for boys and girls) in urban areas is 89.4% and only 36.7% for rural populations. The enrollment rate for rural girls is a dismal 22% (compared to 50.4% for rural boys). Of the minority of rural girls who enroll in primary school only 4 out of ten complete the fifth year of schooling.

**USAID Role and Achievements to Date:** Morocco is in the process of making major reforms within the education sector. In 1996, USAID began helping the Ministry of National Education to introduce educational innovations designed primarily to improve retention of rural girls during the first 6 years of schooling. These innovations would be tried first in pilot schools in four provinces and then potentially expanded to 20 provinces.

**Description:** USAID assistance will support: the broader application and improvement of multi-grade curricula in rural primary schools; training of existing teachers and administrators in the use of multi-grade instruction; pilot education promotion programs in selected provinces which strive to remove perceived obstacles to girls' retention and enrollment; the improvement of teacher training within the system of teacher colleges with an emphasis on increasing the number of female primary school teachers; the introduction of systematic methods for performing operations research for primary education; developing processes for quantifying gender disaggregated impact of education reform efforts; evaluations of progress toward pre-identified goals for girls and boys; and, technical exchanges on U.S. and international experience on successful techniques for improving primary education for girls.

**Host Country and Other Donors:** The World Bank is working collaboratively with USAID to prepare a complementary assistance package in basic education within the same 20 provinces. The Bank assistance includes support for upgrading school facilities. The host country will finance virtually all domestic staffing and other local costs associated with implementing pilot primary education efforts. The expansion of primary school reforms beyond the targeted areas and ultimately nationally will also be undertaken by the host country.

**Beneficiaries:** In Morocco, there are about 2.5 million girls of primary school age. Approximately, 1.3 million of these girls live in rural areas and are directly affected by the weaknesses of the rural primary school environment.

**Principal Contractors, Grantees or Agencies:** USAID will implement activities through U.S. cooperating agencies.

**Major Results Indicators:**

	<b>Baseline (National)</b>	<b><u>Target in Pilot Areas</u></b>
<b>_Rural girls' primary retention rate</b>	<b>39.6% (1992)</b>	<b>52% (2001)</b>
<b>Rural girls' primary enrollment rate</b>	<b>22.3% (1992)</b>	<b>38% (2001)</b>

## NEPAL

**FY 1997 Development Assistance . . . . . \$22,500,000**

### **Introduction**

The U. S. Government bilateral assistance program to Nepal supports the broader United States interest of maintaining Nepal's independence and stability as a buffer between two major powers, China and India. Small, landlocked and impoverished, the Himalayan Kingdom of Nepal was first opened to the outside world in 1951. Never colonized, seven centuries of authoritarian rule ended only in 1990 with the establishment of a constitutional monarchy and multi-party democracy. Central planning is giving way to market-led development, and a more dynamic monetized economy is emerging as government policies are liberalized. Nepal has a strong record of support for positions favored by the United States in international fora, including participation in international peacekeeping operations. Bilateral assistance is provided in the interest of sustainable development and longer-term stability.

### **The Development Challenge**

With an annual per capita income level of \$210, Nepal is one of the world's poorest countries: half of Nepal's 20.4 million citizens live in absolute poverty; 65% of all children under 36 months show evidence of stunting as a result of chronic malnutrition; average life expectancy is estimated to be only 54 years; infant and maternal mortality rates remain among the highest in the world; and only 40% of the population is literate. Rapid population growth of 2.5% annually exacerbates a difficult development environment and further complicates the delivery of services for the improvement of human welfare. The population increased by 65% to 20.4 million over the past 20 years, and it is expected to double within the next 30 years.

The poor are predominately rural subsistence farmers, and agriculture is the primary occupation for 81% of the economically active population. Cultivated land constitutes only 18% of the total land area of Nepal, and subsistence farming reached peak productivity levels years ago as high population density resulted in over-exploitation of the natural resource base and erosion of soil fertility. As opportunities to bring additional land into cultivation are limited, the Government of Nepal (GON) is giving priority, with good results and promise, to crop intensification, diversification and commercialization. The strategic vision, based upon documented USAID project results in the mid-west development region of Nepal, is to achieve and sustain an annual agricultural growth rate of about 5%. Coupled with efforts to reduce the population growth rate to 2% or below, this means that per capita agricultural output will rise to a more robust 3% or better as compared with recent past rates of 0.5% annually. Over a 20 year period, rural poverty thus could be reduced to 30% of present levels.

GON strategy to reduce population growth recognizes that there is a large unmet demand for family planning services, and a great number of gaps in service delivery. USAID is helping to expand the availability, access to and use of quality family planning and reproductive health services. Reducing maternal and under five-year-old child mortality rates are complementary efforts. Due in part to USAID's efforts, results have been significant: the use of contraceptives has risen from 3% to 24% over the past 20 years, desired family size has declined from five children per family to 3.2, the infant mortality rate declined from 150 in 1986 to 102 per 1,000 live births in 1991, and the average life expectancy of a woman has risen from 49 years a decade ago to 53 currently. As a further complement to these social initiatives, and recognizing the threat of a rapid spread of the HIV/AIDS epidemic in Nepal and throughout South Asia, USAID is employing proven methods to increase prevention and control practices by high-risk groups.

Increasing sales of high value agricultural and forestry products in a sustainable manner, and reducing fertility and improving maternal and child health are essential factors in building the momentum necessary for sustainable development. The inclusion of women in all aspects of the social, economic

and political development of Nepal is similarly critical. Religious and ethnic conventions have traditionally disregarded the role of women in the economic well-being of the family, community and nation and repressed or denied their role in decision-making. Opportunities to alleviate this constraint improved with the advent of democracy, and have been further reinforced over the past year with publicity surrounding the Beijing conference, and the visit by First Lady Hillary Rodham Clinton. USAID efforts in this area are focused on increasing women's literacy rates, improving legislation which ensures the provision and enforcement of basic rights, and enhancing participation in economic activity through micro-credit programs.

Donor assistance has contributed directly and substantially to Nepal's development over the past 40 years. A base of physical and human capital necessary for nation-building has been established, and respectable improvements in human welfare have been achieved. The country, however, has been overly dependent on donors, and future investment must come increasingly from private sources. Borrowing is possible too, as current external debt is almost all concessional and the debt servicing requirement is low. Prospects for investment and the further strengthening of the macro-economic policy environment were enhanced over the past year with the fall of the United Marxist-Leninist Government and the coming to power, through constitutional means, of a coalition government committed to free market principles. USAID and other donors are assisting the new government with tax reform, privatization of parastatals and streamlining of business licensing procedures. USAID, however, is reducing its bilateral assistance in this area in favor of tightly focused efforts in high-growth agriculture, smaller family size, and greater participation by women.

#### **Other Donors**

Donor assistance accounts for nearly 60% of the GON's investment budget. Approximately \$400 million is provided annually by donors with the greatest contributions coming from Japan, the World Bank, and the Asian Development Bank. The United States provided about 5% of all donor assistance to Nepal.

#### **FY 1997 Program**

Priority investments in high-growth agriculture, family planning and health services, and the empowerment of women are strategic to Nepal's attainment of sustainable growth, broad-based development and longer-term stability. At the same time, these investments address global interests of respect for human rights, environmental protection, stabilization of population growth and control of the HIV/AIDS virus.

Development assistance is requested for the continued implementation of a focused, results-oriented program built upon the successes of past investment and current opportunities. Almost half of the FY 1997 funds requested will be applied to the Agency goal of stabilizing world population growth and protecting human health. The balance of funds will be distributed between the Agency goals of broad-based economic growth and building democracy, with a somewhat higher portion allocated to the economic growth objective. Over the next three years, the Mission plans to reduce its focus on Agency goals from its current level of four to three or two. The number of U.S. direct hire staff will be reduced from its current level of 13 to 10 U.S. direct hire in 1997.

#### **Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

Rapid population growth is a fundamental constraint to sustainable development in Nepal, and parental concerns about child survival are a deciding factor influencing demand for family planning services. A USAID objective in Nepal is to reduce fertility and improve maternal and child health.

The delivery of contraceptive services is increasing in both the public and private sectors, and the number of new acceptors of temporary contraceptive methods nearly doubled over the past year.

Improved standards for contraceptive services have been promulgated and service providers are being trained accordingly. Broadcast media is being employed innovatively to inform health workers and the public of family planning concepts and methods.

Vitamin A capsule distribution to children is being institutionalized in selected districts, with over 14,000 community volunteers providing life saving capsules to 1.8 million children. This results in a 30% reduction in the risk of child mortality among children receiving capsules. USAID also is supporting efforts to combat diarrheal diseases and acute respiratory infections, the two major causes of death for young children. After a highly publicized launching of a public program for the distribution of home birthing kits by First Lady Hillary Rodham Clinton, 175,000 kits were distributed within the past year. As many as 16% of all home births in Nepal during this period were consequently made safer with minimal supplies.

The change of government and consequent reassignment or transfer of Ministry of Health staff from the districts and central offices were the major constraints faced in increasing the availability of family planning and maternal and child health services in the public sector. However, the very active and enthusiastic participation of both international and indigenous nongovernmental organizations, private practitioners and commercial retail outlets in extending services to the community is resulting in a positive public-private sector partnership in fulfilling demand for family planning and maternal and child health services.

Funding for continued growth of the family planning program in Nepal is essential for the increased contraceptive prevalence necessary to help couples achieve their desired target of three children per family. Continued funding is also required for increased utilization of three key child health interventions that will contribute substantially to protecting the survival of children: 1) increased use of family planning services; 2) increased quality of family planning services; and 3) increased use of selected maternal and child health services.

- Strategic Objective 2: Reduced fertility and improved maternal-child health.

#### **Agency Goal: Encouraging Broad-based Economic Growth**

Agriculture offers the best prospects for broad-based growth and development in Nepal. Sustainable growth and development requires rational use of the natural resource base. A USAID objective in Nepal is to achieve a sustainable increase in sales of high-value agricultural and forest products.

In 1995, Nepal's agricultural gross domestic product (GDP) grew 4.6%, and USAID achieved 107% of quantified targets for production and sales of forest and high-value agricultural products. During 1995, 57,400 metric tons of high-value cash commodities were produced, and commercial sales totaled \$8.1 million in the Mid-Western Development Region where USAID has been promoting production of high-value crops. Vegetable seeds and apples from USAID-assisted areas accounted for 50% of total national production and sales of these commodities.

In a joint venture with the Asian Development Bank, USAID's assistance with the turnover of government-operated irrigation systems (covering 15,000 hectares) to private user associations resulted in a doubling of incomes for 12,000 farm households. In another activity, USAID's support to 600 community forestry user groups improved management and productivity of 75,000 hectares of forest land. With forests under private management, the value of biomass produced from community forests is increasing by \$8 million annually. In technology development, 20 new food and cash crop varieties and management techniques were released and adopted in the past year by over 130,000 farmers on 82,000 hectares of land.

USAID's involvement in developing legislation to provide communities with the legal right to manage their productive resources has had a substantial impact on increased agricultural productivity.

Communities now have a clear stake in the sustainable management of the productive resource base because they can legally benefit directly from increased productivity. USAID's rural economic development program capitalizes on implementing the new legislation. USAID experience suggests that expansion of high value forest and cash crop production holds considerable promise for empowering women, because an increasing proportion of community-based economic and natural resource associations are comprised of women.

USAID proposes to continue working with the Government of Nepal (GON) to accelerate agricultural growth, including identifying private sector investment opportunities for rural hydropower development. USAID is encouraging the GON to further liberalize economic policies, privatize state-owned enterprises, and develop efficient educational and agricultural research institutions to provide the human resources and technology which are essential for achieving a sustainable increase in the agricultural growth rate.

- Strategic Objective 1: Sustainable increase in sales of high-value agriculture and forestry products.

#### **Agency Goal: Building Democracy**

Nepal represents a remarkable model and success story for democracy in South Asia. The improved participation of women in political and economic affairs will further strengthen democratic practices and better confront the challenges of poverty in Nepal. A strategic objective of USAID in Nepal is the empowerment of women. The focus of investment is on literacy, legal rights, and improved access to credit for economic undertakings.

Over the past year, the number of literate women increased by 30%. USAID assistance is directly accountable for almost half of this achievement. At the same time, USAID strengthened national capacity for the intensive delivery of non-formal literacy training and continued significant accomplishments in line with quantified targets. Increased knowledge will lead to wider participation of women in political and economic activities and to better informed decision-making in the family on matters such as the schooling of children, fertility rates and the use of resources. In one of the world's poorest countries, literacy contributes to the success of every development initiative.

USAID activities supported another 1,300 women in their efforts to seek legal redress, most frequently against unwilling polygamy. Precedent setting court cases are a means to establish a legal foundation for the protection of basic rights and an end to discriminatory statutes. Ownership and inheritance of property, credit eligibility, and marriage and divorce rights are all legal rights issues affecting Nepali women.

Small loans through Grameen-style banks supported by USAID are providing the means for rural women to initiate economic activity not previously available to them. In 1995, loan issuance exceeded targets by 300%.

- Strategic Objective 3: Strengthening the participation of women in the economy.

**NEPAL  
FY 1997 PROGRAM SUMMARY  
(\$000)**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Providing Humanitarian Assist.	Total
<b>USAID Strategic Objectives</b>						
<b>1. Sustainable Increase in Sales of High-Value Agriculture and Forestry Products. Development Asst</b>	<b>\$2,000</b>		<b>\$3,000</b>			<b>\$5,000</b>
<b>2. Reduced Fertility and Improved Maternal-Child Health. Development Asst</b>		<b>\$15,000</b>				<b>\$15,000</b>
<b>3. Empowerment of Women. Development Asst</b>	<b>\$1,500</b>			<b>\$1,000</b>		<b>\$2,500</b>
<b>Total Development Asst</b>	<b>\$3,500</b>	<b>\$15,000</b>	<b>\$3,000</b>	<b>\$1,000</b>		<b>\$22,500</b>

USAID Mission Director: Frederick E. Machmer, Jr.

## ACTIVITY DATA SHEET

**PROGRAM:** NEPAL

**TITLE AND NUMBER:** High-Value Agriculture and Forestry, 367-SO01

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997; \$5,000,000 DA

**INITIAL OBLIGATION:** FY 1992; **ESTIMATED COMPLETION DATE:** FY 2002

**Purpose:** To increase the sustainable production and sales of forest and high-value agricultural products. This will be accomplished by expanding market participation by farmers, traders and entrepreneurs, promoting sustainable management of the productive resource base, and increasing adoption of improved technologies for high-value agriculture.

**Background:** Accelerating agricultural growth is a key component of USAID's strategy for addressing the needs of the 80% of Nepal's population employed in agriculture and agro-based industry. Commercializing agriculture and improving management of the productive resource base are key elements of USAID's highly successful high-growth agriculture model which has been established in the Mid-Western Development Region (MWDR) of Nepal. USAID is now expanding this high-growth model into new geographic regions and further supporting the development of a policy environment which promotes the commercialization of agriculture.

**USAID Role and Achievements to Date:** The focus of USAID's support is to create market linkages for new technology inputs to improve production, and to develop markets for forest and high-value agricultural products in Nepal and the South Asia region. At the national level, USAID supports development and adoption of export-oriented trade policies and implementation of natural resource legislation which expands community and private management of forest and water resources. As a result, sales of forest and high-value agricultural products have increased from an estimated \$3 million in 1993 to \$8.1 million in 1995; production of vegetable seeds and apples in the MWDR now account for over 50% of national production levels; and the legal framework for transferring up to 60% of Nepal's national forests to community-based user groups has now been established, and forests are now being transferred to community management. In cooperation with the Asian Development Bank, USAID is assisting with the turn-over of government-operated irrigation systems (covering 15,000 hectares) to private user associations. This has already resulted in a doubling of incomes for 12,000 farm households. USAID will build on these achievements to help Nepal achieve sustainable economic growth.

**Description:** USAID provides funds to NGOs and private firms to develop community level capacity to produce, process and market forest and high-value agricultural commodities. USAID also works with national level organizations, including the Agro-Enterprise Center of the Federation of Nepalese Chambers of Commerce and Industry and government ministries, to create an improved economic and business environment for export-oriented high-growth agriculture. Increasing access to improved technologies and increasing the competitiveness of community-based and small enterprises have fueled growth in production and sales. Greater community and private control of local natural resources is enhancing the quality and productivity of the resource base. Sustainability is further enhanced by strengthening government capacity to provide extension services in support of commercial agriculture, and by linking producers and community groups with private traders, agro-entrepreneurs and other market intermediaries to provide market information and access.

**Host Country and Other Donors:** A consortium of donors, including USAID, participated in developing Nepal's principal agricultural planning document, the Agriculture Perspective Plan, and is now coordinating with the Government of Nepal (GON) to implement the 20-year plan. The high-growth agriculture model being employed by the Overseas Development Administration (British) in eastern Nepal, and by German Technical aid and the Swiss Development Cooperation in central Nepal is based on USAID's experience in western Nepal. USAID's efforts to strengthen the GON's capacity to

conduct agricultural research and provide extension services complements similar efforts by the World Bank and the Asian Development Bank. The two banks also fund large infrastructure programs in irrigation and rural roads.

Beneficiaries: Approximately two million people (350,000 farm households) directly benefit from increased production and marketing of forest and high-value agricultural products. Many additional people will benefit from increased trade and off-farm employment opportunities. Women make up 35% of the participants in the high-value agriculture program, who traditionally are involved in production but increasingly are participating in marketing and processing activities. USAID also will improve the nutritional status of women and pre-school children in the MWDR. This is part of a new initiative to link nutrition with increased production and consumption of high-value, micronutrient-rich foods.

Principal Contractors, Grantees or Agencies: USAID implements activities through two U.S. firms, a Nepali private firm, the private Agro-Enterprise Center of the Nepal Chambers of Commerce, and U.S. and local NGOs.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Production of forest and high-value agricultural commodities (metric tons)	21,428 (1993)	170,000 (2002)
Annual sales of forest and high-value agricultural commodities (\$ million)	3.2 (1993)	40 (2002)

## ACTIVITY DATA SHEET

**PROGRAM:** NEPAL

**TITLE AND NUMBER:** Reduce Fertility and Improve Maternal and Child Health, 367-SO02

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$15,000,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2002

**Purpose:** To reduce currently high levels of fertility and maternal and childhood mortality by expanding the availability, access to and use of quality family planning and reproductive health services, and key child survival and maternal health services.

**Background:** Nepal is faced with major problems in the health sector that impact especially on women and children. Although significant advances have been made in some areas, the nation still faces high population growth rates, high maternal and child death rates, weak health institutions, a difficult geographical setting, and many social barriers to improved health practices.

**USAID Role and Achievements to Date:** USAID's support to the public and private sectors includes improving the quality as well as availability of family planning services, and selected community-based child survival and maternal health interventions. The total fertility rate has dropped from 5.6 children per woman in 1990 to an estimated 5.2 children in 1995. Contraceptive prevalence has increased from 24% in 1991 to an estimated 28% in 1995, and under-five mortality has decreased from 165 per 1,000 in 1990 to an estimated 108 per 1,000 in 1995.

**Description:** USAID focuses on four activity areas: increasing the use of family planning (FP) services; increasing the quality of family planning services; increasing the use of selected maternal and child health (MCH) services; and increasing the use of HIV/AIDS prevention and control practices. Assistance is delivered through an integrated program of USAID bilateral and centrally funded field support to cooperating agencies. Technical assistance and local cost funding are provided to the Ministry of Health to strengthen an integrated logistics management system, family planning and reproductive health training programs, the FP/MCH service delivery system, and the awareness and use of FP/MCH and HIV/AIDS services through effective communications and counseling. USAID supports a private, non-profit company that markets contraceptives and health products, accounting for 45% of the distribution of pills and condoms in Nepal. A network of U.S. and local nongovernmental organizations (NGOs) provides community-based health and family planning services in 25 of Nepal's 75 districts. Female community health workers and community members participating in health education and adult literacy classes provide information and services on control of diarrheal diseases, acute respiratory infections, vitamin A deficiency, child spacing, safe birthing practices and HIV/AIDS at the community level, forming the basis for long-term sustainability of changed health behaviors and practices. USAID provides 60% of the contraceptives to Nepal for both the public and private sectors (public, NGO and commercial retail sales).

**Host Country and Other Donors:** The United Nations Children's Fund (UNICEF) assists with the national immunization program, control of diarrheal diseases, acute respiratory infections, vitamin A capsules, water and sanitation, nutrition and basic education programs. The United Nations Population Fund (UNFPA) provides the balance of the contraceptive supplies, supports population awareness, and the family planning and safe motherhood programs. The World Bank supports infrastructure construction and renovation of facilities and warehouses for the health sector. Host country contributions include procurement of some essential drugs and vaccines, payment of staff salaries and maintenance of facilities.

**Beneficiaries:** Children under five years of age and women of child-bearing age in Nepal represent 35% of Nepal's population (about 7.2 million people). USAID-supported MCH programs reach over half of

these customers. USAID's support to the family planning program potentially reaches the entire population of women (15-49 years of age) and men of reproductive age.

Principal Contractors, Grantees, or Agencies: USAID implements activities through the Ministry of Health, USAID Global Bureau Cooperating Agencies, a U.S. firm, private non-profit companies, and U.S. and local NGOs.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Total Fertility Rate <sup>1</sup>	5.6 (1991)	4.7 (2002)
Child mortality per 1,000 children under 5 years <sup>1</sup>	168 (1990)	75 (2002)

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<sup>1</sup> Source: 1991 Demographic and Health Survey. 1996 Demographic and Health Survey currently in progress; preliminary results due August - September 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** NEPAL

**TITLE AND NUMBER:** Strengthening the Participation of Women in the Economy, 367-SO03

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,500,000DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2002

Purpose: To enable women to improve their own and their family's economic and social life circumstances by facilitating their access to literacy, income generation and legal rights.

Background: Nepal needs the full contribution of women in its struggle to confront the challenges of poverty. Women constitute more than half the population, and are the primary providers of subsistence for most of the population in Nepal. Yet, as the country continues the struggle to develop, women continue to be marginalized in terms of literacy, legal rights, economic opportunities and general control over their lives. Women's status is a marker of the ability of Nepal to participate in the increasingly complex global economy and to redress the overwhelming poverty enveloping the country. Women are pivotal to economic change. They are also the key to the balance between economic development and sustaining the socio-cultural integrity and diversity of Nepal.

USAID Role and Achievements to Date: USAID has supported a number of activities targeted at women since sponsoring a landmark research effort on their status in 1983. USAID's support has included programs in literacy, legal rights and economic participation. In 1994-95, the USAID literacy program achieved a 30% increase in the number of literate women in Nepal. As for legal rights, women are greatly disadvantaged by current laws. USAID supports a grant to revise six laws which the Supreme Court has found unconstitutionally biased against women with regard to property ownership and inheritance. The passage of new laws will have a far-reaching impact on granting full legal equality to women in Nepal.

Description: USAID will continue a focus in three areas to empower women: increasing adult female literacy rates; improving the legal status of women; and strengthening women's economic participation. Literacy is an agent for awareness and change. It is central to the process of empowering women. Women's literacy groups will be entry points for income-generating activities that also facilitate more effective participation in markets. Since women's legal status also impacts on their ability to contribute to and benefit from economic opportunities, USAID will work with the same women's groups to improve their knowledge about the law, legal processes and the judiciary. As these women gain confidence and take an active role in decision-making, families will better confront the challenges of poverty in Nepal. Empowered women will support poverty reduction efforts, achieve significant productivity gains and provide large societal benefits. Their improved status is pivotal to economic change and the ability of Nepal to participate in the increasingly complex global economy.

Host Country and Other Donors: The United Nations Children's Fund (UNICEF) is the major donor supporting women in Nepal. UNICEF believes that to help children, women must be empowered. Their programs target women for health, water, education and advocacy. The Asian Development Bank started a pilot program in microcredit to women through NGOs. USAID has been the lead donor in adult female literacy. Other donors support large basic education projects. The GON and donors recognize the necessity for close collaboration. Formal coordination occurs through a USAID-chaired donor group in which the Government of Nepal (GON) participates. Appropriate coordination mechanisms are still being worked out with the new Ministry of Women and Social Affairs.

Beneficiaries: The adult women of Nepal.

Principal Contractors, Grantees, or Agencies: USAID implements activities through a combination of U.S. and Nepali NGOs.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Percentage of female adults literate between ages 15-44	28% (1995)	38% (2002)
Women educated in their legal rights (millions)	0.5 (1995)	2.35 (2002)
Number of small enterprise loans to women (millions)	0.1 (1995)	0.5 (2002)

## PHILIPPINES

FY 1997 Development Assistance: ..... \$61,410,000

### Introduction

Twenty years of the Marcos dictatorship, which ended with the 1985 Revolution, left the Philippines one of the most inward-looking and poverty-stricken countries in Asia. In 1986, the new administration began the arduous return to democratic rule of law, and began dismantling the highly protected "crony capitalism" system with an eye to rejoining the global marketplace. Bolstering this commitment has been the Multilateral Assistance Initiative, under which USAID and other major donors to the Philippines have played a critical role in support of the ongoing economic and political transition.

One of the most noticed results of this transition so far has been the increase in gross national product (GNP) growth, which exceeded 5% in 1994 and 1995. Concurrently, trade with the U.S. has blossomed, with the Philippines importing over \$4 billion of U.S. exports in 1995. The Philippines now represents the largest Association of Southeast Asian Nations (ASEAN) importer of United States goods and services. The United States also maintained its position in 1995 as the largest foreign investor in the Philippines, with many more large and small U.S. firms now exploring the possibilities of expanding their markets in this region and establishing regional headquarters in the Philippines, the only English-speaking country in East and Southeast Asia. The United States has supported both the macroeconomic reforms and many sector-specific initiatives which are fostering such trade and investment growth. For instance, USAID's technical assistance support for build-operate-transfer (BOT) mechanisms helped level the investment playing field, and paved the way for U.S. firms to win over \$1.0 billion in competitive BOT contracts in FY 1995.

Over the last year, the Government of the Philippines (GOP) has acceded to the terms of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), initiated a seven-year process to convert quotas to tariffs and reduce tariffs from an average rate of 31% to 5%, and implemented an expanded value-added tax. U.S. efforts to improve tax administration and to reduce rampant tax evasion are bearing fruit, with tax collections substantially up the past two years. After last year's elections, the GOP formulated a new legislative agenda which, when enacted, will stimulate additional economic growth and investment while reducing the incidence of poverty. If policy liberalization continues, the economy of the Philippines should embark on a higher economic growth path in the near future. Prospects for sustainable development in the Philippines and greatly expanded trade with the United States are bright.

### The Development Challenge

Since 1986, the Philippines has achieved a fair degree of economic and political stability. The GOP adopted a series of policy liberalization measures, and after several years of near economic stagnation, per capita income grew at an annual rate of about three percent in both 1994 and 1995. Employment rose by 3.2 million between 1991 and July 1995, while the unemployment rate fell from 10.6% to 8.8%. However, underemployment in agriculture and the urban informal sector, combined with low family incomes and a relatively high-cost economy, still left 41.3% of the population below the poverty line in 1994.

In contrast with the 1970s and 1980s, when economic growth was fueled by debt-financed government expenditure and private consumption, current economic performance is likely to be sustainable. It is driven by expanding international trade and rising private sector fixed capital formation. Both domestic and foreign investment has shown large year-to-year increases, and exports expanded by 20% in 1994 and by over 15% in the first three quarters of 1995. The inflation rate

slowed further from 9% in 1994 to 8.1% in 1995. The balance of payments continued to show a surplus in the first seven months of 1995 as a result of increased overseas workers' remittances and significant foreign direct investment inflows. The external debt to GNP ratio has declined from over 80% in the 1980s to below 60% in 1995 and the debt service ratio to exports has declined from 31.8% in 1990 to 13.5% in 1995. In absolute dollar terms, however, total debt (\$40.6 billion as of mid-1995) is still high.

Notwithstanding recent successes, the Philippines is still a fragile democracy, and its economy is far behind its ASEAN partners in competitiveness, size, quality of basic infrastructure, rate of economic growth, and success in reducing poverty. Public confidence in central government and in key areas such as the judiciary and law enforcement is still relatively low. Demand for public and private investments in infrastructure, and in health, education and other social services, is substantial and largely unmet. And the 2.4% population growth rate, cast against rapid natural resource depletion, represents several national and global issues of great concern to the United States and the Philippines. Future policies and actions must foster high annual GNP growth rates, while yielding broader distribution of income gains; must help create a sustainable balance between population growth and natural resource consumption; and must empower the Filipino citizen with greater economic and political freedom.

The GOP has set ambitious goals to direct the country toward newly industrialized country (NIC) status by the year 2000. Goals for that year include increasing per capita income from \$730 in 1990 to \$1,200, reducing poverty from 46% in 1991 to 30%, and slowing the population growth rate substantially. These are big challenges for the Philippines. The United States has put in place a program to assist in this transition, and at the same time, has set the stage for a mature bilateral relationship wherein expanded U.S. ties will supplant foreign assistance. This program consists of the following:

- Expand trade, investment, and income growth throughout Mindanao, an island which represents over 25% of the population, which is a regional source of political unrest and poverty, and which contains vast agricultural and natural resource production potential;
- Complete ongoing national reforms in trade and investment, micro-finance, capital markets, and fiscal management;
- Reduce the fertility rate and improve maternal and child health; help minimize the risk of a major AIDS epidemic in the Philippines;
- Establish community-based management systems to preserve coastal and forest resources;
- Reduce industrial and energy-based pollution and its impact on global warming; and
- Expand citizen participation in public policy-making through local governments and coalitions which address nationally important issues.

The United States continues to be the lead donor for the Philippines' family planning and AIDS prevention programs. USAID's population program will help reduce the population growth rate by lowering the total fertility rate from 4.1 in 1993 to 3.3 by the year 2000. The United States is also the lead donor for Mindanao development, with initial efforts in southern Mindanao having already helped boost that region's family incomes at over twice the national average rate. In local government, the U.S.-assisted decentralization program is one of the world's most bold and innovative processes involving the devolution of governmental authority and services. U.S. macroeconomic policy assistance, which is mostly funded and nearing completion, has been especially effective in helping implement tax reform, reduce trade and investment barriers, and open up the capital markets. In environment and coalition building, the United States applies modest resources in the Philippines, but is the innovative force behind much of the institutional and technological changes in these sectors at the community level. In addition, USAID will provide regional support for Mongolia and Viet Nam with the closing of the Regional Support Mission in Bangkok, Thailand in FY 1996.

## **Other Donors**

For 1996, donors pledged \$2.9 billion for the Philippines at the Tokyo Consultative Group meeting (\$5.7 billion was pledged in 1994). Japan pledged \$1.6 billion; the World Bank \$500 million; and the Asian Development Bank (ADB) \$300-\$400 million. Other major bilateral donors -- the United States, Australia, Canada, Germany, and the European Union -- accounted for about one-fifth of donor commitments. Other than the United States, family planning and maternal child health donors include the United Nations Population Fund (UNICEF) Australia, the ADB, the World Bank, Germany, and the European Union. The Philippines is a priority country for the U.S. - Japan Common Agenda under its population, health and HIV/AIDS initiatives. Regarding the environment, the United States works closely with the World Bank, the ADB, Canada, Japan, and Germany. U.S. programs in democracy are supported by the Ford Foundation, the Asia Foundation, and Canada. In the Mindanao economic development program, the United States works closely with the European Union, Australia, Japan, the World Bank, and the ADB.

## **FY 1997 Program**

The United States actively supports a new U.S.-Philippines partnership based on a shared commitment to human rights and democratic principles, mutual economic interest in an open global trading system, and a common concern for the global issues of environmental degradation, population growth, and the AIDS epidemic. Looking to the future, the Philippines is not only a flagship democracy in East and Southeast Asia but also an important ally which links the United States with rapidly expanding economies throughout Asia.

The United States will directly support this partnership by focusing its resources on six strategic objectives and one special objective (AIDS).

### **Agency Goal: Encouraging Broad-based Economic Growth**

The GOP places great importance on the development of the considerable growth potential of Mindanao, an area where Muslim separatist demands and the high incidence of poverty are a priority challenge being addressed by the current administration. Economic policy reforms at the national level are designed to level the playing field, thereby encouraging the Philippines to follow its comparative advantage while opening up trade and investment opportunities for the United States.

The United States was the lead donor promoting development of the East ASEAN Growth Area, which highlights the growth potential of Mindanao in the southern Philippines. The United States financed the *Mindanao 2000 Blueprint for Development* which was adopted by the GOP as its plan for opening the Mindanao economy. The GOP accords high priority to the sustainable development of Mindanao. For instance, Mindanao used to receive only 12% of the government's infrastructure budget, but currently that share is in excess of 30%. U.S.-funded infrastructure continues to stimulate private sector investments and the production of high-value agricultural crops. U.S.-financed agribusiness systems provide training and external market linkages that enable farmers' groups and cooperatives to participate in Mindanao's economic growth. Planned U.S. assistance in microenterprise finance targets the rural cooperative banks in Mindanao, recognizing both U.S. commitment to such financial reforms and leadership in microenterprise development programs. As a result of these combined efforts to date, family income growth in Southern Mindanao now tops all areas in the country, more than double the national average.

At the national level, local public policy groups supported by the United States continue to help the GOP break down many of the Philippines' long-established trade and investment barriers. The United States provides grants for research and coalition-building, which lead, in turn, to further improvements in trade, investment, and finance policies. Indeed USAID support has been critical to the creation of many of the Philippines' forward-thinking business coalitions. The United States supported the

adoption of a new policy of self-regulation by the Philippine Stock Exchange, the creation of a new electronic central depository for securities, the deregulation and automation of the public bond auction process, and the commitment by the GOP to broaden the role of private lenders to small businesses. In public finance, the United States continues to encourage the GOP to improve coordination among the tax planning, collection, administration and allocation elements of its public revenue structure. The United States also is assisting the GOP to deregulate the Philippine telecommunications sector; and through USAID's continued support to the build operate transfer (BOT) program, the Philippines is now recognized as the leader of Asia in paving the way for private investment in infrastructure programs. Both the BOT and telecommunications programs have opened up substantial U.S. business opportunities.

Reduced funding for encouraging broad-based economic growth in the Philippines would inhibit the economic development of Mindanao and diminish the capacity of the United States to participate in the trade and investment opportunities associated with the growth not only of Mindanao but of the Philippines as a whole, potentially one of the largest markets for the United States in Asia.

- Strategic Objective 1: Broad-based economic growth in Mindanao.
- Strategic Objective 2: Improve national policies in trade and investment.

**Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

The current administration gives high priority to child survival and family planning; as a result, in this largely Catholic country, the United States has an opportunity to help expand rapidly maternal and child health and family planning programs in the Philippines, while also improving the quality of the services provided. The United States also supports the prevention of the spread of HIV/AIDS, which is expected to become the leading public health threat in the Asia and Pacific region by the year 2000.

The United States has been a major donor for child survival and the largest single donor to family planning programs for the past 20 years. The United States and the GOP have developed an effective working partnership. Recently, the management of the program has been transformed; performance-based management techniques now assure effective delivery of family planning and maternal child health services. As part of its program of devolution of authority, the GOP has established, at the local government level and with U.S. assistance, performance-based management systems for delivering health care services. Under this system, the United States, the GOP and local government units define objectives and achieve results collaboratively.

Actual results have exceeded targets. Preliminary findings of a recent survey indicate that the overall contraceptive prevalence rate has increased from 40% in 1993 to 53.4% in 1995; for modern methods, the rate has risen from 24.9% in 1993 to 28.3% in 1995. With respect to HIV/AIDS activities, the fifth round of the government's national HIV sentinel surveillance system shows that the HIV prevalence rate in populations engaged in high-risk behavior remains relatively low at 0.11% compared with prevalence rates in the Asian region. (The alarm level for these populations as identified by the World Health Office Global program in AIDS is 1.0% ).

The GOP has improved the policy environment for, and the potential impact of, family planning services and AIDS prevention programs. New leadership at the Commission on Population has generated an extremely positive climate for collaboration between the GOP's Department of Health and the commission. These institutions have signed a memorandum of agreement to formalize the distribution of responsibilities. The GOP and the local governments also have signed comprehensive health care agreements which commit the local governments to carry out the priority health programs of the GOP. Among these priority programs are family planning and maternal and child health (which includes child survival objectives) and sexually transmitted diseases (STDs) and HIV/AIDS prevention programs. Historically, five major non-governmental organizations (NGOs), and numerous small NGOs, have

collaborated with the GOP to deliver health and maternal child health and family planning services. In 1994, 88% of children between 12 and 23 months old were fully immunized.

Of the total funding requested for population and health, \$22,250,000 is planned for population activities and \$2,970,000 is planned for health activities. Reduced funding for stabilizing world population growth and protecting human health will make it difficult to achieve the goal of reducing the total fertility rate to 3.3 by 2000, and the long-term goal of achieving the replacement fertility rate of 2.1 by 2010. It also will affect further reductions in infant mortality by shortfalls in funds for programs addressing acute respiratory infections, micronutrient deficiency, immunization coverage, and control of diarrheal disease. Reduced funding for HIV/AIDS may jeopardize the status of the Philippines as a low-prevalence HIV/AIDS country.

- Strategic Objective 3: Reduced fertility rate and improved maternal and child health.
- Special Objective: HIV/AIDS epidemic prevented.

#### **Agency Goal: Protecting the Environment**

Given extensive depletion of forest and fishery resources, and the negative environmental effects of rapid industrialization, sustainable management of the environment is crucial to the maintenance of stability in the Philippines. In addition, working toward the achievement of these two strategic objectives will stimulate important trade and investment opportunities for the United States.

GOP policy now emphasizes the equity of people's access to natural resources, the need to limit utilization to the resource's carrying capacity, and the participation of citizens in the development and implementation of resource management policies and programs. For example, a July 1995 policy document requires that sustainable forestry programs be based on community-based forestry management systems.

With U.S. assistance, coverage of forested area under community forest management has increased from 5,000 hectares in 1994, to 69,000 hectares in 1995. Also with U.S. assistance, the GOP has issued to indigenous cultural communities certificates of ancestral domain covering an additional 148,000 hectares, the first step in allocating resource rights to upland indigenous communities.

Last year, the GOP, with U.S. support, hosted the International Coral Reef Initiative workshop, providing an opportunity to discuss the establishment of a Southeast Asian regional working group on coastal resource management. As a follow-up activity, the United States supported a coastal resource management activity which will help coastal communities and their local governments adopt sustainable management systems over their fishery resources along 3,000 kilometers of shoreline. The U.S. will coordinate various donor initiatives to achieve the strategic spread of sustainable fishery management.

The GOP is beginning to emphasize the "brown sector." With U.S. support, the GOP has enacted two major, market-based environmental policies since 1993, and recently the budget for the GOP Environmental Management Bureau has been increased. Under the industrial environmental management program, supported by the United States, 98% of the 299 industrial firms volunteering for pollution management appraisals have implemented recommendations, resulting in pollution reduction and in cost savings of \$14 million annually. There is a trade component as well; the U.S.-Asia Environmental Partnership (USAEP) promotes the adoption of advanced U.S. environmental technologies, while also promoting cost savings at the level of the firm.

The United States has been in the forefront of providing policy support to the GOP Department of Energy, and U.S. technical assistance grants to improve energy sector policies are providing the basis for discussions on policy coordination with other bilateral donors and with multilateral banks. U.S.

assistance was instrumental in promoting build-operate-transfer financing mechanisms that have played a key role in the energy sector, and promise to play a role in introducing new, commercially viable, environmental technologies as well. The GOP also has enacted several key policies designed to reduce pollutants and emission of greenhouse gases. A tough clean air bill, with enforcement guidelines and penalties, is under consideration. The United States was the first to introduce a methodology to measure mitigation impacts of global and local greenhouse gas emissions.

Despite progress in environmental policy and regulation, there remain gaps between problem recognition and resolution, policy and implementation, regulation and enforcement. The United States will seek over the next few years to introduce technologies, incentives, and information to resource users who can apply them to narrow this gap.

A budget reduction for sustainable environmental management will result in slower program implementation and a premature curtailment of the U.S. energy (greenhouse gases) programs. It also would diminish the capacity of the United States to participate in the substantial trade and investment opportunities associated with the environment and energy sectors.

- Strategic Objective 4: Enhanced management of renewable natural resources.
- Strategic Objective 5: Reduced emission of greenhouse gases.

#### **Agency Goal: Building Democracy**

Within the rapidly growing South East Asian region, the Philippines is the premier example of a vibrant economy in a democratic setting. The current President is a well-respected spokesperson for democracy and human rights. His formulation of democracy emphasizes the concepts of empowerment through civil society and the development of local government. Countries of the South East Asian region are looking more and more to the Philippines for ideas on issues associated with democratic development, such as labor management relations, conducting and monitoring elections, and fostering the growth of participatory democracy through civil society member-controlled organizations and local governments.

The United States brings unique capacities to the goal of building democracy in the Philippines. Based on the historic role of the United States in establishing most of the democratic institutions and processes in the Philippines, these capacities include a recognized pioneering role among donors in the promotion of democracy, an established credibility and role in supporting the local government movement, and a long-standing strategic role, credibility and social capital in working with non governmental organizations. The U.S. program also provides new arenas for the effective participation of disadvantaged and under-represented groups.

The U.S. program of assisted self-reliance entered into a new phase this year with the launching of the Governance and Local Democracy activity to provide technical assistance to select provinces and municipalities in priority areas, and to strengthen the Leagues of Provinces, Cities, and Municipalities. The Leagues, with U.S. support, are encouraging the Philippine Congress to conduct a thorough review of the Local Government Code in 1996 and 1997 after five years of actual implementation. They also are introducing innovations in environmental management, participatory planning, local revenue generation, credit financing, and local build-operate-transfer mechanisms.

The United States supported the labor unions' advocacy efforts with Congress in the enactment of a "Magna Carta for Overseas Workers" to protect 4-6 million overseas Filipino workers. Two alternative legal groups, supported by the United States, helped ensure the enactment of an anti-sexual harassment law in February 1995. A coalition of electoral reform advocates successfully supported a national law for the proportional representation in Congress of registered parties or coalitions of marginalized and under-represented people in the 1998 elections.

At the Annual Partners' Conference last October, with representatives of many important private voluntary organizations (PVOs), the United States emphasized the importance of achieving results in both the local government field and the civil society field if the overall goal of broadened participation is to be achieved. Directly resulting from this conference were first-time meetings between the disadvantaged groups and senior GOP officials. The latter discussions led to a pilot activity wherein the urban poor, government, business, and NGOs will engage in continuing, open dialogue on land use in a specified urban area. Indigenous people's groups were able to make contact with similar groups in the regions.

The GOP strongly supports efforts to build democracy, devolve power to local governments and collaborate with NGOs. It has articulated a social reform agenda targeted to disadvantaged groups. The number of receptive local governments is increasing. Among NGOs, effective governance is a major area of interest.

If there is a budget reduction for building democracy, USAID will be unable to continue to strengthen civil society organizations that seek to influence the development and the implementation of policies that, in turn, will affect their well-being.

- Strategic Objective 6: Broadened participation in formulation and implementation of public policies in selected areas.

**PHILIPPINES  
FY 1997 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Providing Humanita- rian Assist.	Total
USAID Strategic Objectives						
1. Broad-based Economic Growth in Mindanao	11,490,000					11,490,000
2. Improved National Policies in Trade and Investment	4,700,000					4,700,000
3. Reduced Fertility Rate and Improved Maternal and Child Health		23,070,000				23,070,000
4. Enhanced management of renewable natural resources			5,000,000			5,000,000
5. Reduced Emission of Greenhouse Gases			3,000,000			3,000,000
6. Broadened Participation in the Formulation and Implementation of Public Policies in Selected Areas				12,000,000		12,000,000
7. Special Objective: HIV/AIDS Epidemic Prevented		2,150,000				2,150,000
<b>Total Development Assistance</b>	<b>16,190,000</b>	<b>25,220,000</b>	<b>8,000,000</b>	<b>12,000,000</b>	<b>0</b>	<b>61,410,000</b>

**Mission Director: Kenneth S. Schofield**

## ACTIVITY DATA SHEET

**PROGRAM:** PHILIPPINES

**TITLE AND NUMBER:** Broad Based Economic Growth in Mindanao, 492-SO01

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$11,490,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To maximize people's participation in and benefits from increased public and private investments in the economy of the island of Mindanao.

**Background:** Mindanao constitutes more than a third of the land mass of the Philippines and is home to about one-fourth of 67 million Filipinos. Indicators show that the quality of life in Mindanao is well below the national average. Mindanao has lower income levels than most other regions in the country and higher poverty incidence and unemployment rates. After a long period of relative economic stagnation, Mindanao appears positioned to experience a period of substantial and accelerated economic growth. An improved overall policy environment, the return of political stability, renewed investor confidence in the economy and increased national government priority given to the development of Mindanao all contribute to rapid economic growth. The local financial system also plays a major role in sustaining and accelerating Mindanao's economic growth.

**USAID Role and Achievements to Date:** The program extends successful models for agricultural and entrepreneurial development, investment promotion, and policy reform already tested in Southern Mindanao. Between 1992 and 1994, job and income growth in Southern Mindanao was among the highest in the Philippines. Family income growth in the area led the country and was more than twice the national average. USAID provided training and market linkages that enabled farmers' groups and microentrepreneurs to participate actively in the area's economic growth. USAID also assisted in inducing critical policy reforms, such as consolidation and market determined pricing of government credit programs, increased microenterprise access to the formal financial sector, and lower tariff levels for important agricultural inputs which have important implications for the agriculture-based economy of Mindanao.

**Description:** USAID focuses on an aggressive and broad-ranging enterprise development program aimed at facilitating maximum participation of small farmers/fisherfolk, and small and microentrepreneurs in the economy. USAID also supports efforts to assist Mindanao's leaders identify and bring about modifications to governmental policies which will stimulate Mindanao's economic progress, and to assist the leaders to take actions to help assure continued flow of appropriate levels of public infrastructure development resources and private investment. USAID will assist finance institutions in Mindanao develop their capacity to provide viable and sustainable services to small and microenterprises. A steering committee for this activity is composed of the Presidential Assistant for Mindanao, other concerned GOP agencies, private sector leaders, and USAID representatives.

**Host Country and Other Donors:** The Asian Development Bank (ADB) is interested in supporting the East Asia growth polygon initiatives. Australia is focusing on the Cagayan-Iligan area and presently has three development advisors in Davao. Canada will continue work with local governments and the Mindanao Autonomous Region. Japan is studying the Agusan river basin to continue infrastructure investments in that area. The World Bank is implementing a water district pilot project and plans to undertake rural finance and rural infrastructure projects. The ADB, Germany and Canada also are providing assistance in micro-financial service development. The United States is a major donor in Mindanao and helps coordinate donor efforts through the Office of the Presidential Assistant for Mindanao. Contributions to this USAID activity from the GOP, local government units, and private sector organizations, are approximately \$12 million.

**Beneficiaries:** In Mindanao, about 3.9 million people (55% of Mindanao's population) are considered poor; two-thirds of these people live in rural areas. The activity will provide (1) opportunities for farmers and fisherfolk to gain access to the more lucrative markets emerging as a result of expanding agribusiness investment in Mindanao; (2) opportunities for small and microenterprises to enter into beneficial business arrangements with incoming investors and firms; and (3) a major increase in employment and entrepreneurship opportunities particularly for women and traditionally disadvantaged groups.

**Principal Contractors, Grantees, or Agencies:** USAID relies on a U.S. firm, Louis Berger, as a general contractor. In addition, many public and private sector U.S. and local organizations as well as local government units are participating in this activity.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Real growth in gross regional domestic Product in Mindanao (GDP)	1.4(1984/85) <sup>1</sup>	5.0 (2000)
Real growth in income of families in the lower 50% income class in Mindanao	0.9(1985/93) <sup>2</sup>	3.0 (2000)

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<sup>1</sup>Source: Philippine National Accounts, National Statistics Board

<sup>2</sup>Family Income and Expenditure Survey, Philippine National Statistics Office and commissioned surveys

## ACTIVITY DATA SHEET

**PROGRAM:** PHILIPPINES

**TITLE AND NUMBER:** Improved National Systems for Trade and Investment, 492-SO02

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$4,700,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To create an environment conducive to trade and investment through liberalized policies, improved financial markets, and improved mobilization and allocation of fiscal resources.

**Background:** Compared with the highly protected and regulated business environment of the 1970s, the Philippine trade and investment regime in recent years has become increasingly open and liberalized. Over the last year, the Government of the Philippines (GOP) has continued to liberalize its economic policy framework and to design and install better structures for administering its tax and fiscal programs and financial markets. Progress has been made within the frameworks of the General Agreement on Tariffs and Trade; World Trade Organization and the Asia-Pacific Economic Cooperation. However, if the Philippines is to be able to maintain or accelerate its economic growth, the GOP will have to formulate and implement reforms in areas ranging from trade and investment policy and transportation to capital markets and taxation.

**USAID Role and Achievements to Date:** USAID is actively promoting trade and investment liberalization in the Philippines. This USAID role supports continued implementation of the Philippine agenda for reform under the Multilateral Assistance Initiative (MAI). The MAI agenda called for maintaining an environment conducive to private sector-led investment and sustainable growth, and alleviation of widespread poverty. Among the recent major policy reforms to which USAID contributed significantly are: accession to the terms of the Uruguay Round of the GATT, conversion of remaining quotas to tariffs and further tariff reduction and simplification, legislation of the Export Development Act, introduction of self-regulation among stockbrokers and dealers, facilitation towards electronic transfers of securities, tax reform, financial sector reform for credit access to small and microenterprises, and liberalization of the banking, inter-island shipping, telecommunications and retail trade sectors. Initial measurable benefits from these efforts include the 15% annual average real growth in exports from 1992 to 1995, the 12% average annual real increase in tax collections of the Bureau of Internal Revenue during 1993 to 1995, and the increase in telephone service coverage from 1.17 (1992) to 1.67 (1994) per 100 population. With remaining import quotas on less than ten items and significantly lower tariffs, Filipino consumers are now enjoying a wider range of choices for consumer goods and services, at more reasonable prices than ever before. USAID is widely identified with these national reforms.

**Description:** This activity subsumes all existing USAID programs dealing with economic policy reforms at the national level, and includes programs designed to further promote domestic competition in selected key sectors of the economy. Reforms focus on reducing barriers to entry in domestic industries, improving transportation and communications services, improving tax planning, administration and collection, and facilitating the movement of investment capital. USAID assistance is provided through advisory services in the review, analysis and formulation of policies, and through support for policy reforms by coalitions of interested groups. To upgrade the capability of local institutions to implement and sustain policy reform efforts, USAID also will support the implementation of these reform policies.

**Host Country and Other Donors:** The following donors provide technical assistance and commodities in the following sectors: the Asia Development Bank (ADB) for capital markets development, the World Bank for tax administration and also capital markets development, and Canadian International

Development Agency (CIDA) for improved implementation of economic and social policies and for telecommunications. The World Bank organizes the consultative group meetings of the donors with the GOP, which provides a forum for addressing major development concerns and issues. Private sector contributions come from business and trade groups in cash and in kind for studies, workshops and advocacy efforts. GOP contributions come in the form of human resources and logistical support in the different sectors.

**Beneficiaries:** The ultimate beneficiaries of this effort to liberalize the trade and investment environment will be: the currently unemployed or underemployed Filipino workers estimated at 8.6 million in 1995; Filipino consumers who will benefit from lower prices and greater selection of goods and services; the poor Filipinos (41% of the population) who are dependent on public provision of basic services; and U.S. and other foreign enterprises whose trade with the Philippines will grow with the Philippine economy. U.S. exports to the Philippines typically grow at a faster rate than that of any other country during a period of Philippine economic expansion.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities through contracts with two U.S. consulting firms, federal agencies (U.S. Internal Revenue Service and Bureau of Census), and through grants and cooperative agreements with local non governmental organizations.

<u>Major Results Indicators:</u>	<u>Baseline*</u>	<u>Target</u>
Ratio of gross domestic capital formation to gross domestic product (GDP)	25%(1994)	28%(2000)
Ratio of total exports plus imports to GDP	74%(1989-94)	90%(2000)
Ratio of tax revenues to GDP	17%(1994)	22%(2000)

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\*Source: Philippine National Accounts, National Statistical Coordination Board

## ACTIVITY DATA SHEET

**PROGRAM:** PHILIPPINES

**TITLE AND NUMBER:** Reduced Fertility Rate and Improved Maternal and Child Health, 492-SO03

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997 \$23,070,000 (DA)

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To improve the health of women and children by expanding access to quality family planning and selected other reproductive health services in the public and private sectors as well as fostering the continued provision of selected child health interventions at the local government unit level.

**Background:** During the 1970s and early 1980s, the Philippines had one of Asia's most successful family planning programs. Starting in 1983, the program suffered serious setbacks due to increasing political unrest, deteriorating economic conditions and the democratic revolution. At the same time, when the current President assumed office, the family planning program was revived. In 1993, the use of modern contraceptives was only 24.9%. This low prevalence deprived women and children of the health benefits of proper child spacing and the avoidance of high-risk pregnancies. With the historic opportunity brought by the current administration's strong support for family planning, USAID renewed its support to the Philippines National Family Planning Program (PNFPP) by launching the integrated family planning maternal health program. As a result, the PNFPP has been rejuvenated, with impressive gains in the public sector provision of services already documented in the 1995 national family planning rider survey.

**USAID Role and Achievements to Date:** Based on the results of the 1993 demographic and health survey, USAID designed an integrated family planning and maternal child health strategy to assist our partners -- the GOP/Department of Health (DOH), the Commission on Population, local government units, non government organizations (NGOs) in the private voluntary and commercial sector -- to expand quality services. In addition, USAID supports four key child survival interventions: acute respiratory infection, expanded program on immunization, oral rehydration therapy, and micro-nutrient supplementation and fortification.

This activity is organized into three components. The first focuses on increasing public sector provision of family planning and maternal child health services at the local government level where the responsibility for service delivery is now devolved as a result of the Local Government Code which fosters decentralization and increased community participation. The second component strengthens national systems in the GOP Department of Health to promote and support the family planning and maternal child health program at the local level and to carry out functions, such as contraceptive logistics, more efficiently handled by the national level. Support also is provided to the Commission on Population to strengthen its national and local policy and advocacy initiatives. Finally, USAID encourages sustainability and market segmentation whereby the NGOs and private commercial sector will provide services to those able to pay partial or full cost while the Department of Health targets its resources on those of the lowest income group. The third component increases the private sector provision of contraceptives and family planning and maternal child health services.

Results to date are encouraging. Since 1993, the program has exceeded its goal of raising overall and modern method contraceptive prevalence by 1.5% per year. According to the preliminary results of the 1995 national family planning rider survey, actual overall usage increased from 40.0% in 1993 to 53.4% in 1995. Modern contraceptive method use increased from 24.9% to 28.3%. The engine of this increase was mainly public sector services, spurred on by the increased contraceptive availability in public sector outlets, massive clinical training programs, and supportive communication programs. The private sector did not expand commensurably, perhaps due to the long overdue revitalization of

the public health services. USAID's now examining closely the constraints faced by the private sector to expanding its role in the family planning marketplace.

USAID supports is helps sustain the gains achieved by the GOP's maternal child health programs in the last five years. In 1994, 88% of children between 12 to 23 months old were fully immunized. Almost 70% percent of pregnant women and mothers of children under five years old received two doses of tetanus toxoid. Vitamin A supplementation among children 12 to 59 months old reached 93%. These vital maternal child health services used to be the responsibility of the national government. The local performance-based program of this activity is aimed at strengthening the capabilities of local governments to improve the delivery of maternal and child health services in order to ensure that the impressive achievements in recent years are maintained.

Description: FY 1997 funds will support the local performance-based program whereby USAID releases a tranche of funds after the Department of Health and participating local governments meet a series of performance benchmarks concerning the delivery of family planning and maternal child health services. Seven U.S. cooperating agencies will assist the Department of Health, the Commission on Population, and the private commercial sector in strengthening systems for information, education and communication, logistics, policy formulation, applied research, family planning and maternal child health service delivery, and social marketing. Funds will also be used to procure U.S. contraceptive commodities and support the 1998 demographic and health survey.

Host Country and Other Donors: USAID remains the largest donor to the Philippine national family planning program. In 1995-99, the United Nations Population Fund will contribute approximately \$25 million to the Philippine national family planning program for activities and contraceptive commodities complementary to the USAID program. A combined World Bank, Asian Development Bank, European Union, and Germany Loan/Grant Agreement supports a five year \$120 million urban-based Women's Health and Safe Motherhood project which, by emphasizing safe motherhood activities, complements USAID's more targeted family planning and reproductive health approach. In 1996, the Department of Health increased its financial contribution to take over support of the local costs of the contraceptive distribution system previously funded by USAID.

Beneficiaries: The 8.6 million currently married women in the reproductive ages, with particular focus on those who want to limit or space their next birth and those in the high risk categories for childbearing (i.e., under 18 years of age: over 34; birth interval less than 24 months; birth order of last child greater than three), are the key beneficiaries of the family planning and reproductive health interventions. The 2.1 million children under one year of age are the beneficiaries of the four key child survival interventions.

Principal Contractors, Grantees, or Agencies: USAID implements activities through the Department of Health, the Commission on Population, local governments, and non government organizations (local and U.S. PVOs and private commercial sector entities) involved in the Philippine national family planning program.

**Major Results Indicators:**

	<b><u>Baseline</u><sup>1</sup></b>	<b><u>Target</u></b>
Total Fertility Rate <sup>1</sup>	4.1 (1993)	3.3 (2000)
Infant Mortality Rate <sup>2</sup>	57 (1990)	49 (2000)
Maternal Mortality Ratio <sup>2</sup>	209 (1993)	190 (2000)
Contraceptive Prevalence Rate(all methods) <sup>1</sup>	40.0% (1993)	50.5% (2000)
Contraceptive Prevalence Rate (modern methods) <sup>1</sup>	24.9% (1993)	35.4% (2000)
Percent of Births in High-Risk Groups <sup>1</sup>	62.4% (1993)	56.0% (2000)

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<sup>1</sup>1993 Demographic and Health Survey

<sup>2</sup>GOP Infant Mortality Task Force

## ACTIVITY DATA SHEET

**PROGRAM:** PHILIPPINES

**TITLE AND NUMBER:** Enhanced Management of Renewable Natural Resources, 492-SO04

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997 \$5,000,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2002

**Purpose:** To enhance and sustain the management of natural resources by communities and businesses, and thereby prevent environmental collapse while the opportunity still exists.

**Background:** The pace of damage and destruction to the Philippine environment is staggering. The Philippines faces a narrow window of opportunity within which to reverse the rapid and possibly irreversible decline in the country's ecosystems. To meet this challenge, the Government of the Philippines (GOP) has undergone a dramatic shift in its philosophy and commitment to manage and sustain the country's natural resource base. This shift is based on a policy that encourages popular participation in decisions affecting the management and use of the country's natural resources. Specific policies empower upland and coastal communities to manage the forest and fishery resources they depend upon for their livelihood. As a result, communities, non governmental organizations (NGOs), and an ever-increasing number of commercial businesses are now committing capital and labor effort to reverse the trend of environmental degradation and to sustain the resource base.

**USAID Role and Achievements to Date:** USAID was the first to develop a strategic initiative that assisted the GOP to conceptualize and implement policies that emphasize community-based approaches to resource management. The activity has three components: Coastal Resources Management, Forest Resources Management and Industrial Environmental Management. USAID focused on community-based management systems for coastal and forest resources and on promoting pollution abatement among the country's major industrial sectors. The following are the results achieved under the strategic objective:

**Forestry Resources Management:** To date, 14 communities have been given rights to access and manage 69,000 hectares of residual forest lands through community forest management agreement certificates. In addition, 148,360 hectares of forest lands were recognized by the GOP as ancestral domains through a similar tenure instrument entitled certificate of ancestral domain claim. USAID helped establish the Foundation for the Philippine Environment with a \$23.0 million endowment fund to support non governmental organization projects that assist communities in protecting national parks and other critical habitats. Major policies also have been revised to support the ongoing widespread implementation of community-based forest resource management.

**Coastal Resources Management:** Implementation started in FY 1996. Under this activity, the management of coastal resources will be assumed by local, community-based user groups with support from local governments. In the next six years, success will be achieved when a growing number of communities develop skills to identify resource and environmental problems and initiate local actions that bring about sustainable management of coastal resources. Donor coordination will be key to achieving sufficient coverage to avert the collapse of additional fisheries.

**Industrial Environmental Management:** In the industrial sector, more than 115 corporations have successfully reduced wastes and have increased efficiency and profits. This represents 97% of the industrial corporations that have conducted pollution-management appraisals. U.S. expertise and technologies were critical in this success. A policy framework for programmatic compliance under the Philippine environmental impact statement was developed. Studies and dialogues to rationalize policies on industrial pollution and to increase public and private sector communication and participation are being conducted and will be used to establish new procedures and standards. Over 2,500 individuals from the government and private sector have received training on industrial environment management.

**Description:** USAID channels its efforts mainly through U.S. contractors to achieve the following:

**Forestry Resources Management:** Upland communities will be assisted in securing management authority and responsibility for the country's public forest lands. This forest land will be converted from open access conditions into community-managed enterprises. By applying sustainable management systems, our beneficiaries will provide 25% of domestic demand for solid wood products by 1999.

**Coastal Resources Management:** Over the next six years, USAID's efforts will lead to communities controlling access to, and practicing management for, sustainable harvests in coastal waters along 3,000 kilometers of shoreline. In return, these communities are expected to supply 25% of national harvest from coastal waters by 2002.

**Industrial Environmental Management:** USAID's efforts will lead to increased private investment in pollution-abatement practices. By 1996, these investments will reduce pollution by participating industries by 20%. (New targets are to be determined in the follow-on activities.)

**Host Country and Other Donors:** The Program is implemented directly with the GOP and closely coordinated initiatives by the World Bank, Japan, the Asian Development Bank, Canada, and Sweden. USAID also works with groups such as the U.S. Coast Guard and National Academy of Sciences.

**Beneficiaries:** The forestry resources management activity is working with upland communities in Mindanao, Palawan, and Northern Luzon (those regions of the Philippines with the greatest remaining residual forest). The coastal resources management activity will target coastal communities in Palawan, the country's richest fishery, the Central Visayas where USAID can build on previous initiatives in community-based resource management and Mindanao. The industrial environmental management activity concentrates on businesses and industrial sectors that pose some of the greatest risks to the environment, including those in the coastal zone.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities through GOP agencies, U.S. contractors, and U.S. and local NGOs. Major contractors include Development Alternatives; PRC-Environment Inc. and the Academy for Educational Development.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
500,000 hectares (14%) of residual forests managed sustainably by community-based enterprises	5,000 (1994)	500,000 (1999)
Coastal waters along 3,000 kilometers (17%) of shoreline managed for sustainable harvest	0 (1995)	3000 (2002)
20% reduction in pollution discharges in participating facilities in industrial and municipal locations	10% (1994)	20% (1996)

## ACTIVITY DATA SHEET

**PROGRAM:** PHILIPPINES

**TITLE AND NUMBER:** Reduced Emission of Greenhouse Gases, 492-S005

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997 \$3,000,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2002

**Purpose:** To mitigate emissions of greenhouse gases (GHGs) from the power industry through the use of cleaner fuels and improved energy efficiency.

**Background:** The Intergovernmental Panel on Climate Change, composed of 2,500 scientists, has recently reached a consensus that GHG emissions, primarily from the burning of fossil fuels, are associated with the phenomena of global warming and climate change, which in turn may have serious and far-reaching implications for the well-being of mankind and the planet earth. In addition, 154 heads of state signed the Framework Convention on Climate Change in 1992, signaling political recognition by national leaders of the need to mitigate the effects of global warming.

USAID's global climate change mitigation strategy in the Philippines is to reduce GHG emissions from the power industry, which was responsible for 34% of GHG emissions in 1990. USAID's construction of its GHG emissions mitigation options portfolio (GEMOP) for reduced GHG emissions focuses on promoting the use of cleaner fuels (fossil fuels and renewable energies), more efficient generation by the power industry, and more efficient distribution and use of electricity. The program builds on extensive U.S. experience in the promotion of an environmentally-friendly and efficient power industry, and provides increased opportunities for the U.S. private sector to invest in the rapidly expanding power industry associated with the country's expected high rates of economic growth. A total of 25 greenhouse gas mitigation activities are planned until year 2002.

USAID/Manila has developed a methodology to measure mitigation impacts of global and local emissions. The mitigation impacts are measured by the weight of metric tons of carbon dioxide (CO<sub>2</sub>) equivalents and sulphur dioxide (SO<sub>2</sub>) avoided by the use of cleaner burning fuel options (such as natural gas and clean-coal technology), and by power industry and end-use efficiency options (such as improved efficiency of generation, transmission and distribution), as well as end-use consumption of electricity, especially of the industrial and commercial sectors.

Other qualitative indicators include the restructuring and privatization of the energy sector, which is expected to result in greater energy and fuel efficiency, privatization of power plants and transmission facilities (including Build-Operate-Transfer projects), the promotion of the use of more efficient power plant technologies, and a more competitive pricing of fuel. USAID has been in the forefront of providing policy support to the GOP's Department of Energy (DOE) and National Electrification Administration (NEA), through the conduct of policy studies in support of restructuring the power sector and provision of technical assistance, training and commodities.

**USAID Role and Achievements to Date:** From 1988 to 1996, USAID has been involved in improving the efficiency of the rural electrification program of the Philippines. To date, 242,000 metric tons (MT) of CO<sub>2</sub> equivalent and 2,000 MT of SO<sub>2</sub> emissions have been eliminated, through the activities of USAID's Rural Electrification project. Line losses were reduced by an average of 3% by electric cooperatives, thereby avoiding the construction and operation of 31 megawatt of "dirty" coal plant capacity. This achievement is a result of the first activity under the mitigation option to improve the efficiency of the distribution sector of the power industry. USAID has been the only agency to date to provide the GOP with funding to assist in the establishment of a natural gas industry in the Philippines.

As a result of USAID assistance to the GOP build, operate and transfer (BOT) program, by December 1995, a total of 23 BOT projects costing \$6.4 billion (40% of which were contracted to U.S. firms) and with a combined generating capacity of 3,580 megawatts, were put on stream. To the extent that these plants use cleaner burning fuels than coal and operate efficiently, they contribute to the objective of reduced GHG emissions. (An analysis of avoided BOT GHG emissions will be completed by April 1996.)

**Description:** Effective and efficient achievement of this activity's performance results will require \$3.0 million per year for policy-based activities to GOP energy sector agencies which target natural gas, clean coal, and power industry efficiency-related activities. Targeting these three areas for additional funds not only greatly enhances the likelihood of achieving this objective's targets, but also supports the three highest-priority policy areas of the GOP. Annual performance-based monitoring of a comprehensive range of 25 GHG mitigation activities will allow USAID, in consultation with Global climate change mitigation team members, to fine-tune the match between high-impact activities and this activity. USAID's partnership with GOP has enhanced its position to lead in climate change mitigation efforts and in the restructuring and privatization of the power industry.

**Host Country and Other Donors:** USAID Manila is collaborating with 10 other U.S. Government agencies such as Department of Energy (DOE), State Department, Environmental Protection Agency, NOAA, NAS) in implementing the country studies program to reduce GHG emissions, with 12 Philippine government agencies in the Inter-Agency Climate Change Committee (IACCC) and with several environment sector non-governmental organizations. USAID technical assistance grants to improve energy sector policies are providing the basis for other donors and multilateral banks, e.g., World Bank and Asian Development Bank (ADB), to extend energy loans to the Philippines. USAID also collaborates with U.N. Development Program, ESCAP, and bilateral agencies of Germany, Australia, Switzerland, the Netherlands, United Kingdom, and Japan in efforts to reduce GHG emissions from the power industry. USAID and ADB are each providing DOE with \$500,000 in gas sector policy assistance.

**Beneficiaries:** By 2005, the GOP intends to reduce GHG emissions by 20% of 1990 levels. Implementation of USAID's Program will assist the GOP in avoiding 18% of 1990 emission levels by 2002. The 12 IACCC agencies tasked with this GOP mandate will directly benefit from USAID assistance. Indirect beneficiaries include those firms and agencies which gain experience in the implementation of an environmentally friendly power industry. The range of impacts associated with unmitigated global climate change patterns have the potential to adversely affect global ecosystems and life in general as we know it on the planet earth. Examples are the increased severity of weather extremes of all categories (e.g., typhoons, droughts and floods) and associated losses in life, infrastructure, and food supplies, new geographical niches for deadly diseases, and death from heat exposure. The converse is also true: the benefits will cross national boundaries and extend into the future for generations. Residents of the Philippines will directly benefit in avoided health care costs from reduced GHG emissions with primarily local impacts, such as SO<sub>2</sub> and dozens of other air-borne power industry pollutants.

**Principal Contractors, Grantees or Agencies:** USAID implements activities through GOP agencies, U.S. contractors, and NGOs. Major contractors include Resource Management International, the International Energy Investments, Winrock International and K&M Engineering.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Thousand metric tons of avoided global emissions through the use of cleaner fuels	0 (1995)	19,155 (2002)
Thousand metric tons of avoided global emissions through improved energy efficiency	242 (1995)	1,665 (2002)
Thousand metric tons of avoided local emissions	0 (1995)	225 (2002)

through the use of Cleaner Fuels  
Thousand Metric tons of avoided local emissions  
through improved energy efficiency

2 (1995)

14 (2002)

## ACTIVITY DATA SHEET

**PROGRAM:** PHILIPPINES

**TITLE AND NUMBER:** Broadened Participation in the Formulation and Implementation of Public Policies in Selected Areas, 492-S006

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997 \$12,000,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY2000

**Purpose:** To broaden participation in the formulation and implementation of public policies in selected areas.

**Background:** In 1986, the Philippine people rose against and ended 14 years of authoritarian rule. Today, the Government of the Philippines (GOP) and its people have identified and proclaimed their desires to follow the road of democratic-led economic development. The result is an expansive and maturing non governmental sector, a path-breaking decentralization of authority and resources to local governments, and a growing recognition of the need for perpetual vigilance to protect democratic process. However, for sustainability of the nation's democratic processes, its highly personalized political institutions need to be professionalized. Its extremely diverse non governmental sector needs cohesion. Important elements of the population (e.g., urban poor, indigenous people, fisherfolk) must achieve meaningful participation in the political process. The handful of nascent groups addressing the protection of democratic processes must be strengthened. Lastly, those who either purposely seek to restrict devolution and decentralization and those who remain skeptical of the viability and sustainability of democracy in the Philippines must be shown that responsive, effective, and innovative democracy is a Philippine reality.

**USAID Role and Achievements to Date:** USAID completed two projects which have helped the GOP implement the 1991 local government code. As a result, revenue-sharing rose from \$400 million in 1991 to roughly \$2.0 billion in 1995. Approximately, 70,000 government employees were transferred from the national to local governments. Non governmental organizations (NGOs) have been incorporated in local councils to ensure broad-based participation, and provisions for recall and referenda have been established.

During the past years, USAID assisted over 200 non-profit organizations. The co-financing of private voluntary organizations (PVO) activities evolved from meeting basic needs of less privileged populations to capacity building of indigenous PVOs to enhancing the role of PVOs as intermediary institutions and partners of government.

USAID's previous assistance laid the foundation for a strong Philippine civil society. The mushrooming of competent and genuine peoples' organizations and community associations now provide the constituency base for policy and legislative reform. These associations also are better equipped to participate in local governments' special bodies. Several key PVOs now provide strategic leadership to coalitions of the disadvantaged.

Involvement of PVOs and peoples' organizations in the planning process allowed the integration of community needs in local development plans and national legislation. For instance, the use of a community data board as input to the municipal development plans of several Mindanao provinces has safeguarded the delivery of basic services to the village level. PVO involvement in the drafting of the National Health Insurance Act ensured that the disadvantaged were not excluded from the benefits arising from this law. Support to alternative legal groups and various local PVOs resulted in varying degrees of success on such issues as ancestral domains, access to fishery resources, rape, and sexual harassment. Key PVOs also were able to advocate for a favorable tax environment which will sustain private sector contributions to developmental projects for the disadvantaged.

## ACTIVITY DATA SHEET

**PROGRAM:** PHILIPPINES

**TITLE AND NUMBER:** HIV/AIDS Epidemic Prevented, 492-SP01

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,150,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: To prevent an HIV/AIDS epidemic by (1) monitoring the prevalence and transmission of HIV infection, and (2) encouraging behaviors which reduce HIV transmissions.

Background: Epidemiological data in the Philippines indicate that the prevalence of HIV infection is still low compared to other countries in the region, such as Thailand, Myanmar (formally Burma) and Cambodia. Nevertheless, given the existence of a high sexually transmitted disease (STD) prevalence rate aggravated by high risk behaviors, it is reasonable to assume that the debilitating epidemic experienced by other Asian countries could occur in the Philippines unless efforts are made now to prevent the rapid spread of HIV. The Philippines has a "window of opportunity" to prevent extensive spread of HIV infections in the general population if high-risk groups change their behavior now. A second opportunity exists to develop a sustainable HIV prevention model for low prevalence countries with high-risk factors for sexual transmission.

USAID Role and Achievements to Date: USAID is assisting the Government of the Philippines (GOP) Department of Health, non governmental organizations (NGOs) and other government organizations to: (1) implement a national sentinel surveillance system to monitor the transmission of the disease and risk behaviors among population groups at risk; (2) develop and implement effective communication and behavioral change programs about AIDS prevention before AIDS reaches major epidemic proportions in the Philippines; (3) design a national safe voluntary blood bank system; and (4) establish model sites for STD care and management.

The fifth round of the national HIV sentinel surveillance system of the GOP's Department of Health was conducted in September 1995. Survey results show that HIV prevalence rate among target risk groups has been maintained at a low level (0.11% compared to the 3.0% alarm level). The percentage of women and men at risk in 1995, who adopt safe sex practices, also has increased from 23% to 48% for women and from 2% to 13% for men at risk from 1993 baseline data. Sentinel surveillance systems have been established in eight geographic sites.

There is close coordination between the United States and Japan on the AIDS program, which enables them to do complementary activities: Japan's HIV/AIDS project focuses on strengthening HIV/AIDS and STD prevention and control through provision of laboratory equipment, training and technical assistance to those sentinel surveillance sites supported by USAID.

Description: USAID has designed a program to control HIV/AIDS transmission within the Philippine population by institutionalizing public and private sector mechanisms for monitoring HIV prevalence and by encouraging behaviors which reduce individual risk for contracting or transmitting HIV. A sentinel surveillance system for monitoring HIV seroprevalence in the Philippines is being implemented under the program. Mass media and information, education and communication programs which help reduce HIV transmission among individuals at risk are being implemented under the education component of the project. USAID assists the GOP's Department of Health to develop a strategy and plan of action for a safe blood supply system. With USAID support, the GOP and NGOs will develop, implement and evaluate a set of STD interventions among groups with high prevalence of STDs in selected sentinel cities. Expansion of HIV/AIDS prevention education programs and STD interventions for target risk groups at additional areas will require additional funding in FY 1997 and beyond.

Host Country and Other Donors: The GOP launched a national AIDS prevention and control program (NAPCP) in 1988, following collaboration with the World Health Organization's (WHO) Global Program for AIDS , and began implementing a medium-term plan for the prevention and control of AIDS in the Philippines. USAID has been and continues to be the largest contributor to the NAPCP. USAID also channels funds through the WHO for the surveillance activities. Australia is contributing \$2.8 million for 1993-1997. Through the U.S.-Japan Common Agenda, Japan's support to the AIDS program has increased to about \$1.3 million in 1995. USAID meets frequently with other donors so that activities will not be duplicative and will be mutually supportive of the programs of the GOP.

Beneficiaries: Direct beneficiaries are people in target risk groups. Indirect beneficiaries include all persons in the Philippines who will face a lower risk of contracting AIDS and who will benefit from a relatively modest AIDS-related drain on scarce financial and human resources.

Principal Contractors, Grantees, or Agencies: USAID implements the program through the GOP's Department of Health, World Health Organization, Program for Appropriate Technology in Health (PATH) and grants to local NGOs.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Percent HIV seroprevalence rate among target risk groups	0.04% (1993)*	<3.0% (2000)

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\* Source: Field Epidemiology Training Program-Department of Health National HIV Sentinel Surveillance Surveys

## SRI LANKA

**FY 1997 Development Assistance: . . . . . \$11,746,000**

### **Introduction**

The USAID program in Sri Lanka supports U.S. interests through promoting U.S. economic opportunities, enhancing prospects for peace in the thirteen-year-old ethnic conflict, and preventing a more serious humanitarian crisis from the ongoing conflict. With the Government of Sri Lanka (GSL) focusing on bringing an end to the conflict and economic indicators continuing to improve, USAID is playing a major role in moving the country through an important economic and social transition.

### **The Development Challenge**

Human development progress notwithstanding, poverty persists. Nearly 13 years of an ethnic-based civil war has severely limited development, incurring high human and economic costs. There is a serious malnutrition problem; the island's environment is fragile; and the distribution of the benefits of a growing market economy has not been equitable. There are wide disparities in socio-economic status and access to employment opportunities. Despite Sri Lanka's relatively good health indicators, close to one in four newborn infants has a low birth weight, reflecting poor maternal nutrition. Although Sri Lankans are better educated than people in other South Asian countries, there is a disconnect between the human resource needs of the expanding private sector and the product of the formal education system.

Economic growth has been concentrated in urban areas, primarily in the industrial and service sectors. Such expansion has not been sufficiently broad-based to absorb under- and unemployed labor throughout the country. Unemployment is officially estimated at 13%, but unofficially believed to be about 35% if underemployment is included. Income distribution patterns disfavor the poor, and much of the poverty is concentrated in the rural areas, where about 80% of the population resides.

The primary development constraint in Sri Lanka today is the thirteen year-old ethnic conflict based in the North and East Provinces of the country. An escalation of this war in 1995, including major military offensives by the Sri Lankan military and the Tamil Tigers, resulted in an enormous loss of productive lives, an ever-increasing strain on budgetary resources, and lackluster economic performance. The ongoing civil war will continue to place a strain on limited Government resources and threaten overall economic and political stability. The humanitarian assistance, much of it provided by the Government itself, needed to provide relief to the estimated one million internally displaced persons, will continue to grow over the next two years.

As the year progressed and the war worsened, so did the economy. The cost of the war significantly increased the budget deficit. Insecurity discouraged investment and tourism, both of which declined in 1995. Despite the war, Sri Lanka's economic performance was not all gloom. The year was strong in terms of external sector, economic growth, and foreign direct investment; but it was weak in terms of portfolio investment (both foreign and domestic), an increasing budget deficit and inflation. The deficit increased to 10 percent in 1994, and Sri Lanka's total outstanding debt increased to around \$11.0 billion at the end of 1994, due primarily to accumulated foreign debt and increased domestic borrowing. Sri Lanka, however, has maintained a good record for servicing its debt.

Sri Lanka is a responsible and accountable development partner. However, without significant additional progress in economic growth and the development of better functioning democratic institutions, Sri Lanka will not be able to bring more of its people into the economic mainstream and

sustain gains to date. In summary, the country's main constraints to equitable, sustainable development, and graduation from development assistance are: the ongoing civil war, persistent poverty, including high levels of childhood malnutrition, fragile economic growth, inadequate economic infrastructure, weak democratic institutions, and environmental degradation.

### **Other Donors**

In 1994, total donor assistance to Sri Lanka was about \$618 million. The United States, with about 11% of total assistance, was the second largest bilateral donor behind Japan, and the fourth largest overall. The leading donors are Japan, the World Bank, the Asian Development Bank, the International Monetary Fund, and the United States. There are 17 bilateral and 5 multilateral donors to Sri Lanka. Total donor assistance which averaged about 9% of gross national product (GNP) or about \$50 per capita during previous years, dropped in 1994 to about 5.9% of the GNP or about \$35 per capita.

### **FY 1997 Program**

The goal to which USAID contributes is a democratic Sri Lanka, with broad-based sustainable development, and conservation of natural resources. To achieve this goal, USAID has strategic objectives in three areas: economic growth, the environment, and democracy. Two special objectives are for humanitarian assistance to the North and East, and prevention of HIV/AIDS. The USAID Program in FY 1997 will assist poor people in improving their economic opportunities and incomes by encouraging broad-based economic growth through micro and small-scale enterprise development. It will strengthen related financial markets and increase access to credit and financing of urban infrastructure. USAID also will help to protect the environment through policy and regulatory reform and local involvement in conserving ecosystems and biodiversity. Finally, USAID will help strengthen democratic processes by enabling greater participation of all people to define their own needs and achieve their own solutions, and by encouraging more effective and efficient media and legal systems.

Overall, the USAID program concentrates primarily on economic growth activities. Strengthening democratic institutions, an aspect of resolving the civil war, and protecting Sri Lanka's rich natural resources will ensure that long term economic growth will be sustainable. In FY 1997, USAID will contribute 67.3% of its development assistance budget to economic growth, 23.4% to the environment, 7.3% to democracy, and 2% to HIV/AIDS prevention activities.

In anticipation of possible reduced resources in the future, USAID Sri Lanka is developing a plan to consolidate its program. Two of the existing strategic objectives, Economic Growth and Environment, will be more closely integrated to take advantage of existing synergies and to be more cost effective. The number of environment activities will decrease over the next year and a private sector orientation will focus on economic incentive-driven environmental practices, further complementing activities under the economic growth objective. Within the next five years these two strategic objectives will be combined. Currently, USAID Sri Lanka has 12 U.S.-direct hire employees; this presence will be reduced to 10 in 1997.

### **Agency Goal: Encouraging Broad-based Economic Growth**

Most Sri Lankans have limited economic opportunities. Average income is less than \$50 a month. At least one in six people is unemployed. The best way to increase employment and income opportunities for poor people is through an expanding private sector. Progress in 1995 was good, and USAID's technical assistance and support services to small and micro-enterprises led to an improvement in productivity, job creation, and profitability.

Total employment in targeted small and micro-enterprises increased by over 6,800 jobs. New enterprise creation and expansion of existing enterprises, made possible by assistance to Sri Lanka's

capital market, created over 4,500 jobs in 1995, bringing the total jobs created to approximately 29,000. Over 90,000 people have increased their incomes, and employment opportunities have been enhanced at the grassroots level by setting up micro-enterprise and income generation activities through non-governmental organizations (NGOs). Also, approximately 30,000 people in urban and rural areas have been trained in small and micro-enterprise development, new and more productive farming techniques, and vocational skills.

Through 1995, USAID provided \$6 million in matching technology grants to 410 firms. A private sector technology activity enabled an increase in grantees' sales by an average of about 40%, due largely to increased exports. Sales gains were fueled by marketing assistance and grantees' direct employment has increased by almost 6,940, with 2,444 in 1995 alone.

Through USAID's Housing Guarantee Program, approximately 61,500 below-medium-income families earning less than \$113 per month have been provided with long term credit for housing from October 1992 to December 1995. An additional 76,055 very low-income families have received grants, totalling \$4.35 million, for the construction of new homes and the improvement of existing homes. Thirty-one percent of all housing loans have been granted to women-headed households.

In 1997, USAID assistance will address the major constraints to access and opportunity in the private sector: inconsistent government policies and regulations; insufficiently developed financial market regulations; inadequate economic infrastructure; limited access to new markets and technologies; government interference in the agriculture sector; and a shortage of adequately trained private sector managers. USAID will help strengthen both the rural and urban economies through small and microenterprise development, financial markets development, promoting economic liberalization, privatization, transferring new technology and skills, finding new and expanded markets, strengthening formal market institutions and mechanisms, and encouraging free market agricultural reforms. In 1997, USAID Sri Lanka will invest approximately \$10.1 million in this strategic objective.

● **Strategic Objective 1: Increased Private Sector Employment and Income**

**Agency Goal: Protecting the Environment**

Sri Lanka is depleting its natural resource base at an accelerated pace. Its population density is one of the highest in the world, and a significant proportion of the population is largely, if not exclusively, dependent upon natural resources for its livelihood. Sri Lanka's present and future economic growth, and increased employment opportunities for the poor, will depend significantly on the sustainability of its natural resources across sectors, but particularly in the agriculture and tourism sectors. Insecure land tenure, lack of water rights, and predominant public ownership of land are root causes of degradation of natural resources. In many coastal areas, coral reefs and estuaries also suffer from the disposal of untreated waste, coral mining and over-fishing, and the effects of urban and industrial problems. Sri Lanka's ability to accelerate and sustain its economic growth is dependent upon steps it takes over the next five years to establish sound practices for environment and natural resources management.

USAID environmental activities produced very positive results in 1995. The implementation of the revised, comprehensive National Environmental Action Plan continued, advancing the priorities set for GSL environmental investments over the next five years. USAID also assisted the GSL in continuing to strengthen the institutions responsible for pressing forward with environmental policies, regulations, and awareness. In 1995, over 88,000 people benefitted from the adoption of environmentally sound practices, and the number of targeted hectares of land with agricultural conservation practices increased by nearly 10,000 hectares. The percentage of targeted industries implementing pollution prevention and control measures was 41.3 %, far exceeding USAID's target of 15%. The number of households with secure land tenure and natural resources rights increased by 50,000 households in

1995. USAID commenced activities in 10 field sites to demonstrate the practical implication of community participation in natural resource management.

USAID also supported the introduction of the Extended Cost Benefit Concept to the national planning process as a planning and policy development tool. Masters Degree programs in four environmental disciplines were established in Sri Lanka, the very first such programs in Asia. And finally, USAID assisted the GSL in improving the Environmental Pollution Licensing (EPL) Scheme. The EPL scheme will help reduce industrial pollution through regulations and fines, combined with incentives for reducing pollution through waste minimization and water treatment.

With USAID's support, Sri Lanka successfully completed a comprehensive, internationally acclaimed coastal zone management plan which, when implemented, will protect the coastal area's rich natural bio-resources. As tourism drives continued developments along the coastal areas, and as industrial development increases, it will be vitally important to support environmental policies which stem the current trend of environmental degradation. If the depletion of natural resources across the country continues, the 70,000 jobs which rely on the tourism industry will be in jeopardy.

In 1997, USAID will support the GSL's continued efforts to implement the National Environmental Action Plan. The program will address policy reform and institutional strengthening in the areas of natural resource management, biodiversity conservation and sustainable use, urban and industrial environmental management, and energy conservation and efficiency. USAID also will help raise awareness of environmental issues at the local level while promoting community based management of natural resources. In 1997, USAID will invest about \$3.5 million in the Sri Lankan environment.

● **Strategic Objective 2: Improved Environmental Practices to Support Sustainable Development**

**Agency Goal: Building Democracy**

Ordinary Sri Lankans have relatively limited opportunities to participate in, let alone influence, decision making that affects their political, social, and economic well-being. Although great progress has been achieved by Sri Lanka in some social indicators, unemployment, poverty, social unrest, ethnic conflict, and dependency on government continue to threaten the sustainability of progress made to date. Broader participation, improved public information, and more responsive and capable democratic institutions are essential for broad-based citizen empowerment and Sri Lanka's goal of becoming a modern developed society.

Concepts of individual freedoms, tolerance for other points of view, and the protection of minorities' rights need to be reinforced. The lives of people living in the North and East have been profoundly affected by the war. There is still a relative paucity of fora and institutions that engage the voices of ordinary people in discussions with local and national decision-makers. Decentralization of government authority to the local level has made little progress, and in fact has stalled. An escalation of the thirteen-year-old ethnic conflict during 1995, has increased the sense of powerlessness.

In 1995, USAID began implementation of activities to increase access to justice and to improve the media. The number of backlog cases in the courts of appeal decreased by 2,660 in 1995, far exceeding the target of 1,000. Also demonstrating an increase in people's access to justice, the number of people using mediation boards totalled 200,000 in 1995. Assistance to improve greater protection and promotion of citizen's rights is being provided by the Sarvodaya Legal Services Movement which runs district-level legal aid clinics for the public and conducts legal awareness programs for local government officials and council members. The grant also supports a human rights program to raise awareness among school children, teachers and local government officials, about the general concepts of human rights and, more specifically, of women's and children's rights. The program has the capacity to attract as many as 1,000 children in one day. To date, eleven such programs have been held across the country. In 1995, public awareness and training programs for

over 30,000 people, including judges and lawyers, have enhanced their knowledge of human rights issues and the rule of law.

In 1995, USAID also supported practical training and technical skills components of the University of Colombo Journalism Program. Students are introduced to the media community through structured practical internships to improve the quality of professional education and ultimately, the quality of journalism in Sri Lanka.

USAID is beginning an activity to strengthen NGOs and local government in 1996. This activity will work to strengthen local citizen groups and NGOs as a means to empower people and encourage broader participation in the identification and implementation of development activities. It also will help strengthen local governments to work with citizen's groups and their representatives on development issues. In 1997, USAID will continue to help improve legal institutions, both formal and informal, to increase citizen's access to legal services, dispute resolution, and protection of fundamental rights. Finally, USAID will assist in improving the professionalism of the media, and in increasing the access of ordinary people to information which will help them participate in decisions which affect their lives. Overall investment in this strategic objective will be approximately \$1.1 million in FY 1997.

● **Strategic Objective 3: Greater Empowerment of People to Participate in Democracy**

**Agency Goal: Providing Humanitarian Assistance**

The thirteen-year old ethnic war in the Northern and Eastern Provinces, has left many people homeless and unemployed. Approximately 57,000 civilians have been killed and thousands more injured. Many local and international NGOs have been active in providing limited humanitarian assistance to the civilians in the conflict areas. However, much remains to be done, and an end to the conflict does not appear imminent. Pending a peace accord, USAID will provide grants to international private voluntary organizations (PVOs) and local NGOs to provide assistance to families in the conflict areas to help them return to normal lives with adequate food and incomes.

Over the past ten years, USAID has provided grants to PVOs and NGOs for humanitarian assistance. These grants have helped to improve the nutrition and income of families through home garden projects; provided water and sanitary facilities including volunteer community leadership development; helped to establish income generating activities in domestic dairy and goat farming; provided vocational training; assisted with farm production to increase food availability for residents in the conflict areas; and finally provided assistance to internally displaced families and children living in camps outside the conflict areas to improve their health, nutrition, and psychological development.

To date, humanitarian assistance has benefitted 85,566 people affected by the ethnic conflict in the Northern and Eastern provinces of Sri Lanka. In addition, feeding and employment programs were implemented for urban slum dwellers, and rehabilitation activities for 3,084 mentally handicapped and 4,494 physically handicapped people were supported.

In 1995, USAID also provided humanitarian assistance to address problems in the North through two grants with international PVOs, the International Federation of the Red Cross (IFRC) and Terres Des Hommes. IFRC provided assistance to 48,000 displaced persons living in 220 camps. This assistance included mobile health units in the non-conflict areas. Terres Des Homes provided assistance to 1,350 displaced children. In 1996, USAID expects to support the production of artificial limbs for approximately 1,500 civilian war victims, and to continue its support to the internally displaced.

● **Special Objective 1: Provide Humanitarian Assistance to the Northern-Eastern Provinces Humanitarian Crisis**

**Agency Goal: Stabilizing World Population and Protecting Human Health**

While Sri Lanka is categorized as a low prevalence country, an increasing threat of HIV/AIDS is apparent. It can be mitigated by focused assistance to the NGO community. Approximately 85 percent of the NGOs involved in HIV/AIDS work are implementing general education and awareness activities. Moreover, coordination between the NGOs and the GSL has been insufficient. In 1997, USAID will continue to support policy advocacy, capacity building and public education by NGOs, and the AIDS prevention work of the International HIV/AIDS Alliance in Sri Lanka. Investment in this special objective will be \$300,000 in 1997.

To date, 665,000 people have been exposed to issues of HIV/AIDS and drug abuse by seminars, workshops, training, information, education, and communication materials. Six counseling centers, managed by a local PVO, have been established in the Central and North Central Provinces, and sixty volunteers have been trained as counsellors. Vocational training and rehabilitation have been provided to male-child prostitutes in a major tourist resort area.

- Special Objective 2: Enhanced Capacity for Local NGO and Community-based Organizations to Design, Implement and Evaluate Sexually Transmitted Diseases and HIV Prevention Programs.

**SRI LANKA  
FY 1997 PROGRAM SUMMARY  
(\$ 000)**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
<b>USAID Strategic Objectives</b>					
<b>1. Increased Private Sector Employment and Incomes Dev. Assistance</b>	<b>\$6,276</b>				<b>\$6,276</b>
<b>2. Improved Environmental Practices to Support Sustainable Development Dev. Assistance</b>			<b>\$3,470</b>		<b>\$3,470</b>
<b>3. Greater Empowerment of People to Participate in Democracy Dev. Assistance</b>				<b>\$1,700</b>	<b>\$1,700</b>
<b>4. Humanitarian Assistance Dev. Assistance *DCOF and WVF</b>					
<b>5. Prevention of HIV/AIDS Dev. Assistance</b>		<b>\$300</b>			<b>\$300</b>
<b>Total Dev. Assistance</b>	<b>\$6,276</b>	<b>\$300</b>	<b>\$3,470</b>	<b>\$1,700</b>	<b>\$11,746</b>

USAID Mission Director: David A. Cohen

## ACTIVITY DATA SHEET

**PROGRAM:** SRI LANKA

**TITLE AND NUMBER:** Increased Private Sector Employment and Income, 383-SO01

**STATUS:** Ongoing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997 \$6,276,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: To increase employment opportunities and improve incomes.

Background: Unemployment and underemployment is high in Sri Lanka with the estimated unemployment rate at 13%. Average income is less than \$50 a month and income distribution patterns disfavor the poor. The best way to increase employment and income opportunities for poor people is through an expanding private sector.

USAID Role and Achievements to Date: USAID's support includes technical and financial assistance to small and microenterprises, promotion of economic liberalization and privatization, transferring of new technology and skills, strengthening of formal market institutions and mechanisms, and encouraging free market agricultural reforms. To date, over 25,000 people have increased their income through full or part time employment from micro-enterprises, self employment, and medium and large enterprise development. To date, \$6 million in matching technology grants have been completed, and business assistance to approximately 410 private firms has been provided. USAID has worked with 2,800 clients on business planning and new techniques in crop production, processing, marketing and financing. Through USAID agro-business activities \$4.8 million in investment has been facilitated, including the introduction of new technologies to Sri Lanka. USAID's support of financial markets development has produced an 800% increase in Colombo Stock Exchange market capitalization from \$328 million in 1988 to \$2.6 billion in 1995. To date, close to \$113 million in Government assets and land have been transferred to long term private control. Finally, approximately 63,000 below medium income families (with an income of less than \$113 per month) have received long term credit for housing, with a total loan value of \$17.6 million.

Description: USAID activities will support enterprise development and job creation via direct grants for technology, technical assistance on financial management and marketing (particularly for small-farm agriculture and export marketing), and microenterprise lending. USAID will complement these activities by assisting the GSL to identify and implement policy reforms that promote openness to trade and investment, support agriculture and rural enterprise, develop incentives and reduce GSL involvement in infrastructure, production, marketing and food pricing. A new effort to enhance business skills training will help to better meet the growing demands of the increasing export-oriented private sector. In order to expand employment, activities will improve business skills, promote new technologies, and expand small to medium sized manufacturing firms, agro-enterprises, farmer associations and micro-enterprises. USAID Sri Lanka will also assist microenterprises and small businesses, and thereby the poorest men and women, to become economic participants by enhancing their access to capital through development banks and self-sustaining financial institutions, including credit unions that service small savers and borrowers.

Host Country and Other Donors: USAID Sri Lanka's programs complement World Bank and Asian Development Bank (ADB) programs, especially those related to sectoral policy reforms. The ADB's Financial Sector Program is assisting with a wide range of financial sector reforms, including banking, leasing and insurance supervision and private debt market development. The World Bank also has a major private finance development project which is aimed at improving macro-economic management by the Central Bank and the Ministry of Finance. USAID is now working closely with the World Bank in formulating a joint program to assist the GSL's privatization program.

Beneficiaries: Direct beneficiaries include the people whose income are improved and who gain new or better employment which is sustainable. Indirect beneficiaries include the families whose lives are improved due to increased family incomes.

Principal Contractors, Grantees, or Agencies: USAID will implement activities through nonprofit organizations, (i.e. International Executive Service Corps and Oregon State University) and the private sector.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Total employment in targeted enterprises	17,642 (1994)	6,950 (1997)
Employment generated by companies raising new capital on the Stock Exchange	10,000 (1994)	10,000 (1997)
Prevalence of stunting and wasting among pre-school children	31.4% (1994)	29.0% (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** SRI LANKA

**TITLE AND NUMBER:** Improved Environmental Practices to Support Sustainable Development  
383-S002

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,470,000, DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY1998

**Purpose:** To improve environmental practices to support sustainable development.

**Background:** If economic growth is to be sustainable, close attention must be given to the country's current trend of resource depletion. The reliance of the rural majority on natural resources for their livelihood makes sound management of resource endowments imperative. Because of inadequate incentives for environmental resource management there is a low compliance of environmental laws. The results of this situation are:

encroachment into parks and protected areas; unsustainable agricultural patterns, conflicts over irrigation water; uncontrolled urban and industrial pollution; and inefficient energy use. There are adverse impacts on health from declining air and water quality, loss of biodiversity in forest and coastal ecosystems, soil depletion and erosion, energy shortages, and other long-term detrimental environmental impacts.

**USAID Role and Achievements to Date:** As a direct result of USAID assistance, Sri Lanka now has a national framework for environmental policies and programs within its overall economic development strategy. Evidence of this may be seen in the development and revision of the National Environmental Action Plan (NEAP), and the 1993 passage of strict Environmental Impact Assessment (EIA) methodology. A strong foundation of current and future environmental institutions has also been established. Since it was established in 1991, the Ministry of Environment has grown to its current stature as national environmental policy coordinator. Four Master's Degree Programs, including Asia's first in environmental economics, are now producing in excess of 100 graduates each year.

The environmental NGO movement has benefitted substantially from USAID assistance and is playing an increasingly important role in setting the national environmental agenda and seeing it implemented at the grass roots level. Pollution prevention and waste minimization approaches have now been accepted as essential elements of a national industrialization program. Four hundred and eighty-three user groups involving 67,400 members were formed to share control of various natural resources with their local governments in two pilot watersheds. Since 1993, a total of 71,000 low income people have participated in community-based resource management activities including improved sanitation and income generating schemes.

**Description:** USAID activities will continue to develop institutional and policy capacity within the GSL to achieve national level impact on citizen's health, well being, and livelihood. USAID will provide technical assistance, training, limited commodity support, and pilot demonstrations in five key areas: policy reform and institutional strengthening, biodiversity conservation, urban and industrial and environmental management and land and water resources management. USAID will continue to work with NGOs to increase local resource management at the community level and introduce pollution prevention and control technologies to the private sector.

**Host Country and Other Donors:** USAID plays a leadership role in the donor community on environmental matters, sponsoring donor coordination meetings and supporting such efforts within Environment Ministry. USAID will continue to work closely with the World Bank on the development and implementation of the NEAP and development of the Bank's two major planned investments in Sri

Lanka's environmental sector: The Colombo Environmental Improvement Project, and the Environmental Action 1 Project. This will result in a leveraging of over \$100 million of World Bank-financed resources by the end of FY 1997. ADB is developing a national water resources management planning system.

Beneficiaries: Direct beneficiaries include the people whose health and quality of life are improved due to improved environmental practices, in all sectors, but particularly those people living in communities where community-based resource management is taking place.

Principal Contractors, Grantees or Agencies: USAID will implement activities through the Environment Ministry, private companies (i.e. International Resource Group (IRG) ) and U.S. and host country NGOs.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Number of people benefitted by adoption of environmentally sound practices	100,030(1994)	13,000(1997)
Expanded hectares of targeted land with conservation practices	5,979(1994)	10,000(1997)
Percentage of industries implementing pollution prevention/control measures	10%(1994)	53%(1997)
Percentage of municipal solid waste disposed through environmentally sound systems	0% (1994)	40% (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** SRI LANKA

**TITLE AND NUMBER:** Greater Empowerment of People to Participate in Democracy, 383-S003

**STATUS:** Ongoing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,700,000, DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: To increase people's empowerment to participate in democracy.

Background: Sri Lanka has a long democratic tradition, and its constitution guarantees a wide range of fundamental rights, comparable to rights guaranteed in many democracies. A well established legal system exists to enforce the rule of law. A system of provincial and lower level councils was established to devolve greater power to provincial and local governments. Nevertheless, the weaknesses of basic democratic institutions (e.g. local government / judicial system) constitute a major constraint to sustainable development. Sri Lanka still faces challenges in its efforts to develop a more broadly based democracy. Long standing ethnic tensions have been exacerbated by low growth and lack of employment opportunities and, as the political process failed to produce a solution, resulted in a costly ethnic conflict. Devolution of power to local government has made little, if any, progress leaving most citizens few means of expressing their needs and interests, thus reducing their level of participation and limiting the means available to them for addressing their problems and improving their lives.

USAID Role and Achievements to Date: USAID's democracy activities focus on empowering ordinary citizens to participate in the development and political decisions which affect their lives. In doing so, USAID strengthens the role of NGOs by increasing their ability to advocate for policies and programs that enhance the quality of life for all citizens, especially vulnerable populations. USAID has made considerable progress on increasing people's access to justice. USAID has worked closely with U.S. and Sri Lankan NGOs on human rights issues, rule of law and justice through training programs and seminars for 54,321 judges and lawyers. Contributing activities toward increased effectiveness of dispute resolution systems have commenced, and a sub-grant to the Courts of Appeal of Sri Lanka is working with formal and informal dispute resolution mechanisms. This includes automation of the court administration system to efficiently monitor and analyze bottlenecks and delays in the court system. The backlog of cases in Courts of Appeal declined from 14,000 in 1994 to 11,340 cases in 1995. This greatly exceeds the target of cleared backlog cases, providing many Sri Lankans with access to justice.

USAID support for training of the mediation boards has had a large impact. The mediation boards have played a significant role in informally settling minor disputes among generally less affluent Sri Lankans. Public confidence in the boards has been won and the credibility and success of the mediation boards to date is evidenced by the continuing increase in the number of people using the mediation boards. In 1995, the number of people using the boards increased from 184,000 to 203,988.

Humanitarian assistance was delivered to 85,566 people affected by the ethnic conflict in the Northern and Eastern provinces of Sri Lanka, including feeding and employment programs for urban slum dwellers, and rehabilitation activities for 3,300 mentally and 4,500 physically disabled people.

Description: USAID will work directly with local NGOs at the community level and assist them to promote, protect and refine participatory democracy, encourage more responsive government activities and educate and enable citizens regarding their rights and responsibilities. Programs will incorporate training components, technical assistance and grants to strengthen organizations in advocacy, needs assessments, financial management, and project design and implementation. USAID will also strengthen local governments by assisting them to assess local needs and set development priorities. USAID will continue to provide technical assistance and training to senior journalists and editors to

expose them to international practices and improved management techniques. USAID will also help to upgrade the university journalism program. And finally, USAID will contribute to more efficient formal and informal dispute resolution mechanisms through improving the court administration systems, upgrading the skills of judges and lawyers in case management, and supporting legal aid clinics and community legal awareness programs.

Beneficiaries: Direct beneficiaries include disadvantaged citizens who have been left out of the mainstream of social and economic development, NGOs that can enlist and empower other citizen's groups; Local Governments, especially "Pradeshiya Sabhas", institutions both formal and informal, which improve citizen's access to legal services, dispute resolution and protection of fundamental rights; and media organizations.

Principal Contractors, Grantees or Agencies: USAID will implement activities through private nonprofit organizations (i.e. The Asia Foundation) and U.S. and host country NGOs.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Increased expenditure by local government	(1995) To be determined	(1997) To be determined
Percentage of people with access to legal services and information	(1995) To be determined	(1997) To be determined
Percentage of people who believe local government is responsive to their needs	(1994) To be determined	(1997) To be determined

## WEST BANK AND GAZA

**FY 1997 Economic Support Funds . . . . . \$75,000,000**

### **Introduction**

In September 1993, the Palestinian Liberation Organization (PLO) and the Government of Israel signed the "Declaration of Principles on Interim Self-Governing Arrangements" (DOP), which envisioned an initial transfer of authority over the Gaza Strip and Jericho to Palestinians, to be followed by the transfer of authority over the remainder of the West Bank. In keeping with the DOP, the Palestinian Authority (PA) was established in May 1994, assuming self-governing responsibilities in Gaza and Jericho. Following the signing of the Interim Agreement in September 1995, Palestinian self-rule was extended to six major population centers on the West Bank, with a phased-in extension of authority planned for other areas. Elections were held in January 1996 to select a Legislative Council and a Head of the Executive Authority, and final settlement negotiations between the Palestinians and Israelis are scheduled under the DOP to begin in May 1996. The Palestinian-Israeli accords are central to the overall Middle East Peace Process, for which the United States has been the primary mediator.

### **The Development Challenge**

The population in West Bank and Gaza is estimated to be 2.4 million, with 900,000 in Gaza and 1.5 million in the West Bank. Population density in some areas of Gaza reaches more than 3,000 inhabitants per square mile, with approximately 33% of the families in Gaza living below the poverty line (\$470 per year). In the West Bank and Gaza, population growth rates are estimated at around 4%, formal unemployment is at least 25% (with the actual level sensitive to Israeli border closures), and per capita gross domestic product is about \$1,500 (\$1,800 in the West Bank and \$1,100 in Gaza). The economy of the West Bank and Gaza Strip is characterized by: (1) heavy dependence on Israel for both trade and jobs (from 1990-1992, 87% of commodity imports and 83% of exports); (2) a limited agricultural and manufacturing base; (3) reliance on remittances from workers abroad; (4) constraints caused by regulatory, institutional, political and security features; (5) sub-standard public services and infrastructure; and (6) declining availability of water and land resources.

While activities financed under the U.S. Government pledge for support to the peace process were only initiated within the last 18 months, tangible benefits have already been achieved. Budgetary support through the multi-donor World Bank "Holst" Fund, with USAID providing nearly \$40 million, helped finance salaries for 29,000 public sector employees (mostly teachers and health care workers) to facilitate the transition to autonomous Palestinian provision of governmental services in the West Bank and Gaza. Based largely on the Palestinian Authority's having exceeded its targets for tax collections and greater than expected transfers of taxes and fees from Israel, USAID budgetary support is expected to be phased out in FY 1996. Social and economic problems remain particularly acute in Gaza, and USAID's rapid re-programming of funds in FY 1995 helped create short-term jobs and improve infrastructure to support the peace process. Specific accomplishments expected to be achieved through FY 1996 include: approximately 2,500 person-years of temporary employment created; 700 home improvement loans made; 600 permanent jobs created as a result of 200 loans to small businesses; 192 Al Karama Towers housing units completed and occupied; the water system in Rafah upgraded; and flooding in Gaza City significantly reduced. USAID also expanded activities in the West Bank in response to the Interim Agreement: water systems upgrades were completed in Nablus and Ramallah, construction is underway to improve the access of 60,000 - 75,000 residents of villages and small municipalities to safe water, and a multi-donor effort to overhaul the water system for the 120,000 residents of Hebron has been initiated. Finally, in January 1996, the Palestinian people elected their first democratically chosen, self-governing authority. USAID-financed interventions in voter education and election administration and observation were instrumental in the success of the electoral process. The USAID program described below is positioned to play an important role in

supporting Palestinians at this historic juncture in their development.

#### **Other Donors**

In recognition of the serious problems faced by the new Palestinian Authority and the historic opportunity presented by the peace process, donors pledged \$2.4 billion in assistance to Palestinians at the October 1993 Conference to Support the Middle East Peace Process. As part of this pledge, the U.S. Government committed to provide \$500 million over a 5-year period. Of this total, USAID will administer \$375 million; the remainder will be provided through the Overseas Private Investment Corporation (OPIC).

#### **FY 1997 Program**

Immediately following the signing of the DOP, USAID support focused on the start-up of Palestinian Authority operations, high-priority infrastructure, employment generation, and economic reactivation. Beginning in FY 1996, resources have been concentrated in fewer strategic areas. As such, USAID will assist Palestinians to realize tangible benefits of the peace process by promoting greater access to limited water resources, expanding income opportunities, and improving key democratic processes and practices. In exceptional cases where immediate political and developmental needs justify activities outside this framework, USAID may finance short-term, relatively low-cost infrastructure interventions not related to water resources. In developing this strategy, USAID has balanced the need to ensure the short-term, tangible impact of U.S. Government assistance to Palestinians with the longer-term developmental needs in the West Bank and Gaza. The USAID program, as part of an overall country team approach, addresses crucial U.S. national interests in the Middle East by promoting market-oriented economic development and the emergence of democratic institutions. These efforts will help lay the groundwork for long-term economic stability, a *sine qua non* for the viability of the new Palestinian entity and its peaceful relations with Israel and its neighbors.

#### **Agency Goal: Protecting the Environment**

Water allocation and use are issues that remain critical to determining the quality of life of all Palestinians. Economically and developmentally sound practices with respect to water are essential to sustainable growth. Only 35% of the land in the Gaza Strip and 52% in the West Bank is suitable for cultivation, mineral resources are negligible, and the lack of water is a limitation for both agricultural and industrial development. As a result of USAID activities, water systems and related neighborhood infrastructure have been upgraded. The Interim Agreement recognizes that Palestinians require an additional water allocation of between 70 - 80 million cubic meters per year, and the U.S. Government has played an active role as a member of the Trilateral Committee (with the Israelis and Palestinians) in dealing with the political and technical issues related to water. FY 1997 funding will address these obstacles to development through the following:

- \* Strategic Objective 1: Improved Access to Extremely Limited Water Resources

#### **Agency Goal: Encouraging Broad-based Economic Growth**

Between 1967 and 1978, the economy in the West Bank and Gaza achieved relatively high growth rates (8%-10% annually). However, in recent years, employment opportunities in Israel and transfers from abroad have dropped considerably, Israel's security concerns have led to periodic border closings and thereby reduced commercial activity, the transition to democracy is taking place within the context of complex formulas for the transfer of authority from Israel, and basic issues affecting the economy have been deferred to the final status talks between the Palestinian Authority and the Government of Israel. Currently, insufficient access to credit, limited markets, low productivity and a deteriorated infrastructure restrict the potential for economic growth in the West Bank and Gaza. Planned activities will assist in improving the access of small and microenterprises to financial products and services,

developing markets for Palestinian goods and services, and enhancing the productivity of Palestinian enterprises. Future activities will focus on the following:

- \* Strategic Objective 2: Expanded Income Opportunities
- \* Special Objective: Selected Short-Term Infrastructure Development Needs Addressed

**Agency Goal: Building Democracy**

In January 1996, Palestinians elected an Executive Authority Head and 88 members of a self-governing Council (with both legislative and executive powers). Municipal elections are scheduled for later in 1996. These elections, per se, can be considered an accomplishment of the peace process as supported by the USAID program. USAID financed the formation of a coalition of more than 40 local groups that organized a domestic elections monitoring team; the training of 15,000 Palestinians on the election process and rights and responsibilities in a democracy, with a special focus on women, rural, youth and former political prisoner groups; the costs of international observers for the Executive Authority and Council elections; and technical assistance to the Elections Commission. At this point, Palestinians must focus on further transition towards self-rule, including the establishment of democratic checks and balances, and the development of accountable and transparent governance. USAID assistance provided in FY 1997 will finance efforts that will focus on the following:

- \* Strategic Objective No. 3: Improved Key Democratic Processes and Practices

**WEST BANK AND GAZA  
FY 1997 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
USAID Strategic Objectives						
1. Improved Access to Extremely Limited Water Resources ESF			\$58,600,000			\$58,600,000
2. Expanded Income Opportunities ESF	\$7,800,000					\$7,800,000
3. Improved Key Democratic Practices and Processes ESF				\$8,600,000		\$8,600,000
<b>TOTAL ESF</b>	<b>\$7,800,000</b>		<b>\$58,600,000</b>	<b>\$8,600,000</b>		<b>\$75,000,000</b>

USAID Mission Director: Christopher D. Crowley

## Activity Data Sheet

**PROGRAM:** WEST BANK AND GAZA

**TITLE AND NUMBER:** Improved Access to Water Resources, 294-SO01

**STATUS:** Continuing

**PROPOSED OBLIGATION/FUNDING SOURCE:** FY 1997 \$58,600,000 ESF

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To provide Palestinians with greater access to, and facilitate more effective use of, extremely limited water resources.

Background: Water supply is a major constraint to sustainable economic growth and a highly political issue within the peace process, with current allocations to Palestinians in the West Bank and Gaza 70-80 million cubic meters per year less than the demand. This situation represents a critical constraint to economic growth as it relates to household, industrial and agriculture uses of water. It also has significant, although less immediate, impacts on environmental conditions and health indicators.

USAID Role and Achievements to Date: USAID activities, initiated in FY 1995 through the Gaza Wastewater and the Municipal Services projects, support this objective. They include rehabilitation of the storm water and sewage collection systems in Gaza and the upgrading of water networks in 21 villages in the West Bank. Already, water systems upgrading and construction have been completed in Rafah, Nablus and Ramallah, and flooding has been significantly reduced in Gaza City.

Description: Activities under this objective will assist in: (1) increasing the quantity and quality of water at the village and municipal levels by developing new sources, upgrading and extending water systems, and monitoring water quality; (2) promoting more effective use of available water by reclaiming wastewater and stormwater, and instituting conservation measures and loss prevention programs; and (3) enacting policies for more equitable allocation of water resources at a regional level by establishing water data banks and adopting water resources master plans (to include regional conservation, loss prevention, and reuse measures, and the identification of new sources).

Host Country and Other Donors: USAID is emerging as a lead donor in this area, but significant resources have been committed by the United Nations Development Program, Germans and Italians. The Government of Israel also is committed by the Interim Agreement to provide support in this area. USAID assistance will focus on developing new sources of supply and policy formulation related to water resources management, while other donors will construct distribution networks and support institutional development at local levels. The World Bank is expected to take the lead in supporting the privatization of water facilities.

Beneficiaries: USAID will work directly with the Palestinian Water Authority, the Municipality of Gaza and the West Bank Water Department to respond to the demands of the Interim Accord. The bulk of the population of the West Bank and Gaza will benefit from increased water supplies, with the exact numbers and locations to be determined as part of negotiations between the Israelis and Palestinians and development of engineering plans.

Principal Contractors, Grantees, or Agencies: USAID expects to implement activities primarily through U.S. firms, with the United Nations Relief and Works Agency (UNRWA), the United Nations Development Programs (UNDP), and U.S. non-governmental organizations also playing significant roles.

Major Results Indicators: As a new strategic objective, indicators have not been fully developed. They may include: access of population to potable water, domestic consumption rates, overall volume of water supply, volume of reclaimed waste and storm water, and volume of water loss prevented.

## Activity Data Sheet

**PROGRAM:** WEST BANK AND GAZA

**TITLE AND NUMBER:** Expanded Income Opportunities, 294-SO02

**STATUS:** Continuing

**PROPOSED OBLIGATION/FUNDING SOURCE:** FY 1997 \$7,800,000 ESF

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To expand income opportunities for Palestinians in the West Bank and Gaza Strip.

Background: High unemployment and underemployment and declining incomes are among the most difficult obstacles to economic growth, and indeed stability, in the West Bank and Gaza. Increasing income opportunities will provide perhaps the most tangible evidence that the peace process is leading to improvements in the daily lives of Palestinians.

USAID Role and Achievements to Date: USAID activities, initiated in FY 1994 and FY 1995 through the Small Business Support, Jobs Training and Promotion and the Small Business Loan projects support this objective. They include technical support to small businesses and the Federation of Palestinian Chambers of Commerce, vocational training, and small business lending. It is anticipated that assistance for industrial zones and microenterprises will be initiated in FY 1996. To date, 91% of the 900 graduates of vocational training found employment, and 35 of 43 workshops that began operating with USAID financing to rent machinery were still operating after one year. Through 1996, 200 loans will have been provided to small businesses in Gaza resulting in the creation of 600 permanent jobs.

Description: Activities will assist in: (1) improving the access of small and microenterprises to financial products and services by expanding technical assistance mechanisms and credit; (2) developing new and expanded markets for Palestinian goods and services through market information, construction of municipal facilities and technical assistance for industrial zone development; and (3) enhancing the productivity of Palestinian enterprises through training in entrepreneurial skills and appropriate technologies.

Host Country and Other Donors: The European Union and United Kingdom have funded programs providing loans to small businesses, but not microenterprises, since 1983. The World Bank is playing a lead role in coordinating donor assistance for industrial zone development.

Beneficiaries: Primary beneficiaries of the activities will be the majority of Palestinians working in micro, small and medium-sized firms. The exact number and scope of beneficiaries will be defined as USAID's FY 1996 interventions in micro-credit and industrial zones are designed.

Principal Contractors, Grantees, or Agencies: USAID will implement activities through U.S. firms, the United Nations Relief and Works Agency, U.S. non-governmental organization, and the Palestinian private sector.

Major Results Indicators: As a new strategic objective, indicators have not been fully developed. They may include: income generated and permanent employment created.

## Activity Data Sheet

**PROGRAM:** WEST BANK AND GAZA

**TITLE AND NUMBER:** Improved Democratic Processes and Practices, 294-SO03

**STATUS:** Continuing

**PROPOSED OBLIGATION/FUNDING SOURCE:** FY 1997 \$8,600,000 ESF

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To improve key democratic processes and practices in the West Bank and Gaza Strip.

Background: In keeping with the various accords signed by the Israelis and Palestinians, elections were held in January 1996 for a Legislative Council and Head of the Executive Authority for the West Bank and Gaza Strip. Municipal elections are scheduled for later in 1996. These elections are only a preliminary step in the establishment of open, transparent and effective governance in Palestinian self-rule areas.

USAID Role and Achievements to Date: USAID activities to date, through the Democratic Understanding and Development project, have supported the electoral process through voter training, civic fora, election observation, and technical assistance to the Elections Commission. Multi-donor assistance to the Holst Fund, including nearly \$40 million from USAID, has been critical in financing government services in the West Bank and Gaza.

Description: Given the immediacy of the Palestinian elections and needs of the new Palestinian Authority, USAID has developed a strategy that supports short-term interventions through the municipal elections in the summer of 1996 and medium-term democratic development beginning in mid-FY 1996. The short-term interventions were included in a special objective designed to promote an effective transition to self-rule; the special objective is scheduled to terminate in FY 1996 with the last transfer of USAID resources to the Holst Fund and completion of the municipal elections. Activities under this strategic objective will assist in: (1) increasing the participation of civil society in the public decision-making process by supporting advocacy groups and a conducive policy framework; and (2) strengthening the legislative process by improving analytical and managerial abilities of the legislature and executive branch to draft, review and approve quality legislation.

Host Country and Other Donors: The World Bank, the United Kingdom and Australian are supporting initiatives related to legal reform and the justice sector, which will be complemented by USAID's support in the areas cited above. The United Nations Development Program and the United Kingdom have financed public administration training for the Palestinian Authority, and many donors have provided resources to the Holst Fund. It is expected that Australia and the European Union will provide some financing for start-up activities and operating costs of the new Council, which will help lay the groundwork for and complement USAID interventions related to the legislative process.

Beneficiaries: All Palestinians will benefit from the emergence of open, transparent and effective self-rule mechanisms.

Principal Contractors, Grantees, or Agencies: USAID will implement activities primarily through U.S. and Palestinian non-governmental organization.

Major Results Indicators: Since elections-related activities will not be part of the portfolio after FY 1996, new indicators will have to be developed around the emerging portfolio under this Strategic Objective. They may include: citizens' confidence in key institutions, quality and quantity of legislative proposals and actions, and the number of civic society interventions in policy-making processes.

## ASIA AND THE NEAR EAST REGIONAL ACTIVITIES

FY 1997 Development Assistance . . . . . \$29,405,000  
FY 1997 Economic Support Fund Request . . . . . \$39,400,000

### Introduction.

The Asia and Near East (ANE) Regional portfolio provides reinforcement to USAID bilateral strategies in economic growth, including HIV/AIDS prevention, environment and population. USAID goals of protecting the environment, encouraging economic growth and stabilizing population growth are also pursued on a regional basis when it is more efficient than bilateral programs. Activities include ESF-funded activities and residual activities of recently closed field programs.

U.S. national interests are served: by assistance in efficiently managing and sharing water resources in support of Middle East peace objectives; by reducing pressures on water supplies and quality by limiting population growth pressures on those resources in countries among the most water-scarce in the world; by monitoring the spread of HIV/AIDS in the region and supporting measures to limit cross-border spread of the disease in the Asian countries with the world's greatest rates of increase in persons infected; and by the U.S.-Asia Environmental Partnership to increase the use of U.S. technology to deal with the urban and industrial environmental problems created by the rapid economic growth in Asia.

ANE Regional activities include completing U.S. Government payments required under a 1987 Treaty on Fisheries with 16 Pacific Island Countries and residual activities for closed USAID programs for the South Pacific, Thailand and Tunisia and, after September 1996, Oman.

### The Development Challenge.

The ANE region is one of the world's most diverse and dynamic. Rapid economic growth and industrialization as well as high levels of poverty both exist in the region. The region includes some of the most water-short countries in the world. High population growth rates exacerbate the acute shortage of freshwater supplies and degradation of water quality, particularly in the Near East. Rapid rates of spread of HIV/AIDS infection already have high human and economic costs and threatened future economic growth, especially in Asia.

For Asia two potentially conflicting goals present the development challenge: (a) sustaining large increases in economic activity and growth; and (b) improving environmental quality. In the Near East, management of water resources must be improved and effective mechanisms to manage shared water must be found. For the ANE region as a whole, trends in economic growth must be maintained while population growth slows and environmental pollution is reduced.

### Protecting the Environment

The United States - Asia Environmental Partnership (US-AEP) is an inter-agency initiative, sponsored by USAID, which engages the strength of the U.S. Government, and U.S. academic, professional and technological communities, to deal with the environmental challenges of rapid industrial and urban growth in Asia. US-AEP brings together U.S. environmental technology and Asian private and governmental entities to develop clean technologies for future Asian growth.

The Fostering Resolution of Water Resources Disputes (FORWARD) activity is an ANE initiative to bring parties competing for scarce water resources together to find sustainable solutions. Initial disputes likely will be within countries to utilize traditional methods of mediation and conciliation together with collaborative approaches from international experience. As progress in the peace process is made, activities to deal with transboundary disputes may be undertaken in the Near East. Activities may also

be conducted in other countries of the ANE region.

#### **Broad-Based Economic Growth**

Regional activities support analysis of economic growth trends and of the major threat to growth from spread of HIV/AIDS infections. The region already has more HIV/AIDS infections than any other part of the world, and its spread has the potential to restrict economic growth by a greater amount than the still low official reports of its incidence would indicate. Interventions will support prevention of cross-border transmission of HIV/AIDS and education of high-risk populations, policy-makers and businesses.

A transfer (\$5,000,000 of Economic Support Funds) to the Department of State supports a Middle East Peace Process activity for joint economic and technical activities strengthening cooperation between Israel and its neighbors. Another transfer (\$14,000,000 of Economic Support Funds) to the Department of State will make the annual U.S. Government payment under the Treaty on Fisheries between the United States and Pacific Island countries. Under the Treaty, U.S. boats will be licensed to take about \$200 million of tuna annually from Treaty waters through FY 2002.

#### **Stabilizing World Population Growth and Protecting Human Health**

Regional activities to help stabilize population growth will analyze trends and assist preparations for and analyses of training, education and communications, service delivery and data collections in the ANE region.

#### **Residual Activities of Closed Field Programs**

The South Pacific Regional program closed in FY 1994. Fisheries Treaty payment responsibilities are managed by transfer to the Department of State (see Economic Growth above); all other residual responsibilities were assumed by the USAID Mission in Manila.

The Pakistan program closed in FY 1995. Responsibilities for the Pakistan Nongovernmental Organization Initiative and other residual matters have been assumed by the ANE Bureau.

The Thailand program closed in FY 1995 and USAID's Regional Support Mission in Bangkok will close in FY 1996. Responsibilities for the U. S.-Thai Partnership and other residual matters will be assumed by the USAID Mission in Manila.

The Tunisia program closed in FY 1995. Responsibilities for residual matters have been assumed by the ANE Bureau.

The Oman and Yemen programs will close in FY 1996. Residual responsibilities will be assumed by the USAID Mission in Cairo.

**ASIA AND THE NEAR EAST REGIONAL  
FY 1997 PROGRAM SUMMARY**

(\$000)

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Providing Humanitar- ian Assist	Total
ANE Regional HIV/AIDS Dev. Assistance		3,205				3,205
U.S.-Asia Environmental Partnership/ASEAN Dev. Assistance			20,000			20,000
Fostering Resolution of Water Resouces Disputes (FORWARD) Dev. Assistance			1,000			1,000
Israeli Cooperative Development Dev. Assistance	2,000					2,000
Reengineering Dev. and Support Dev. Assistance	400	1,000	900	900		3,200
South Pacific Fisheries Treaty Econ. Support Fund	14,000					14,000
Middle East Peace Process/Democracy Building Econ. Support Fund	12,000		5,000	8,400		25,400
<b>Total</b>						
<b>Dev. Assistance</b>	<b>2,400</b>	<b>4,205</b>	<b>21,900</b>	<b>900</b>		<b>29,405</b>
<b>Econ. Support Fund</b>	<b>26,000</b>	<b>0</b>	<b>5,000</b>	<b>8,400</b>		<b>39,400</b>

## ACTIVITY DATA SHEET

**PROGRAM:** Asia and the Near East Regional

**TITLE AND NUMBER:** United States-Asia Environmental Partnership (US-AEP)  
(499-SO01)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$20,000,000 DA

**INITIAL OBLIGATION:** FY 1995 **ESTIMATED COMPLETION DATE:** FY 2001

**Purpose:** To promote and reenforce the introduction of a sustainable, clean production regime for the industrial and urban sectors in the Asia region.

**Background:** The relationship between rapid economic growth in Asia and industrial and urban pollution in the Asia region defines a global environmental crisis. Asia has yet to install 80 percent of the industrial capacity that it will have by the year 2010, suggesting a once-in-a-generation opportunity to get ahead of the investment curve to introduce a clean environmental regime. A large part of new investment will originate in the advanced Organization for Economic Cooperation and Development countries. This is an important economic opportunity for the United States.

**USAID Role and Achievement to Date:** United States-Asia Environmental Partnership (US-AEP) support promotes and reinforces initiatives directed to a clean production revolution in the industrial sector of Asian economies. Achievements include the mobilization of U.S. Government agencies in a partnership with the U.S. business and environmental community to address the Asian challenge on a broadly-conceived regional basis. Results are quantified in a range of indicators of the clean technology revolution, including the adoption of U.S. experience, technology and practice. To date, the US-AEP has contributed to the export sales of approximately \$500 million worth of U.S. environmental goods and services.

**Description:** US-AEP focuses on four activity areas: strengthening and expanding the incentives and public policies for environmental quality in the industrial sector, introducing environmental management systems to the industrial sector, reducing the barriers to the transfer of environmental and clean process technologies, and increasing the investment in environmental infrastructure. The US-AEP engages the experience, technology and practices of business, not-for-profit, and government organizations already committed to related goals and prepared to extend their own initiative to Asia. Most of them also provide major portions of the funds for joint efforts with US-AEP. A separate activity continues support for the Biodiversity Conservation Network which provides grants to communities and local organizations in Asia working for site-specific enterprise-oriented approaches to biodiversity conservation sustainable use of forest and marine resources.

**Host Country and Other Donors:** US-AEP inputs are made available in direct proportion to the investment of cooperating Asian governments and organizations, including not-for-profit, business and inter-governmental organizations. Successful US-AEP experience and ideas will be taken-up by financing agencies, like the Asian Development Bank and World Bank, and by regional groupings such as the Association of Southeast Asian Nations and Asia-Pacific Economic Cooperation.

**Beneficiaries:** There is a range of beneficiaries: the citizens of participating countries, and particularly urban populations; populations on all continents will benefit from reductions in greenhouse gasses and other pollutants threatening global warming; and U.S. business and labor will benefit from sales of their experience, technology and practice to Asian clients.

**Principal Contractors, Grantees or Agencies:** The US-AEP is implemented by four contractors (the Institute for International Education, International Resources Group, Louis Berger International, and K&M Engineering) and by cost-share partnership arrangements with five U.S. Government agencies (the Departments of Agriculture and Commerce, the Environmental Protection Agency, the Overseas

Private Investment Corporation and the Export Import Bank), the California Environmental Protection Agency, the National Association of State Development Agencies, the Council of State Governments, and seven non-governmental organizations (the Air and Waste Management Association, the American Consulting Engineering Council, the Asia Foundation, Environmental Technology Network Associates, the Tata Energy Resources Institute, the World Environmental Federation, and the World Wildlife Federation). The Biodiversity Conservation Network is a consortium of the World Wildlife Fund, the Nature Conservancy and World Resources Institute.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Environmental goods and services as a percentage of total industrial imports in ten target countries	1%	7%
U.S. marketshare of environmental goods and service imports in ten target countries	10%	20%
Environmental infrastructure - increase in percentage annual growth in five target countries	3%	15%
Countries in which sustainable development is an explicit goal	2	10
Countries in which environment is included as a strategic factor in industrial policy	3	10
Countries in which industrial technology extension systems are operating	3	10

**PROGRAM:** Asia and the Near East Regional  
**TITLE AND NUMBER:** Fostering Resolution of Water Resources Disputes (FORWARD) (298-SO01)  
**STATUS:** Continuing  
**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,000,000 DA  
**INITIAL OBLIGATION:** FY 1995 **ESTIMATED COMPLETION DATE:** FY 2001

**Purpose:** To promote equitable and environmentally sustainable water management strategies, policies and plans in countries in the Asia and the Near East (ANE) region which are facing serious water shortages and/or disputes over water.

**Background:** A key factor in water resources problems in the ANE region is the absence of effective mechanisms to manage shared water resources collaboratively and to resolve domestic and transboundary disputes over water. This results in impediments to efficient integrated water management. Where water disputes can be resolved, peaceful relations are enhanced.

**USAID Role and Achievement to Date:** USAID has been a partner to many ANE countries in water resources development over the years, and has supported collaborative use of water resources in both Asia and the Near East with capital projects and technical assistance. The initial focus of the Fostering Resolution of Water Resources Disputes (FORWARD) activity is on the water problems of Egypt, Jordan, and the West Bank and Gaza, but any ANE country with domestic and/or international water sharing problems can participate in FORWARD.

**Description:** FORWARD will provide U.S. contractor services for developing approaches to disputes resolution based on traditional practices in the countries involved, such as mediation or conciliation by persons respected by all parties, and environmentally sustainable technical approaches. FORWARD will support preparatory seminars to acquaint the parties with these approaches and will give limited support to measures to carry out solutions or will help the parties obtain financing from international development finance institutions if major costs are involved. Once new resolution practices are proven, FORWARD will spread their wider use.

**Host Country and Other Donors:** Host governments and educational and development institutions will be sources of traditional expertise and personnel for interventions in disputes. Costs of testing resolution methods may be shared with the relevant USAID country program(s). The parties will share costs of solutions. FORWARD will assist, where appropriate, in obtaining major financing needs from other donors and international institutions like the World Bank.

**Beneficiaries:** The parties to water disputes are the primary beneficiaries. The wider local, national or international community also benefits from better integration of water management and reduction in tensions associated with resolution of disputes.

**Principal Contractors, Grantees or Agencies:** The principal contract for implementation of FORWARD is to be awarded in the spring of 1996.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Disputes resolution approaches collaboratively developed and tested in Egypt, Jordan, and the West Bank and Gaza	0	3
Affected parties begin to implement solutions	0	3

ACTIVITY DATA SHEET

**PROGRAM:** Asia and the Near East Regional  
**TITLE AND NUMBER:** Reengineering Development and Support (298-SO02)  
**STATUS:** Continuing  
**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,200,000 DA  
**INITIAL OBLIGATION:** FY 1995 **ESTIMATED COMPLETION DATE:** Continuing

Purpose: To support country and regional programs in the transition to reengineered systems; and to improve country and regional strategies and activities in the areas of economic growth, health and population, environment, and democracy and governance.

Background: Many of the services needed for the transition of programs and activities in the Asian and the Near East (ANE) region to results-oriented reengineered systems can be provided most efficiently on a regional basis. It is also cost effective to provide support for design of strategies, activities and performance monitoring systems.

USAID Role and Achievement to Date: Over the past year, regional advisers under the ANE Reengineering Development and Support (RD&S) program supported the development and review of 13 strategic plans and 16 action plans and monitoring plans. This helped assure that ANE country and regional programs serve USAID Agency Goals and are effectively monitored for results. RD&S advisers continue to sharpen performance monitoring and reporting tools. In early 1996, the advisers are strengthening the first annual review of reengineered performance reports on country and regional activities. This review will be the basis for performance-based budgeting of future years' resources.

Description: The RD&S Program consists of both sector-specific experts (health, HIV/AIDS, environment) and experts in cross-cutting support (performance monitoring, economic analysis, and women in development). These experts provide assistance directly to programs throughout the region to develop strategies, determine appropriate performance measures, identify appropriate data sources, and conduct evaluations. They also help in the review of strategic plans, monitoring plans, and performance reports and provide technical advice on both the merits of the program performance and how it can be improved over the next year. In addition, RD&S supports approaches to disengage from successful USAID programs in ways that enhance their sustainability.

Host Country and Other Donors: RD&S is not supported by other donors and host countries, but country activities supported by RD&S receive host country and other donor support.

Beneficiaries: The beneficiaries are those that benefit from the programs RD&S supports.

Principal Contractors, Grantees, or Agencies: RD&S experts are provided by contractors including: Management Systems International, DevTech, Academy for Education and Development, Daytex, Johns Hopkins University, Red Cross, and the University of Michigan.

<u>Major Results Indicators</u>	<u>Baseline</u>	<u>Target</u>
Monitoring Plans completed and effectively measuring impact.	0	16
Improved annual performance reports from country programs.	0	16
Advisory assistance to specific country programs.	0	50

## ACTIVITY DATA SHEET

**PROGRAM:** Asia and the Near East Regional

**TITLE AND NUMBER:** Asia Near East Regional HIV/AIDS (298-SO03)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,205,000 DA

**INITIAL OBLIGATION:** FY 1995 **ESTIMATED COMPLETION DATE:** Continuing

**Purpose:** To improve the effectiveness of regional and country HIV/AIDS prevention programs and projects, which largely focus on preventing the spread of the epidemic within specific countries; to develop means of reducing cross-border spread of the epidemic; and to coordinate the use of USAID resources in a comprehensive HIV prevention program in the Asia and the Near East (ANE) region.

**Background:** Although the HIV/AIDS epidemic has peaked in other parts of the world, it is exploding in Asia, posing a significant threat to sustainable development. In Cambodia, a recent assessment showed that 4% of all pregnant women are infected, the most rapid shift from the high risk to the general population. However, even without a cure, a range of interventions can reduce or slow the spread of HIV infection.

**USAID Role and Achievement to Date:** The Asia and the Near East (ANE) Regional HIV/AIDS activity has served as a catalyst to generate innovative area-specific programs, has allowed decision makers and implementors to rapidly share and disseminate information, and has enabled country programs to experiment, test and implement programs. Assessments have taken place in nearly all ANE countries, resulting in new HIV/AIDS activities in all high risk areas, including cross-border regions. Regional HIV/AIDS assistance has allowed quick movement from the assessment and design stage to implementation of measures to slow spread of infection. Results in Thailand over the past two years show a decline in incidence of new cases of sexually transmitted diseases, a significant achievement. Models to prevent HIV transmission through migrant populations such as truckers and fishermen are being tested. Advocacy workshops for journalists and political leaders are increasing awareness of the disease and leading to prevention efforts and policy commitments.

**Description:** ANE Regional HIV/AIDS experts support studies and innovative approaches based on the experience and lessons learned to date. Regional HIV/AIDS advice and financial support will strengthen the prevention efforts of both governments and local non-governmental organizations (NGOs), the key to slowing transmission. Surveillance systems will be strengthened and more efforts will be made to integrate HIV prevention activities into reproductive health programs within the region.

**Host Country and Other Donors:** ANE Regional HIV/AIDS works with National AIDS Committees in the various countries, and also with other donors and NGOs in planning a coordinated approach to combatting the disease.

**Beneficiaries:** The general population benefits through awareness messages, more targeted efforts benefit vulnerable and high-risk groups.

**Principal Contractors, Grantees or Agencies:** Contractors providing ANE Regional HIV/AIDS experts include: the University of Michigan, the Johns Hopkins University, the Red Cross and the Academy for Education and Development.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>	
	1993	1995	2001
Assessments in countries at risk	2	10	10
Prevention programs initiated	2	8	10
Advocacy/policy training workshops	0	12	30
Area of Affinity/cutting edge interventions	0	12	25

## 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

National security interests of the United States require that 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<sup>1</sup> 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 benefit to U.S. national security interests of a Russia that has moved away from confrontation is a 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.

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<sup>1</sup>The Department of State has changed the terminology used to refer to this region from Central and East Europe to "Central Europe."

- **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 \$250 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; demining support to address the significant threat of mines to security and reconstruction; and 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 also 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 this 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, which 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 post-peace programs, 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 pregnant and lactating mothers and small children 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, to private ownership and management); 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 Funds**

The Administration proposes \$94,600,000 for ESF, \$5,700,000 for DA and \$25,000,000 for P.L. 480 funds. 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 million is planned for emergency food assistance.

**EUROPE and the NEW INDEPENDENT STATES  
FY 1997 Country Summary**

<b>COUNTRY</b>	<b>Economic Restructuring</b>	<b>Democratic Transition</b>	<b>Social Stabilization</b>	<b>Cross-cutting and Special Initiatives</b>	<b>Total</b>
<b>EUROPE*</b>					
Albania	21,000,000	7,800,000	1,200,000		30,000,000
Bosnia					225,000,000
SEED Act				200,000,000	
P.L. 480 Title II				25,000,000	
Bulgaria	24,200,000	3,700,000	500,000	2,600,000	31,000,000
Croatia	3,250,000	2,750,000		3,000,000	9,000,000
Cyprus					15,000,000
Econ. Sup. Fd. (ESF)				15,000,000	
FYROMacedonia	10,250,000	5,350,000		400,000	16,000,000
Hungary	11,500,000	2,200,000		1,300,000	15,000,000
Ireland					19,600,000
ESF				19,600,000	
Lithuania	5,150,000	1,050,000		800,000	7,000,000
Poland	27,100,000	11,750,000		1,150,000	40,000,000
Romania	20,000,000	5,000,000	7,000,000	1,000,000	33,000,000
Slovakia	3,600,000	8,425,000	600,000	2,375,000	15,000,000
Turkey					65,700,000
ESF				60,000,000	
Devel. Asst. (DA)			5,700,000		
Europe Regional	21,500,000	6,300,000	6,350,000	44,850,000	79,000,000
<b>EUROPE TOTAL</b>	<b>147,550,000</b>	<b>54,325,000</b>	<b>21,350,000</b>	<b>377,075,000</b>	<b>600,300,000</b>
SEED total	147,550,000	54,325,000	15,650,000	257,475,000	475,000,000
P.L. 480 Title II total				25,000,000	25,000,000
ESF total				94,600,000	94,600,000
DA total			5,700,000		5,700,000

\* All funds under EUROPE are Support for East European Democracy Act (SEED) unless otherwise noted.

**EUROPE and the NEW INDEPENDENT STATES  
FY 1997 Country Summary**

<b>COUNTRY</b>	<b>Economic Restructuring</b>	<b>Democratic Transition</b>	<b>Social Stabilization</b>	<b>Cross-cutting and Special Initiatives</b>	<b>Total</b>
<b>NIS**</b>					
Armenia	29,200,000	5,100,000	20,700,000		55,000,000
Azerbaijan		5,500,000	16,500,000		22,000,000
Belarus	1,500,000	2,200,000		6,300,000	10,000,000
Georgia	16,900,000	4,600,000	11,500,000		33,000,000
Kazakhstan	23,500,000	3,500,000	1,500,000	10,500,000	39,000,000
Kyrgyzstan	11,500,000	3,000,000	1,500,000	4,000,000	20,000,000
Moldova	21,600,000			5,400,000	27,000,000
Russia	66,800,000	15,900,000	37,100,000	53,200,000	173,000,000
Tajikistan			3,000,000	2,000,000	5,000,000
Turkmenistan				5,000,000	5,000,000
Ukraine	95,000,000	21,000,000	8,200,000	58,800,000	183,000,000
Uzbekistan	4,400,000	1,700,000	1,200,000	12,700,000	20,000,000
NIS Regional	10,200,000	3,800,000	15,750,000	18,250,000	48,000,000
<b>NIS TOTAL</b>	<b>280,600,000</b>	<b>66,300,000</b>	<b>116,950,000</b>	<b>176,150,000</b>	<b>640,000,000</b>
<b>GRAND TOTAL</b>	<b>428,150,000</b>	<b>120,625,000</b>	<b>138,300,000</b>	<b>553,225,000</b>	<b>1,240,300,000</b>

\*\* All funds under NIS are Freedom Support Act (FSA).

Tom Dine  
Assistant Administrator  
Bureau for Europe and the New Independent States

## ALBANIA

**FY 1997 Assistance to Central Europe Request . . . . . \$30,000,000**

When democratic elections were held in March 1992, Albania, the poorest country in Europe, emerged from a 47-year legacy of almost total isolation and repressive communist dictatorship. The new government immediately embarked on an ambitious macroeconomic and structural reform program for which donor support continues to be critically needed. Supporting a peaceful and sustained democratic, and economic transition in Albania contributes to the U.S. foreign policy objective of promoting stability in the Balkans.

### **The Development Challenge.**

Albania faces all the challenges of an economy in transition from an authoritarian, command-driven system to one which is democratic and market-oriented. With a per capita gross domestic product (GDP) of approximately \$400, Albania also faces the challenges common to many poor, developing countries.

The Albanian economy suffered a 50% decline in real output during 1990-1991, which included a 70% drop in industrial production and a 30% decline in agricultural output. Unemployment levels are very high, having peaked at about 40% in 1993 and currently standing at 13%. Much of the economic downturn is attributed to supply and transport bottlenecks associated with collapse of the central planning system and to disruption associated with the spontaneous mass privatization and fragmentation of land.

In July 1995, Albania's debt to commercial banks was reduced by \$371 million through a debt buyback which cost \$96.5 million. Albania contributed \$55 million of its own resources, the IDA's Debt Reduction Facility and other donors picking up the remainder of the cost. Another \$130 million in commercial debt was converted into long-term bonds. In addition, rescheduling agreements have been signed with bilateral creditors and all payments due under the Paris Club agreements have been made.

While much progress has occurred since 1992 in establishing democratic institutions, there have been increasing concerns about the performance of the Albanian government in the democratic reform area. Institutionalizing certain democratic concepts -- rule of law, independence of the judiciary, executive oversight by the parliament, independence of the media, and decentralized governance -- is critical at this stage of Albania's development.

USAID expects that Albania may not have the institutional and other resources to continue its own transition. Current plans are to phaseout Support for Eastern European Democracy (SEED) Act assistance within the next several years and pursue other means of continuing cooperative assistance in the future.

### **Other Donors.**

USAID and the donor community pledged over \$400 million in FY 1995 for development activities in Albania. The United States is the second largest bilateral partner. Other major contributors include Italy, Germany, the World Bank, the European Investment Bank, the European Bank for Reconstruction and Development, the International Monetary Fund, the International Fund for Agricultural Development, and the EC PHARE.

## **FY 1997 Program.**

Progress in implementing the Albanian SEED Program continues to reflect the overall economy which remains the fastest growing in the Central Europe region. Initiated in 1991, the USAID program originally had a significant focus on humanitarian assistance (food aid and medicines) and emergency responses (fertilizer and school textbooks), but over the past three years, has shifted its focus to development as an economic and democratic society emerged. In FY 1997, an estimated 60% of program funding will support the accelerated development and growth of private enterprises. New activities initiated in FY 1995 related to public administration, private forestry development, women's reproductive health, a more professional media, and enhanced performance of the law enforcement system (the legal process in and through the courts, judicial personnel and community policing) will be well underway in FY 1997. Following general elections (mid-1996) and a new Albanian administration in 1996-7, new opportunities for supporting Albania's continued progress in its economic and social transition will be identified. In all cases, coordination and collaboration with other donors will continue to be emphasized.

### **Strategic Goal: Economic Restructuring**

Agriculture continues to dominate the Albanian economy by providing over 50% of the GDP and employment. A major amount of USAID's assistance continues to focus on this sector. Our efforts have supported increases in agricultural production by assisting suppliers to obtain credit and import fertilizer, seeds and other vital inputs that can not be produced locally. A USAID-supported agricultural input dealers association and a national farmers' association successfully lobbied for reducing a turnover tax on fertilizer. With USAID's assistance, over 92% of the land is in private hands. Land registration offices are now open in 15 districts and 335,000 legal certificates which establish secure tenure have been issued to farm families. A law allowing for the buying and selling of agricultural land has been passed and will soon be implemented. This will allow for consolidation of fragmented parcels into economically viable holdings.

In addition, the small and medium enterprise sector is rapidly expanding. Of the 48,000 registered non-agricultural enterprises, over 90% employ only one or two persons. With USAID assistance over 13,500 potential entrepreneurs have been trained in various fields. In March, 1995 the Albanian-American Enterprise Fund was incorporated, opened for business in Tirana and New York in August, and has just recently approved its first two loans. The mass privatization program was recently initiated and the first auctions were held in September. Coordinating with the World Bank and other donors, USAID provided advisors to the charter and auction working groups for that process.

In the area of urban services, USAID has assisted the Ministry of Construction and three cities to privatize solid waste collection, and to develop a strategy to implement water privatization in Tirana and other cities.

With virtually all the agricultural land, housing, and most small and medium enterprises privatized, the FY 1997 program will target improved productivity and quality in agriculture, increased access to credit and skills training for the private sector and privatization.

The underpinnings on which to base economic sustainability include completion of the mass privatization of SMEs and larger enterprises, capital markets development, improved quality of urban and infrastructure services, and resolution of issues related to the status of state commercial banks. One or more new private banks should be opened. On the macro level the potential for spillover of the unrest in former Yugoslavia into Albania in the form of refugee flows from Kosovo (or, worse, engagement of Albanian and Serb military forces in Kosovo or Albania) constrains international investor interest in the country. If significant refugee flows do occur, the effects on Albania's weak economy would be devastating. The lack of physical infrastructure (power, water supply, highways, telecommunications, etc.) also indefinitely constrain Albania's overall transition to a market-based

economy. A weak and non-transparent legal system and continuing disputes between current and former land owners deter foreign investors.

- Strategic Objective: Accelerated Development and Growth of Private Enterprises
- Strategic Objective: A More Competitive and Market-Responsive Private Financial Sector

#### **Strategic Goal: Democratic Transition**

The basic concepts underpinning democracy -- popular representation and participation in government, diversity in ideas and sources of information, rule of law and respect for human rights -- have been introduced in Albania, but support for their institutionalization is very much needed. To aid Albania's transition, the SEED-funded National Democratic Institute has worked closely with the Society for Democratic Culture to oversee election activities, recruit and train election monitors, and encourage citizen participation. NDI and SDC are refining a comprehensive plan to include voter education, public opinion polling for the 1996 Parliamentary elections. The International Republican Institute has provided training in party organization and in civic participation to potential women political leaders. A new Democracy Network project is encouraging the development and institutional strengthening of public NGOs involved in democracy, the environment, economic growth, and social safety nets. ABA/CEELI advisors have assisted in the establishment of a Women's Legal Group as a women's rights advocacy group and a women's bar association and in the development of a code of legal ethics. They have developed, published and now distribute professional journals and have established a publicly accessible law library. A new Law and Democracy program will concentrate on disseminating to all courts the body of laws, codes, regulations and judicial decisions; revamping the court system administration; reforming criminal justice procedures; and improving law enforcement training approaches. A new public administration activity will focus on local municipalities fostering economic development, improved public management capacity, and training of local government officials.

Continued commitment by senior government officials to democratic reform is critical if USAID democracy activities are to be effective. If conflicts with neighboring Greece, Former Yugoslav Republic of Macedonia, or Serbia and Montenegro occur, the government may divert attention from its domestic democratic reform agenda.

- Strategic Objective: Increased, Better-Informed Citizen Participation in Political and Economic Decision-Making
- Strategic Objective: Legal Systems That Better Support Democratic Processes and Market Reforms
- Strategic Objective: More Effective, Responsive and Accountable Local Government

#### **Strategic Goal: Social Stabilization**

Access to primary health facilities declined dramatically in the 1990's due to the closure of many rural health and maternity clinics. To address the problem USAID funded a hospital partnership with The Jacobi Hospital (Bronx, New York) and the Ministry of Health, the University Hospital Center, the Maternity Hospital and the Trauma Hospital. Its focus is on emergency medicine, women's health and health administration and management. Extensive in-country training in health care administration and

management has been offered to Ministry and hospital administrators, managers and financial officers. The next step will be for Jacobi Hospital to accelerate its program of exchange and training in order to strengthen Albanian hospital care capacity at the three Tirana hospitals. Financial management advisors will reform hospital payment systems and will seek to develop sustainable health insurance mechanisms. A new partnership in health management will be initiated between the University of Tirana and New York University.

- Strategic Objective: Improved Sustainability of Social Benefits and Services

**ALBANIA**  
**FY 1997 PROGRAM SUMMARY\***

Strategic Objectives	Economic Restructuring	Democratic Transition	Social Stabilization	Cross-cutting and Special Initiatives	Total
Privatization					
Fiscal Reform					
Private Enterprise	18,000,000				18,000,000
Financial Reform	3,000,000				3,000,000
Energy					
Citizens' Participation		2,300,000			2,300,000
Legal Systems		3,000,000			3,000,000
Local Government		2,500,000			2,500,000
Crises					
Social Benefits			1,200,000		1,200,000
Environmental Health					
Cross-cutting / Special Initiatives					
<b>TOTAL</b>	<b>21,000,000</b>	<b>7,800,000</b>	<b>1,200,000</b>		<b>30,000,000</b>

\* Support for East European Democracy (SEED) Act funds

USAID Representative: Dianne Blane

## ACTIVITY DATA SHEET

**PROGRAM:** ALBANIA

**TITLE:** Private Enterprise, 180-S001.3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$18,000,000 SEED Act

**INITIAL OBLIGATION:** FY 1991; **ESTIMATED COMPLETION DATE:** FY 2005

Purpose: Accelerated development and growth of private enterprises.

Background: Albania had one of the most centralized and repressive regimes in the world from the mid-1940s until late 1990. The collapse of communism in Albania came later and was more chaotic than in other Central and Eastern European countries. Attempts at reform only began in early 1992 after real GDP had fallen by over 50% from its peak in 1989. The democratically-elected government, which assumed office in April 1992, launched an ambitious economic reform program to halt economic deterioration and put the country on the path toward a market economy. Key elements included price and exchange system liberalization, fiscal consolidation and monetary restraint. These were complemented by a package of structural reforms including privatization, enterprise and financial sector reform, and creation of a legal framework for a market economy and private sector activity.

USAID Role and Achievements to Date: Led largely by the private sector, the Albanian economy is the fastest growing in the CEE region. GDP is projected to have grown by seven percent in 1995. Inflation, which was 16% in 1994, decreased to nine percent in 1995. The Albanian lek has remained stable against the dollar. Agriculture, one of the first sectors to privatize, dominates the economy by providing over 50% of GDP and employment. USAID support has been vital in setting up a network of input supply dealers to provide fertilizer, seeds and other critical inputs. USAID has also taken the lead in implementing a property registration system to provide secure tenure to farm families and in establishing a fledgling land market, which will allow for consolidation of small parcels into economically viable holdings. The small and medium enterprise sector is also rapidly expanding. Technical assistance to small and medium enterprises is being provided in two major secondary cities. In other non-agricultural areas, over 14,000 potential entrepreneurs have been trained in English, computers, secretarial skills, cosmetology, auto mechanics, business and other areas. Many graduates have started their own businesses, while others have found higher paying jobs. Assistance has been provided to the Government of Albania (GOA) in establishing and improving the policy, legal and regulatory framework required to support the private sector.

Description: Over 60% of USAID/Albania's FY 1996 and proposed FY 1997 resources are in support of this activity. Given the importance of agriculture, a substantial proportion of these resources has been directed to this sector. U.S. firms and universities provide assistance to the GOA in agricultural policy, research, statistics, forestry and in changing university economics curricula to teach free market principles. Agribusiness support is provided directly to entrepreneurs by U.S. firms and NGOs, as is support to non-agricultural small and medium enterprises. Technical training of potential entrepreneurs is provided by a U.S. NGO through a joint GOA/USAID operated school, which will pass entirely to Albanian control in 1997. U.S. universities lead support to the GOA in setting up a property registration system and in the establishment of Albania's first MBA program. Support is provided by the U.S. Department of Commerce to the GOA in trade policy, trade association development and in accession to the World Trade Organization. U.S. NGOs and firms provide training and technical assistance in legal areas such as commercial/business and collateral law and bankruptcy.

Host Country and Other Donors: Other major donors, especially the EU and World Bank, are active in many of the sectors USAID supports. In some cases, USAID/Albania has activities which are closely linked with theirs. These include support to small and medium enterprises and implementation of a property registration system. USAID/Albania collaborates effectively with donors in other areas as

well. In agriculture, USAID and EC-PHARE are the major donors. USAID is reorganizing the agricultural research system, while EC-PHARE is working on the development of an extension service. In another example, EC-PHARE has set up mechanization centers and helped develop herbicide and pesticide imports, while USAID has helped set up private fertilizer dealerships and assists with fertilizer imports. USAID support of private farm forestry is complemented by Peace Corps work in forestry extension and World Bank support to the Forestry Directorate. USAID/Albania is a partner with the Government of Albania in all activities. Government support is in the form of personnel, facilities and a demonstrated willingness to make policy and legal changes required to support the private sector.

Beneficiaries: Rural families, which make up approximately 60% of the population, are the major beneficiaries of this activity. USAID support to the agricultural sector and property registration system affects virtually all of them. Other significant beneficiaries of training and technical assistance are entrepreneurs engaged in small and medium enterprises in both Tirana and secondary cities.

Principal Contractors, Grantees, or Agencies: USAID implementors include: Department of Commerce, Urban Institute, ABA/CEELI, Coopers & Lybrand, DAI, Chemonics, International Fertilizer Development Center (IFDC), Winrock International/VPI&SU, University of Wisconsin Land Tenure Center, VOCA, American ORT Federation, Peace Corps, Land O'Lakes, Fultz Foundation, PIET, and the University of Nebraska.

Major Results Indicators\*:

Number of business associations advocating on behalf of private sector initiatives, needs and growth requirements

Volume of business support services available to private enterprises from self-sustaining local institutions

Number of private sector businesses operating

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing meaningful, measurable, country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** ALBANIA

**TITLE:** Financial Reform, 180-S001.4

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: 3,000,000 SEED Act

**INITIAL OBLIGATION:** FY 1991; **ESTIMATED COMPLETION DATE:** FY 1999

**Purpose:** A more competitive and market responsive private financial sector.

**Background:** The banking system in Albania is virtually insolvent from bad loans to moribund enterprises. Furthermore, capital markets are still in an embryonic stage and not capable of fulfilling their function. Constraints to lending to entrepreneurs include the inability of banks to undertake secured lending, to take control of assets through bankruptcy procedures, and the non-existence of credit reference services. Though state assets are being divested to the public, the shallowness of capital markets impedes the efficient distribution of those assets among those best able to maximize their potential.

**USAID Role and Achievements to Date:** USAID's support includes assistance to the Ministry of Finance in privatization of the state banks, to the Central Bank in bank supervision and bank licensing and to both institutions in setting up the Share Registry for the stock exchange. USAID has also set up the Albanian-American Enterprise Fund (AAEF) to increase foreign (especially U.S.) and domestic investments in promising Albanian enterprises. As a result, a new Chart of Accounts for banks is being adopted, new private banks -- foreign and domestic -- are being considered for licenses, the ability of the central bank to undertake on-site bank examinations has been increased, and citizens can now register the shares in companies they received as part of the voucher privatization, thereby significantly reducing the potential for fraud and abuse in the privatization and capital market formation processes.

**Description:** To increase the ability of the Albanian financial sector to effectively, efficiently, and legally mobilize capital towards its most productive use, both through banks and capital markets development, U.S. resident advisors are providing expertise in policy formation and analysis, as well as drafting legislation and regulations. Short-term assistance has focused on hands-on, discrete activities. Credit, equity investments and investment guarantees will be provided directly to investors and entrepreneurs.

**Host Country and Other Donors:** An International Monetary Fund advisor assists the central bank governor on financial sector policy. The World Bank has a \$5 million credit line and has provided considerable technical assistance to the Albanian Rural Commercial Bank to make long-term loans to farmers. The German aid organization, GTZ, has provided technical assistance to the National Commercial Bank and will provide training in bankruptcy procedures as well as expertise in drafting commercial laws.

**Beneficiaries:** Beneficiaries include: *U.S. exporters and investors* wishing to do business in Albania who rely on the technical ability of the banks to carry out financial transaction; all *depositors and borrowers* who rely on the banking system; *entrepreneurs* seeking capital for development and expansion of private businesses; and *institutional investors* domestically and abroad seeking either to diversify risk or for growing markets.

**Principle Contractors, Grantees, or Agencies:** USAID implements these activities through the U.S. Treasury Department, the AAEF and U.S. firms.

**Major Results Indicators\*:**

Number of licensed viable private banks.

Amount of funds for equity/credit provided to small and medium-sized businesses from private commercial banks.

Amount of investment, both from domestic and foreign sources.

• These are illustrative indicators. ENI Missions are in the midst of the complex process of developing meaningful, measurable, country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** ALBANIA

**TITLE:** Citizens' Participation, 180-S002.1

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,300,000 SEED Act

**INITIAL OBLIGATION:** FY 1991; **ESTIMATED COMPLETION DATE:** FY 1999

**Purpose:** Increased, better-informed citizens' participation in political and economic decision-making.

**Background:** Attempts at democratic reform in Albania only started in early 1992 when the newly-elected government began to develop the legal and political framework necessary for effective citizen participation in the political process. Since that time, Albania has held several elections and a national referendum on a proposed constitution. A parliamentary election is scheduled for May 1996. Moreover, with the arrival of democracy in Albania, there has been a surge in formal and informal associations. Unheard of and unimaginable during the previous regime, except when used as instruments of the state, it is now possible for citizens to participate in the affairs of society. Over 300 new organizations have now registered with the government. Strapped for cash and lacking experience, most of them have not developed the capacity for concerted action. Government policy toward the NGOs has been generally supportive but, with a few notable exceptions, these organizations are fragile, underfunded and often ineffective. Independent broadcast media have not yet been established in Albania.

**USAID Role and Achievements to Date:** USAID provided the Parliament with an electronic voting system, a sound system, computers, two printing presses and associated technical assistance. During the past year, USAID advisors carried out political party-building sessions in Tirana and the secondary cities with the political parties, plus separate leadership training sessions with politically active women and their organizations and support groups. A Parliamentary Guidebook was published containing comprehensive information on Parliament, its deputies and organization, government ministries, the Office of the President, the court system, political parties, etc. Since 1991, USAID has supported the Society for Democratic Culture (SDC), an Albanian election-monitoring and democracy-promoting organization. USAID advisors have sponsored public opinion polls. An assessment of the nature, problems and needs of the Albanian NGO community has been completed, and initial institution-building grants have been awarded to about 15 NGOs. Political party spokespersons have been trained in campaign management, and a group of journalists have been trained in election coverage.

**Description:** USAID advisors are encouraging the democratic organization of Parliament and its committee and political party structure with material and technical assistance. Advisors are also supporting citizen participation, voter education and democracy-building activities of the SDC. USAID advisors are also supporting the Albanian NGO community by encouraging the institutional strengthening of public policy-oriented NGOs involved in four priority sectors: democracy, the environment, economic growth and social safety nets. To assure a sound legal foundation for the NGO community, USAID advisors will research, publish and distribute a handbook on Albanian NGO law. As a catalyst for permanent collaborative linkages between Albanian NGOs and their counterpart organizations in other countries, a series of NGO internships, exchanges, and information-sharing opportunities are being offered. Assistance is being provided to the press and broadcast media to encourage their independence and viability.

**Host Country and Other Donors:** Some of the political parties are receiving support and assistance from their equivalent party organizations in Western Europe. Denmark's Dialogue Development is supporting the Albanian Civil Society Foundation which, in turn, is also supporting Albania's NGO community.

Beneficiaries: These efforts will benefit the broad spectrum of politically active citizens by strengthening the organization of political parties, the network of non-governmental organizations, and the print and broadcast media.

Principal Contractors, Grantees, or Agencies: USAID implements these activities through cooperative agreements with the National Democratic Institute, the International Republican Institute, the National Forum Foundation, the International Center for Not-for-Profit Law, the Organization for Rehabilitation through Training, and the International Research and Exchanges Board (IREX).

Major Results Indicators\*:

Number of changes made to government policy as a result of citizen participation  
Number of new federations, organizations, coalitions, etc. formed to promote/oppose specific policies/legislation  
Number of NGOs representing women's issues  
Existence of laws protecting freedom of association, assembly and speech  
Rating of elections as free and fair by local and international monitors

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing meaningful, measurable, country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** ALBANIA

**TITLE:** Legal Systems, 180-S002.2

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,000,000 SEED Act

**INITIAL OBLIGATION:** FY 1991; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: Legal systems that better support democratic processes and market reforms.

Background: Albania is undergoing a dynamic process of transformation from a communist dictatorship, which was overturned in 1991, to a democratic society characterized by rule of law, respect for human rights, independence of the judiciary and free access to information and ideas.

USAID Role and Achievements to Date: USAID's rule of law program in Albania is aimed at promoting reform in the judiciary, the legal profession, legal education and commercial law. Work is progressing on establishing a law library at the Court of Cassation and the collection of donated books continues to grow. USAID advisors are also assisting in drafting the governing statute and code of ethics for the National Chamber of Advocates. The USAID advisors have assisted the European Law Students Association in publishing the inaugural edition of the University of Tirana Law Review. They have continued to work with the Council of Europe on distribution of over 900 copies of the Criminal Procedure Code throughout Albania. The advisors have also presented continuing legal education workshops on the private practice of law, contracting, etc.; supported and participated in a study tour for judges and legal professionals; and offered comments on the proposed constitution and various draft statutes. Law enforcement training aimed at helping the Albanian police achieve international human rights standards has also recently begun with assistance from the U.S. Department of Justice.

Description: Four areas of emphasis help assure that laws and legal institutions support democratic processes: 1) Judicial: an ongoing program to support the Albanian Association of Judges to become a respected and effective representative of the country's judges. 2) Legal: Continuing efforts to help the national and regional bar associations formulate a governing statute; the establishment of the Women's Legal Group as a women's rights advocacy group and a women's bar association; and the development of a code of legal ethics. 3) Legal Education: the development of professional journals including their publication and distribution; the establishment of a publicly-accessible law library; the establishment of a law journal at the University of Tirana's Law School. 4) Commercial Law: the presentation of continuing education courses in commercial law; the preparation of a series of workshops and a handbook on women's legal and commercial rights; and the development and implementation of modern commercial laws. In addition, a new Department of Justice program will offer a series of training opportunities for Albanian police in community relations, international crime prevention and anti-narcotics interventions.

Host Country and Other Donors: The Council of Europe is providing legal expertise, training, furnishings and equipment for the establishment of a Magistrates School in Tirana to train and retrain the Albanian judiciary. The Government of Albania is refurbishing the building to house the School and other courts at a cost of \$1 million. Additional donors to Albania's legal reform process are the Soros Foundation, Danida (Denmark) and GTZ (Germany).

Beneficiaries: The direct beneficiaries of these activities are a significant percentage of the Albanian judiciary, including judges, lawyers, prosecutors and law students, and indirectly every member of the public that comes in contact with the legal system.

Principal Contractors, Grantees, or Agencies: USAID/Albania implements this activity through the American Bar Association's Central and East European Law Initiative project and the U.S. Department

of Justice.

**Major Results Indicators\*:**

Percent of population knowing/understanding specific rights  
targeted laws are:

up-to-date

published in a timely manner

available to all judges and court officials organized in a manner which expedites research

• These are illustrative indicators. ENI Missions are in the midst of the complex process of developing meaningful, measurable, country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** ALBANIA

**TITLE:** Local Government, 180-S002.3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,500,000 SEED Act

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: More effective, responsive, and accountable local government.

Background: There is no tradition of decentralized authority in Albania and the public has no experience with a local government able to act on its own authority. The public expects most decisions to be made in Tirana, not by officials at the local level. In addition, current law and practices leave the local governments overly dependent on central government transfers. Albania recently passed legislation which is intended to guarantee that local government becomes an effective means of resolving public problems in order to overcome the general lack of public confidence in local administration and the tendency of the citizenry to address problems at the central level. Nevertheless, Albania is just beginning the process of decentralization of decision-making and resistance to local empowerment and decentralization remains strong.

USAID Role and Achievements to Date: Limited support in public administration has been provided under a housing and urban development activity. With USAID assistance: (1) the City and District of Tirana, the Ministry of Construction and the National Planning Institute formed a task force to develop a 70-hectare site, identify new sites for development, and address legal and policy issues related to residential upgrading, (2) the Concession Law for Public Services was passed in July 1995, (3) procurement procedures for contracting solid waste have been adopted by the Government of Albania (GOA) and Tirana has contracted with two private firms for solid waste collection while Korca and Durres have started the procurement process, (4) the GOA has agreed to privatize its water services, and (5) the GOA is creating a regulatory body for public utilities (power, water, telecommunications) within the Ministry of Mineral Resources and Energy. In late 1995, a new Public Administration activity to provide assistance to local governments was initiated.

Description: Training and technical assistance are provided to both the central government and local administrations in the areas of urban infrastructure privatization and regulation, housing and urban land use planning. The new USAID-funded Public Administration activity will work directly with local governments to build public management capability to better serve the public and encourage government responsiveness to local constituencies. This activity will focus on: (1) five local municipalities (already selected) with an economic development potential which can be fostered through better public management, (2) improved public management capacity, particularly for budgeting, accounting, procurement, street maintenance, etc., and (3) development of a capacity in local institutions to implement a training program to transfer knowledge gained in working with the five pilot cities to municipalities throughout the country.

Host Country and Other Donors: The EC-PHARE is providing material support, principally computers, and some technical assistance to selected municipalities. A bilateral Italian program and the World Bank provide support in major infrastructure (water, sewerage, etc.). The German Government has provided some technical assistance and training. USAID support is focused on major secondary cities which do not receive similar assistance from other donors. Government of Albania support is principally in the form of personnel and facilities.

Beneficiaries: By spreading the results of successful programs in pilot cities, local authorities in all municipalities will benefit. The citizens they serve, residents of Tirana and secondary cities, will benefit from improved local administration and municipal services. The central government will benefit by

turning over to the municipalities many of the duties they are currently responsible for.

Principal Contractors, Grantees, or Agencies: USAID/Albania implements this activity through DAI/Mendez-England and the Urban Institute.

Major Results Indicators\*:

Number/percent of local governments that have active systems in place for publishing/disseminating information

Percent of national revenue flowing to local government

Passage of legal, fiscal and procurement reforms that empower local governments

Percent of local populations that believes management and delivery of services at the municipal level are (a) improved, (b) more cost effective, and (c) responsive

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing meaningful, measurable, country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** ALBANIA

**TITLE:** Social Benefits, 180-S003.2

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,200,000 SEED Act

**INITIAL OBLIGATION:** FY 1991; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Improved sustainability of social benefits and services.

Background: After nearly a half-century of economic and political isolation, Albania's legacy is the least developed public system of social infrastructure among the Eastern European nations. Many of its health care facilities are seriously dilapidated and outdated. The GOA is quite aware of the urgent need to revitalize and modernize its health care system. Moreover, due to the lack of alternatives brought on by isolationism, an official pronatalist policy and poor information, abortion has been the predominant form of family planning resulting in high mortality and morbidity rates for women. For women carrying to term, prenatal delivery, and postnatal services are woefully inadequate.

USAID Role and Achievements to Date: Working with USAID advisors, key health care administrators have acquired the knowledge and skills needed to manage more efficiently and effectively at the central level (the Ministry of Health) and at the district, hospital and polyclinic levels. Two hospitals, the Durres Hospital and the University Hospital Center of Tirana, were selected to implement hospital operations improvement techniques and to serve as models for the rest of the hospital system. The number of hospital beds, reflecting vacancies, has consequently been reduced. At the Durres Hospital, where the main hospital building collapsed last year, a strategic planning process has been instituted which will match available resources with a long-range plan for a replacement hospital. At the University Hospital Center, administrative and medical records were computerized. In both hospitals, pharmaceutical and medical supply purchasing and distribution are being computerized. A national conference was held in November 1995 to share the information and management techniques developed at the pilot hospitals with over 80 hospital managers and administrators from all over Albania. The hospital partnership program has carried out a number of exchanges of medical personnel, sponsored a obstetrics conference in Tirana, and is opening a maternal and child health resource center at the Tirana Maternity Hospital.

Description: USAID is focusing its efforts on the areas of health management and administration. The partnership established between the Jacobi Hospital in the Bronx and four hospitals in Tirana has a focus on emergency medical services, women's health care, and health administration and management, all key areas of need in Albania. The American International Health Alliance (AIHA) has developed a new partnership between New York University's Robert F. Wagner Graduate School of Public Service and the University of Tirana's Medical School to introduce a health management program into the curriculum and to sustain the gains made at two pilot hospitals in the areas of: strategic planning, financial management and cost accounting, medical records and pharmaceutical group purchasing. A modest program of assistance to Albania's Health Insurance Institute will allow the Institute to study the possibility of including hospital services in the proposed health insurance program. A new two-year effort will improve the knowledge of physicians, nurses, midwives and pharmacists in providing quality family planning services and counseling, increase the number of service delivery points in both the public and private sectors, and enhance the ability of Albanian families to make informed decisions regarding fertility and family planning through information, education and communication activities.

Host Country and Other Donors: The World Bank is supporting the reconstruction of rural hospitals throughout Albania and the University of Montreal and the Paris Hospital System are providing planning assistance and management training to the Ministry of Health. The UNDP is providing health care

manuals to medical facilities. The Swiss are providing assistance to the nursing school. EU Phare has a Public Health Facilities Maintenance project and is supporting capacity-building at the Ministry.

Beneficiaries: Medical professionals (doctors, nurses, technicians and managers) are the primary beneficiaries and that portion of the population of Tirana requiring hospital care are also benefitting. Women throughout Albania will benefit from access to family planning information and improved counseling and care.

Principal Contractors, Grantees, or Agencies: USAID implements these activities through the American International Health Alliance and a PASA with the U.S. Department of Health and Human Services.

Major Results Indicators\*:

Number of services privatized (e.g., pharmacies, hospitals)  
Incentives for private (profit and non-profit) exist for quality service delivery  
Percent of public with confidence in private service delivery  
Change in numbers of public/private partnerships  
Market reforms in place and introduced to various sub-sector service deliverers

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing meaningful, measurable, country-specific indicators and targets, which will be completed by June 1996.

## ARMENIA

FY 1997 Assistance to the NIS Request . . . . . \$55,000,000

### Introduction.

Armenia is a strategically important republic in the Caucasus which is in the early stages of a transition to achieve a democratic market-oriented economy. Its long-term political stability and economic development is inextricably linked to its success as a market economy. Armenia is important to the United States' interests because the economic and political transition taking place offers real prospects that it will emerge as a western-oriented democratic participant in world markets -- a model for other NIS and Eastern European states. With a settlement of the Nagorno-Karabakh conflict, Armenia could also provide leadership to promote regional economic integration and political cooperation within the Caucasus.

### The Development Challenge.

Armenia is a landlocked country with a small, homogeneous population (3.4 million), few natural resources, and a mountainous terrain which limits the area suitable for agriculture. Like other countries of the former Soviet Union, Armenia's economic development has been constrained by the legacy of Soviet central planning. The country still experiences severe economic difficulties arising from the breakdown of the former Soviet trade, payments, and financial systems. Conflict over the predominantly Armenia-populated Nagorno-Karabakh region of Azerbaijan led to a trade and transport embargo of Armenia by Azerbaijan and the closure of the Turkish border since 1991. Although a cease-fire has held since May 1994, the borders are unlikely to open until a permanent peace settlement is negotiated. Successful resolution of the conflict would: (a) allow Armenia to reopen its main historic trade routes - railways, in particular - to the east through Azerbaijan and to the west through Turkey; and, in turn, (b) make Armenia more attractive to investors; and (c) significantly reduce hardships which currently require massive humanitarian assistance from foreign donors.

Despite these hardships, Armenia's resources are not insignificant: a skilled and educated workforce, with strong national identity, and strong support from a large international diaspora and the international community.

Between 1992-1995, USAID primarily focused its resources on humanitarian assistance. Humanitarian assistance will still be required for several more years, but at diminishing levels. Greater emphasis - and a greater proportion of USAID funding - will now be directed to the restructuring of the energy and financial sectors; creating a legal, regulatory, and policy framework for broad-based competition and economic growth; and promoting a democratic transition through better-informed citizen participation in political and economic decision-making.

With donor assistance and Government of Armenia (GOA) commitment, Armenia is the first former Soviet republic to register real economic growth (albeit from a very low base) in 1994 (5%); growth in 1995 was 5.2% and a higher growth rate is expected in 1996. Inflation has come down from 30% a month in 1994, and is expected to average 3% per month during 1996. Foreign reserves have increased, and the exchange rate has remained stable through 1995. Armenia has a relatively low level of indebtedness with a long-term debt to export ration of 68.9% in 1994. Much of Armenia's \$200 million debt is attributable to energy imports from Russia and Turkmenistan. VAT exemptions of key foodstuffs were eliminated, taxpayer identification was developed and progress made on tax rationalization. Government expenditures have been reduced sharply; prices of most commodities have been liberalized and most state subsidies eliminated. Privatization on a broad scale has just begun; work on new criminal and civil codes is underway.

Armenia held parliamentary elections and approved a new constitution in 1995. Presidential and local elections are scheduled for Fall of 1996. USAID has initiated projects to encourage democratization and an open political process.

USAID assistance to date has been approximately 70% humanitarian, predominantly foodstuffs and heating fuel, with significant impact. Over the past three years, the Winter Warmth programs resulted in the delivery of 120,000 kerosene heaters and 76,000 metric tons of kerosene distributed to 250,000 households and to 1,100 schools. The school heating program allowed schools to remain open in winter, increasing school attendance by 54% during the 1994/1995 winter. Since 1993, out of a total population of 3.4 million, there have been over 1.5 million recipients of USAID-funded food assistance through grants to CARE and sub-grants to U.S. PVOs under Save The Children Federation. Pharmaceuticals were provided to approximately 400,000 women and children.

USAID-provided bulk wheat, together with U.S. Department of Agriculture and European Union shipments, played a key role in averting starvation and in promoting political stability. More recently, wheat has been monetized, assisting in broader development goals as well.

USAID also supported humanitarian assistance through international organizations, including UNICEF to control diphtheria through the provision of vaccines to immunize the population at risk, including children and adults. USAID-funded assistance, through the International Committee of the Red Cross, supported internally displaced persons and victims of conflict in the Nagorno-Karabakh region. Also, the Caucasus Logistics Advisory Unit (CLAU - under the World Food Programme) managed the rail, port, and communications network throughout the Caucasus and made the difference between the efficient delivery of humanitarian assistance and chaos. The CLAU operation, U.S. Center for Disease Control, and PVO programs - all financed by USAID - helped to build Government of Armenia (GOA) and local NGO capacity to manage and respond to human crises and emergencies on their own.

The balance of USAID assistance has been for economic restructuring, improvements in the energy sector, and exchanges and training. A USAID-financed economic advisor worked closely with Armenia's Ministries of Economy and Finance to help the GOA meet requirements and negotiate with the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD - World Bank) for various stabilization, stand-by, and sector loan programs. Most recent negotiations (in 1996) are for a \$150 million Enhanced Structural Adjustment Facility (IMF) and a \$65 million Structural Adjustment Credit.

USAID's housing sector reform project has led to the formulation of a legal and policy framework for the continued privatization of housing stock. In January 1996, Armenia was the first of the former Soviet republics to adopt a real estate law which defines basic private property interests and rights. This law and the 1993 law on state and public housing privatization are significant legislative achievements, solidifying fundamental economic reform in Armenia. This project also led to the development of Armenia's first condominium association and private building maintenance cooperative, and new laws for such associations and real estate mortgages.

In energy, USAID funded commodities to improve Armenia's electric transmission and distribution systems. Weatherization materials for hospitals and schools in the three largest cities (Yerevan, Gumri, and Vanadzor) have resulted in energy savings and increased efficiency. The USAID-funded Center for Economic Policy Research and Analysis, located in the American University of Armenia, undertakes economic analysis to develop policy options leading to economic reform and improving the enabling environment for private investment. Advisory assistance at the policy level resulted in: (a) an Executive Decree that will separate electricity generation, transmission, and distribution functions; (b) a restructuring of Armenia's state-owned electric utility, Armenergo, for greater efficiency and clearer alignment of responsibilities; and (c) GOA's drafting a new energy law to establish, among other provisions, an independent regulatory body. To reduce subsidies, the GOA increased electric, gas, and district heating tariffs achieving a uniform rate for both industry and residential consumers.

Economic recovery will depend upon on the ability of commercial banks to serve as financial intermediaries between savers and investors and increasingly mobilize savings. Improvement in Central Bank operations, through USAID-funded training at U.S. Federal Reserve Banks, contributed to reduced inflation and increased trade, both domestic and regional. USAID is also contributing to the formation of a viable banking sector by providing technical assistance, training and commodity support for: (1) establishing a modern electronic payments system to conduct timely financial transactions; (2) adopting a western-oriented internationally-accepted accounting and financial reporting system; (3) training in modern portfolio management and lending procedures; and (4) establishing through the Eurasia Foundation a commercial lending facility for small and medium enterprises. To help stimulate demand for such loans, USAID grantees (VOCA, International Executive Service Corps) are identifying and assisting potential clients to prepare viable investment and business plans to the benefit of both the borrower and lender.

USAID expects that Armenia will have the institutional and other resources to continue its own transition. Current plans are to phaseout Freedom Support Act (FSA) assistance within the next several years.

#### **Other Donors.**

Major donors and lending institutions include the International Monetary Fund, the International Bank for Reconstruction and Development, the European Bank for Reconstruction and Development, and the European Union. Bilateral donors include Germany, Great Britain, Italy, and France. The U.S. share of Overseas Development Assistance to Armenia was 45%.

#### **FY 1997 Program.**

##### **Strategic Goal: Economic Restructuring**

The USAID-funded Center for Economic Policy Research and Analysis (CEPRA) was established to provide technical assistance and training to better enable policy makers (government, parliament and executive branches) to formulate economic policies based on accurate measurement of key macroeconomic indicators and projected impacts of alternative policies. The Center was also tasked to develop plans, policies, and laws and regulations to support the transition to a market economy. Western economists and Armenian counterparts at CEPRA will undertake economic analyses, identify policy options and assist in the formulation of policy in the areas of comparative advantage and export growth potential; provide training in the areas of public project appraisal and development planning; develop new measures for national income and product accounts; and, train Armenians to carry out economic analyses and policy formulation. CEPRA will also provide policy and legal assistance to develop a commercial code (probably as part of civil codes), enabling legislation to support private enterprise, and provide training for lawyers, judges and business persons in adjudication of commercial disputes.

Another USAID-contractor, International City/County Managers Association (ICMA), provides assistance to the GOA to design, test, and develop: (a) a unified system of property registration based on a cadastre system for urban, suburban, and rural areas; and (b) a service to legally register property, convey title and record property values based on market prices. In FY 1997, ICMA will develop procedures to record, analyze, and report sales to facilitate the development of a real estate market based upon supply and demand, titles and their transferability.

Technical assistance in the fiscal sector will enhance national budget and tax administration, property tax, administration and government securities management to improve GOA preparation and administration of national budgets and achieve a more effective and fairly administered system of personal, property, and commercial tax codes. The development of a government securities program will provide a non-inflationary means to finance the national budget, and the banking system with

instruments and markets to effectively implement monetary policy. A resident advisor will work with the Ministry of Finance and the Central Bank to develop a comprehensive legal and policy framework for the issuance of government securities; create a debt and cash management system; establish rules to encourage the development of a secondary market for securities; design financial instruments; and develop a detailed database for bond sales.

Assistance in the banking sector will continue in FY 1997 and should result in stronger, market-oriented central bank and commercial bank operations, ensuring that monetary and fiscal policies already in place are implemented effectively.

A key to financial sector reform will be the adoption of a western-oriented, internationally accepted accounting and financial reporting system. USAID will provide technical assistance to the Central Bank and Ministry of Finance to establish a new national accounting system based on their extensive testing of internationally-accepted accounting standards and practices that are appropriate for Armenia, including: an accounting practices law or decree, and modernized operating practices for an automated system. The new accounting system will be implemented in commercial banks and selected enterprises, both state-owned and private. Laws establishing internationally accepted accounting procedures and policies for the Central and Commercial Banks, Ministries of Finance and Economy, State Tax Inspectorate and industry will be enacted by the GOA. Reference and training materials will be developed; accounting trainers and advisors to be involved in the conversion to the new accounting system will be trained.

After the accounting conversion is underway USAID will embark upon a program to train bankers. The focus of this training will be portfolio management including savings mobilization, debt management, strengthening of prudential relationships between the Central Bank and commercial banking sector, plus the development of sound lending procedures and systems of loan recovery.

To facilitate the creation of capital markets, USAID has funded the establishment of a commercial lending facility for small and medium enterprises (SMEs), through a competitively selected local bank. Personnel from the lending bank receive training from Western bankers and other technical experts in banking operations, accounting and lending procedures. One or more additional local banks will receive training and initiate a second phase of the lending program. To help stimulate the demand for such loans, USAID grantees and contractors (e.g. Farmer-To-Farmer programs, PVOs) will identify and assist potential clients to prepare viable investment and business plans to the benefit of both the borrower and lender. Horticulture exports will receive particular financial and technical assistance attention.

Additional financing for the new Trans-Caucasus Enterprise Fund will also contribute to USAID's goal of a competitive market economy. As commercial laws and regulations are developed and private banks and financial restructuring take hold, we anticipate our strategic emphasis will shift from support for the financial sector to greater emphasis on development and export-driven growth, with the Trans-Caucasus Fund making a significant contribution.

Assistance in the area of legislative and regulatory reform will continue, as will assistance to draft and promulgate energy laws that support restructuring and commercial energy market development, while addressing environmental concerns. Working in collaboration with the World Bank and the European Union (EU); USAID will help the GOA develop options for mobilizing long-term project financing. USAID will provide resources to promote indigenous fuel production, notably the financing of technical and pre-loan studies complementing an EU-funded activity to attract U.S. and European investors.

- Strategic Objective Increased soundness of fiscal policies and fiscal management practices
- Strategic Objective: Accelerated development and growth of private enterprises

- **Strategic Objective:** A more competitive and market-responsive private financial sector
- **Strategic Objective:** A more economically sound and environmentally sustainable energy system

**Strategic Goal: Democratic Transition**

In FY 1997, USAID will finance activities for the following: (a) drafting of implementing legislation for the new constitution based on international democratic norms, including civil, commercial and criminal codes, as well as human rights legal safeguards; (b) retraining and strengthening of Armenia's judiciary, including a program of court reform; (c) retraining and strengthening of Armenia's private legal profession, and support of legal advocacy groups; (d) technical and training support for newly independent media; (e) training for political parties and members of parliament to enable pluralistic society, and within parliament (National Assembly) itself; and (f) support for capacity-building of indigenous non-governmental organizations working toward democratic legal and social reform.

- **Strategic Objective:** Increased, better-informed citizens' participation in political and economic decision-making
- **Strategic Objective** Legal systems that better support democratic processes and market reforms

**Strategic Goal: Social Stabilization**

Through technical assistance, training, and limited commodities, USAID will encourage the transformation of Armenia's system of family allowances and benefits so that only the most vulnerable receive humanitarian assistance. The program will also continue to promote civic action and NGO capacity building, permitting domestic organizations to begin to provide social services and thereby gradually decrease dependency on external aid.

More than 120,000 people affected by the 1988 earthquake and the economic blockade remain without permanent homes. A slow transition to a market economy further constrains economic recovery. Unemployment remains high and most of those employed do not earn adequate wages. Until economic conditions improve, generating significant employment and household income, the most vulnerable population will not decline significantly. For improvement in the social sector to occur, a significant supply response from agriculture and the manufacturing sectors is required, supported by an aggressive program of privatization of state-owned enterprises. Additionally another major factor for ensuring Armenia's successful social and economic transition remains a peaceful and permanent resolution to its political problems with its neighbors.

- **Strategic Objective:** Reduced human suffering and crisis impact
- **Strategic Objective:** Improved sustainability of social benefits and services

**ARMENIA**  
**FY 1997 PROGRAM SUMMARY\***

Strategic Objectives	Economic Restructuring	Democratic Transition	Social Stabilization	Cross-cutting and Special Initiatives	Total
Privatization					
Fiscal Reform	5,700,000				5,700,000
Private Enterprise	10,000,000				10,000,000
Financial Reform	5,500,000				5,500,000
Energy	8,000,000				8,000,000
Citizens' Participation		4,100,000			4,100,000
Legal Systems		1,000,000			1,000,000
Local Government					
Crises			18,700,000		18,700,000
Social Benefits			2,000,000		2,000,000
Environmental Health					
Cross-cutting / Special Initiatives					
<b>TOTAL</b>	<b>29,200,000</b>	<b>5,100,000</b>	<b>20,700,000</b>		<b>55,000,000</b>

\* Freedom Support Act (FSA) funds

USAID Representative: Fred Winch

## ACTIVITY DATA SHEET

**PROGRAM:** ARMENIA

**TITLE:** Fiscal Reform, 110-S001.2

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$5,700,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Increased soundness of fiscal policies and fiscal management practices.

Background: Beginning in late 1994 substantial progress was achieved to improve public expenditures as evidenced by reduced deficit spending and the removal of many cross-subsidies. This effort must be matched with efforts to improve tax codes and administration for functions like collections and the restructuring of the budgetary system with new financial management systems, and elimination of remaining ineffective subsidies. The lack of an internationally-accepted market-oriented national budget law and treasury functions are a major impediment to fiscal reform. Assistance to the Government is needed to develop new financial functions for accounting, treasury operations and executive budget formulation, execution and control. The next step will be to assist the Government develop a computerized financial management system (FMS) that incorporates the new executive budget and treasury functions.

USAID Role and Achievements to Date: USAID will assist the Ministry of Finance (MOF), the State Tax Inspectorate (STI), and will coordinate with the Ministry of Economy and the Central Bank of Armenia (CBA) to develop fiscal reforms which lead to an internationally-accepted and market-oriented system of national budgeting, tax codes and administration and accounting systems which encourage private enterprise and investment.

Description: Short and long-term technical assistance is being provided to the MOF to improve the methodology for the preparation and administration of the national budget, beginning with the drafting of a new national budget law. Assistance will be given to the STI to achieve a cost-effective and fairly administered system of personal, property and commercial tax codes. USAID's property registration activities will assist to establish market-valued methods of property assessment which in turn will expand the municipal revenue base to finance legitimate community services and infrastructure projects. USAID will assist the MOF to develop a government securities program to provide a non-inflationary means to finance the national budget which will provide the banking system with instruments and markets to effectively implement monetary policy.

Host Country and Other Donors: The U.S. Treasury advisors for budget, government securities and tax administration coordinate their activities with the IMF, the IBRD, EU/TACIS and bilateral donors. USAID coordinates its activities in cadastral reform with the IBRD's Institutional Building Loan. USAID through the International City/County Management Association and the World Bank will likely collaborate to develop a "demonstration cadastral program" to develop the government and private sectors' capabilities to survey and map property and governments' capability to register legally property titles in a computerized management information system. USAID will provide the technical assistance; the IBRD will fund the commodities; the government will provide offices and staff.

Beneficiaries: The national budgeting law and the government securities program will benefit all Armenians by reducing inflation and by helping establish a more efficient revenue system. The demonstration property registration system will benefit 100,000 home and apartment owners and 50,000 farm owners.

Principal Contractors, Grantees or Agencies: US Treasury; International City/County Managers Association.

Major Results Indicators:\*

Amount of budget deficits

Amount of government budgetary transfers to state-owned enterprises

Amount of revenues available from cost efficient tax administration

\*These are illustrative indicators. ENI missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** ARMENIA

**TITLE:** Private Enterprise, 110-S001.3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$10,000,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Accelerated development and growth of private enterprise.

Background: Armenia's current macroeconomic policies, legal-regulatory framework, and corresponding institutions are inadequate to fully support the transition to a market economy. Light manufacturing, agribusiness, housing construction, services and high technology have strong development potential, but to attract investment the government must proceed with privatization and formulate economic policies that promote business enterprise and opportunity. Western oriented laws and regulations governing property rights, contracts, banks and commercial transactions are needed to allay the doubts of prospective domestic and foreign investors and to support the transition to a market economy.

USAID Role and Achievements to Date: With USAID assistance the Ministry of Economy and Parliament enacted the first market-oriented real estate law and the first condominium association law in the former Soviet Union. USAID also assisted with the drafting of bankruptcy and mortgage laws. These laws are important to develop real estate markets, ensure legal property rights and create market values for taxing real property. USAID is now helping the GOA to join the World Trade Organization.

Description: The USAID-funded Center for Economic Policy Research and Analysis (CEPRA) was established to provide technical assistance and training to better enable policy-makers (Government, Parliament and Executive branches) to formulate market oriented economic policies based on accurate measurement of key macroeconomic indicators and projected impacts of alternative policies. CEPRA is also engaged in the development of plans, policies, and laws and regulations that support the transition to a market economy. CEPRA will also provide policy and legal assistance to develop a commercial code to support private enterprise and will provide training for lawyers, judges and business persons in adjudication of commercial disputes. USAID will assist the Government to design, test and develop a unified system of property registration based on legal descriptions contained in the real estate law; and a service to legally register property, convey title and record property values based on market prices. USAID will also assist the Government and municipal authorities to develop unified urban planning and development policies (e.g., zoning ordinances), building ordinances, public property auctions. A new horticultural export development program will help private agribusiness create new markets for Armenian fruits and vegetables. The new Trans-Caucasus Enterprise Fund will be established to support private sector development.

Host Country and Other Donors: CEPRA coordinates its economic policy analysis and legal and regulatory reform of commercial laws with the IBRD, IMF, the European Union, and the Ministries of Economy and Finance. CEPRA assists the American University of Armenia conduct economic education activities. USAID works with the IBRD as it develops a program to develop a unified land and property cadastre system.

Beneficiaries: Reformed economic policies and institutions will set the stage for foreign investment and the rapid import of new technology to put its skilled labor force back to work. Home owners and land owners will possess guaranteed rights to the use of property. Banks will increase lending because they can collateralize loans and foreclose. Government will increasingly generate revenues from property taxes based on a system of tax laws and procedures that are applied fairly. To support real estate and other markets, commercial laws will guide the way business is conducted.

Principal Contractors, Grantees or Agencies: University of Maryland/IRIS; KPMG/Barents Group (for CEPRA). International City/County Managers Association (ICMA) is responsible for housing privatization, housing law and property registration.

Major Results Indicators: \*

Number of laws implemented to expand private sector

Number of regulatory procedures necessary to strengthen competitiveness in key economic sectors

Commercial tax system in place that is considered equitable and transparent

\*These are illustrative indicators. ENI missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** ARMENIA

**TITLE:** Financial Reform, 110-S001.4

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$5,500,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: A more competitive and market-responsive private financial sector.

Background: USAID will focus on the financial sector because it is primary to the development of internal and external markets and is a basic service which business and citizens need urgently. New business development for internal markets is impeded by a lack of western oriented commercial banks, better supervised by a stronger, market-oriented central bank. Bank managers and staff require training in international lending procedures and other banking services like commercial paper and financial markets. Outmoded accounting procedures are commonplace in the banks, industry and government ministries, limiting prudent asset management, loan decisions and affecting the accuracy of financial statements for internal and external financial transactions. Finally, capital markets are needed to finance new business investment and government spending.

USAID Role and Achievements to Date: USAID, IMF, World Bank and EU are collaborating to establish a strong, market-oriented Central Bank. This began with the establishment of the electronic payments system (EPS) in 1996. USAID contributed to the opening of Armenia's first commercial lending facility which is lending at affordable market rates to small and medium-sized enterprises.

Description: USAID is providing technical assistance to the Central Bank and Ministry of Finance to establish a new national accounting system based on internationally-accepted accounting standards and practices that are appropriate for Armenia, including: an accounting practices law or decree, and modernized operating practices for an automated system. After the accounting conversion is well underway, USAID will launch a program to train bankers. The focus of bankers' training will be portfolio management including savings mobilization, debt management, strengthening of prudential relationships between the Central Bank and commercial banking sector, plus the development of sound lending procedures and systems of loan recovery. To facilitate the creation of capital markets USAID has funded the Eurasia Foundation to establish a commercial lending facility for small and medium enterprises (SMEs), through competitively-selected local banks. To help stimulate the demand for such loans, USAID grantees (VOCA, IESC and Peace Corps) will identify and assist potential clients to prepare viable investment and business plans to the benefit of both the borrower and lender.

Host Country and Other Donors: The installation of the EPS is a joint undertaking with the IMF, the European Union (EU), and the IBRD. USAID assistance for accounting conversion is coordinated with the IMF's Accounting Advisor to the Central Bank who is assisting with the installation of the IMF Chart of Accounts. EU short-term accounting advisors coordinate with USAID for accounting conversion.

Beneficiaries: USAID, IMF, World Bank and EU assistance will establish a strong, market-oriented Central Bank. Savings deposits will increase and collateralized-lending will expand as banks compete. Offshore funds will begin to flow into banks, increasing capital for new business ventures. Savers and borrowers will benefit as both are served by a more rational, efficient and market-oriented banking system.

Principal Contractors, Grantees or Agencies: Motorola, Lotus, Sprint and the Federal Reserve Bank of Richmond (Electronic payments system). Eurasia Foundation established the Small and Medium-Size Enterprise Loan Fund in Armenian commercial banks. KPMG/Barents is implementing the accounting

conversion program. Volunteers in Overseas Cooperative Assistance (VOCA) and the International Executive Service Corps (IESC) assist entrepreneurs qualify for loans.

Major Results Indicators: \*

Number of licensed viable private commercial banks

Amount of funds for equity/credit provided to small and medium-sized businesses from private commercial banks

\*These are illustrative indicators. ENI missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** ARMENIA

**TITLE:** Energy, 110-S001.5

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$8,000,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1997

Purpose: A more economically sound and environmentally sustainable energy system.

Background: As a result of the breakup of the Soviet Union, an economic blockade by Turkey and Azerbaijan, and extensive damage to infrastructure caused by the 1988 earthquake, a significant portion of the country's fuel supply and electric generating capacity has been severely impaired. The shortage of power has been a major cause of economic decline. It causes great hardship, impedes the transition to a market economy, endangers public health, and could threaten political stability unless addressed.

USAID Role and Achievements to Date: USAID's emphasis is two-fold: (a) through technical assistance, training, and limited commodity support, to increase energy efficiency and reduce waste in power generation, transmission, and distribution; and (b) to assist in the development of an institutional framework, including policy reform, to achieve planned restructuring. With respect to progress made to date, the Ministry of Energy has begun restructuring the energy sector. Armenergo, the state-owned electric utility, has been divided into generation, transmission, and distribution companies. The Government of Armenia (GOA) expects that these new companies will eventually be partially or fully divested. Plans are also underway to restructure Armgas, the national gas utility, into two state enterprises to be engaged separately in the transmission and distribution of natural gas. The restructuring process is on-going with plans to spin-off non-power production enterprises into private joint stock companies.

Description: USAID focuses on four activity areas: improvement of energy efficiency; improving the institutional framework to promote market reform; indigenous fuel promotion; and regulatory nuclear safety. Assistance is channeled through three institutional contractors (Hagler Bailly, Burns and Roe, and the U.S. Energy Association) and with the U.S. Geological Survey (USGS). Areas of focus of respective contractors are as follows: 1) Hagler Bailly is responsible for providing technical assistance to support development of an institutional framework conducive to restructuring and eventual divestiture of state firms to private sector ownership; 2) Burns and Roe is providing technical assistance and limited commodity support to improve energy efficiency of the generating system and will also focus on the development and implementation of an energy supply and demand plan to facilitate the closure of the Medzamor nuclear plant by 2002; and 3) the U.S. Energy Association is providing short-term training in all activity areas. The USGS is providing assistance to the Ministry of Environmental and Internal Resources to implement a modern and more effective coal exploration program.

Host Country and Other Donors: The World Bank is currently processing a \$14 million loan for power maintenance and rehabilitation, plus a \$35 million loan to fund the rehabilitation of the electrical transmission and distribution network. The Japanese may provide a \$600,000 grant through the World Bank for technical assistance to the Ministry of Energy. Technical assistance from the European Union is currently being provided to support the formulation of energy efficiency policies and legislation. The European Union is also assisting Armenergo in the development of a centralized new billing and collection systems, while USAID is developing the systems for the transmission, generation, and distribution utilities.

Beneficiaries: Approximately 850,000 residential and commercial consumers of electricity.

Principal Contractors, Grantees, or Agencies: Three U.S.-based institutional contractors: Hagler Bailly (technical Assistance), Burns and Roe (technical assistance and commodities), and the U.S. Energy Association (training). The U.S. Geological Survey is also providing assistance (technical assistance, training and commodities) .

Major Results Indicators: \*

Percent of heat and power plants with energy conservation measures

Percent of total volume of electricity and heating produced and distributed by privatized sources

\*These are illustrative indicators. ENI missions are in the midst of the complex process of developing meaningful, measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** ARMENIA

**TITLE:** Citizens' Participation, 110-S002.1

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$4,100,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: Increased better-informed citizens' participation in political and economic decision-making.

Background: Like other countries emerging from the shadow of communist rule, Armenia is struggling to consolidate nascent democratic governance. Civic society is weak and fragmented: solid democratic pluralism, independent media, and nascent private voluntary organizations need to be developed and strengthened for democracy to survive, and for a market economy to flourish. There is little tradition of spontaneous popular organizations established outside the previous government-inspired context. Freedom to make wide-ranging personal economic and political choices are a new and largely untried phenomenon.

USAID Role and Achievements to Date: USAID-funded activities in the area of independent media development have led to the establishment of the first independent television network in Armenia. Additionally, USAID activities supported the nascent development of the country's first domestic election monitoring non-government organization, and continue to support the strengthening of this indigenous organization.

Description: USAID contractors and grantees are currently working with independent television stations, political parties, parliamentarians, and indigenous non-government organizations to foster the growth of civil society and grass-roots democratic reform efforts in Armenia. These activities will be expanded in FY 1996 and 1997.

Host Country and Other Donors: These programs are being coordinated with other USAID activities, such as the USAID-funded Armenian Assembly of America-sponsored NGO Center (for private voluntary organizations), and the Eurasia Foundation, as well as with the U.S. Information Service (USIS). Additionally, USAID's efforts are being coordinated with international donors working in these areas, including the United Nations Development Program and the European Union.

Beneficiaries: These efforts seek to benefit approximately 6,000 individuals and organizations actively involved in civic participation and democratic reform efforts, as well as the general population over time, in encouraging further and deeper citizen participation during the country's difficult transition to a democratic market-oriented state.

Principal Contractors, Grantees, or Agencies: Current grantees include Internews, National Democratic Institute (NDI), and International Foundation for Electoral Systems (IFES). Additional grants and contracts will be established with other private US firms for expanded assistance in this area.

Major Results Indicators: \*

Number of NGOs brought into the legislative process  
Percent of news coverage expressing opposing views

\*These are illustrative indicators. ENI missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** ARMENIA

**TITLE:** Legal Systems, 110-S002.2

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,000,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: Legal systems that better support democratic processes and market reforms.

Background: Armenia inherited a Soviet legal infrastructure that presents substantial obstacles in the country's evolution toward a market-oriented society based on the rule of law. Armenia's legislative infrastructure, judicial structure, and legal society as a whole all require assistance in reform, reconstruction and retraining. The former Soviet model was designed to protect certain restrictive legal concepts not consonant with Western civil and constitutional rights for individuals and non-official associations and groups.

USAID Role and Achievements to Date: USAID funded a judicial conference in July 1995, which brought U.S. Supreme Court Justice Scalia to Armenia to discuss issues such as judicial independence and ethics with members of the Armenian judiciary and government. Additionally, USAID has funded Armenia's drafters of the country's Civil Code to travel to the Netherlands to participate in USAID-funded conferences which provided European and U.S. drafting expertise to Newly Independent States (NIS) drafters working on a model civil code.

Description: USAID contractors and grantees will begin work in FY 1996 and FY 1997 with legal institutions, such as the National Assembly, Constitutional Court, Ministry of Justice, Procuracy and Executive offices, on legislative and institutional reform and restructuring. Additionally, USAID will sponsor assistance in the retraining of the country's judges, lawyers and parliamentarians in international legal norms, as well as work on the grass-roots level with indigenous bar associations and legal advocacy non-government organizations, and the dissemination of legal information to the general population.

Host Country and Other Donors: These programs will be coordinated with other USAID-funded activities, particularly in the area of commercial law reform, with USAID-funded Center for Economic Policy Research and Analysis (CEPRA) and the Center for Institutional Reform and the Informal Sector (IRIS) activities. These efforts will be coordinated with international donors, including the United Nations, the European Union, and French and German legal consultants.

Beneficiaries: These efforts will benefit Armenia's legal institutions and legal advocates in the transition to a governmental system based on the rule of law and market principles, and thus will benefit the three million Armenians who rely on these institutions, both governmental and non-governmental, to support and protect their individual and property rights in accordance with the constitution and internationally recognized human rights statutes.

Principal Contractors, Grantees, or Agencies: Private US firms will be contracted to carry out these activities.

Major Results Indicators: \*

Percent of population knowing/understanding specific rights

\*These are illustrative indicators. ENI missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** ARMENIA

**TITLE:** Crises, 110-S003.1

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$18,700,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 1998

Purpose: Reduced human suffering and crisis impact.

Background: Armenia remains in a state of crisis. The earthquake, the collapse of the Soviet Union and the economic blockade by neighboring countries have led to the creation of a large vulnerable population that lives below the poverty level. Until economic conditions improve, generating significant employment and household income, the vulnerable population will not decline significantly.

USAID Role and Achievements to Date: Since 1993 USAID has provided humanitarian assistance through U.S. non-governmental organizations (NGOs) and international organizations to assist Armenia's vulnerable population. This assistance met critical and immediate needs over the past three years for supplemental food, fuel and stoves for heating homes and schools, pharmaceuticals, non-food household items, improvement of shelters, weatherization of schools and the provision of wheat seed for planting.

Description: Through funding to U.S. private organizations and international organizations, USAID provides humanitarian assistance in the form of food, kerosene, wheat for flour, wheat and alfalfa seed, pharmaceuticals, non-food commodities such as candles and blankets, and winterization of schools and hospitals. Most of this assistance is designed to meet critical needs during the harsh winter months. Some of the assistance, such as weatherization, is non-recurring, i.e. once performed does not need to be repeated the following year.

Host Country and Other Donors: Significant levels of humanitarian assistance are provided by and through the European Union, bilateral donors including Germany and France, and U.N. organizations such as U.N. High Commission for Refugees (UNHCR). Armenian diaspora groups from various countries (primarily the U.S. and France) also fund some humanitarian activities.

Beneficiaries: Kerosene is provided to more than 175,000 households, 35,000 shelters and 1,100 schools. Food assistance is provided to over 70,000 pregnant and lactating women and children under five. Pharmaceutical assistance provides coverage for 268,000 adults in Yerevan and for all children under 15 nationwide. Wheat seed donated for wheat production is intended to cover the entire country. Winterization is being performed for most primary and secondary schools nationwide.

Principle Contractors, Grantees, or Agencies: USAID funds humanitarian assistance through U.S. non-governmental organizations and international multilateral organizations, including most prominently Save the Children Federation, Fund for Democracy and Development, CARE, World Rehabilitation Fund, Fund for Armenian Relief, among others.

Major Results Indicators: \*

Amount of temporary assistance appropriately targeted  
Numbers of people with reduced suffering because of access to food, shelter, clean water, etc.

\*These are illustrative indicators. ENI missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** ARMENIA

**TITLE:** Social Benefits, 110-S003.2

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,000,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1994; **ESTIMATED COMPLETION DATE:** FY 1998

Purpose: Improved sustainability of social benefits and services.

Background: Following the break-up of the Soviet Union, Armenia experienced total disruption of existing social services, which were quite comprehensive under the old socialist regime. The government and USAID have determined that it is not useful or productive to rely on the old Soviet system of social categories for the distribution of humanitarian assistance or the provision of social services, as these categories are inadequate for identifying real vulnerability. What is required is the verification of poverty among identifiable households. At the same time, public and civic organizations have an important role in identifying social needs and activities to benefit vulnerable groups. However, both local non-governmental organizations (NGOs) and communities themselves presently lack the experience and capacity to perform this role.

USAID Role and Achievements to Date: USAID funds a program designed to improve the targeting and delivery of humanitarian and government assistance to vulnerable households. To date approximately 700,000 households have been registered and entered into a national data base. Major USAID- and other donor humanitarian assistance programs have begun to use beneficiary lists generated from this computer database, thus increasing the likelihood that assistance is reaching the most vulnerable portion of the population. USAID funds an NGO training and resource center, which has identified over 150 viable indigenous NGOs, trained over 50 NGO representatives in principles of management and leadership, and facilitated the creation of a cohesive, active NGO sector. Many of the strongest NGOs who have benefited from the NGO Center's services have already begun implementing programs in humanitarian assistance and social services.

Description: USAID focuses on two activity areas: creation of a computer database of registered households ranked according to social vulnerability; and capacity building of local NGOs and civic action groups to provide or revitalize social services inadequately covered by the public sector. A USAID-funded U.S. private voluntary organization is refining the database of registered households by increasing the number registered to include the entire population and improving the criteria used to calculate the vulnerability ranking of each household. Under this program, government social workers are being trained to manage the database, verify vulnerability status of individual households and design interventions for the most vulnerable households. USAID funding to U.S. and local NGOs will be used to provide management training, technical assistance and grants to local non-governmental organizations and civic action groups in order to increase local NGO and civic action group capacity to assess community needs and provide humanitarian and social services.

Host Country and Other Donors: The European Union conducts capacity building within the Ministry of Social Welfare. United Nations High Commission for Refugees (UNHCR) and United Nations Development Program (UNDP) have provided funding to some local NGOs for humanitarian assistance projects. The World Bank has provided major funding for social infrastructure rehabilitation.

Beneficiaries: These activities are intended to provide improved targeting of humanitarian assistance and social benefits to the most vulnerable parts of the population, which may number as high as 250,000 families.

Principle Contractors, Grantees, or Agencies: USAID implements activities through U.S. and local

organizations including most prominently Save the Children Federation, Fund for Democracy and Development, CARE, and Fund for Armenian Relief, among others.

**Major Results Indicators: \***

Number of services privatized

Change in numbers of public/private partnerships

\*These are illustrative indicators. ENI missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## AZERBAIJAN

**FY 1997 Assistance to the NIS Request . . . . . \$22,000,000**

### **Introduction.**

After the fall of the Soviet Union, Azerbaijan found itself with a deteriorating economic base, a sharply declining GDP, lack of foreign currency, and serious national budget constraints. This was further exacerbated by Azerbaijan's territorial conflict with Armenia over Nagorno-Karabakh, and the resultant burden of dealing with approximately a million refugees and internally displaced persons (IDPs) within the country. However, Azerbaijan is endowed with fertile agricultural land and is rich in natural resources, especially oil, and has the potential to become a prosperous nation capable of meeting its own economic and social development needs. Azerbaijan's oil and natural gas resources make it attractive to U.S. investors. Although U.S. assistance is primarily aimed at relieving suffering of vulnerable segments of the population, the potential for market development and trade expansion provide other avenues for United States private support of Azerbaijan's peaceful transition to sustainable economic and democratic governance.

### **The Development Challenge.**

Azerbaijan, as the largest country in the Caucasus with a population of 7.2 million, is a natural link between Asia and Europe. Since gaining its independence in 1991, Azerbaijan has suffered dramatically as a result of the disruptions in traditional trade and financial links stemming from the disintegration of Soviet systems. In addition, military conflict over the Nagorno-Karabakh region and domestic political instability have added to its economic difficulties. However, several factors recently have contributed to the emergence of more favorable prospects for the economy. First, a cease fire in the Nagorno-Karabakh conflict has been holding since May 1994 and negotiations on a permanent settlement are under way. Second, an agreement was reached with an international oil consortium for the development of offshore oil in the Caspian Sea. This agreement is expected to lead to a multi-billion dollar foreign investment.

With the military and political situations more stabilized, the Government of Azerbaijan (GOA) has strengthened its determination to accelerate comprehensive economic reforms and its transition to a market-oriented society. In recent months, inflation rates have dropped from 24% a month in 1994 to approximately 5% per month in 1995. Azerbaijan has a low level of indebtedness estimated at \$15 per capita at the end of 1994. With the exception of energy, all prices have been liberalized and an accelerated program of privatization is underway. Additionally, Azerbaijan has recently concluded an agreement with the IMF on a Systemic Transformation Facility (STF) which aims to: (1) unify the exchange rate; (2) make fiscal adjustments to decrease the budget deficit by 50%; and (3) develop a monetary program compatible with these fiscal objectives.

The Nagorno-Karabakh conflict, however, remains the biggest obstacle for development. Though peace negotiations continue, a final peace settlement has not materialized. Since U.S. Government assistance to the Government of Azerbaijan (GOA) is prohibited by Section 907 of the Freedom Support Act (FSA) until Azerbaijan takes steps to cease the offensive use of force and lift its embargoes against Armenia, all U.S. assistance continues to be targeted to organizations and individuals not associated with the Azerbaijani government. The focus of this assistance is primarily humanitarian provision of clothing, food and medicines - which are channeled through U.S. private voluntary organizations (PVOs) to Azerbaijan's refugees and internally displaced persons (IDPs). In addition to distributing clothing, food and medicines, PVOs work on projects to construct shelters, to build water-supply and sanitation systems, and to provide basic medical services to remote refugee/IDP camps.

In FY 1995, the U.S. Government provided over \$25 million in assistance to Azerbaijan. Humanitarian assistance accounted for 92% of this total (\$23 million), and was distributed as follows: 34% through the U.S. private voluntary organization, Save the Children, 44% through the U.S. Department of Agriculture, 15% through United Nations agencies, and five percent through U.S. government training and exchange programs. Section 907 of the Freedom Support Act precludes much-needed assistance to the GOA in the areas of health-care, education, political and economic reforms and environmental clean-up.

In the event of a peaceful resolution of Nagorno-Karabakh and subsequent repeal of Section 907, U.S. economic assistance will likely shift from humanitarian provision of food and medicines to more developmentally-oriented assistance. Technical assistance could be provided to help Azerbaijan initiate economic reform and restructuring activities to promote the growth of the private sector through the newly established Trans-Caucasus Enterprise Fund. However, until full peace is negotiated, and full scale extensive well-targeted activities are implemented, Azerbaijan probably will not be able to engage in a comprehensive transition to a democratic market-based society.

USAID expects that Azerbaijan will have the institutional and other resources to continue its own transition. Current plans are to phaseout FSA assistance within the next few years.

#### **Other Donors.**

Major donors and lending institutions include the International Monetary Fund, the International Bank for Reconstruction and Development (IBRD--World Bank) and the European Union. In August 1995, the World Bank approved a \$65 million Rehabilitation credit to support critical reforms in enterprise and economic restructuring. Two earlier World Bank credits were approved to finance technical assistance in petroleum, and privatization reforms. The Bank has also provided a loan for rehabilitation of the power plant and modernization of the water supply system in Baku. Under an International Monetary Fund Systematic Transformation Facility, the GOA has begun a comprehensive program for economic stabilization and structural reforms.

The U. N. High Commissioner for Refugees (UNHCR) plays a major role in coordinating humanitarian response systems with the European Community and other bilateral donors. Humanitarian assistance is also provided by U. N. Development Program, UNICEF, World Food Program (WFP) and the World Health Organization. Overseas Development Assistance was \$146 million in 1994, with the US contributing about nine percent of that sum.

#### **FY 1997 Program.**

USAID's strategy in Azerbaijan has two major objectives: (1) continue to address the humanitarian crises while strengthening the capacity of the country to manage its own social services; and (2) expand efforts to support Azerbaijan's transition to a transparent and accountable governance through the empowerment of citizens in the political processes. If peace does become a reality in the region, the focus of USAID's humanitarian assistance will shift from food, clothing and medicines to housing, and relocation costs for refugees and displaced persons. Additionally, greater assistance will be provided to ensure Azerbaijan's transition to a stable and viable democracy.

#### **Strategic Goal: Democratic Transition**

The purpose of this assistance is to encourage and support Azerbaijan's successful transition to open democratic political and economic systems. To date, 36 Azerbaijanis have received US-based training in the areas of journalism, commercial law, and political party strengthening. In June 1995, the GOA requested USAID assistance for its parliamentary elections. This was viewed as a positive move towards achieving political and economic stability in the country. With Congressional approval, USAID provided approximately \$400,000 through the International Federation for Electoral Systems, the

National Democratic Institute and INTERNEWS for pre-election assistance activities. Additional funding will enable these grantees to continue training in such areas as voter education, political-party building, media development, and independent journalism.

After the parliamentary elections in November 1995, a need for the development of an independent civil society, particularly with regard to labor, became more apparent. In FY 1996, \$140,000 was obligated to the Free Trade Union Institute (FTUI) for trade union organization activities. Continual funding to FTUI will enable it to expand activities to include training and seminars in health and safety, conflict resolution and negotiation skills.

With peace on the horizon, increased assistance in this area is viewed as the critical step in the country's transition. Primary areas for FY 1997 democracy building assistance include: (a) training in public administration, independent media; (b) establishment of rule of law that protects individual rights; and (c) strengthening non-governmental institutions through which citizens can organize and express their opinions.

- **Strategic Objective:** Increased, better-informed citizen participation in political and economic decision-making

**Strategic Goal: Social Stabilization**

The primary aim of this assistance is to build humanitarian response systems for those most disposed by conflict and vulnerable to change. Even in the event of peace in the region, humanitarian assistance to Azerbaijan's refugees, IDPs and vulnerable population will be essential at least through 1997. In FY 1995, more than \$8 million in U.S. Government humanitarian assistance was distributed through a USAID umbrella grant to Save the Children which funded the following programs:

- CARE distributed 219 metric tons of food to 47,000 beneficiaries in IDP camps and adjacent districts in Southern Azerbaijan.
- The International Red Cross distributed clothing to 25,000 needy people and successfully launched a cost-effective self-built mud brick shelter and sanitation project for 7,500 beneficiaries in six regions.
- Relief International mobil health units provided basic medical services to 25,000 people per month and distributed other humanitarian assistance to 200,000 people in ten provinces.
- World Vision provided food to 126,000 people, constructed basic sanitation facilities for 27,000 people and distributed winter clothing to 10,000 people.
- The American Red Cross distributed food and shelter materials to 20,000 vulnerable people and started a new border-relief program in conjunction with the International Committee for the Red Cross.

USAID also contributed \$1.3 million to the United Nations World Food Program's humanitarian activities in Azerbaijan and \$1.2 million to UNICEF to help control Azerbaijan's diphtheria epidemic.

In FY 1997, U.S. humanitarian assistance will continue to be needed in the following areas:

**Medicines:** Within the IDP population, illnesses associated with poor sanitation and hygiene are on the rise. FY 1997 USAID assistance will focus on provision of additional medicines and medical supplies, better targeting of supplies and closer monitoring of the usage of medicines.

**Food Aid:** The U.N. estimates that almost 450,000 people in Azerbaijan are in need of regular food aid. The population includes the most needy refugees and displaced persons, disabled and handicapped people in welfare institutions, and pensioners living alone as well as those whose income

is below the minimum state level. While good coordination has been maintained in the geographical areas where targeted beneficiaries reside, FY 1997 assistance will focus on better and closer coordination among the humanitarian community to enhance the efficiency of aid allocation.

**Shelter:** Only 10% of the refugee and IDP population are living in organized camps. The rest are housed either in public buildings or government-provided shelters or with relatives and host families. The magnitude of this displacement is such that social improvement and economic recovery will largely depend upon solutions found through upgrading existing shelters for refugees or the safe return and repatriation of IDPs to areas of origin. FY 1997 assistance will target efforts to improve both the quality and quantity of shelter to IDPs and refugees, including pre-fabricated shelters for temporary housing and schools.

- Strategic Objective: Reduce human suffering and crisis impact

**AZERBAIJAN  
FY 1997 PROGRAM SUMMARY\***

Strategic Objectives	Economic Restructuring	Democratic Transition	Social Stabilization	Cross-cutting and Special Initiatives	Total
Privatization					
Fiscal Reform					
Private Enterprise					
Financial Reform					
Energy					
Citizens' Participation		5,500,000			5,500,000
Legal Systems					
Local Government					
Crises			16,500,000		16,500,000
Social Benefits					
Environmental Health					
Cross-cutting / Special Initiatives					
<b>TOTAL</b>		<b>5,500,000</b>	<b>16,500,000</b>		<b>22,000,000</b>

\* Freedom Support Act (FSA) funds

USAID Representative: Fred Winch

## ACTIVITY DATA SHEET

**PROGRAM:** AZERBAIJAN

**TITLE:** Crises, 110-S003.1

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$5,500,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Reduced human suffering and crisis impact.

Background: There are almost a million refugees and displaced persons within Azerbaijan as a result of the Nagorno-Karabakh conflict. Many of these refugees live in abysmal conditions by the sides of roads, in decrepit public buildings and in rail cars. The more fortunate live in camps where they receive some but inadequate assistance. Most of these people are passing their third winter in such conditions and continue to need food, shelter and clothing. Although considerable financial and administrative resources are being devoted to this situation, it is likely that Azerbaijan will continue to absorb massive humanitarian assistance in the near future.

USAID Role and Achievements to Date: Through USAID funded NGOs and contributions to international organizations, the U.S. government has been providing humanitarian assistance to the people of Azerbaijan since 1992. USAID-funded grants to PVOs have provided food, clothing, shelter, medical assistance and other commodities to more than 650,000 internally displaced persons. USAID donations to the UN's World Food Program have helped IDPs throughout the country and contributions to UNICEF resulted in the immunization of the entire population against diphtheria.

Description: Given Section 907 restrictions on assistance to the GOA, the USAID program remains predominately humanitarian. However, if the conflict over Nagorno-Karabakh is resolved and Section 907 is subsequently repealed, USAID programs will shift focus from providing primarily food and medicines to assistance with housing and relocation services; and restoration of infrastructure (water, sewage, and electricity). In addition, technical assistance will be provided to help Azerbaijan play a more decisive role in planning, implementation and management of its social services.

Host Country and Other Donors: For the past two years, the European Union (EU) and USAID have successfully coordinated shipment and delivery of humanitarian assistance to the Caucasus. In addition the U.S., the EU, Japan and other bilateral donors have provided millions of dollars worth of fuel, food, medical and other humanitarian supplies. UNHCR plays a major role in coordinating humanitarian assistance provided by the EU and other bilateral donors.

Beneficiaries: Priority targets for humanitarian assistance continue to be approximately 800,000 refugees and internally displaced persons residing throughout the country.

Principal Contractors, Grantees, or Agencies: The main U.S. private voluntary organizations (PVOs) operating in Azerbaijan are Save the Children, CARE, ADRA, World Vision, International Rescue Committee, Relief International, and the American Red Cross.

Major Results Indicators:\*

Amount of temporary assistance appropriately targeted  
Number of people with reduced suffering because of access to: (1) food (2) shelter and (3) clean water, etc.  
Restoration/reconstruction of basic infrastructure on which future economic development depends

**\*These are illustrative indicators. ENI missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.**

## ACTIVITY DATA SHEET

**PROGRAM:** AZERBAIJAN

**TITLE:** Citizens' Participation, 110-S002.1

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY1997: \$16,500,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1992; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: Increased, better-informed citizen's participation in political and economic decision-making.

Background: Azerbaijan's progress towards democracy was slowed following the emergence of a new Azerbaijani Government in June 1993. This was further exacerbated by the Nagorno-Karabakh conflict which has hampered the development of democratic reforms and state and regional institutions. While President Aliyev has stated his commitment to democracy, more needs to be done to implement democratic reforms.

USAID Role and Achievements to Date: USAID-sponsored programs have been instrumental in promoting the slow, albeit continuing evolution of democratic and participatory governance. USAID provided \$400,000 for election related activities for the November 1995 presidential and parliamentary elections. Leaders of 12 independent parties, selected by the US Embassy in Baku, received training in political party strengthening and governance, and 36 Azerbaijanis received USAID sponsored training in electronic media, journalism, commercial law, and political party development. A joint program sponsored by USAID and USIA for journalists representing each of the Caucasus, served as an opportunity to promote cooperation within the region.

Description: Within the parameters of Section 907, USAID assistance is channeled to the National Democratic Institute (NDI) and the International Foundation for Election Support (IFES), for training in electoral reform, political party strengthening and civic education. Multiple free and competent information sources are being promoted through USAID grants to INTERNEWS and NDI. USAID sponsored activities also support Free Trade Union Institute (FTUI) programs in labor and trade union development, conflict resolution, and negotiation and collective bargaining issues.

Host Country and Other Donors: Ongoing efforts in the democracy sector are coordinated with the U.N., OSCE and the EU. Technical and financial resources are also provided by USIA for training and exchange programs in journalism and mass media.

Beneficiaries: Attempts are made to reach citizens representing a wide spectrum of skills and occupations who are able to successfully promote and pursue democratic initiatives, such as political leaders, non-government organizations (NGOs), human rights groups, and women's advocacy groups.

Principal Contractors, Grantees, or Agencies: USAID sponsored activities are implemented by non-government organizations such as Internews, FTUI, IFES and NDI.

Major Results Indicators:\*

Number of changes made to government policy as a result of citizen participation

Percent of citizens who believe they are being represented by their legislators

Existence of laws protecting freedom of association, assembly and speech

Percent of news coverage expressing opposing views

Percent of public with opinion that elections are free, fair and transparent

Rating of elections as free and fair by local and international monitors

\*These are illustrative indicators. ENI missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## BELARUS

**FY 1997 Assistance to the NIS Request:.....\$10,000,000**

### **Introduction.**

The U.S. has three strategic interests in Belarus. First, similar to all of the New Independent States of the former Soviet Union, the U.S. Government wishes to see Belarus join the community of democratic, market oriented nations at peace with itself and its neighbors. Second, Belarus is a strategically located buffer between an increasingly assertive Russia and former states of the East bloc seeking closer ties with the West and possible NATO membership. Third, there is a continuing interest in seeing Belarus maintain its commitment to internationally supported arms agreements. However, Belarus is among the slowest of economic and democratic reformers in the NIS and the U.S. assistance request is appropriately modest.

### **The Development Challenge.**

Belarus has been called the "assembly line" of the former Soviet Union, and despite drastic falls in output, per capita income in purchasing power parity terms remains among the highest in the NIS. However, production is patently inefficient and energy intensive while the country remains highly dependent on energy sources elsewhere in the NIS. Symptomatic of structural problems, market costs of energy imports are beginning to exceed export values. In the early years of independence the Government of Belarus (GOB) attempted to retain a soviet style administered economy in contrast to its liberalizing neighbors. Events are increasingly showing that Belarus cannot thrive in isolation from these neighbors. Uncontrolled inflation, 93% in 1991 upon independence, approached 2000% in 1992-1994. In 1993, the GOB undertook discussions with the International Monetary Fund (IMF) on a Structural Transformation Facility and with the World Bank for a Rehabilitation Loan. Inflation has more recently been constrained and the budget kept reasonably in balance. This brought the IMF back for consultations, but despite initial progress in discussions GOB adherence to agreements has been generally unsatisfactory. In the name of stability, the GOB recently has experimented with a dual exchange rate and has attempted to support an overvalued official exchange rate resulting in a critical loss of reserves. The IMF canceled the first review of a Standby Agreement over lack of performance on exchange rate policy, external payments and structural reform. These economic difficulties will postpone adjustment and conceivably spill over into the social field.

Privatization also lags. USAID has funded successful small scale privatization through the International Finance Corporation (IFC), but broader efforts have not been encouraged, re-enforcing the lack of engagement of donors. Around 15% of GNP, 10% of non agricultural output and perhaps 10% of firms and as low as five percent of the labor force is estimated to be generated entirely in the private sector, among the lowest ratios in the NIS. State owned enterprises remain largely untouched by privatization and many are insolvent. Ceilings are administered on profit margins for wholesale and retail trade.

The World Bank classified Belarus as a "Less Indebted Middle Income Country" with relatively low ratios of debt service to exports and debt per capita. This desirable position is now clearly threatened by the economic situation described above.

Progress in democratization as indicated by independent judiciaries and media also mirrors the Soviet system and lags its Eastern European and NIS neighbors. May 1995 parliamentary elections were judged less than free and fair and low voter turnout invalidated results in most districts. Observers noted lack of press freedoms, campaign restrictions and a flawed election law. A new legislature did not convene, leaving Presidential power largely unchecked. However, a relatively high voter turnout in December 1995 elections in response to President Lukashenka's efforts to discourage voting

resulted in a functioning parliament.

President Lukashenka continues to advocate closer integration with Russia, to the point of reabsorption, although there is some opposition to closer integration within Belarus. Russia appears not to be willing to bear the costs of an expensive appendage.

USAID expects that Belarus will have the institutional and other resources to continue its own transition. Current plans are to phaseout Freedom Support Act (FSA) assistance within the next several years.

#### **Other Donors.**

Lack of progress with the IMF has slowed implementation of World Bank and European Union sectoral projects necessary to further reform. A European Union voucher privatization scheme for larger organizations was last reported to be stalled.

#### **FY 1997 Program.**

The development challenge continues largely unchanged from the previous year. Priorities for U.S. technical assistance, outside the Nunn-Lugar program, remain economic restructuring, democratization, and humanitarian assistance. Limited U.S. assistance will remain targeted on reform-minded elements and take advantage of opportunities to encourage progress where possible.

#### **Strategic Goal: Economic Restructuring**

Strengthening municipal ability to pursue privatization is key to building consensus and support for the process at all levels. Belarus, with the assistance of a USAID-funded IFC project, is making progress on small scale privatization (SSP). IFC has expanded the project from five cities to 10 in the last two months. The Belarus SSP showcase city, Brest, boasts a small scale privatization rate of 54%. Three other cities are between 28% and 45% privatized. They have faced a difficult political climate, including a President who made anti-market reform comments and a Parliament that was inactive for most of 1995. However, in December 1995 the President signed a 1996 Privatization Program, which is an encouraging sign. USAID had anticipated SSP to be completed (with enterprises 70% privatized) by the end of 1996. Due to political delays, USAID now envisions final funding of this activity in FY 1997.

The Western NIS Enterprise Fund plans to open an office in Minsk by June 1996 and expects to approve its first investments in Belarus in early FY 1997.

- **Strategic Objective:** Increased transfer of state-owned assets to the private sector

#### **Strategic Goal: Democratic Transition**

USAID assistance has served to strengthen the legal profession. Ongoing activities include support for the Union of Jurists law library, continuing education for lawyers, and legal associations. Training in legislative drafting will also continue with a focus on a labor code and, where appropriate, assistance to the newly elected parliament. Support for the Constitutional Court, which has shown encouraging signs of independence from the Executive Branch, will also continue. Although the current political environment in Belarus limits the range of potential media activities, planned activities are likely to include training of journalists in management and reporting skills, as well as support to journalist associations with a focus on improving media laws and promoting freedom of speech. USAID will also continue working with the small NGO community, which has the potential to develop into an important alternative to the State. To date, Belarussian NGOs participating in USAID training have increased their membership by 25%. Training and exchange programs are closely integrated with Democracy

initiatives.

- Strategic Objective: Legal systems that better support democratic processes and market reforms
- Strategic Objective: More effective, responsible and accountable local government

#### **Cross-cutting/Special Initiatives**

As a result of Belarus' inability to provide adequate social services during the difficult economic and political transformation, USAID is providing support to the institutional development of local non-governmental organizations (NGOs) whose efforts are critical as part of the private sector network of organizations providing social protection services. To date, USAID has trained about 125 budding NGO leaders in basic NGO management and sustainability. Consequently, the number of NGOs in Belarus has increased dramatically since independence and many of these emerging NGOs address the urgent needs of the social sector. Furthermore, in order to alleviate to the extent possible the hardships imposed on the most vulnerable populations during the country's difficult transition, USAID continues to provide humanitarian assistance (medical supplies, basic living supplies and capital goods) through local NGOs and social services to meet the critical needs of these groups. To date, over \$800,000 worth of DOD excess property and in-kind donations has been delivered. USAID also provides small grants to local NGOs working to provide sustainable social protection services to vulnerable populations and supports U.S. NGOs working in partnership with local NGOs, delivering needed services to vulnerable groups while working together to strengthen the local NGOs to carry-on this service.

By 1997, USAID expects to double the total number of small grants to strengthen local NGO efforts to provide sustainable social protection services. USAID will also continue to strengthen the rapidly growing NGO sector by providing advanced and more specialized training of NGO leaders.

USAID has also supported a hospital partnership program between the Children's Hospital N4 and the Pittsburgh Hospital Center which focusses on pediatrics, poison control, and hospital administration and management. Through the partnership, the Children's Hospital N4 initiated plans for development of a complete and accurate registry of childhood cancer. Consequently, physicians have been able to meet the pressing need to improve detection and treatment of an increased number of pediatric thyroid cancers resulting from Chernobyl. The partnership program has also helped to establish a contemporary poison information resource database and an intensive training program for clinical toxicologists in Minsk at the Poison Control Center of Children's Hospital N4. Currently, the Poison Control Center is staffed 24 hours a day, seven days a week.

A USAID-supported environmental program is helping reduce industrial pollution and improve the quality of drinking water through pollution reduction in the Pripyat basin.

**BELARUS  
FY 1997 PROGRAM SUMMARY\***

Strategic Objectives	Economic Restructuring	Democratic Transition	Social Stabilization	Cross-cutting and Special Initiatives	Total
Privatization	1,500,000				1,500,000
Fiscal Reform					
Private Enterprise					
Financial Reform					
Energy					
Citizens' Participation		700,000			700,000
Legal Systems		1,000,000			1,000,000
Local Government		500,000			500,000
Crises					
Social Benefits					
Environmental Health					
Cross-cutting / Special Initiatives				6,300,000	6,300,000
<b>TOTAL</b>	<b>1,500,000</b>	<b>2,200,000</b>		<b>6,300,000</b>	<b>10,000,000</b>

• Freedom Support Act (FSA) funds

USAID Mission Director, Gregory Huger

## ACTIVITY DATA SHEET

**PROGRAM:** BELARUS

**TITLE:** Privatization, 110-S001.1

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,500,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1994; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Increased transfer of state-owned assets to the private sector

Background: USAID provides technical assistance for small-scale privatization in Belarus because we believe that although the Government of Belarus is reluctant to promote full-fledged market reform, small-scale privatization can be one method to reform the formerly socialist economy. Support for this program is predicated on the idea that the transfer of the retail sector into private hands quickly, fairly and transparently, will encourage Belarussians to support the development of a market economy.

USAID Role and Achievements to date: USAID has funded a small-scale privatization program since May 1993. The technical assistance program began with a pilot project in Brest, which held the first open auction in Belarus in September 1993. Since then, the program has expanded to three additional cities: Grodno, Orsha and Minsk. As of October 1995, USAID-funded cities have privatized 251 enterprises, including 168 through competitive auctions.

Description: USAID's activities will include privatization seminars for privatization officials, state enterprise employees and local entrepreneurs; implementation of an incentive scheme to encourage employee-leaseholders to buy out enterprises; drafting a decree to lower action start prices for objects; working on an amendment on the process of valuation for objects; continuing public relations campaign to promote privatization programs, improve Belarussians' understanding of privatization and market reform, and to encourage private sector involvement in the privatization process; and design and implementation of government condominium privatization.

Host Country and Other Donors: No other donors are funding privatization programs specifically. In December 1995, the Belarussian President Lukashenko signed the 1996 Privatization Program Decree which would clear the way for large and medium scale privatization. However, since then the President has made statements to the detriment of the program. No promulgation of the program has taken place and no implementation has occurred.

Beneficiaries: The main beneficiaries of the small-scale privatization program are the residents of the ten cities where USAID is funding the program. These Belarussians have benefitted from lower prices for goods and greater selection of items in their local stores. In addition, officials from other oblasts who have seen for themselves the results of the privatization program have been inspired to initiate programs in their cities. This propagation of the program led to five more cities coming into the small scale privatization program since November 1995.

Principal Contractors, Grantees, or Agencies: The International Finance Corporation is implementing the USAID-funded small scale privatization program in Belarus.

Major Results Indicators\*:

Percent of business assets in state-ownership nation-wide.

Percent of GDP attributable to private sector activities.

Percent of housing privately owned in specific localities.

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** BELARUS

**TITLE:** Citizens' Participation, 110-S002.1

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$700,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Increased, better-informed citizens' participation in political and economic decision-making.

Background: Despite the generally free and fair presidential elections in 1994, democratic reforms have not progressed under the new president. Faced with an uncooperative parliament and seeking to consolidate executive power, President Lukashenko discouraged turnout in the 1995 parliamentary elections. The new parliament, which just managed to seat a majority after a runoff round of repeat elections in November, had joined the Constitutional Court in challenging Lukashenko's decrees. While not entirely pro-reform itself, the new parliament is likely to support those democratic reforms which weaken the executive branch. The public lacks basic and objective information. The state maintains a monopoly over distribution and printing of newspapers. Although independent newspapers, TV stations, and radio stations exist, they are strictly limited in their ability to cover news. In addition to outright censorship, self-censorship is common given the government's ability to revoke licenses, raise rents, impose taxes, and restrict access to materials. At least one independent newspaper prints in Lithuania and provides its own distribution. Non-governmental organizations (NGOs) exist but they are small, poorly funded, and have few legal guarantees.

USAID Role and Achievements to date: Public policy and social service NGOs are being strengthened through training and small grants. USAID overtures to provide election-related assistance were not welcomed, and the political situation has limited to potential role of USAID. The Eurasia Foundation has supported independent media with small grants.

Description: Counterpart provides training and assistance in institutional development to Belarusian NGOs. USAID plans to initiate a media assistance program in Belarus that will attempt to provide maximum impact given the obvious constraints imposed by the current political situation. An assistance program will focus on building capacity and skills in areas less likely to elicit negative consequences. Activities could focus on management training, economic reporting skills, civic education programming and demonstrating the role of media in an emerging democracy.

Host Country and Other Donors: The Belarusian Soros Foundation has a number of activities in support of independent media in Belarus.

Beneficiaries: The public, members of NGOs, journalists, and managers of independent media entities.

Principal Contractors, Grantees, or Agencies: Counterpart provides assistance to NGOs. The Eurasia Foundation awards small grants to small businesses and media organizations. The media provider has not yet been determined.

### Major Results Indicators\*:

Number of new federations, organizations, coalitions, etc. formed to promote/oppose specific policies and legislation

Existence of laws protecting freedom of association, assembly and speech

Percent of news coverage expressing opposing views

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** BELARUS

**TITLE:** Legal Systems, 110-S002.2

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997 \$1,000,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Legal systems that better support democratic processes and market reforms.

Background: International observers declared the parliamentary elections held in May and November 1995 to be less than free and fair, in large part due to government interference. A referendum in May 1995 supported Lukashenko's proposals for closer ties with Russia. A new constitution was adopted in 1994, but drafting and enforcement of laws and codes are inadequate. The ongoing political battle between the executive and legislative branches in Belarus has highlighted problems hindering legal reform in Belarus. Whereas the Constitutional Court has clearly demonstrated its independence by declaring numerous presidential decrees unconstitutional, its ability to remain independent is being challenged by President Lukashenko.

USAID Role and Achievements to date: USAID-supported activities have focused attention on legal issues and helped maintain attention on legal reform issues in Belarus. Legal professionals and legislators have access to important resources and are provided with expert advice, analysis of draft laws, legislative drafting training, ABA/CEELI advisors had a significant impact on the parliamentarians who adopted the 1994 post-Soviet constitution, and have provided assistance on drafting a new labor code.

Description: USAID-funded assistance enhances the legal profession by strengthening legal associations and developing continuing legal education programs. Assistance is also provided in areas of legislative drafting training, labor law and judicial reform.

Beneficiaries: The Union of Jurists, Supreme Economic Court, Constitutional Court, and members of parliament all benefit from ABA/CEELI assistance.

Principal Contractors, Grantees, or Agencies: ABA/CEELI is the primary provider of assistance in the legal sphere.

### Major Results Indicators\*:

Percent of population knowing/understanding specific rights

Targeted laws are:

- up-to-date
- published in a timely manner
- available to all judges and court officials organized in a manner that expedites research

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** BELARUS

**TITLE AND NUMBER:** Local Government, 110-S002.3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$500,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1995: **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: More effective, responsive, and accountable local government.

Background: Belarus operates under a confused Soviet-era system with central and local government. Support to strengthen local government is especially important in Belarus where the central executive branch is resisting reform. Nearly all local government officials lack knowledge and experience in public administration, e.g., human resource management and finance management. All staffing, office and administrative expenses of the finance departments in cities are financed directly by the Federal Government. Thus, municipal finance systems lack incentives for effective, cost sensitive program budgeting and monitoring. However, local governments are responsible for many municipal services, such as transportation, health, education, and housing. This highlights the need for developing a transparent, consensus-based intergovernmental system that ensures revenue-expenditure balance and an independent revenue privilege. There are therefore two considerations to address: the need for local governments to be autonomous in order to decentralize power, and the need for new local government laws to be passed and enforced in order to reinforce democratic practices at the level most accessible to citizens.

USAID Role and Achievements to date: Local governments in other NIS countries are becoming the venue for the development of democratic leaders and governance, through the introduction of a variety of mechanisms such as more open budgeting, town meetings, citizen task forces, constituency outreach and local government watchdog groups. Municipal governments are improving their financial management while becoming more transparent and accountable to their citizens. Important reforms include associations of cities, capital improvements, and more public dissemination of government activities. USAID will begin activities in FY 1997 to help bring these reforms to Belarus.

Description: The USAID role in Belarus will be consistent with our inventions in other countries. Efforts will focus on the development of an association of municipalities, planning capabilities, and more transparency in government operations.

Beneficiaries: Mayors, city administrators, local government officials and policy makers are the primary beneficiaries of these programs, and the public are the secondary beneficiaries through improved services and more responsive government.

Principal Contractors, Grantees, or Agencies: USAID's activities in local government reform are implemented by the Research Triangle Institute.

### Major Results Indicators\*:

Percent of communities where X percent of resources are being efficiently used for projects

Percent of national revenue flowing to local government

Passage of legal, fiscal and procurement reforms that empower local governments

Percent of local population that believes management and delivery of services at municipal level are:

--improved,

--more cost effective,

--responsive

to their needs and desires (desegregate by subgroups of population, regions of country and other

relevant/important categories)

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## BOSNIA-HERZEGOVINA

FY 1997 Assistance to Central Europe Request ..... \$200,000,000  
FY 1997 P.L. 480 Title II ..... \$25,000,000

### Introduction.

The war in Bosnia-Herzegovina (Bosnia) has had profound effects throughout Europe, which directly impact U.S. strategic concerns and economic interests. Under the agreement brokered by the United States that resulted in the Dayton Peace Accords, the U.S. committed troops to a multinational force in Bosnia and pledged U.S. help in a multinational civilian peace implementation program. With the signing of the peace accords in Paris in December, 1995, the international community assumed a responsibility to help rebuild war-torn Bosnia and promote economic and democratic incentives for maintaining peace once the North Atlantic Treaty Organization's (NATO) Implementation Force (IFOR) leaves the country. Economic revitalization and the creation of an environment in which democracy will take hold and flourish, cements U.S. diplomatic efforts and provides the foundation for sustained peace. Other donors, particularly the European Union and the Organization of Islamic Countries (OIC), are expected to assume the greatest financial burden for rebuilding Bosnia. The United States plays an important, supportive and often times catalytic role in setting the course for sound reconstruction policies and for a market-driven economy. At the moment, USAID is the only bilateral donor with an active presence in Bosnia. USAID's lengthy and extensive in-country humanitarian assistance experience has resulted in a deep appreciation of local conditions, leaders, and realities.

The U.S. assistance program is integral to the IFOR mission. It is imperative that people quickly see the benefits of economic growth and reconstruction and participate actively in democracy building in order to cement the peace process. This will create the necessary atmosphere and framework to allow U.S. troops to withdraw. The United States assistance program seeks a stable post-war Bosnia with strong Federation institutions, a functioning free-market economy and democratic government. To accomplish these objectives, USAID envisions a non-permanent mission in Bosnia with three years of recovery and reconstruction funding and closeout by the beginning of the 21st century.

### The Development Challenge.

U.S. national interests required our participation in the military support for the peace process initiated with the Dayton Peace Accords. Those same interests also compel continued participation in reconstruction. The war decimated the Bosnian economy, destroying substantial amounts of productive capacity and infrastructure. GDP per capita has been reduced by 75% and economic production is operating at 6% of pre-war levels. Major national industries have been shut down and may not, and in some cases should not, reopen, while many private enterprises have been equally devastated. High unemployment stands as a major issue certain to be heightened by the return of demobilized soldiers. The population of Bosnia has dropped from a pre-war level of four million to less than three million. With 1.3 million displaced persons in Bosnia, 900,000 in surrounding territories, and 800,000 displaced abroad, resettlement presents a major challenge to the peacemakers, complicated further by the partial or total destruction of 60% of the housing stock. Because of the economic and social consequences of the war, many became dependent on international relief assistance.

USAID has provided substantial humanitarian assistance throughout the war, although European contributions for humanitarian assistance over this same period have been more than twice the \$1 billion U.S. contribution (though predominantly for maintenance costs for refugees in Europe). USAID's Foreign Disaster Assistance program has provided emergency humanitarian programs in the former Yugoslavia, mostly in Bosnia, since FY 1992. NGOs implement the majority of these programs and traditionally work in the sectors of water and sanitation, health, shelter repair and winterization

assistance. Typical commodities distributed through the NGOs include supplemental food parcels, blankets, plastic sheeting, basic shelter materials, emergency medical supplies, winter clothing, agricultural seeds, hygiene items and sanitation kits.

From FY 1992-95, USAID has provided about \$110 million in humanitarian assistance to the former Yugoslavia through the Foreign Disaster Assistance program. To date in FY 1996, it has obligated some \$14 million and programmed another \$7 million, almost all of it for Bosnia. The program's mandate focuses on emergency relief and rehabilitation. USAID continuously monitors the humanitarian requirements on the ground, and its programs can phase into longer-term reconstruction projects when emergency humanitarian needs no longer exist.

Through the P.L. 480 Title II program, USAID has provided over \$340 million in emergency food assistance since 1991, of which over \$270 million has been programmed through the World Food Programme. The bulk of all food (85%) goes to Bosnia, although USAID-provided food may also feed refugees in other parts of the former Yugoslavia. To date in FY 1996, \$50 million of \$60 million in planned assistance has been obligated. For FY 1997, \$25 million in Title II assistance is planned at this time.

The most important task facing Bosnia is the reactivation of productive capacity, creating jobs and income, so that people no longer depend on humanitarian assistance. The resumption of economic activity will also enable the expected 100,000 demobilized soldiers to be reintegrated into their communities with gainful employment, thereby acquiring a stake in a lasting economic recovery. Paralleling the reconstruction process, the country needs to build the framework and create a conducive environment for a private sector market economy.

There are positive elements in Bosnia's pre-war economic situation which may smooth the road towards economic reconstruction and democratic reform. The country has significant productive capacity and potential for creating jobs. The relative openness of the former Yugoslav economy, the limited but growing presence of private enterprise, and established links to international markets even during the Communist period can serve as a foundation for post-war reconstruction. A sizable portion of Bosnia's pre-war exports were directed to western and other convertible currency markets and Bosnia traditionally had a balance of payments surplus. The country also has a resilient, entrepreneurial, and well-educated population capable of leading the way to economic recovery and a democratic peace. Further, the country has a tradition of municipal autonomy and decentralized administration that offer promise for local democratic governance.

Bosnia faces a severe balance of payments deficit since the country must import most of the goods and services required for reconstruction. A substantial portion of USAID resources will be geared towards bridging this balance of payments gap to help ensure compliance with a structural adjustment program supported by International Financial Institutions. In FY 1996, a Reconstruction Finance program will provide quick disbursing loans to support small and medium private enterprises. Credit will be channeled through existing commercial banks, *with full USG oversight and monitoring*, to viable firms. With this working capital, such firms will be in a position to make short- and medium-term capital improvements, to invest in equipment and inventory, and to support letters of credit for imports. Repayments will be funneled back into the banking system to increase available capital for future lending. A network of U.S. technical assistance and expertise will be made available to improve credit evaluation procedures, train the future cadre of Bosnian bankers, and assist firms in developing feasible proposals. A small business micro-lending component will also be implemented utilizing an experienced U.S. organization. The Reconstruction Finance project will also supplement the World Bank's \$30 million emergency line of credit to Bosnia in a parallel financing arrangement.

In close collaboration with the IMF and the World Bank, the USG will provide technical assistance to new Federation institutions to help them address critical fiscal and monetary policy issues. USAID, assisted by the U.S. Treasury Department, will provide assistance in tax policy and administration,

budget and expenditure management, as well as modernization of customs administration. Technical assistance in the banking sector will focus on bank supervision, asset restructuring and bank privatization. Assistance to enterprises will concentrate on privatization and developing the legal and regulatory framework needed to support the reconstruction process and free-market economic and commercial relations. Bosnian authorities have emphasized that they do not want to simply rebuild former systems, but begin reforming during the rebuilding process.

Through a major Municipal Infrastructure and Service initiative, financing will be made available in participating cantons and municipalities, primarily in the U.S. IFOR sector, Sarajevo, and cantons in which the USG has a strategic or political interest. USAID resources will be focused on urgent local infrastructure repairs and the restoration of essential services, such as electric power, water supply and wastewater management, and solid waste management. This initiative will support local Federation capacity to attract displaced persons and refugees back to their homes and simultaneously generate immediate employment and income. Stimulating economic activity will support a rapid return to normalcy and serve as a visible sign of U.S. commitment to the reconstruction effort to Bosnia's citizens. This initiative is closely coordinated with an emergency shelter repair program designed to address immediate housing concerns.

The development of a strong democracy and enduring Federation institutions are key elements to building a peaceful, just and multi-ethnic society in post-war Bosnia. USAID technical assistance and training will concentrate on developing a commercially-viable, professional, and independent media to guarantee citizen access to information, serve as an open forum for alternative views and opinions, and help overcome the extremism, polarity, and ethnic nature of state-supported electronic media. In the pre-election period, USAID will provide training for journalists in electoral reporting techniques and provide small grants to local media, resulting in independent election-related information for voters. USAID will also help create the necessary environment so that alternative candidates, whose positions are less polarized than ethnic-based leaders, may participate fully and freely in elections and in the political system as a whole. At the same time, voter education activities will strive to demonstrate the benefits of a participatory democratic society.

USAID will focus on strengthening intergovernmental relations by linking municipalities and cantons to the Federation through an intergovernmental finance system. The cantonal system is new in Bosnia and integrating intermediate and local levels of government in a federal system will be a key challenge over the next years. Direct technical assistance will also strengthen the capacity of cantons and municipalities to manage their budgets and deliver services such as fostering an environment for economic development and establishing open, transparent procurement systems.

A professional, dispassionate and ethnically neutral judicial system is one of the essential building blocks of democracy. USAID will continue to provide assistance and expertise in developing rule of law principles and a system of judicial administration to complement international assistance for the creation of a civil police force, critical for ensuring the safety and security of Bosnian citizens, including displaced persons returning to their homes.

#### **Other Donors.**

The international donor community and the international financial institutions will ultimately have to assume the largest share of the costs involved in rebuilding war-torn Bosnia. The United States' contribution, in the short-term, is meant to be a catalyst for larger-scale, long-term commitments by other donors. Moreover, international contributions over the next year will be essential to the success of elections, police training, economic reform, respect for human rights and continuation of humanitarian assistance. The World Bank estimates that Bosnia will require over \$5.1 billion to finance high priority reconstruction projects. The U.S. concurs in this estimate. Of this amount, \$3 billion is to be covered by individual donor states; the rest by International Financial Institutions, debt reduction

and foreign direct investment. Thus, the U.S. commitment to contribute \$600 million over the next three years represents 20 percent of the World Bank's estimate of the bilateral share of reconstruction needs. While the United States has assumed a leadership role in market reform, employment generation and democracy-strengthening, other donors will be heavily involved in financing sectoral programs with particular emphasis on infrastructure.

#### **FY 1997 Program.**

A lasting measure of the ultimate success of the IFOR mission will be economic recovery in Bosnia-Herzegovina. U.S. leadership and active engagement is essential to the peace process and to the success of the reconstruction and development effort which support economic recovery. This will become increasingly important following the withdrawal of IFOR troops in late 1996. USAID's FY 1996 program concentrates on laying the groundwork and creating a conducive environment for an enduring and just peace in Bosnia. The FY 1997 program will build directly upon these efforts to expand economic productivity and employment, and support democratic growth. Major initiatives in private and financial sector development, municipal infrastructure and housing repair, as well as democracy and Federation building will continue to serve as the primary avenues of USAID assistance. To support this program, USAID will need authority to use \$4 million of the proposed funding amount for operating expenses for our field mission in Bosnia.

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

Under the Dayton Accords, the parties agreed to support a program of rehabilitation of infrastructure and economic revitalization, establishment of political and constitutional institutions in Bosnia and Herzegovina, and the holding of free and fair elections. The U.S. assistance program has been specifically tailored to accomplish these objectives in the following ways:

- Accelerated development and growth of private enterprises and employment
- Increased transfer of state-owned assets to the private sector
- Increased soundness of fiscal policies and fiscal management procedures
- A more competitive and market-responsive private financial sector

Revitalizing the Bosnian economy to increase employment and supporting the development of the private sector through the reconstruction process will continue to be a primary goal of the USAID program in 1997. The rapid injection of capital into the Bosnian economy to jumpstart production and generate immediate employment, will be supplemented by the development of the necessary financial systems and legal framework to maintain economic growth. Building on a newly-stabilized economy, USAID programs and technical assistance will support the reconstruction and privatization of viable state-owned enterprises and continue to promote the efficient use of fiscal resources at the national, cantonal, and municipal level. The second year of the Reconstruction Finance project will see more decision-making responsibility and accountability transferred to Bosnian commercial banks as a way of strengthening a modern and efficient private financial sector.

- Restoration of municipal services
- More effective, responsive and accountable local government
- Increased, better informed citizens' participation in political and economic decision-making

Recognizing that the 1996 elections are a watershed event in forging a lasting peace, in the post-election environment in 1997 USAID assistance will strive to validate the election process in the eyes of the populace and support activities which demonstrate the benefits of a participatory democratic society. Balance of payment support which is directed to the local governments for reconstruction will continue and reinforce the democratic process. The role of the independent media in ensuring free and open flow of information for Bosnia's citizens will continue to be critical as will support for moderate political parties within a functioning democratic political system. Ultimately, the long-term prospects for peace in Bosnia will rest upon mechanisms to peacefully resolve disputes, whether criminal or civil. USAID will continue work to strengthen Federation judicial institutions ranging from Constitutional to municipal courts, helping train judges and administrators as well as spur the growth of the Bar and other legal associations.

## BULGARIA

**FY 1997 Assistance to Central Europe Request . . . . . \$31,000,000**

### **Introduction.**

During the early years of post-Communist Bulgaria, the Government of Bulgaria (GOB) undertook a number of political and democratic reforms, passing over 200 laws in the first few years after Bulgaria's 1989 political changes. Along with other donors, the USG helped to establish the underpinnings of a free market economy through liberalized pricing structures, expanded trade measures, right to private property, land restitution and liberal laws on privatization, and a legal framework for competition and foreign investment.

### **The Development Challenge.**

In September 1994, Bulgaria reached agreement with commercial bank creditors on debt and debt service reduction. The impact has been to reduce gross external debt from \$12.5 billion at the end of 1993 to \$10.4 billion at the end of 1994. The upfront costs of the buy-back option of the debt agreement amounted to \$716 million, which was funded by foreign currency reserves as well as loans from the IMF and World Bank. A third rescheduling of official obligations with the Paris Club was completed in April 1994 easing the country's liquidity problem.

Reform since 1992 has slowed in critical economic restructuring areas, e.g., public services pricing (especially energy and health), industrial and agricultural privatization, and the banking sector, leading to a re-evaluation of the USG program thrust. The central government's commitment to increase the reform pace has been unclear in a number of areas, although the most recent government (Bulgarian Socialist Party or BSP), has demonstrated renewed commitment to mass privatization and social reform. To help optimize the impact of our assistance, the USG has increasingly targeted assistance to local level partners such as reform-minded municipalities and non-governmental groups, while continuing to support reform at the central level when impact can be made.

USAID expects that Bulgaria will have the institutional and other resources to continue its own transition. Current plans are to phaseout Support for East European Democracy (SEED) Act assistance within the next several years.

### **Other Donors.**

Collaborating with other donors has enabled USAID-Bulgaria to leverage more funds for USAID-related activities. The International Monetary Fund (IMF), World Bank (IBRD), European Bank for Reconstruction and Development Bank (EBRD), Organization for Economic Cooperation and Development (OECD), and the European Union work in the areas of macroeconomic policy, bank restructuring, budget development and tax policy. Programs supporting Bulgaria's Mass Privatization Program (MPP) by EC-PHARE and the French government complement USAID's efforts in helping the GOB implement the MPP. The Dutch government has indicated a strong interest in developing a program to further strengthen the capacity of local governments. Also, donors like the Swiss government have been instrumental in providing assistance effectively supplementing USAID's environmental activities in Bulgaria.

## **FY 1997 Program.**

The Bulgaria program will continue to focus upon private sector growth in a free enterprise system and grass-roots democracy as the fundamental forces driving the transition process. These areas will continue to be supported by work to restructure the social safety net system appropriate to a free market. Final-year obligation to an activity negotiated under the UN's Global Environmental Facility, and continuing support to a nuclear safety program organized under the auspices of the UN complete the picture. Under private sector growth, direct provision of debt and equity finance through non-governmental activities will continue to lead the program. Supporting initiatives in the legal/regulatory environment, technical skills transfer and privatization will supplement the main effort. In grass roots democracy-building, the program focus will continue to be on local governance and building popular participation in public policy decision making.

### **Strategic Goal: Economic Restructuring**

The Bulgarian economy is still far from reaching its potential. After steep declines in the early 1990s, Bulgaria's economy appears to be rebounding, with 2.4% growth estimated for 1995. The internal transition to a market economy has proceeded with fits and starts. The private sector now contributes more than 35% to the GDP, and per capita income has increased slightly over the past two years in nominal terms. Key laws related to finance and banking, the environment, non-governmental organizations and social programs have not been passed by the GOB. Market or cash privatization and private foreign investment are severely hampered by bureaucratic lethargy or opposition. A precarious situation in the banking sector and slow progress in privatizing costly and inefficient state-owned enterprises continue to be major impediments to the structural reform process. Despite this, progress towards mass privatization demonstrates that momentum for reform can be maintained by the GOB; local government leaders have emerged as catalysts for local privatization and private sector reform in spite of structural weaknesses and a poorly defined enabling environment.

- Strategic Objective: Increased transfer of state-owned assets to the private sector
- Strategic Objective: Accelerated development and growth of private enterprises

### **Strategic Goal: Democratic Transition**

USAID's programs are designed to help build Bulgaria's democracy through improved popular participation in decision making and strengthened local government. The successful conduct of several elections and the growth of the private sector are good first steps for acceptance of democratic principles. The Democracy Network Program will develop grass roots organizations' ability to facilitate popular participation in public policy making and improve the enabling legal and regulatory environment for them. Through the Local Governance Initiative, USAID seeks to build local government's ability to carry forward the process of decentralization by: a) increasing the membership and organizational capacity of municipal associations, especially strengthening their abilities to lobby the central government.; b) increasing local governments' responsiveness to citizenry, c) equally building successful models for civic participation; and, d) by improving the quality of municipal services. USAID programs will continue to strengthen non-governmental groups and the media, as well as the abilities of the judiciary, to sustain democratic progress.

- Strategic Objective: Increased, better informed citizens' participation in political and economic decision-making
- Strategic Objective: More effective, responsive and accountable local government

### **Strategic Goal: Social Stabilization**

The dismantling of the centrally planned economy, the high rate of inflation and institutional inertia have severely undermined the living standards of the Bulgarian population since 1989. The government appears committed to changing existing practices and introducing new services, with recent legislative steps in social insurance and pending, major health and environmental laws before parliament. The USG program has targeted high impact activities to demonstrate new ways of delivering services or perform important social functions. The USG has assisted the GOB to put in place nationwide market-oriented operating procedures for use by local and regional labor offices, and also helps with organized labor to improve workplace industrial relations. A long-term program to help the GOB develop new social security policies and procedures is being planned with extensive multi-donor cooperation being led by the World Bank.

- Strategic Objective: Improved sustainability of social benefits and services

#### **Cross Cutting and Special Initiatives**

The American University at Blagoevgrad is providing a U.S. style liberal arts education for students throughout the region. The USG has joined in multi-donor efforts to improve operational safety at Bulgaria's nuclear power plant. The Global Environmental Fund activity in Bulgaria works to preserve the nation's rich biodiversity for all the world's citizens. USAID's training activity provides cross cutting training in the U.S. and region in support of all other Bureau Objectives for Bulgaria.

**BULGARIA  
FY 1997 PROGRAM SUMMARY\***

Strategic Objectives	Economic Restructuring	Democratic Transition	Social Stabilization	Cross-cutting and Special Initiatives	Total
Privatization	700,000				700,000
Fiscal Reform					
Private Enterprise	23,500,000				23,500,000
Financial Reform					
Energy					
Citizens' Participation		1,500,000			1,500,000
Legal Systems					
Local Government		2,200,000			2,200,000
Crises					
Social Benefits			500,000		500,000
Environmental Health					
Cross-cutting / Special Initiatives				2,600,000	2,600,000
<b>TOTAL</b>	<b>24,200,000</b>	<b>3,700,000</b>	<b>500,000</b>	<b>2,600,000</b>	<b>31,000,000</b>

\* Support for East European Democracy (SEED) Act funds

USAID Representative: John Tennant

## ACTIVITY DATA SHEET

**PROGRAM:** BULGARIA

**TITLE:** Privatization, 180-S001.1

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$ 700,000 SEED Act

**INITIAL OBLIGATION:** FY 1992; **ESTIMATED COMPLETION DATE:** FY 1997

Purpose: Assist the transfer of state and municipal assets to the private sector.

Background: Privatization in Bulgaria started in late 1992 but the Government of Bulgaria (GOB) has been slow to privatize state-owned assets using a case-by-case approach. Relatively more successful to date has been the decentralized approach for privatization at the municipal level. In 1994, having recognized that traditional methods of privatization would not achieve a rapid and considerable expansion of private ownership, the GOB undertook a serious effort to develop and implement a Mass (voucher) Privatization Program (MPP). Under MPP, all Bulgarian citizens over the age of 18 are eligible to receive vouchers worth 25,000 leva (about \$450) which can be exchanged for shares in companies directly, or for shares of privatization funds set up for this purpose. The MPP is being administered by the Center for Mass Privatization (CMP). The legal framework for MPP was successfully established by the end of 1995, including an approved list of 1063 enterprises for the first wave of MPP. The list makes up approximately 35% of the total amount of Bulgaria's state-owned capital, about 40% of which is expected to be privatized during the first wave. Registration for participation started in January 1996. Privatization auctions are planned to start in June 1996. The newly established Securities and Exchange Commission has been tasked with the licensing and regulation of privatization funds.

USAID Role and Achievements to Date: 1) USAID's assistance to the Municipal Privatization Program in Bulgaria has been pivotal in moving the privatization process forward during a two-year period when little action was taken by the central government. The program is part of a broader effort to promote decentralization and foster local government development. A major achievement is the design and implementation in 22 major cities throughout Bulgaria (about 20% of total population) of a simple, effective, sustainable, and replicable privatization model. To date, a total of 581 transactions for US \$ 26 million have been executed. 2) USAID's assistance to the Center for Mass Privatization (CMP) has been crucial in the establishment of the entire legal and technological framework for the mass privatization process in Bulgaria, including the auction format, voucher design, computer and PR tender specifications, criteria for enterprise selection, standardized form for enterprise information memoranda, and the list of 1063 companies to be privatized.

Description: 1) The principal objective of the municipal privatization activity is to implement a quick grass roots privatization which would be transparent and would carry a clear demonstration message to other municipalities. The main focus of the project is to help municipalities sell small municipal properties through competitive auctions. In addition, an important objective is to institutionalize the capability at the municipal level to continue the program of privatization for the completion of the project. By providing confidence-building experience, developing public support, stimulating the emergence of sustainable local business consulting firms, the project demonstrates that economic development can be achieved through privatization. 2) The major focus of the mass privatization activity is the preparation of the supply side of MPP. In addition, due to the lack of other available resources at the time, USAID's contractor Barents has developed the urgent and time sensitive policy and procedural framework needed by the CMP. 3) USAID is designing a component to establish a private registry/depository for shareholders to help assure the integrity of the privatization process.

Host Country and Other Donors: Donors' assistance provided to the mass-privatization program in the country is in support of the World Bank requirements for the EFSAL. It is a paradigm of good

coordination among donors. In response to the GOB's request, USAID mobilized immediate technical assistance thus filling the gap between immediate needs and the readiness of other donors to provide follow-on assistance. While USAID has initiated the assistance for the development of the organizational and legal framework, procedures, and mechanisms and has been working mainly on the supply side, the other two key players - EC PHARE and the British Know How Fund (KHF) are focusing on the demand side. EC PHARE program (some \$1.9 million) concentrates on planning and implementation of the voucher scheme, as well as on the public relations and information campaign. KHF is mainly dealing with investment funds. Since the mass privatization was launched in early January 1995 and the GOB has demonstrated political will and commitment to proceed, EC PHARE has been considering assistance in support of the second wave of mass privatization and post-privatization support. Joint PHARE/EBRD work is under consideration on a Post-privatization fund. The Germans are working on the supply side - valuation of enterprises, focusing on market privatization. The French plan to assist the stock exchange development.

**Beneficiaries:** 1) Municipal Privatization: 22 municipalities throughout Bulgaria directly, more than 40 municipalities indirectly; 2) Mass Privatization: the Bulgarian populace.

**Principal Contractors, Grantees, or Agencies:** USAID implements current activities through a contract with Barents Group. An Omnibus II contract will be used for the share registry.

**Major Results Indicators:**

**Municipal Privatization:**

Ind. 1: An efficient, transparent, and replicable privatization model demonstrated in 22 municipalities.

Ind. 2: Number of municipalities adopt the demonstrated model.

Ind. 3: Number of privatized municipal entities.

**Mass Privatization:**

Ind. 1: An efficient, transparent, and replicable voucher privatization model designed.

Ind. 2: Registration network developed.

Ind. 3: Database of enterprises developed.

Ind. 4: Public support for MPP.

Ind. 5: Percentage of state-owned assets transferred to the private sector.

Ind. 6: Number of state-owned enterprises privatized over 67 percent.

Ind. 7: Number of mass privatization shares registered and deposited in a sound private depository.

## ACTIVITY DATA SHEET

**PROGRAM:** BULGARIA

**TITLE:** Private Enterprise, 180-S001.3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$23,500,000 SEED

**INITIAL OBLIGATION:** FY 1992 ; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: Increased growth of private firms in a competitive environment.

Background: The transition to a market oriented economy in Bulgaria has been slow. There has been very little market privatization and the voucher or "mass" privatization program is only now being implemented. Additionally, many of the dominant private enterprises operate as oligopolies. Increased competition and competitiveness are viewed as keys to rational private sector growth. Firm level assistance must strengthen private firms competitiveness, while policy, legal and regulatory environment assistance must strengthen competition in the system (and thus also competitiveness in firms) and provide a more level playing field. Pricing of energy must also reach international market levels if there is to be a dependable source for private sector growth. Subsidized rates also conflict with energy efficiency and competitiveness, as do the payments arrears of SOEs. The lack of an environmentally sound framework for private sector growth contribute to investor uncertainty. Finally, financial resources in the form of debt and equity funds must be made available to the emerging private sector, even in the absence of an efficient and well functioning financial sector, if the private sector is to continue to grow and expand on a sound basis.

USAID Role and Achievements to Date: USAID's strongest advantage, vis-a-vis the other donors, is its capacity to work directly with the private sector. While most other donors have suffered from the frequent changes of governments and the heavy bureaucratic burden of having to work through government ministries and institutions, USAID's ability to work directly with the private sector has enabled it to deliver well targeted and cost efficient assistance direct to small enterprises in the private sector. The marketing of the firm level assistance is being integrated into a strategic team effort of all USAID-financed business assistance providers and is targeted at assisting firms or entrepreneurs chosen on the basis of their potential to grow and compete in a competitive environment. A diagnostic process also provides a link to Bulgarian consulting firms in order to more effectively market, target and deliver services. One example of firm level success is SAMEX, a small private Bulgarian company. As a result of IESC assistance, they obtained a franchise from KFC and have created more than 200 new jobs sustained by annual sales of \$2 million. In the absence of an efficient and well functioning financial sector, USAID is addressing the needs of the private sector for both debt and equity capital through the Bulgarian American Enterprise Fund (BAEF) and CARESBAC - Bulgaria, which have provided over \$9 million of badly needed capital to Bulgaria's private sector.

At the policy, legal and regulatory level, business, and professional assistance is being provided to business associations both as a means of providing improved membership services and as a means of developing them into sustainable reform advocates who also promote, along with policy think tanks, reviews of policies, laws and regulations. An example is Land O'Lakes Dairy Program which assisted in the creation of Bulgaria's first democratically established and managed private Milk Producer's Association. The Association provides inputs, training and policy advocacy to more than 5000 producer members. The association also works together with Milk Way Dairy to improve and expand their product lines, resulting in expanded exports. Another example is ACDI and VOCA's assistance in founding the Private Meat Processors which is representing its members in negotiations with the Ministry of Agriculture on the implementation of EC-compatible sanitary regulations.

The drafting and implementation of key laws which foster competition and private sector growth are also critical to the reform process, and U.S. consultants recently helped draft Collateral and Bankruptcy Laws. The Treasury Tax Program has also been very effective in the equitable and transparent

implementation and administration of taxes and thus is contributing significantly to the establishment of a "level playing field." An electronic network is being utilized to streamline the coordination of the various elements of USAID's private sector program. An expanded network for countries in the region is also being developed which will focus initially on the associations and think tanks but will also have links into the existing local area network.

**Description:** The recently completed SME Strategy for Bulgaria, which is facilitating the integration of the private sector programs, forms the basis for much of this S.O. which is now focused on three key intermediate result areas: (1) increased debt and equity funding for private firms, (2) strengthening of private firms' business operations, and (3) key laws, policies and regulations which foster competition and private sector growth. The marketing of firm level assistance is now being integrated into a team effort of all assistance providers and is directed toward assisting the most promising high growth firms in the private sector, which overall currently employs approximately 30% of the workforce and accounts for almost 40% of the GDP.

**Host Country and Other Donors:** Bulgarian host country contributions to USAID funded private sector development programs are limited to municipal support to the Peace Corps Business Development Centers and possibly cooperation with the planned municipal economic development agencies. Most other major donors in Bulgaria also have programs to support enterprise growth, but must work through government agencies.

The World Bank currently has two credit lines: (1) Private Investment and Export Finance (\$55 million) that covers private projects in all fields but agriculture and (2) the Agricultural Development Project (\$50 million) intended for private sector agricultural projects. World Bank funds for these programs are intermediated primarily by eligible private banks. The European Union, which operates through governmental institutions only, has two programs - one for financial support (two credit lines have already been launched) and one for structural support and consultancy, under which business centers are established to support the SMEs, and independent consultants at the Ministry of Industry propose policy and legislative changes. German assistance is concentrated on staff and management training, direct consulting services to selected enterprises, and assistance to the chambers of commerce. Germany also has a project for the establishment of a development bank with a planned funding level of 40 million DM. The United Nations Development Program (UNDP) is providing support to the modernization of the Intellectual Property System in the country.

**Beneficiaries:** The direct and primary beneficiary of this S.O. is the private sector. All citizens are, in effect, secondary beneficiaries, as a result of the overall improvements in the economy, the increased availability of jobs, and the increased quality, quantity and availability of consumer goods.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities under this S.O. through a USG Departments; GOB ministries and courts; US and local Associations; US PVOs; US and local universities; US and local consultants; U.S. and local NGOs; and local business centers and economic development offices.

**Major Results Indicators:** \*

Percentage of GDP provided by private firms  
Number of debt and equity transactions  
Number of targeted firms who adopt improved business operations or technologies  
Sales growth in assisted firms.  
Number of laws, policies and regulations implemented that promote growth and competition in the private sector.  
Transparent energy pricing system established.

\* These are illustrative indicators. ENI missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** BULGARIA

**TITLE:** Citizens' Participation, 180-S002.1

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$ 1,500,000 SEED Act

**INITIAL OBLIGATION:** FY 1992; **ESTIMATED COMPLETION DATE:** FY 2001

**Purpose:** To build the capacity of Non-Governmental Organizations (NGOs) in playing a key role in facilitating popular participation in public policy decision making. The program will develop grass roots organizations and the enabling legal regulatory environment for them, as well as promote information sharing and improve the credibility of information available through the media.

**Background:** Bulgaria's initial steps in the transition to democracy and a free market economy were impressive. By 1990 - 1991, Bulgaria's first democratically elected parliament in 50 years adopted a democratic constitution guaranteeing rights to individuals and passed many economic reforms. However, a highly centralized political and economic structure remains as a holdover of the past, discouraging citizen involvement and creating a sense of powerlessness. Political party machinery, like the central government itself, is highly centralized. The media, with new freedoms and difficult challenges, is highly influenced by partisan politics and lacks professionalism and ethics. Non-governmental organizations (NGOs) and professional associations are growing in strength and number, and they hold a key to empowering people to work together. However, there is no national law which legitimizes or regulates NGOs, which continue to operate under a loosely-interpreted clause of the basic Family Law. Furthermore, popular receptiveness to this 'third sector' is cautious, as voluntarism was construed quite negatively under the Communist regime. Given the difficult operating environment for this emerging sector, the NGO community is still quite small and fragile for the most part, with a few well heeled exceptions.

**USAID Role and Achievements to Date:** USAID programs to date have promoted free and fair elections, citizens involvement, and political accountability and transparency. The Bulgarian Association for Fair Elections and Civil Rights (BAFECR), has become a model election-monitoring organization and is assisting similar organizations in Central Europe and the world; its non-election period activities focus on increasing citizens' awareness of and interest in the democratic process and on empowering local leaders and transferring organizational skills.

The Democracy Network program, created in 1995, is beginning to build capacity of NGOs to strengthen participatory democracy. The CEELI program has helped develop the first independent NGO for training and support of the legal profession in Bulgaria. The International Republican Institute program has supported development of a multiparty political system.

**Description:** Public participation will be increased through: 1) strengthening capacity of NGOs to provide a voice for individuals working together, supported through grants, technical assistance and training; 2) strengthening linkages between local organizations and local government through supporting activities that demonstrate that individuals can make a difference for their community; 3) increasing the public's access to fair and reliable information through a more professional and responsible media; and 4) seeking means to support legislative reform (especially for NGOs) and providing training in implementation of supportive legislation.

**Host Country and Other Donors:** EC PHARE promotes strengthening the Bulgarian Third Sector through its Democracy program, administrated by the Civil Society Development Foundation. The European Union and USAID are committed to support grassroots organizations' activities in drafting new media law/regulations. The British Know How Fund, Charities Aid Fund, as well as the Open Society Fund

are complementing their efforts in providing funds, technical assistance and training to indigenous organizations advocating democratic changes in Bulgaria.

Beneficiaries: Indigenous grassroots organizations and, more generally, the Bulgarian populace will benefit from these activities at the community level.

Principal Contractors, Grantees, or Agencies: USAID implements activities through U.S.-based NGOs, Bulgarian local government, and indigenous NGOs including The Institute for Sustainable Communities, the National Forum Foundation, and the Center for Not-For-Profit Law.

Major Results Indicators\*:

Law implemented providing regulatory framework for NGOs.

Consensus-Building partnerships (e.g. Public/Private, NGO/NGO, NGO/Public, etc).

Number of community-level information systems.

Percentage increase in positive public response to credibility of information among target groups.

USG-supported Organizations increase income generated from non-USG sources.

\* These are illustrative indicators. ENI missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** BULGARIA

**TITLE:** Local Government, 180-S002.3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,200,000 SEED

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: To support the transition to transparent and accountable governance and increased decentralization and local autonomy through: building the capacity of local officials to better (more effectively and responsibly) manage municipal resources and be responsive to citizen needs and demands; facilitating local economic development as a means of empowering citizens as well as supporting the emergence of market forces; supporting associations of municipalities so that they better serve their members and begin to lobby effectively at the national level.

Background: More than 50 years of monolithic, undemocratic rule has left Bulgaria with a highly centralized framework of governance. Great progress towards free elections has not been paralleled by increased governmental ability to respond to the needs of the people. There is only limited decentralization of central government authority at the regional level. U.S. assistance to date has revealed that building the capacity and citizen involvement in local governments is crucial to support the efforts of reform-minded, innovative local officials who are striving to make government more responsive to the people.

USAID Role and Achievements to Date: In 1995, the Local Government Initiative (LGI) was launched in ten change-oriented municipalities, to accelerate and concentrate USAID assistance for strengthening both the capacity and accountability of local governance. The LGI also facilitated formation of several regional associations and a national association of reform mayors, helping them to overcome strong barriers to working together and sharing information, and to take the first steps at creating a unified voice for local government. The association has already demonstrated its importance by providing inputs to the drafting of amendments to the local government law.

USAID's efforts have led to results such as adoption of municipal plans with clear development priorities, establishment of a Foundation for Local Government to support decentralization, a mayor's use of the media to combat organized crime, establishing model financial and administrative systems, reducing the percentage of municipal rents in arrears from over 60% to under 20% in a few months, assisting in the institutionalization of transparent and open bidding processes (for municipal development sites) in three municipalities and disseminating the process to several others; and establishing a municipal data exchange network facilitating communications among the municipalities. The activities will increase the capacities of local governments and local government associations to represent themselves on a national level, to act independently, to manage their own affairs, and to meet the needs and demands of their citizens.

Description: Local governments are being strengthened through: 1) capacity building by implementing LGI municipal development plans with the newly-elected local government officials; 2) further developing public participation and involving the citizenry in improving the quality of municipal services; 3) increasing the membership and organizational capacity of municipal associations, especially to lobby the central government; and, 4) institutionalizing training in local public administration. Parallel national efforts are required as well, such as training provided to central government ministries (as sustainable decentralization cannot occur without support and legislation from this level), improving the legislative framework, and replicating principles and experience gained in decentralized government.

Host Country and Other Donors: The British KHF is providing assistance to the municipal administration in several cities in the country, following the demand-driven approach. The focus is on

the establishment of a Municipal Development (Investment) fund, tourism, housing development and agriculture. A resident KHF advisor is working at the Ministry of Regional Development and Construction coordinating the assistance. At the specific request of the Bourgas municipality experts from Netherlands are reviewing the legislation on solid waste. The Dutch plan to further work at local level following an initial needs assessment, and the Swiss have a program much like elements of ours with different municipalities. USAID and other donors are jointly building the capacity of municipal associations, particularly their continuing efforts to pursue legislative changes supporting decentralization and strengthening of local government.

Beneficiaries: The LGI will directly benefit the people and the local officials of the 10 target municipalities. The rest of the populace will benefit through replication of successful models developed in the target municipalities as well as through the strengthening of democracy at the local level.

Principle Contractors, Grantees, or Agencies: USAID implements activities through U.S. and local organizations, including The Urban Institute, The International City Managers' Association, Chemonics, KPMG, the University of South Carolina, and other private firms and non-governmental organizations. Activities are supported and coordinated through a coordinator's office.

Major Results Indicators\*:

Number of legal changes and provisions that promote independent municipal finance, and private property and enterprise.

Percent of local funding that is self-generated.

Number of public hearings by local government.

Number of public/private partnerships.

Number of local administration training models implemented by local institutions.

Number of cities with regular garbage collection.

Number of citizen organizations dealing with local government issues.

\* These are illustrative indicators. ENI missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** BULGARIA

**TITLE:** Social Benefits, 180-S003.2

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$500,000 SEED Act

**INITIAL OBLIGATION:** FY 1992; **ESTIMATED COMPLETION DATE:** FY 2001

**Purpose:** To strengthen the capacity to manage the human dimension of the transition to democracy and a market economy and to help achieve sustainable development of social benefits and services.

**Background:** Since the dismantling of the centrally planned economy in 1989, the high rate of inflation and the absence of a modern legal framework undermined severely the living standards of the population. The existing social benefit system is critically in need of reform, as the system is inefficient, regressive and too costly under current budget realities. The State is struggling to achieve greater sustainability, change the existing administrative practices and improve services to target those most in need.

**USAID Role and Achievements to Date:** With USAID's support, three health programs have been carried out in Bulgaria to improve capacity to deal with cardio-vascular diseases, pediatric trauma and ophthalmic care. Programs have provided American technologies and techniques to serve as models for continuing education. Up-to-date coding practices are laying the basis for movement towards broad reform in hospital finance. As jobs-for-all policies were relinquished, the U.S. was able to help the GOB put in place effective regional employment services nation-wide, and an early intervention mechanism was developed for quick response in cases of mass lay offs. A community approach to the work force needs of socially disadvantaged groups was developed, and has already brought substantial savings from welfare benefits. USAID programs have also improved workers access to social benefits and services through collective bargaining.

**Description:** USAID is focusing on the following activity areas in F 1996 and beyond: support for social insurance reform, continuing to improve employment services and dislocated worker programs, and helping strengthen the capacity to deal with these issues on a sustainable basis.

**Host Country and Other Donors:** The World Bank and GOB are to finalize negotiations on an investment loan incorporating USAID-funded TA, which will be keyed to supporting social insurance reform. EC PHARE has provided assistance for the preparation and establishment of an automation system for the social assistance system. UNDP completed a comprehensive training program for social insurance staff at the central and the regional levels, while the British Know How Fund finances advisors to the National Employment Service and the Social Security Institute. Good working relations have been established with the Bulgarian Ministry of Labor and Social Welfare and the GOB has been successful in submitting important social legislation to Parliament.

**Beneficiaries:** Unemployed, ethnic minorities and other disadvantaged groups of the population, pensioners.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities through MSCI, USDHH, Solon Inc., the USDOL, the Free Trade Union Institute of AFL-CIO.

Major Results Indicators\*:

Revenues per Beneficiary

Coverage of Individual Social Security Contributors and Insured

Administration of Social Benefits and Services Responsive to Regional and Local Variations

Public Acceptance of the Reform of Social Benefits and Services

Industrial Relations in line with Free Market and Democratic Principles

\* These are illustrative indicators. ENI missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## CROATIA

**FY 1997 Assistance to Central Europe Request . . . . . \$9,000,000**

### **Introduction.**

From 1943 to 1991 Croatia was one of six constituent republics of the Socialist Federal Republic of Yugoslavia. In June 1991, Croatia declared independence from Yugoslavia, and shortly thereafter hostilities erupted over portions of Croatia with large ethnic Serb populations. During the war, Yugoslavian National Army (JNA) forces attacked large portions of Croatia resulting in 1995, as much as a third of Croatian territory -- including Krajina and Slavonia -- had been incorporated into the self-proclaimed Serbian Republic of Krajina. The course of the war changed dramatically when Croatian armed forces successfully regained control of Western Slavonia and the Krajina in May and August, respectively. In November 1995 the United States assisted in brokering an agreement between Croatia and Yugoslavia whereby, after a 12-24 month period of U.N. Administration, the last remaining piece of occupied Croatian territory in Eastern Slavonia to Croatian sovereignty. The agreement to return Eastern Slavonia to Croatian sovereignty was an essential precursor to successful negotiation of the Dayton Peace Accords to end hostilities in the Balkan region. The Government of Croatia was a signatory to the Dayton accords and remains an essential partner for implementing the peace plan and ensuring long term peace and stability in the region. U.S. assistance to Croatia contributes directly to two important U.S. foreign policy goals: promoting regional peace and stability in the Balkans; and fostering Croatia's transition to a market-oriented democracy.

### **The Development Challenge.**

The development challenge in Croatia is twofold: to assist the country to recover from the effects of war and to undertake a successful transition to a more market-oriented and democratic society. The two goals are closely interrelated, and are critical for promoting long term peace and stability in both Croatia and the region.

From an economic perspective, the former Yugoslavia left a mixed legacy for its successor states. While the economic system was more market-oriented than many of the other planned economies of Central Europe, widespread social ownership of major industries and financial institutions resulted in poor investment decisions and contributed to inflation and chronic wage pressures. The 1980's debt crisis demonstrated the vulnerability of the Yugoslav economy and highlighted the system's major shortcoming: lack of market discipline among financial institutions and generally poor development of the financial sector and particularly the capital markets. The financial sector's inability to attract significant foreign financing resulted in declining levels of overall investment and stagnant economic growth. As the economy declined in the late 1980's, many socially owned enterprises began to generate large losses. These losses were in turn financed by the banks which were owned by the enterprises themselves and monetized by the National Bank of Yugoslavia. The consequences of intertwined socially owned enterprises and financial institutions were the loss of monetary control, spiraling inflation, and declining standards of living. In March 1995, Croatia reached agreement with the Paris Club of official creditors, which provided an estimated \$861 million in debt relief. Under the accord consolidated debt will be repaid over 13 ½ years including two years grace. Croatia has also accepted responsibility for allocated debt and a proportional share of the former Yugoslavia's debt. Debt service obligations are likely to be sustainable. In 1994, total debt service amounted to \$292 million.

The circumstances following Croatia's independence in 1991 including the war and the dissolution of the former Federal Republic of Yugoslavia further exacerbated the economic decline that had begun under the federation. The war inflicted extensive damage to Croatia's infrastructure and paralyzed the economy. Particularly hard hit were roads and railways, telecommunications, energy, housing and

agriculture. The dissolution of the Yugoslav federation and the imposition of sanctions on the warring parties disrupted trade both among the republics and with neighboring states and resulted in a loss of markets and the interruption of key supply flows. During the period 1991 to 1993, Croatia experienced a decline of about 30 percent in GDP and industrial production declined by over 50%.

The war also resulted in large numbers of refugees and displaced persons which further strained the capacity of the economy to generate jobs and growth. Between 700,000 and 800,000 war victims have sought assistance from Croatian communities, the private sector, and the Croatian government and have overwhelmed the capacity of national and local safety nets to provide support to affected populations. During this period, unemployment has accelerated to as high as 18 percent. Declining economic prospects and competition for limited employment opportunities have further strained civic tolerance.

Since the outbreak of the war, the Government of Croatia has had to resort to economic crisis management. In October 1993, a comprehensive stabilization program was implemented including introduction of a foreign exchange index supported by tighter fiscal and monetary policies and other efforts to rebuild foreign exchange reserves. In general, stabilization efforts have been effective: foreign exchange rates have stabilized and inflation has been brought under control. While many of the necessary economic conditions for sustainable growth have been established, reconstruction of damaged infrastructure and revitalization of the economy will require substantial levels of new investment. For Croatia to attract investment capital, improvements in the financial sector are crucial. Despite the range of problems facing Croatia over the past several years, in 1995 the economy grew at a rate of approximately one percent, and prospects for future years are considered excellent. War expenditures, estimated at up to 40% of government spending in 1995, should decline dramatically in 1996 following the demobilization of Croatia's armed forces. Tourism, a major source of revenue for Croatia in the past, was hard hit by the war and posted declines of over two-thirds from pre-war levels. If peace and stability can be achieved, prospects are good for a resurgence of tourism in 1996 and beyond.

In the area of democratic transition, the challenge is to promote improved government transparency, responsiveness and accountability and to support development of more effective channels for increased citizens' participation. Additionally, improvements in the areas of protection of minority and human rights are needed. To its credit Croatia has established a solid framework for supporting open democratic electoral processes. While internal politics is currently dominated by the Croatian Democratic Party (HDZ), which holds strong majorities in both the House of Representatives and the House of Counties, opposition parties can and do compete for representation. Nine other parties currently hold elected seats. Under the present governmental structure the President wields considerable power. During the period of the war, there has been a tendency to centralize decision making at the national level at the expense of local and regional governments. There is also some concerns about the level of control exercised by the central government over the press and other media which will need to be addressed. Decentralization of decision making, increased autonomy for local governments, and strengthening of the independent media will be critical for fully achieving the democratic transition objective in Croatia.

In the area of individual and human rights, Croatia's constitution provides adequate protection of individual and human rights for all citizens. Despite these constitutional protections, serious concerns remain on the government's performance in protecting minority and human rights and in investigating and prosecuting violations of ethnic minorities' rights in recently liberated areas of Croatia.

Successful transition to a market oriented democracy in Croatia will remain heavily dependent on efforts to establish stable peace in the region and bring a definitive end to the fighting. Full reintegration of the Eastern Slavonia region under the terms of the Erdut agreement is of paramount importance to regional peace and stability. The region remains a real and dangerous flashpoint for a possible return to hostilities between Croats and Serbs. At the same time, the importance of Eastern

Slavonia is further magnified by the area's status as a bellwether for the viability of stable multiethnic societies both within Croatia and in the region. Croatia's commitment to peaceful multiethnicism and the rule of law will be put to the test in Eastern Slavonia. Peaceful resolution of major issues including the right of return for displaced persons and refugees, disputes over property rights, and protection of human and minority rights could serve as a model for resolving similar problems in other parts of Croatia and in Bosnia. For the effort to be sustainable, a foundation immediately needs to be laid for revitalizing the economy of the region to generate adequate employment opportunities for returning and resident populations. If successful, the reintegration of Eastern Slavonia can provide an example for reintegration efforts in Bosnia-Herzegovina; if unsuccessful, a spark in Eastern Slavonia could ignite a broader resumption of conflict.

To achieve its goals and objectives in Croatia, the U.S. program of assistance has been developed with a two to four year outlook. New obligations of funds would likely end in FY 1998 followed by a two year phase out period. The strategy is based on a critical assumption that there will be no further outbreaks of hostilities, and that efforts at peacefully reintegrating Eastern Slavonia are successful.

#### **Other Donors.**

Other than humanitarian aid, other bilateral donor assistance is very limited, although some technical assistance has become available. Japan provided its first grant funds for technical assistance in mid-1994. Germany, Austria, Britain, Norway, and Italy are also providing advice and technical assistance. Croatia has recently been considered for assistance under the PHARE Program of the European Union. The U.S. has worked with the International Monetary Fund (IMF), and the international funding agencies, International Bank for Reconstruction and Development (IBRD) and the European Bank for Reconstruction and Development (EBRD), to encourage financial support to strengthen the durability of Croatia's economic stabilization plan and to provide resources for economic recovery. In June 1994, the IBRD took a more active stance leading to the first loan for emergency reconstruction and in February 1995 for a Health Project loan. In April 1995, IBRD estimated that tier lending levels to Croatia would be around \$200 million during FY 1995-96, and level off to \$100-150 million during FY 1997-98 as Croatia reaches a sustainable growth path. Croatia became a member of the European Bank for Reconstruction and Development (EBRD) in April 1994, with projects to upgrade Croatia's air navigation system and to co-financing the Highways Project with the International Bank for Reconstruction and Development.

#### **FY 1997 Program.**

USAID's strategy for promoting regional peace and fostering democratic and economic transition in Croatia includes three principal elements: support for efforts to expand democratic pluralism, strategically placed interventions to facilitate and ensure the peaceful re-integration of Eastern Slavonia (complementing United Nation, World Bank and European Union efforts), and limited economic restructuring assistance targeted at financial sector development and reform. USAID support for the development of active civic institutions and more responsive and accountable local government will help counter a trend towards centralization of authority. USAID will build on its successful efforts in developing effective relationships with local nongovernmental organizations (NGOs) through support of community development programs aimed at assisting displaced persons and other victims of trauma. As urgent humanitarian needs in the country continue to diminish, USAID is re-orienting its NGO assistance program from a primarily humanitarian focus to an emphasis on promoting more effective citizens' participation in decision making and protection of minority and human rights. In Eastern Slavonia, the United Nations has the mandate to oversee demilitarization of the region and to administer the region for a period of 12 to 24 months prior to its return to GOC control. While the International Bank for Reconstruction and Development (IBRD) and the European Union have expressed an interest in supporting economic revitalization, USAID assistance is needed to continue to catalyze other donor efforts through identification of priority needs and opportunities in the area of economic revitalization as well as to support independent NGO monitoring of population movements and provision

of legal and other services to returning and remaining populations. In the area of economic growth and development, the IBRD and the IMF are playing the leading donor role. USAID assistance has been limited to technical assistance in financial sector reform and legal reforms in support of increased investment and private sector growth. An improved legal and regulatory environment is essential for attracting much needed domestic and international private investment into the Croatian economy. While the IBRD and the IMF set the policy framework, USAID provides the GOC with technical expertise to implement financial sector reforms and strengthen institutions.

The funds requested for Croatia are the minimum needed to support the objectives outlined above. If funds are reduced, U.S. support for Eastern Slavonia re-integration, and financial sector activities in support of the IBRD and IMF program would be in jeopardy. Every attempt would be made to ensure a continuation of democracy-related programs, but substantial cuts are likely to affect the success of these efforts as well.

#### **Strategic Goal: Democratic Transition**

Regional and local governments have been delegated considerable authority by the Constitution for management of their cities. However, the cities often lack the managerial and financial capability to undertake rehabilitation and reconstruction, economic development, and to deliver cost recovery services (housing, medical services, utilities, etc.) Certain cities, especially those near the former U.N. Protected Areas (UNPAs), have refugees and displaced persons heavily taxing the social services of these cities. At the same time these cities having suffered war damage are in need of infrastructure rehabilitation.

Indigenous non-government organizations are growing in numbers especially in the areas of social services for refugees and displaced populations. Few indigenous NGOs are functioning in the areas of environment, media, and human rights and legal assistance. The NGO community is still struggling to be active members within the political arena, with the established government still wary of their programs and questioning citizen empowerment and advocacy.

- **Strategic Objective: More Accountable and Responsive Local Governance.**

#### **Strategic Goal: Economic Restructuring**

USAID seeks to foster the emergence of a competitive, market-oriented economy in which the majority of economic resources is privately owned and managed.

In the former Federal Republic of Yugoslavia, the private sector played a sizable role alongside the socially-owned enterprises. This private sector presence in the economy was significantly reinforced after Croatia's independence, as the Government made further progress towards the privatization of the socially-owned sector. As a result, the private sector today generates about 45% of GDP. The former Yugoslavia's relatively undistorted incentive framework, inherited by Croatia, has provided a favorable environment compared to other countries in the region. The main distortion to the incentive system derives from the absence of clear owners in socially-owned enterprises, and the singular Yugoslav system of enterprise-owned banks.

Croatian authorities intend to build upon the dynamism of the private sector to foster growth, calling for accelerating privatization in the enterprise sector, strengthening banks, and promoting a conducive environment for private sector growth.

The objective of private sector-led growth requires well-functioning financial institutions. A large part of Croatia's banking system problems lies in the losses incurred by its main borrowers. Thus addressing the capital adequacy and incentive issues in the banking sector jointly with the problems in the enterprise sector is critical. The Croatian government is preparing a comprehensive reform of

the banking system which would address both its incentive and ownership structure and its financial soundness. USAID, the British, IBRD and others have been asked to assist in this reform.

Also, in collaboration with the IBRD, the Croatian authorities have asked USAID to provide technical assistance to develop the capital market infrastructure, promoting financial deepening and reinforcing competition within the financial system. USAID assistance has been sought to help set up a modern regulatory framework for capital markets and to modernize the stock market, both needed to facilitate and accelerate the privatization program and the entry of institutional investors.

The growth potential of an expanded private sector will not materialize unless a supporting market economy environment is established. Further reforms are still needed in the legal framework, tax structure, and the financial system.

- **Strategic Objective: A More Competitive and Market-responsive Private Financial Sector.**

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

As a special initiative USAID seeks to promote peace and stability in the Balkan region through the peaceful reintegration of Eastern Slavonia. Eastern Slavonia had been the scene of some of the worst fighting of the war between Serbia and Croatia in 1991-1992. The return of Eastern Slavonia to Croatia was, as recently as mid-1995, the impetus for a mobilization of the Croatian Army as a precursor to a return to hostilities between Serbia and Croatia. Renewed animosity was prevented through negotiations in the U.S. brokered Dayton Accords. Nevertheless, this peace is a fragile one. It is also a bellwether for the rest of the region from Bosnia-Herzegovina, to Macedonia, to Kosovo.

It is expected that this new special initiative for peaceful reintegration will work with local NGOs to help increase the tolerance for diversity, the legal rights enjoyed and enforced for all people, and to monitor the human rights situation in this vulnerable area. In addition, a strategy of economic revitalization hopes to help draw and anchor a diverse population to this affected region.

Finally, as a cross-cutting initiative, the Participant Training Project in Europe (PTPE) provides short term training opportunities in the U.S. for Croats working in organizations which contribute to the development of democracy and financial sector reform in Croatia.

- **Strategic Objective: The Peaceful Reintegration of Eastern Slavonia.**

**CROATIA  
FY 1997 PROGRAM SUMMARY\***

Strategic Objectives	Economic Restructuring	Democratic Transition	Social Stabilization	Cross-cutting and Special Initiatives	Total
Privatization					
Fiscal Reform					
Private Enterprise					
Financial Reform	3,250,000				3,250,000
Energy					
Citizens' Participation					
Legal Systems					
Local Government		2,750,000			2,750,000
Crises					
Social Benefits					
Environmental Health					
Cross-cutting / Special Initiatives				3,000,000	3,000,000
<b>TOTAL</b>	<b>3,250,000</b>	<b>2,750,000</b>		<b>3,000,000</b>	<b>9,000,000</b>

\* Support for East European Democracy (SEED) Act funds

USAID Representative: Charles R. Aanenson

## ACTIVITY DATA SHEET

**PROGRAM:** CROATIA

**TITLE:** Financial Reform, 180-S001.4

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,250,000 SEED Act

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: A more competitive and market-responsive private financial sector.

Background: Concurrent with the Balkan regional peace negotiations, the United States assists Croatia in restructuring its economy along a market-oriented model. Croatia has aligned itself with Europe, aspiring to commercial integration and eventual recognition and membership in regional economic organizations. Although still affected by the heavy cost of maintaining a large military capacity, the Croatian economy has rebounded from its 1992 low. The benefits of economic growth are accruing to all segments of the population. However, privatization of state-owned enterprises and military demobilization are expected to create pressure in the labor market. The USAID economic restructuring program coordinates closely with the World Bank and the IMF and supports their macroeconomic goals.

USAID Role and Achievements to Date: Technical advisors are assisting on revising modern finance laws and uniform procedures for contracts. In FY 1995, USAID helped draft and enact a company law (governing incorporation) and revisions to the comprehensive labor code. USAID trained judges in four commercial courts concerning the new laws, as well as to attorneys in the Croatian Bar Association. In FY 1995, USAID financed training for 25 business executives in accounting and finance, and for another 25 in executive management through the University of Rijeka. The training was the pilot for establishment of in-country training for businessmen.

USAID's assistance to develop a transparent, well-regulated banking system works with the GOC to strengthen bank supervision, clean up portfolios and improve the internal procedures of the six state-owned banks now in privatization (there are nearly 50 private banks also functioning), and providing for the eventual establishment of a government securities market. USAID is also assisting the GOC to improve the investment procedures, management, and controls for the pension funds which it holds. In FY 1995, USAID assisted the GOC in drafting a bank supervision manual and began training 28 bank supervisory staff. USAID also provided advice to the Bank Rehabilitation Office as it explored options for sanitizing the six bank portfolios.

The GOC desires to incorporate accepted open-market techniques to fund the government budget deficit. In 1995, USAID assisted in GOC debt administration office to structure the conversion of large bonds and frozen accounts, as well as in the pricing of the securities to be issued in 1996.

Description:

- The GOC plans to enact USAID-supported reforms such as a securities and investment fund law, collateral and bankruptcy laws, and a commercial code in FY 1996.
- Through continued bank supervision training to the staff of the Central Bank and to the banking industry, minimal levels of supervision can be exercised by the end of 1996.
- In coordination with the World Bank, we will implement the design of a central securities registry and provide a long-term advisor to its steering committee.
- USAID will continue its assistance in rationalizing policy for asset management to the Croatian bank rehabilitation agency with the aim of preparing three of the six portfolios for privatization.
- USAID will provide short-term technical assistance in cash and debt management, investment funds, and pension fund management to the Ministry of Finance.

Host Country and Other Donors: World Bank, Ministry of Finance, Central Bank.

Beneficiaries: All Croatians will benefit from the economic growth which will be spurred by a private, market-oriented financial sector.

Principal Contractors, Grantees, or Agencies: Treasury, KPMG/Barents Group, Financial Services Volunteer Corps

Major Results Indicators\*:

Amount of investment, both from domestic and foreign sources

Numbers of licensed viable private commercial banks

Amount of funds for equity/credit provided to small and medium-sized businesses from private commercial banks

\*These are illustrative indicators. ENI missions are in the midst of the complex process of developing meaningful, measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** CROATIA

**TITLE:** Local Governance, 180-S002.3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,750,000 SEED Act

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: More Accountable and Responsive Local Governance.

Background: The United States assists Croatia to promote respect for minority and human rights and to strengthen pluralistic democracy. To achieve these goals, the SEED program managed by USAID strengthens democratic institutions by promoting an accessible electoral system and develops political parties and unions which represent constituents, and by launching programs in legal training and continuing legal education programs. In addition, USAID seeks solutions to the problems of local governance in Croatian cities by working with local governments to reform the local housing sector, mortgage financing, and privatizing city services. USAID expects to accomplish these goals through the active involvement of a broad array of civil and ethnic groups in local and national government by financing and training numerous indigenous NGOs, support for representation by a spectrum of political parties, and through the development of independent media. Because local level governance is more accessible to citizens and deals with immediate issues of services, property, and shelter, it can play a significant role in promoting integration of ethnic populations. Because municipalities are responsible for similar activities, a common ground exists for shared experience--across east and west Croatia--enabling greater geographic integration.

USAID has been concerned about the political polarization which is increasing in the wake of the civil conflict. The role of opposition parties has been circumscribed, media access is difficult, and the rights of minorities are tenuous. The situation was sharpened by the two Croatian offensives, in Spring of 1995, to take the Krajina and western Slavonia areas which had been occupied by rebel Serbs since 1991. Elections for the national legislature (the Sabor) were announced suddenly in August 1995, to be held two months later. Despite the very short time which was accorded to them to prepare their campaigns, the opposition parties gained 39% of the national seats in the Sabor (the ruling HDZ gained the rest of the national seats and all 12 expatriate seats), as well as the mayors of Zagreb and Rijeka. In addition to formal political parties, sustainable local NGOs and labor unions are useful for monitoring social and economic issues and helping to devise equitable solutions.

USAID Role and Achievements to Date: The legislative elections in October 1995 occurred before most significant training could be accomplished, although 11 women political leaders returned from U.S. training in time to participate in their respective campaigns. USAID-financed monitoring pointed up legal and regulatory abuses related to electoral law and campaign access. The next elections will be for municipal councils in Spring 1996 and for the national presidency in 1997. USAID financed a post-election roundtable for the October 1995 legislative election to point up reforms needed in the next round. More assistance will be directed at the municipal level, to strengthen the local parties which will participate in the municipal election.

In FY 1995, USAID sought to open the political process through the development of opposition parties. Training and advice was provided in party organization and goal setting, design and management of a political campaign, and overall election campaign and electoral monitoring. For labor unions, USAID financed the training of 25 persons as shop stewards; another 25 were trained in the processes of privatization.

In FY 1995, USAID opened its activities in judicial reform, launching improvements in legal training and introducing the Ministry of Justice and the Croatian legal system to modern judicial administration.

Progress was slow due to the extended vacancy of the Minister of Justice and the reorganization of the higher courts, resulting in the Supreme Judicial Council. The sweeping changes in criminal and civil law as a result of Croatian independence and economic reform have rendered the original university training of many lawyers and judges obsolete. Legal education assistance achieved the inclusion of practical training in the law curriculum at the Universities of Osijek and Split.

The major cities in Croatia (Zagreb, Split, Rijeka, and Osijek) are seeking solutions to problems resulting from the 1991 housing privatization. Public utility service and housing management are two of the most serious difficulties for which municipal leadership has no solution. Access to housing for first-time home buyers is also a priority. In 1995, USAID opened a public administration activity which assisted the city governments of Zagreb, Rijeka and Split to assess the supply and condition of housing in the cities as well as the problems with utilities and building management. Eight municipal officials visited US cities to learn of U.S. solutions to these problems.

Vibrant, durable democracy requires the active involvement of a broad array of civil and ethnic groups in local and national government. In FY 1995, USAID financed the training of 14 Croatian NGO leaders in program management. We financed and trained numerous indigenous NGOs which are providing psychosocial assistance to displaced persons and refugees; 13 indigenous NGOs which provide legal and human rights assistance to Croatians, especially minorities; and several indigenous environmental NGOs. Our focus has been not only on the delivery of services, but on the financial and administrative sustainability of the NGOs.

As clearly demonstrated in the 1995 election campaign, free access to television and radio is arbitrarily limited. In some cases, even paid political advertising did not appear. In 1995, USAID financed the training of journalists through USIA and placed a short-term professional-in-residence in the state-run television system. The University of Zagreb improved its journalism curriculum. In FY 1996, USIA plans to use our funds to continue to promote an independent electronic and print media.

Description:

- Provide technical analysis and policy advice to local and central governments on legislation related to local government responsibility and authority.
- Provide opportunities for municipalities to convene and share experiences and learning exercises through a series of technical workshops and dissemination of written materials.
- Sponsor a series of technical workshops, with follow on technical assistance to specific cities, to provide models and best practices of delivery of housing and infrastructure services.
- Develop demonstration projects in each city relevant to key municipal issues (e.g. condominium management; private/public partnerships in housing development; financial packaging of sewage infrastructure investment).
- Assist in transmitting project-based experience to policy and institutional level.
  - Technical assistance from expatriate and local legal, administrative, and "integration" specialists to provide basic information on systems and standards, and assist in adapting them to specific localities.
- Participate in technical workshops and information dissemination from Components 1 and 2 above, with follow on technical assistance for implementation.
- Leverage local and donor resources to attract investment that promotes economic growth.
- Develop Croatia's political parties by providing training and technical assistance to help them mature their capacity to plan programs and carry them to the electorate.
- Work with the local NGO community to strengthen their capacity and to lay the groundwork for legal changes which would encourage private donations.
- Promote the use of NGOs by local governments as cost-effective and efficient service providers.

Host Country and Other Donors: Soros Foundation, Westminster Committee

Beneficiaries: 2.5 million Croatians, primarily city dwellers

Principal Contractors, Grantees, or Agencies: Urban Institute Consortium, National Democratic Institute (NDI), Free Trade Union Institute (FTUI), eight US NGOs, and numerous local NGOs.

Major Results Indicators\*:

Implementation of a legislative framework clarifying and strengthening the role of local government.  
Establishment of a network of local governments.  
Strengthened local government voice in public policy-making  
More effective citizen participation in local government decision-making  
Improved technical and managerial capacity within local governments  
Increased local government access to financial resources  
Sector East cities adopt Croatian systems and standards

\*These are illustrative indicators. ENI missions are in the midst of the complex process of developing meaningful, measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** CROATIA

**TITLE:** Cross-cutting and Special Initiatives, 180-S004

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,000,000 SEED Act

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1998

**Purpose:** The peaceful reintegration of Eastern Slavonia and re-settlement of 70,000 displaced persons.

**Background:** In November 1995, the U.S. brokered an agreement between Croatia and Yugoslavia to peacefully return the portion of Croatia known as U.N. Sector East to Croatian sovereignty. Implementation of this portion of the Balkan peace negotiations and the resolution of the situation of the displaced persons in Sector East is a bell wether for Croatia and more broadly, for the Balkans. As much as any event in neighboring Bosnia, setbacks in the transfer of power in Sector East could strike the spark that re-ignites violence. The principals of the regional conflict are in direct contact in Sector East, with the U.N. Transition Authority for Eastern Slavonia (UNTAES) mediating each dispute. Most importantly, implementation of the Erdut agreement will demonstrate that solutions that work in Sector East may work in Bosnia.

The river ports of Vukovar on the Danube and Osijek, 30 km up the Drava from the Danube, are the economic gates to Slavonia and northern Bosnia. The rich agricultural areas surrounding the ports exported grain by barge and imported all manner of manufactured goods and bulk commodities from central and northern Europe. Northern Bosnia was dependent upon them as its major supply line.

Before the war, all the important productive assets and employment sources were owned by the Yugoslav state. Many Serbs were removed from their jobs at Croat independence, and the fear remains that employment in a reviving Sector East will be preferential based on ethnicity. Croatia itself cannot intervene in the companies or provide assistance to them until after the transition period is completed. In the meantime, there is a risk that these assets might be destroyed in the wake of some virulent disagreement. There are numerous such examples in Bosnia. Therefore catalyzing donor efforts in employment generation in the region is vital to reducing tensions between ethnic groups.

**USAID Role and Achievements to Date:** Bilaterally, GOC policies and attitudes on human rights, pluralistic democracy, and economic liberalization now come to the forefront. The transition in Eastern Slavonia is a watershed, where Croatia must choose to be ethnically and politically tolerant and economically open, or succumb to extremism and monopoly. The transition presents the United States with an unsurpassed opportunity to significantly engage the GOC on human rights issues, both in eastern Croatia and as returning populations go home to the Krajina. USAID can prepare local government structures which would transcend entrenched political interests. USAID can press strongly in the economic arena, where past Croatian policy has made employment an important equity issue for Croatian Serbs. USAID can complement the United Nations activities and influence other bilateral donors and leverage funds, as they see USAID's continued commitment to reintegration and human rights.

### **Description:**

- Catalyze other donor efforts in economic revitalization
- Seek to foster investment in the multiethnic future of local governments in Sector East by both Croatian Croats and Serbs through technical assistance to ensure the provision of essential services and direct the emergence of the new management structures.
- Help resolve obstacles to a timely, peaceful transfer of population and authority, operate a legal clinic to advise and assist the remaining and returning populations on such matters as identity papers,

- voter registration, and property rights.
- Actively monitor human rights issues and to assist Croatians returning home to Western Slavonia and the Krajina.
  - Assist returning populations with microloans to start their businesses over again.
  - Provide technical assistance to the rehabilitation of two river ports to a level which permits unimpeded flow of commerce.
  - Provide technical assistance to the management of these companies and to the Port Authorities of Vukovar and Osijek.

Host Country and Other Donors: UNTAES, Norwegians, British Know How Fund

Beneficiaries: 170,000 residents of Sector East

Principal Contractors, Grantees, or Agencies: TBD

Major Results Indicators\*:

Number of resettled displaced persons  
Availability of essential city services throughout the transition period  
Absence of labor strife due to ethnic tension  
Amount of commercial traffic through the ports

\*These are illustrative indicators. ENI missions are in the midst of the complex process of developing meaningful, measurable country-specific indicators and targets, which will be completed by June 1996.

## CYPRUS

**FY 1997 ESF Request: . . . . . \$15,000,000**

Cyprus continues to feel the strain of inter-ethnic conflict and current distrust and misunderstanding. The divided island of Greek and Turkish Cypriots could be a flashpoint for regional problems. Approximately 200,000 Cypriots, almost one-third of the total Cypriot population, were displaced during the July 1974 coup and Turkish military intervention. The U.S. Government has continued to provide funds which, over the years, has shifted in emphasis from relief to long-term reconstruction and development activities. The United Nations High Commission for Refugees (UNHCR) and the Fullbright Commission have acted as the implementing agency for the U.S. program through a series of program grants. The UNHCR and the Fullbright Commission have the ability to work with both Greek and Turkish Cypriots and are well positioned to promote bicomunal cooperation.

### **The Development Challenge.**

Both the Greek and Turkish communities on Cyprus confront varying economic problems, but the GDP per capita on the Greek Cypriot side has risen to nearly \$13,000; while on the Turkish Cypriot side it has stagnated at around \$3,000. Cyprus is moderately indebted with total external debt of \$2.4 billion in 1993. USAID assistance helps to address some economic constraints, but the main focus is directed at facilitating a political solution on the island.

### **Other Donors.**

Emergency humanitarian assistance was provided to both Greek and Turkish Cypriots by the International Committee of the Red Cross and by the United Nations High Commissioner for Refugees (UNHCR) with contributions from the United States and other countries. In 1994, the top five ODA donors to Cyprus provided \$41million in assistance with the United States share equal to 53%. Subsequently, donors other than the U.S. have discontinued assistance. The US is the only major donor still active in Cyprus and provides the only financing to the UNHCR program.

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

Working through the UNHCR and the U.S. Information Service (USIS), USAID funding promotes activities which require and encourage participation by representatives of both communities. This bi-communal approach will hopefully demonstrate the positive, substantive results of cooperation. Further, the linkages established between individuals and groups from a variety of society's sectors will contribute to: (1) the possibility of pressuring each side's leadership to compromise on an equitable solution or (2) at least, providing acquaintances and stakeholders in seeing that a solution succeeds.

The Bicomunal Development Project implemented through the UNHCR and the Cyprus Red Cross includes agricultural activities such as forestry and pest control, environmental programs improving air and water quality, health components which build infrastructure to support prevention and treatment of illnesses, and sewage treatment and rehabilitation of areas near the green line.

The Scholarship Project implemented through USIS and the Cyprus Fullbright Commission offers U.S. scholarships for undergraduate and graduate degrees, and short-term bicomunal training in conflict resolution and business management.

**CYPRUS**  
**FY 1997 PROGRAM SUMMARY**

Strategic Objectives	Economic Restructuring	Democratic Transition	Social Stabilization	Cross-cutting and Special Initiatives	Total
Cross-cutting / Special Initiatives				15,000,000 a/	15,000,000
TOTAL				15,000,000 a/	15,000,000

a) Economic Support Fund

Director, Office of European Country Affairs: David Cowles

## GEORGIA

**FY 1997 Assistance to the NIS Request . . . . . \$33,000,000**

### **Introduction.**

The emergence of a democratic, prosperous and independent Georgia is in the United States' long-term interest. Buoyed by a free and fair presidential election and the end of internal armed conflict, Georgia is poised to consolidate democratic rule and to take significant steps to build a market-oriented economy. As a strategically located free-market democracy, Georgia has the potential to become a major stabilizing force in the Caucasus Region. The country already plays a pivotal regional role because through its ports and rail systems, humanitarian aid and other goods are transported to Armenia and Azerbaijan, while Georgia's pipelines carry critical energy resources from Central Asia and Russia. Much of the vast oil resources of the Caspian Sea area is expected to be exported through Georgia. The United States also has humanitarian concerns in Georgia. Although Georgia's civil conflicts have subsided, large numbers of internally displaced persons (IDPs) remain, and their economic situation is desperate.

### **The Development Challenge.**

Georgia has a population of 5.2 million in an area the size of West Virginia. Over the past several years, Georgia's economic and political stability has been severely hampered by internal conflicts (the Abkhazian revolt and South Ossetian separatist movement) and the disruption of regional trade caused by the break-up of the former Soviet Union. While the fighting has ceased and a sense of optimism prevails, Georgia remains a fragile state. Corruption continues, although progress has been made in reducing overt lawlessness. President Eduard Shevardnadze, the internationally respected former Soviet Foreign Minister, and now one of the most reformist leaders in the former USSR, was returned to power in recent elections, and will have the support of a strongly pro-reform legislature.

After a late start following independence, Georgia has made great strides in macroeconomic stabilization. Georgia successfully negotiated a one-year \$112 million Stand-By Arrangement with the International Monetary Fund (IMF). The program calls for reducing inflation through tight financial policies, removal of restrictions in the financial system, and liberalization of prices, commerce, and foreign trade. Results are already evident. Inflation was down to two and a half percent a month during the first half of 1995 (from over 60% a month in 1994). Georgia has maintained a stable exchange rate since the end of 1994, first with the "coupon" and now with its new currency, the "Lari." The fiscal deficit was reduced from approximately 19% of GDP in 1994 to six percent in 1995. Revenues are up and expenditures have been cut through the elimination of subsidies and government downsizing.

Another brake on economic progress is Georgia's \$1 billion debt burden, mainly the result of purchases of natural gas from abroad. This total is among the highest of the former Soviet republics in terms of total debt to value of export ratio. The Government of Georgia (GOG) is expected to get some relief from its international creditors in negotiations on external arrears and debt servicing.

Since 1992, the bulk of USAID assistance has been in the form of emergency humanitarian aid. To meet the changing nature of the development challenge in Georgia, USAID is gradually shifting its emphasis toward economic and social sector restructuring and democratization. Given its late start down the reform path, Georgia's successful transition to free-market democracy will require donor assistance beyond the year 2000.

USAID has been the largest bilateral donor, providing more than half of the country's emergency needs,

and assisting over 750,000 Georgians since 1992. Human suffering was reduced substantially. During the same period USAID assistance has financed heavy oil for electricity generation and winter heating. Over 100,000 displaced persons have received non-food assistance and over 35,000 supplemental food packages. And in an effort to help heal the scars of war, more than 100 female victims of the Abkhazia conflict and their families have received psychological counseling and 60 women have been the beneficiaries of reconstructive surgery.

USAID has also financed humanitarian assistance activities of international organizations, such as UNICEF, to control the diphtheria epidemic through the provision of vaccines to immunize those children and adults most at risk. The Caucasus Logistics Advisory Unit (CLAU - under the World Food Programme) manages the rail, port, and communications network throughout the Caucasus, making possible timely and efficient delivery of humanitarian assistance. The CLAU operation, U.S. Center for Disease Control, and PVO programs --all financed by USAID-- are helping to build GOG and local NGO capacity to manage and respond to humanitarian emergencies. However, Georgia's government and NGO community require further capacity strengthening before social services can be effectively provided.

Other USAID assistance concentrates on economic restructuring, energy reform, democratic governance, and exchanges and training. A USAID-financed economic advisor worked with the Deputy Prime Minister for Economic Reform to help the government meet IMF requirements and negotiate with the IMF and World Bank (IBRD) for stabilization and sector loan programs to address critical distortions and imbalances in the economy.

In concert with other donors, USAID contributed to the reduction of Georgia's budget deficit, largely by proposing major cuts in expenditures. Most government subsidies for goods and services have been reduced and most subsidies to state enterprises eliminated. The civil service has been reduced by 30%. The GOG adopted a new Central Bank law and has taken initial steps to increase the liquidity of state-owned and commercial banks. Under the privatization program, approximately 70% of identified small firms and 80% of medium-to-large enterprises have been privatized. However, despite the initial progress on policy reform, assistance is still required to help the GOG establish an enabling environment that fosters investment and private sector growth, including necessary laws, codes, and regulations to encourage and regulate business in an open, competitive market.

In the energy sphere, USAID-provided maintenance equipment and commodities are improving the performance of existing thermo- and hydro-electric facilities. Training in the energy field is leading to improvements in general management, billing, and collections. At the policy level, USAID assistance resulted in the Georgian Parliament passing an energy law which assigns specific functional responsibilities within the power sector. Prior to the law, spheres of responsibilities were amorphous and spread among a variety of entities. This complex restructuring process has not gone smoothly and continued assistance will be required to achieve more rational management and organizational objectives.

The people of Georgia have an excellent opportunity to build a prosperous, democratic society grounded in the rule of law if the country develops its external markets quickly and effectively, and harnesses its skilled labor force, agricultural resources and industrial capacity. Furthermore, if Georgia can attract outside investment it should be able to compete effectively in the international marketplace. Political stability is a prerequisite. The Government must seek expertise in law, commerce, finance, public administration, and social welfare to achieve sustainable economic and political development. To sustain economic reforms, achieved largely through USAID's support of, and collaboration with IMF and World Bank assistance, Georgia must reestablish external markets, reduce balance of trade deficits through export-led growth, and attract new technology as a result of increasing foreign investment. Georgia's leaders must strive to create an enabling environment for economic and political growth that promotes rather than controls business. Georgia should pursue accession to the World Trade Organization to retain its independence and become identified as a competitive producer and

exporter to global markets. The Shevardnadze Administration gives every indication that it intends to move swiftly to implement bold economic reforms.

USAID assistance in the area of democratic governance is relatively recent. USAID resources contributed to Georgia's November 1995 free and fair elections, a major achievement in a country just emerging from protracted civil conflict. In July 1995, the USAID-funded Parliamentary Human Rights Foundation installed an Internet link in the Georgian Parliament, giving that body access to western legal resources, including those of the United Nations and the World Bank. Internet access is proving to be an indispensable resource for Georgians involved in reforming the country's legal infrastructure. Additional hookups for the Supreme Court, Executive Office, Ministry of Health, universities, and non-governmental organizations should help accelerate reforms as well as broaden the base of effective reformers.

USAID expects that Georgia will have the institutional and other resources to continue its own transition. Current plans are to phaseout Freedom Support Act (FSA) assistance within the next several years.

#### **Other Donors.**

Major donors include the International Monetary Fund, the International Bank for Reconstruction and Development, the European Bank for Reconstruction and Development, and the European Union. Bilateral donors include Germany, Great Britain, and Italy.

#### **FY 1997 Program.**

##### **Strategic Goal: Economic Restructuring**

The newly established Center for Economic Policy Analysis and Reform (CEPAR) will work directly with Minister of Economy and the President's chief advisor for economic reform. The staff of the Center will work with the government and the international financial institutions (IFIs) to monitor the performance of the economy and to identify policy and institutional constraints which impede private sector growth, and to identify opportunities for market-driven development. On the basis of consultations with government, parliament and private businesses, CEPAR will conduct applied economic analyses to identify key policy options. Further, CEPAR will support policy makers and key national leaders in the formulation of economic reforms required to achieve an enabling environment for private sector growth. CEPAR also will help establish the analytical capacities within economic and legislative institutions to produce an integrated policy framework designed to accelerate the growth of private enterprise.

Furthermore, CEPAR will be the focal point to develop the legal and regulatory framework necessary to accelerate the growth of the private sector. Legal assistance will be available through CEPAR to Georgian institutions and policy makers responsible for organizing, drafting, and enacting economic laws to stimulate exports. New, or revised commercial laws will be targeted to ensure that laws and regulations accelerate private investment and broad based economic growth. CEPAR's role will complement other legal work performed under USAID democracy objectives as commercial law and civic codes will be integrated into Georgia's new Civil Code.

Existing tax laws need to be strengthened to broaden the Georgian tax base and, as required by the IMF, to provide greater authority to the State Tax Service to collect tax arrears. New tax laws enacted in 1992 require improvement and enabling legislation. While the IMF is assisting the reorganization of the State Tax Service, USAID will provide training and advisory services to improve tax administration, collection, and audit. USAID will also assist in national budget formulation, including a review and implementation process. Expected results would be an improved and transparent system of annual budgeting, revenue and expenditure, leading to greater efficiency in the targeting of public expenditure

and a reduction in the budget deficit.

The European Union developed a plan to extend Georgia's new Central Bank electronic payments system to the commercial banking sector. Resources to implement the plan will be provided by USAID. USAID will also finance training in portfolio management and lending procedures and provide resources through the Eurasia Foundation to initiate a small and medium enterprise (SME) lending program. Lending will begin in 1996. To help stimulate the demand for credit, the International Executive Service Corps will identify and assist clients in the preparation of viable investment and business plans. USAID, through a grantee, will provide technical assistance to farmers' unions in the areas of business management and member services, especially targeting qualifying farmers' unions to receive loans under the Eurasia SME credit facility.

The newly established Trans-Caucasus Enterprise Fund will also contribute to USAID's goal of a competitive market economy. As commercial laws and regulations are developed and private banks and financial restructuring take hold, we anticipate our strategic objectives will shift to greater support for accelerated development and export-driven growth, where the Fund will have greater importance.

Since most donors, not to mention the PVO and NGO community, do not have sufficient understanding of the prospects of targeted investments in the small and medium enterprise sector, particularly in the areas of agricultural production, agro-processing, and performance of specific agricultural markets, USAID is financing a private sector assessment in these areas. The work will lead to the identification of investment opportunities that hold the greatest promise of increasing incentives for domestic production and marketing. This would have the added benefit of reducing needs for donor-financed food aid.

In energy, USAID's emphasis is twofold: (a) to increase energy efficiency and reduce waste in power generation, distribution, transmission, and utilization through technical assistance; and (b) to assist in the development of an institutional and policy framework to support these changes. To establish an economically sound and environmentally sustainable energy sector in Georgia, USAID resources will be used for the rehabilitation of the energy supply system; power sector restructuring and corporatization, including legislation and regulatory reform; the provision of technical assistance and commodities for more efficient gas transmission, and upgrading maintenance capacity and recommissioning of inoperable equipment where feasible. The European Union, the World Bank, and the European Bank for Reconstruction and Development are also expected to make other significant contributions to the energy sector.

- Strategic Objective: Increased soundness of fiscal policies and fiscal management practices
- Strategic Objective: Accelerated development and growth of private enterprises
- Strategic Objective: A more competitive and market-responsive private financial sector
- Strategic Objective: A more economically sound and environmentally sustainable energy system

**Strategic Goal: Democratic Transition**

Through USAID-financed technical assistance and training provided by the U.S. Justice Department and in partnership with the American Bar Association and other organizations, an integrated program for judges, prosecutors, investigators, defense attorneys, and NGOs will continue.

Despite limited resources, USAID took an important and innovative step in promoting the open flow of information by establishing Georgia's Internet linkages, both international and domestic, through the national parliament. USAID will continue to provide assistance in the form of technical refinements and

training through the Parliamentary Human Rights Foundation and selected PVOs.

In FY 1997, USAID will finance the following activities:

- Drafting of implementing legislation for the new constitution, based on international democratic norms, including civil and criminal codes, as well as human rights legal safeguards;
  - Retraining and strengthening of Georgia's judiciary, including a program of court reform;
  - Retraining and strengthening of Georgia's private legal profession, and support for advocacy groups;
  - Providing technical and training support for newly independent media;
  - Providing training for political parties and members of parliament to promote greater accountability and effectiveness;
  - Providing technical support to the parliament, including continued access to the Internet, and retraining and reorganization for parliamentary staff;
  - Support for capacity-building of indigenous NGOs involved in democratic legal and social reform; and
  - Providing limited training and support for municipal/local government reform, including preparations for future local elections.
- Strategic Objective: Increased, better-informed citizens' participation in political and economic decision-making
  - Strategic Objective: Legal systems that better support democratic processes and market reforms
  - Strategic Objective: More effective, responsive, and accountable local government

**Strategic Goal: Social Stabilization**

Humanitarian assistance will continue at gradually reduced levels for the most vulnerable segments of the Georgian population. This will include financing for basic commodities such as fuel and food. USAID, in concert with other donors, is strengthening the capacity of the Georgian government and local NGOs/PVOs to target more effectively these citizens at risk. Through a USAID-financed Save The Children Federation (SCF) grant, sub-grants for "bridging" activities will promote self-reliance and stimulate economic recovery at the local community level. Activities will include financing for rural and urban projects promoting income generation and enterprise development. In addition, USAID in cooperation with the World Bank, the Georgian Government and local NGOs, has launched a Social Investment Fund pilot. Together, these efforts will help speed USAID's reorientation away from emergency humanitarian assistance and pave the way for the country's transition to a vibrant market economy.

- Strategic Objective: Reduced human suffering and crisis impact
- Strategic Objective: Improved sustainability of social benefits and services

**GEORGIA  
FY 1997 PROGRAM SUMMARY\***

Strategic Objectives	Economic Restructuring	Democratic Transition	Social Stabilization	Cross-cutting and Special Initiatives	Total
Privatization					
Fiscal Reform	1,000,000				1,000,000
Private Enterprise	5,000,000				5,000,000
Financial Reform	4,400,000				4,400,000
Energy	6,500,000				6,500,000
Citizens' Participation		2,600,000			2,600,000
Legal Systems		1,000,000			1,000,000
Local Government		1,000,000			1,000,000
Crises			9,500,000		9,500,000
Social Benefits			2,000,000		2,000,000
Environmental Health					
Cross-cutting / Special Initiatives					
<b>TOTAL</b>	<b>16,900,000</b>	<b>4,600,000</b>	<b>11,500,000</b>		<b>33,000,000</b>

\* Freedom Support Act (FSA) funds

USAID Representative: Fred Winch

## ACTIVITY DATA SHEET

**PROGRAM:** GEORGIA

**TITLE:** Fiscal Reform, 110-S001.2

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,000,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Increased soundness of fiscal policies and fiscal management practices.

Background: Georgia does not have a coherent national budget law or methodology. There is no consolidated budget formulation unit or treasury. Each government unit prepares its annual budget following its own traditional format and individual circumstance. Georgia faces a major problem to develop a national budget system to apportion revenues between federal and regional levels. Existing tax laws require strengthening to broaden the tax base and, as required by the IMF, to provide greater authority to the State Tax Service (STS) to collect taxes.

USAID Role and Achievements to Date: USAID will assist the government to improve national revenue and expenditure systems to reduce deficit spending and improve government development programs. A US Treasury team has assessed Georgia's fiscal policies, and during 1996-97 will concentrate on national budget and tax administration issues.

Description: USAID assistance to the Ministry of Finance will concentrate on developing modern, streamlined, effective national budget functions: schedule for budgetary action; formulation process; review process (executive and parliamentary branches); and budget execution process, including controls. Laws to explain these new procedures will be developed in parallel. A federal budget system will include regional autonomy for both revenue generation and budgetary expenditures which is consistent with the expected division of federal and municipal power in the newly elected government. The longer range goal will be to assist the government to develop a computerized financial management system (FMS) that incorporates new executive budget and treasury functions, including federal and regional apportionments. The U.S. Treasury will provide short- and long-term technical assistance to the State Tax Service to augment the IMF's pilot activity designed to improve tax administration. The U.S. Internal Revenue Service (IRS) will assist the STS develop an efficient centralized organization with clear functional supervision from headquarters down to regional and through to district level operations. Tax administration functions to be targeted include audit, collection, and tax return data. The statutory framework and the tax administration organization itself will be developed and reorganized to provide for organizational efficiency. The STS will receive training in tax administration policies and operations, including audit supervision, and processing tax returns. A tax payer education service program is also a high priority.

Host Country and Other Donors: USAID assistance in budget formulation augments the IMF assistance to develop a national treasury. USAID assistance to improve tax administration is coordinated with the IMF's pilot program to improve tax administration policies.

Beneficiaries: The national budgeting law will benefit all citizens who will know for the first time how their government allocates tax revenues for public expenditures. Taxpayers will understand and accept a tax system that is transparent and fairly administered. All Georgians will benefit from a more efficient revenue system.

Principal Contractors, Grantees or Agencies: US Treasury and IRS.

Major Results Indicators: \*

**Amount of budget deficits**

**Amount of government budgetary transfers to state-owned enterprises**

**Amount of revenues available from cost efficient tax administration**

\* These are illustrative indicators. ENI missions are in the midst of the complex process of developing meaningful, measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** GEORGIA

**TITLE:** Private Enterprise, 110-S001.3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$5,000,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Accelerated development and growth of private enterprise.

Background: Georgia's current macroeconomic policies, legal-regulatory framework, and corresponding institutions are inadequate to fully support the country's transition to a market economy. Institutions with responsibility for economic policy, and commercial laws and regulations must develop their capacities to conduct policy analysis and formulation based on valid economic information and sound analysis. Private enterprise growth is stymied because corruption persists and personal relationships take precedence over competition in the market place. New laws, codes and procedures are urgently required to encourage and regulate business in an open, competitive market.

USAID Role and Achievements to Date: USAID technical advisors guided the government through its negotiation with the IMF and the IBRD to acquire credit to conduct the macroeconomic policy adjustments and structural reforms which have put Georgia on the road to a market economy. USAID economic policy and legal assistance works with Georgia's national leaders to develop economic policies, laws and regulations to establish the market environment for private sector, particularly export-driven, growth and the absorption of new technology.

Description: The Center for Economic Policy Analysis and Reform (CEPAR) currently conducts applied economic analyses to identify key policy options. The CEPAR will continue to support policy-makers and key national leaders in the formulation of economic reforms required to achieve an enabling environment for private sector growth and identify opportunities for market-driven development. CEPAR will continue to establish the analytical capacity in economic and legislative institutions to produce an integrated policy framework designed to accelerate the growth of private enterprise. Legal assistance will continue to be available through CEPAR to Georgian institutions and policy makers responsible for organizing, drafting and enacting economic laws, especially in export-driven markets. CEPAR's role will continue to complement other legal work performed under USAID democracy objectives as new commercial law and civic codes are integrated into Georgia's new Civil Code. The newly established Trans-Caucasus Enterprise Fund will also contribute to USAID's goal of a competitive market economy.

Host Country and Other Donors: The CEPAR provides an operational adjunct to the Minister of Economy and the President's chief advisor for economic reform.

Beneficiaries: The government's economic policies, commercial laws and regulations and reformed institutions will set the stage for new investments and the rapid import of new technology which in turn will reemploy Georgia's skilled labor force in manufacturing and agriculture.

Principal Contractors, Grantees or Agencies: USAID activities are implemented by a US firm, Chemonics.

Major Results Indicators: \*

Number of laws implemented to expand private sector  
Number of regulatory procedures necessary to strengthen competitiveness in key economic sectors  
Commercial tax system in place that is considered equitable and transparent

\* These are illustrative indicators. ENI missions are in the midst of the complex process of developing meaningful, measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** GEORGIA

**TITLE:** Financial Reform, 110-S001.4

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$4,400,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: A more competitive and market-responsive private financial sector.

Background: Successful economic recovery will depend in large part on an increased capacity to mobilize savings and the capacity of commercial banks to serve as efficient financial intermediaries between savers and investors. The formation of a viable banking sector currently is hindered by: (1) the absence of a modern electronic payments system (EPS) to conduct timely financial transactions; (2) managers untrained in modern portfolio management; (3) a regulatory environment that discourages lending to the private sector; and (4) financial institutions that are either lacking or do not respond to market forces. The development of market-oriented capital markets will attract domestic and foreign investment, resulting in workers being retrained according to market needs. Presently, the private sector has virtually no access to credit at affordable rates. Savings mobilization, commercial lending and foreign transactions will not be possible until Georgia's commercial banks operate like their western counterparts. The commercial banking sector should be opened to outside capital with appropriate guarantees for repatriation of profits and protection against arbitrary capital market controls.

USAID Role and Achievements to Date: USAID technical assistance has helped Georgian entrepreneurs develop small and medium enterprises and develop new products and services.

Description: USAID assistance will support implementation of an electronic payments systems that will permit more timely financial transactions to take place among domestic banks and between the central bank and its seven regional clearing branches; improve banking supervision; and provide financial market data to bank managers and their clients. USAID will provide short-term technical assistance to train commercial bank managers and officers. The focus of this training will be portfolio management, including savings mobilization, debt management, strengthening of audit and supervision functions and the development of sound lending policies and procedures. The Center for Economic Policy and Reform (CEPAR) will provide assistance to formulate laws and regulations to improve commercial bank policies and operations to support private enterprise lending. USAID-funded Eurasia Foundation will select a commercial bank to initiate a small and medium enterprise lending program. Loan funds could be used to form small companies which harness the technological expertise existing in the Georgian labor force, refocusing on new products and services, as appropriate. To help stimulate demand for credit, USAID-funded non-government organizations will identify and assist clients to prepare viable investment and business plans. USAID will provide technical assistance to private farmers' unions and other producer groups to improve association organization, management and services to their membership.

Host Country and Other Donors: The development of the electronic payments system is a cooperative effort among USAID, the European Union, World Bank and the IMF. The IMF and the World Bank have provided all technical assistance to date including the development of an EPS installation plan and training program. The European Union is developing the plan for a private banking telecommunications network.

Beneficiaries: USAID will assist Georgia establish a robust private enterprise sector with a primary focus on export-led growth, building on the stabilization achieved through efforts of the IFIs. USAID-financed trade and investment programs will ultimately replace technical assistance to the banking sector. Informal retail trade will give way to the production of technology- and export-driven goods and services. In the long term, several million Georgians will benefit from these reforms.

Principal Contractors, Grantees or Agencies: USAID activities are implemented by US firms, and US private voluntary organizations, including Save the Children Federation, CARE, Eurasia Foundation, Volunteers in Overseas Cooperative Assistance, and International Executive Service Corps

Major Results Indicators: \*

Number of licensed viable private commercial banks

Amount of funds for equity/credit provided to small and medium-sized businesses from private commercial banks

\* These are illustrative indicators. ENI missions are in the midst of the complex process of developing meaningful, measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** GEORGIA

**TITLE:** Energy, 110-S001.5

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$6,500,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1998

Purpose: A more economically sound and environmentally sustainable energy system.

Background: Georgia's energy situation is severe. Energy supplies have become intermittent at best, and prolonged blackouts are commonplace. The shortage of power has accelerated the rate of economic decline that started in 1989 with the beginning of the breakdown of the former Soviet Union. The continuing shortage of energy threatens political security, stagnates the transition to a market economy, and endangers public health. With respect to electric generation, the country's installed capacity is about 4,900 MW of which about 2,800 MW is hydro and 2,100 thermal. Georgia's operating capacity is producing less than 15% of installed capacity. The absence of regulatory reform and sector restructuring also impedes economic progress and prospective investment. Georgia is a candidate for a gas transmission pipeline to transport Caspian Sea gas to the West.

USAID Role and Achievements to Date: USAID's emphasis is two-fold: to increase energy efficiency and reduce waste in power generation, transmission, distribution, and utilization through technical assistance and limited commodity support; and to assist in the development of an institutional framework to support these changes and to promote restructuring and privatization in the energy sector. With respect to significant achievements thus far, a de facto restructuring of the Georgian power industry was recently initiated. From a vertically integrated monopoly with all generation, transmission, and distribution in one entity, Sakenergo, the sector has seen most of the distribution function assigned to municipalities and a small number of hydro power plants sold to private investors as part of the Government's overall privatization program. These recent actions represent a significant first step in the direction of utility industry restructuring and eventual privatization. The Georgian Government has also recently established a Commission both to promote development of an institutional framework supportive of restructuring and eventual privatization of the industry, and to coordinate international donor programs in the energy sector.

Description: USAID focuses on three activity areas: power sector restructuring and privatization, including legislation and regulatory reform; limited commodity support to facilitate restructuring and privatization; and energy supply system rehabilitation. Assistance is channeled through three institutional contractors: one provides technical assistance in support of power sector restructuring and privatization, including legislative and regulatory reform; another provides technical assistance and commodity support to facilitate restructuring and privatization as well as energy supply system rehabilitation; and the third is providing short-term training in all activity areas.

Host Country and Other Donors: The European Union has completed a series of comprehensive assessments in the areas of tariff structure, accounting, billing, and metering practices. The World Bank is currently conducting a \$30 million loan appraisal for maintenance and rehabilitation work in the areas of electric generation, transmission, and to some extent distribution. USAID is undertaking a pre-loan analysis to complement proposed World Bank activities in the areas of electric generation, transmission, and distribution. The European Bank for Reconstruction and Development has recently approved an \$18.1 million loan to the local power company to rehabilitate the Rioni hydro station and improve operations and water treatment at the major thermal station.

Beneficiaries: Approximately 1.3 million residential and commercial consumers of electricity.

**Principal Contractors, Grantees, or Agencies:** Three institutional contractors: Hagler Bailly (restructuring and privatization); Burns and Roe (rehabilitation of power systems); and the U.S. Energy Association (training in all energy areas).

**Major Results Indicators:** \*

Percent of heat and power plants with energy conservation measures

Percent of total volume of electricity and heating produced and distributed by privatized sources

\* These are illustrative indicators. ENI missions are in the midst of the complex process of developing meaningful, measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** GEORGIA

**TITLE:** Citizens' Participation, 110-S002.1

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,600,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: Increased better-informed citizens' participation in political and economic decision-making.

Background: Like other countries emerging from the shadow of communist rule, Georgia is struggling to consolidate nascent democratic institutions and practices. Civil society is weak and fragmented: political pluralism, independent media, and indigenous non-governmental organizations (NGOs) need to be developed and strengthened for democracy to survive, and for a market-economy to flourish.

USAID Role and Achievements to Date: USAID-funded activities in the area of independent media have led to the establishment of the first independent television network in Georgia. Internews, with USAID and USIS funding, has worked to train and develop independent media outlets and implementors in Tbilisi and outlying regional cities. A series of Internews' sponsored conferences prompted seven of the country's strongest independent television stations to agree to form the Georgia's first independent television network. The network is expected to serve as a nation-wide platform for objective news coverage and quality documentaries, as well as a coordinating unit for independent television journalists. Additionally, USAID activities supported the development of the country's first domestic election monitoring NGO, and continue to support the strengthening of this indigenous organization. The National Democratic Institute (NDI), with USAID funding, provided substantive consultation, training and resources to a coalition of Georgian NGOs interested in developing a domestic monitoring organization. With NDI's assistance, this domestic monitoring organization, the Georgian Fair Election Society (FES), trained and deployed more than 1500 domestic monitors for the November 1995 election.

Description: USAID contractors and grantees will continue to work with independent television stations, political parties, parliamentarians, and indigenous NGOs to foster the growth of civil society and grassroots democratic reform efforts in Georgia. NDI is providing training to political parties and factions, both inside and outside the current parliament, on building organizational capabilities, operating as effective parliamentary factions inside the legislature, upgrading parliamentary skills, strengthening party-constituency linkages, and building substantive political platforms. As requested by the Georgian Parliament, a program for restructuring and retraining of parliamentary staff will begin in FY 1996. ISAR (formerly the Institute on Soviet-American Relations) and the Eurasia Foundation are providing assistance to indigenous democratically-oriented (non-humanitarian assistance) NGOs, working to improve management and communications capacity, and working to strengthen these organizations' ability to participate effectively in the development of democratic legislative and social reform. Also, activities will focus on improving inter-NGO coordination and developing effective strategies for communicating NGO interests/positions to the press and the general public. Internews is working with Georgian independent television journalists, providing limited but critical equipment assistance, and training programs to bolster journalists' capacity to produce quality news reports on political developments. Media assistance will also focus on developing media associations and networks, providing training in management, advertising, and journalists' rights and responsibilities. These activities will continue in FY 1997, and evolve based on the changing needs and growth of Georgian civil society.

Host Country and Other Donors: The above activities are being coordinated with other USAID activities, such as the Eurasia Foundation, as well as with the U.S. Information Service (USIS). Additionally, USAID's efforts are being coordinated with international donors working in these areas,

including the United Nation's Development Programme, the European Union, and the Organization for Security and Cooperation in Europe (OSCE, formerly CSCE). The Georgian Parliament, and various Georgian NGOs are integrally involved in these efforts.

Beneficiaries: USAID-funded activities in this area seek to benefit individuals and organizations actively involved in civic participation and democratic reform efforts, as well as the population at large over time, in encouraging further and deeper citizen participation in the country's transition to a democratic market-oriented state.

Principal Contractors, Grantees, or Agencies: Current grantees include Internews, NDI and ISAR. Additional grants and contracts will be established with various private/public US firms and NGOs for expanded assistance in this area.

Major Results Indicators: \*

Number of NGOs brought into the legislative process  
Percent of news coverage expressing opposing views

\* These are illustrative indicators. ENI missions are in the midst of the complex process of developing meaningful, measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** GEORGIA

**TITLE:** Legal Systems, 110-S002.2

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,000,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: Legal systems that better support democratic processes and market reforms.

Background: Georgia inherited a Soviet legal infrastructure that presents substantial obstacles in the country's evolution toward a market-oriented society based on the rule of law. Georgia's legislative infrastructure, judicial structure, and overall legal system all require assistance in reform, reconstruction and retraining.

USAID Role and Achievements to Date: USAID-funded consultant Herman Schwartz, an American constitutional law expert, was extremely influential in the development of Georgia's new constitution, specifically, his advice and cautions regarding an explicit separation of powers are positively reflected in what has been called the most solidly democratic constitution of all the former Soviet republics. USAID has also funded Georgian drafters of the country's Civil Code to travel to the Netherlands to participate in USAID-funded conferences which provided European and U.S. drafting expertise.

Description: USAID contractors and grantees will begin work in FY 1996 with legal institutions, such as the Parliament, Constitutional Court, Ministry of Justice, Procuracy and Executive Office, on legislative and institutional reform and restructuring. In addition, USAID will sponsor assistance in the retraining of the country's judges, lawyers and parliamentarians in international legal norms, as well as work at the grassroots level with indigenous bar associations and legal advocacy non-governmental organizations, and the dissemination of legal information to the general population. These activities will continue in FY 1997, and evolve based on the changing needs and growth of Georgia's legal infrastructure.

Host Country and Other Donors: These programs will be coordinated with other USAID-funded activities, particularly in the area of commercial law reform, with the economic restructuring activities of the newly developed Center for Economic Policy and Research (CEPAR). USAID's efforts will be coordinated with international donors working in these areas, including the United Nation's Development Programme, the European Union, and Germany's GTZ legal consultants.

Beneficiaries: These efforts will benefit Georgia's legal institutions and legal advocates in the transition to a governmental system based on the rule of law and market principles, and thus will benefit the people of Georgia who rely on these institutions, both governmental and non-governmental, to support and protect their individual and property rights in accordance with the constitution and internationally recognized human rights statutes.

Principal Contractors, Grantees, or Agencies: The American Bar Association's Central and East European Law Initiative (ABA/CEELI) has already begun work in this area in Georgia. Additional implementors have not yet been determined.

Major Results Indicators: \*

Percent of population knowing/understanding specific rights

\* These are illustrative indicators. ENI missions are in the midst of the complex process of developing meaningful, measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** GEORGIA

**TITLE:** Local Government, 110-S002.3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,000,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: More effective, responsive, and accountable local government.

Background: In the period following Georgia's independence in 1991, municipal officials were faced with major transition challenges. The de facto devolution of responsibility to local governments for many functions previously carried out by the national government, in combination with declining central budgets and shortage of skilled personnel, left local authorities increasingly isolated from the center and unable to halt the degradation of municipal services. Local and municipal governments need assistance in developing greater administrative capacity and efficiency, as well as in the construction of a rational intra-governmental administrative and financial system.

USAID Role and Achievements to Date: USAID has been holding off on local government assistance in order to benefit from an extensive World Bank assessment which has recently been conducted, as well as to develop a dialogue with the Government of Georgia on the scope of decentralization (i.e., the question of local elections and municipal taxing authority), prior to beginning activities in this area. FY 1996 will be the first year for USAID funding of such assistance.

Description: A USAID contractor/grantee will work with senior municipal staff, providing training in key technical areas, e.g., taxation, city management, and budgeting, in selected cities. Contractor/grantees will also work to develop a mayors' municipal association, which will aid in the dissemination of lessons learned and best practices among municipal officials and help to create an effective mechanism for lobbying the central government on issues of concern to local governments.

Host Country and Other Donors: USAID will coordinate its efforts with the World Bank and the European Union. The European Union in particular is working with the Government of Georgia on civil service reform at the central government level.

Beneficiaries: This effort will initially seek to benefit Georgian citizens in a few targeted cities. However, the number of beneficiaries will grow through an evolving network of municipal/mayors' association. Georgian citizens will benefit from more transparent, effective and efficient local governments with the capacity to provide the municipal services required to insure a higher standard of living.

Principal Contractors, Grantees, or Agencies: To be determined.

Major Results Indicators: \*

Passage of legal, fiscal and procurement reforms that empower local governments

\* These are illustrative indicators. ENI missions are in the midst of the complex process of developing meaningful, measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** GEORGIA

**TITLE:** Crises, 110-S003.1

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$9,500,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 1997

Purpose: Reduced human suffering and crisis impact.

Background: The economic crisis and associated collapse of the social safety net coupled with internal conflict, have left Georgia's most vulnerable populations without viable means of support. Until economic conditions improve, employment and household income will continue to decline, increasing the size of the vulnerable population. Currently the Georgian government does not have the resources to provide adequate support and benefits to those in need, necessitating continuing international assistance in the short term.

USAID Role and Achievements to Date: Since 1993 USAID has provided humanitarian assistance through U.S. non-governmental organizations (NGOs) and international organizations to assist Georgia's vulnerable population, particularly internally displaced persons (IDPs). This assistance met critical and immediate needs over the past three years for supplemental food, non-food household items, pharmaceuticals, medical services, water and sanitation facilities, some basic agricultural inputs, and heavy oil for emergency energy needs.

Description: Through funding to U.S. non-government organizations and international organizations, USAID provides humanitarian assistance in the form of food, pharmaceuticals, water and sanitation rehabilitation, and heavy oil for emergency energy needs. USAID-funded NGOs are also implementing bridging activities in the areas of micro-enterprise development, income generation, provision of inputs and technical assistance in agriculture, and reactivation of light industry in vulnerable communities.

Host Country and Other Donors: Significant levels of humanitarian assistance are provided by and through the European Union and U.N. organizations such as U.N. High Commission for Refugees, World Food Program, UN Children's Fund, and UN Department of Humanitarian Affairs.

Beneficiaries: Food assistance is provided to over 50,000 pregnant and lactating women and children under five and to 30,000 vulnerable people in Southern Georgia. Pharmaceutical assistance provides coverage for over 650,000 women and children in Tbilisi. Water, sanitation and other rehabilitation efforts are targeted for IDPs living in Western Georgia. Provision of heavy oil for emergency energy is expected to benefit most of the population. Bridging activities that increase household income are targeted for the most vulnerable populations among IDPs, farmers and others.

Principle Contractors, Grantees, or Agencies: USAID funds humanitarian assistance through U.S. non-governmental organizations and international multilateral organizations, including most prominently Save the Children Federation, CARE, United Methodist Committee on Relief, and International Council of Orthodox Churches.

Major Results Indicators: \*

Amount of temporary assistance appropriately targeted  
Numbers of people with reduced suffering because of access to food, shelter, clean water, etc.

\* These are illustrative indicators. ENI missions are in the midst of the complex process of developing meaningful, measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** GEORGIA

**TITLE:** Social Benefits, 110-S003.2

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,000,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1994; **ESTIMATED COMPLETION DATE:** FY 1997

Purpose: Improved sustainability of social benefits and services.

Background: The economic crisis and associated collapse of the social safety net coupled with internal conflicts, have left Georgia's most vulnerable populations without viable means of support. Until economic conditions improve, employment and household income will continue to decline, increasing the size of the vulnerable population. As international resources available for humanitarian assistance decrease, it becomes increasingly important to target aid to those who are most in need. At the same time, the government must become increasingly responsible for managing the affairs of its vulnerable population, particularly refugees and internally displaced persons (IDPs).

USAID Role and Achievements to Date: Through funding to the International Office of Migration (IOM), USAID provided technical assistance and training to the Government of Georgia (GOG) Coordination Bureau for International Humanitarian Assistance (CBIHA), which enabled the bureau to establish its charter and become operational. Through the U.S private voluntary organization (PVO), Save the Children Federation (SCF), USAID assisted in developing the capacity of CBIHA to collect data, track and coordinate all humanitarian assistance coming into the country. In 1995, primary responsibility for data collection and analysis, and monthly publication of a national report on international humanitarian assistance and market information was transferred from SCF to CBIHA. The monthly report is distributed to over 200 organizations and has been the primary source of quantitative data used by international organizations, NGOs, and government ministries to target and coordinate humanitarian assistance.

Description: In order to refine the targeting of humanitarian assistance, USAID is co-financing a major national assessment of vulnerability in partnership with the UN's Department of Humanitarian Affairs (UNDHA), European Community Humanitarian Organization (ECHO) and CBIHA. Through SCF, USAID is funding the team leader of the assessment. Household data on income, nutrition and health status will be collected to establish country-specific vulnerability criteria for identification of humanitarian aid beneficiaries. USAID continues to fund IOM to carry out capacity building within the GOG in the areas of emergency management and coordination of humanitarian aid. Both the newly established Ministry of Refugees and Resettlement (MRR) and the CBIHA receive technical assistance and training through IOM programs.

Host Country and Other Donors: As noted above, USAID is implementing its efforts to better target humanitarian assistance in partnership with UNDHA, ECHO and CBIHA. IOM works closely with the UN High Commission for Refugees, UN Development Program and MRR on migration issues.

Beneficiaries: The estimated vulnerable population is expected to drop from 700,000 to 500,000 with improved targeting methods. Of this number, USAID activities are expected to benefit some 200,000 persons, both IDPs and non-IDPs, through income generation and direct humanitarian assistance.

Principle Contractors, Grantees, or Agencies: USAID implements activities primarily through SCF and IOM.

Major Results Indicators: \*

Number of services privatized

## Change in numbers of public/private partnerships

\* These are illustrative indicators. ENI missions are in the midst of the complex process of developing meaningful, measurable country-specific indicators and targets, which will be completed by June 1996.

## HUNGARY

FY 1997 Assistance to Central Europe Request: . . . . . \$15,000,000

### Introduction.

United States political, security, and economic interests continue to be served best by an active foreign assistance program in support of Hungary's efforts to transform itself into a democratic, open market society. Hungary enjoys excellent relations with the United States, and participates actively in U.S.-led security initiatives, including the Organization for Security and Cooperation in Europe, the North Atlantic Treaty Organization (NATO) Partnership for Peace Program, and the longstanding United Nations (UN) sanctions against Serbia-Montenegro (at considerable cost to the Hungarian economy). The Hungarian Government (GOH) has actively supported UN and NATO peacekeeping efforts in Bosnia-Herzegovina, and -- as a major front-line State -- provides a vital staging point for American and other NATO troops en route to Bosnia. Over 3,000 U.S. support troops are currently stationed in southern Hungary, and a representative number of Hungarian support troops are serving alongside NATO partners in Bosnia. Seven countries share borders with Hungary, including Serbia, Croatia, and Ukraine.

Hungary has moved purposefully to establish a free market economy. A sound, broad legal and regulatory framework is in place, ensuring international corporate accounting standards as well as laws on bankruptcy and liquidation. A five-year program to bring 470 Hungarian laws into harmony with European Union standards was initiated in 1995 and is proceeding on schedule. Foreign capital is encouraged by a liberal foreign investment regime. The economic transition process has led to a strong growth in new businesses, and there are over 17,000 joint ventures in operation. Small enterprises are playing an increasingly important role and now account for nearly one-third of Hungary's gross domestic product (GDP). Hungary has privatized many State-owned assets, and the private sector is now reported to account for at least 60% of GDP. Liberalization of product, service, and capital markets, as well as deregulation of economic activities have largely been completed. Most consumer and producer price controls have been removed. Tariffs and import restrictions have been reduced significantly, and the bulk of trade has shifted in favor of Western and European Union members.

These accomplishments have not been achieved without considerable hardship and sacrifice. For most Hungarians, living standards have continued to decline since initiation of widespread economic restructuring in 1989. Health, education and social infrastructure -- heavily dependent on dwindling central budget allocations -- have deteriorated; employment and inflation have persisted at high levels; and the gap between rich and poor continues to grow wider. In 1994 the Hungarian electorate voted back into power by a resounding majority the former Socialist Party. The latter has since governed in coalition with the Free Democrats, and has honored its platform commitment to free market restructuring and Hungary's integration into Western European economic and political institutions.

### The Development Challenge.

Hungary's continuing transition efforts from command to market economy have entailed numerous structural changes and noteworthy progress in privatizing the economy. The results, at the macro-level, became more pronounced in late 1995 and augur well for eventual economic recovery if this trend continues. In March 1995, the Hungarian Government embarked on a tough stabilization program, aimed at curbing the current account and budget deficits, as well as reaffirming the Socialist-Free Democrat coalition's commitment to privatization. This austerity program, which bears the name of the undaunted Finance Minister, Lajos Bokros, had by the close of 1995 begun to show encouraging results, in sharp contrast to Hungary's economic position in December 1994. GDP continued to show a modest two percent growth for the second year running, due to higher exports and continuing improvements in productivity. The current account and budget deficits had begun to decline, and

private direct foreign investment reached the unprecedented, high level of \$13 billion, reflecting investor confidence in the coalition government's commitment to economic reform. Hungary remains Central Europe's most favored recipient of foreign private investment, and the United States the single most important source, providing an estimated \$5.3 billion or 43% of the total.

Unfortunately, unemployment and inflation rates remain high, estimated at 20% and 30% respectively, and real wages continue to fall (by over 10% in 1995). Although traditionally large trade imbalances improved somewhat, imports continue to exceed exports. Although revenue from some late-1995 privatizations helped to draw down the debt, Hungary remains the single most heavily indebted country in Europe. At the end of 1994, in the wake of Mexico's debt crisis, there were concerns within the international community that Hungary might meet a similar fate. The current account was in large deficit and the country was heavily dependent on foreign capital to finance this deficit as well as for debt servicing. However, Hungary has continued to meet its obligations and is less vulnerable to capital flight because of the composition of its external debt. Short-term debt comprised only 13% of total net external debt at the end of 1994. Macroeconomic policy adjustments taken in March 1995 to prevent further deterioration in the current account appear to have had the desired effect. The government aims to finance future current account deficits entirely through foreign direct investment so as to avoid further increases in external debt. Nevertheless, external debt increased by \$4.5 billion to \$33 billion in the first half of 1995 in part due to the impact of valuation changes on the stock of debt. Hungary's estimated per capita indebtedness of \$2,720 was the highest among the transition countries at the end of 1994.

Some of the Bokros austerity reforms, which cut deeply into longstanding welfare and family allowance sections of the central government budget, were declared unconstitutional in four separate decisions of the Constitutional Court, and their implementation was delayed. Efforts to overhaul central budget outlays, in order to bring outlays within the four percent of GDP level stipulated by the International Monetary Fund (IMF), are likely to continue weighing heavily on declining living standards for an increasingly large number of Hungarians. Last year it was estimated that one-quarter of the entire population was living at or below the poverty line, and a recently concluded World Bank study suggests that this number may now be even larger, with children, dependent mothers, and pensioners among the most vulnerable. A recent American Embassy analysis of health data also noted record low fertility and exceptionally high mortality rates -- the worst since World War II -- which had "accelerated since the fall of Communism...[and which] will have a significant impact on...the Hungarian economy in the next century." On 18 February 1996, after heated cabinet discussions over further social welfare and health program cuts, Minister Bokros offered his resignation for a second time and it was accepted.

While the Prime Minister quickly reaffirmed GOH commitment to continuing free market reforms, this resignation of a key minister comes at a critical juncture in negotiations with the World Bank and IMF and could adversely affect Hungary's chances to qualify for long-sought access to structural adjustment loans.

U.S. development policy continues to support Hungary in its efforts to complete a difficult economic transformation, by promoting the structural changes essential for economic recovery, democratic institution-building and social stability, and by supporting Hungary's integration into Western economic and political institutions. While much has been accomplished with some \$206 million in cumulative Support for Eastern European Democracy (SEED)-funded obligations since 1990, much remains to be accomplished. USAID expects that Hungary will have the institutional and other resources to continue its own transition. Current plans are to phaseout SEED Act assistance in the next few years.

#### **Other Donors.**

The assistance program of the European Union (EU PHARE) is reported to be the single largest donor, providing about \$150 million annually in grant assistance, principally in the form of technical advisory services. The World Bank, International Monetary Fund and the European Bank for Reconstruction and

Development (EBRD) are the most important sources of strategic loan assistance. More limited bilateral assistance, chiefly in the form of technical advisory services, is provided by the United Kingdom, Germany, other countries of Western Europe, and Japan. Japan and Germany are the most important sources of export credits.

USAID and other locally-represented donors consult regularly, not only to share information but also to explore opportunities for pooling resources. As a result of its longstanding and respected experience in economic restructuring, including banking sector reform, USAID often exercises a lead, innovative role as, for example, in designing an unemployment mitigation pilot project which also received support from the World Bank, International Labor Organization, and the EBRD.

#### **FY 1997 Program.**

USAID advisors were instrumental in helping Hungarian State Property agencies to privatize a major part of the economy: scarcely five years after the assignment of resident U.S. advisors to the State Property Agency, at least 60% of GDP is generated by the private sector. Budget reform remains a major task. SEED assistance helped to establish a Treasury within the Ministry of Finance, which will play a major role in deploying and controlling scarce central budget resources. Next steps include a shift in SEED emphasis from privatization to helping privatized companies become more competitive and commercially viable. GOH fiscal reform will also entail further review and reductions in major social service outlays, which are too costly for the central government to finance much longer. This will entail a transfer of financial as well as programmatic responsibilities to local governments and to individual users. USAID efforts to promote democratic participation in decision-making will focus increasingly on local level empowerment, through strengthening the capacities of local government and non-government organizations (NGOs) to articulate and to address the needs of the population.

#### **Strategic Goal: Economic Restructuring**

Under this goal, USAID fosters the emergence of a competitive, market-oriented economy in which the majority of economic resources is privately owned and managed.

Hungary's second year of positive GDP growth (two percent in 1995) reflects the growing contribution by the private sector to production and export enhancement. With only 30% of Hungary's state-owned enterprises remaining to be privatized, it is reported that the private sector already accounts for at least 60% of GDP. This includes virtually all of the retail industry. After assisting in the privatization of several major gas and oil conglomerates in 1995, USAID technical advisors participated in GOH arrangements for the January 1996 privatization of VIDEOVOX, as well as completing preliminaries for privatizing the National Textbook Publishing Company, six electricity distribution companies, several power plants, and part of the central electric works. USAID regulatory assistance to the Hungarian Energy Office was critical for the successful power sector privatization that brought over \$2 billion to the Treasury.

Consequently, the focus of USAID assistance is now moving from privatization to policy reform within the Ministry of Finance, where major efforts are under way to reduce central government spending. SEED-funded U.S. Treasury advisors consult regularly in this process, while other SEED-funded advisors assist in banking reform and in provision of more operationally-targeted assistance to newly-privatized companies. USAID advisors will continue assistance to the Hungarian Energy Office necessary to continue the privatization and restructuring process. USAID advisors are also assisting local governments in managing their resources more effectively, by improving local capacity to finance investment and municipal services, as well as in applying concepts of means testing, to ensure that scarce government funding is targeted more to the neediest.

USAID has initiated two new activities, aimed at conveying business management and marketing know-how to privatized firms. One is intended to help firms privatized under U.S.-style employee

stock ownership procedures to acquire essential business management skills. Another new effort will offer similar but more specialized, on-demand assistance to more established private firms on a part-reimbursable basis. In addition, ten small energy service companies have been formed under a USAID energy management training project, and are now able to offer energy efficiency advice to other Hungarian firms. The Hungarian American Enterprise Fund is in the process of leveraging EBRD and private funding to provide additional debt and equity financing to small and medium sized business. Additional firms will be assisted in developing financial and contracting skills to mobilize private sector funds for energy efficiency investments. A program to encourage housing production through assistance to small and medium private builders will begin soon. Real property, professional associations are active and strengthening the real estate industry. Tenant associations are being trained to manage their own buildings through USAID technical assistance.

Access to credit remains a major obstacle to Hungarian recovery, due in large part to the cautious lending policies of Hungarian credit institutions. In a project launched in 1995, USAID advisors began training senior managers of the national savings bank (OTP). Initially directed at high-level managers and OTP's own in-house training unit, this project will help OTP to expand new policies and skills so that loan officers in OTP's 1,400 branches will eventually have the confidence and know-how to engage in risk taking by lending to entrepreneurs on more commercially acceptable terms.

With the assistance of another USAID partner, a major agro-business policy landmark is near attainment -- Hungary's first comprehensive agricultural bill. In June 1995 a SEED-funded team of senior technical advisors helped to draft this omnibus farm legislation -- the first of its kind in over fifty years. This was followed by the visit of GOH and parliamentarians to the United States to visit U.S. Congressmen, farmers, and consumer groups, to obtain insight into the operations of U.S. farm legislation.

The Housing Guaranty Program, initiated in 1994, will provide U.S. guarantees to facilitate affordable loans for construction, rehabilitation, and infrastructure for modest homes. The goal of this project is to establish a model for more extensive, market based housing finance options. It aims at reducing dependence on the central budget for housing finance subsidies, removing impediments to a more competitive housing finance system, and integrating housing into financial and capital markets. To date, over 4,000 USAID designed affordable mortgage instruments have been purchased by Hungarian home buyers. The existing stock of private housing is also being improved with SEED assistance through creation of new mechanisms to support private home ownership as, for example, in managing condominiums and in helping homeowners to organize and to finance their own renovations.

- Strategic Objective: Accelerated development and growth of private enterprise
- Strategic Objective: A more competitive and market-responsive private financial sector

#### **Strategic Goal: Democratic Transition**

In working toward this goal, USAID supports the transition to transparent and accountable governance and the empowerment of citizens through democratic processes.

In Hungary, devolution of responsibility from central to local government has not been matched by a corresponding transfer of administrative experience and financial resources. The SEED program tries to address both issues: resource mobilization and effective representation of local interests and concerns. Examples of SEED assistance include the work of USAID advisors in helping local governments to manage their resources more effectively, by improving capacity to finance both investment and the operation of municipal services. Assistance in municipal budgeting will extend to many Hungarian cities, enabling municipal governments to become more responsive to citizens' needs and to become more accountable. Assistance is being provided to reduce and rationalize municipal infrastructure subsidies. These and other facets of the USAID housing/urban assistance program are

enabling local governments to work with the private sector more efficiently, without having to resort to new public ownership or necessarily to public funds.

In 1995 twelve Hungarian mayors completed USAID training programs, studying how American practices can be applied to representation and employment generation in their respective cities. The Mayor of Pecs, Hungary's fifth largest city, subsequently established a tourism and business information center.

USAID also launched two new programs in 1995, one aimed at upgrading public administration skills at the local level, and the other at supporting the establishment of local NGOs serving democratic reform and social service needs.

- **Strategic Objective:** Increased, better-informed citizens' participation in political and economic decision-making

#### **Cross-Cutting/Special Initiatives**

A long-standing USAID Health Partnership with American and Hungarian medical institutions has established a center of excellence for treating children who are suffering from cancer. The introduction of new techniques and U.S. equipment has so far helped to reduce by over 50% the mortality rate of all child cancer patients under treatment in Hungary. In addition, and as the result of SEED-funded training of Hungarian doctors and nurses in the United States, it is estimated that 1,500 Hungarian patients have so far been able to receive modern cardiac care in a country where cardiovascular disease is a major killer. No additional funds are requested for FY 1997.

It is expected that, in order to bring Hungary into compliance with IMF conditionality, the GOH will seek to reduce charges against the central budget by reducing health benefits. USAID collaborators are helping to design a minimum health benefits package for the remaining national health insurance program. Other cost savings are expected to follow from USAID introduction of an improved hospital diagnosis related groups (DRG) system, in order to monitor health care costs more accurately.

High unemployment, approaching 80% in some single-industry towns in a country not noted for a high mobility of labor, continues to be a major preoccupation of the Government and a major impediment to economic reform. Costly redundance within State-owned industries, such as the railways, has to be balanced against equally or even more costly unemployment benefits funded under the central budget. Until World Bank, International Labor Organization and USAID/Department of Labor (DOL) advisors began their collaboration, Hungary had no mechanism for large-scale processing of redundant workers and for ensuring their re-employment. A model labor center was established in Baranya County through external donor collaboration several years ago, and other more cost-effective measures have subsequently been explored.

One of these, the USAID-designed Rapid Response Project, is a pilot scheme which draws on existing local government counselling and training facilities to attract workers identified for redundancy into alternative occupations. In Debrecen, one of the highest unemployment areas of Hungary, this project has so far helped to reduce unemployment by one and one half percent in a fairly short period of time. Another USAID/DOL pilot project has also proven highly successful: the Quick Start Project, initiated in 1995, identifies local employers' needs and then provides appropriate training to match those needs. This project is credited with having so far put over 600 long-term unemployed back to work. Twelve additional sites have been activated to address mass lay-off issues and to counsel an estimated 5,000 unemployed workers.

While such activities seem modest in relation to the immensity of the problem, they do provide successful models for other donors to consider supporting or replicating on a larger scale. This is an ongoing activity for which no additional funding is requested in FY 1997.

**Training is a continuing need, providing vital support for technical advisory services and other assistance envisaged for private enterprises, financial sector reform, and citizens' participation.**

**HUNGARY  
FY 1997 PROGRAM SUMMARY\***

Strategic Objectives	Economic Restructuring	Democratic Transition	Social Stabilization	Cross-cutting and Special Initiatives	Total
Privatization					
Fiscal Reform					
Private Enterprise	6,200,000				6,200,000
Financial Reform	5,300,000				5,300,000
Energy					
Citizens' Participation		2,200,000			2,200,000
Legal Systems					
Local Government					
Crises					
Social Benefits					
Environmental Health					
Cross-cutting / Special Initiatives				1,300,000	1,300,000
<b>TOTAL</b>	<b>11,500,000</b>	<b>2,200,000</b>		<b>1,300,000</b>	<b>15,000,000</b>

\* Support for East European Democracy (SEED) Act funds

USAID Representative: Thomas Cornell

## ACTIVITY DATA SHEET

**PROGRAM:** Hungary

**TITLE:** Private Enterprise, 180-S001.3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$6,200,000 SEED Act

**INITIAL OBLIGATION:** FY 1991; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: Improved operations of small and medium sized enterprises (SMEs).

Background: With over 800,000 small and medium sized businesses registered in Hungary, the sector is poised to be the dominant engine of growth in the next ten years. However, three areas of constraints are hampering the development of SMEs and negatively affecting their success rate: an absence of capital; knowledge and information gaps among small and medium sized business owners; and inadequate support from the public policy environment. This activity includes initiatives to address these constraints under six ENI Bureau regional projects, Privatization and Enterprise Restructuring, Technical Assistance to Enterprises, Restructuring Agriculture and Agribusiness, Management Training and Market Economics Education, Enterprise Funds, and Housing.

USAID Role and Achievement to Date: In 1995, through USAID/Hungary assistance: the fourth and fifth Total Quality Management centers were opened. USAID supported increased access to credit by supporting the Hungarian American Enterprise Fund (HAEF) which has provided credit to small and microenterprises. It also sponsored the training of managers and credit officers in one of the largest Hungarian banks (OTP).

In 1997, USAID/Hungary assistance will focus on making more capital available to businesses through improving access to credit. It will promote improved business skills by increasing the number of local support organizations providing increased consulting services, promoting a national education system institutionalized business and management education, and improving access to information. It will also seek to promote policies, laws and regulations more conducive to enterprise profitability through business associations which improve public policy affecting business.

Description: Training of OTP staff will continue so that loan officers become more responsive to SME entrepreneurs. As a result of these efforts, it is expected that a \$6 million loan guarantee fund will become available. A new small business activity, scheduled to begin in 1996, will train bank and Savings Cooperatives staff in targeted areas to increase SME access to credit. Business skills and systems will be improved by strengthening financial and operational management in about 40 firms so that they can raise capital to expand their operations. The USAID/Hungary program will continue providing direct assistance to firms by placing volunteers in Hungarian companies and bringing Hungarian managers to counterpart firms in the U.S.. A new business activity will also assist in developing business skills and systems by working with existing Hungarian organizations which provide services to local entrepreneurs. Technical assistance in business development to Hungarian universities is being provided and Total Quality Management Centers in seven universities are providing regional assistance in business development. Twelve universities will be provided with Internet access to case studies and other business materials. The use of Internet will, subsequently, be made available to SME clients who can use the system to access technical information and advertise their products. Training will be provided for newly privatized Employee Stock Ownership Programs. Also under this activity, technical assistance and training will be provided to real estate professional associations in order for them to provide their members with services and training to make them more effective and self-sustaining. Assistance to SME builders will help them improve their business practices in the areas of marketing, operational efficiency, finance, and management. Additional assistance will help owners of recently privatized housing to acquire skills and resources to manage and maintain their buildings. Policy reform will be addressed through studies on tax reform and other areas of interest to small entrepreneurs. Volunteers will be placed in the Ministry of Agriculture to assist in the development of

appropriate laws for a market oriented sector.

Host Country and Other Donors: To support Small and Medium Enterprises, USAID works with a number of other donors. The Hungarian Enterprise Fund is supported by the European Union's assistance program (EU-PHARE) which provides funds for credit to SMEs. EU PHARE is expected to provide 30 million ECU (\$37.5 million) over the next three years. Another project jointly sponsored by the HAEF/PHARE and USAID will train personnel in Local Enterprise Agencies (LEAs) in the use of Internet. The LEAs which receive most of their funding from HAEF, will have Internet available to SME entrepreneurs who can use it to access technical information and to advertise their products. The HAEF/PHARE contribution for this activity is expected to be \$69,704, the LEA contribution \$17,426, and the USAID contribution \$24,931. Other donors which also provide bilateral assistance to strengthen the LEAs include Austria, Belgium, Finland, Italy, Ireland, Turkey, and the Netherlands. The British Know How Fund financed twelve consultants and provided technical assistance for the development of business plans in four LEAs, as well as providing technical assistance for eight more. France helped develop the Business Plan of the Budapest Enterprise Agency. USAID may facilitate dialogue between the European Bank for Reconstruction and Development (EBRD), a funding source, and the Hungarian American Enterprise Funds which seeks ten million dollars to continue its small and microenterprise lending program.

Beneficiaries: It is estimated that there are about 800,000 SMEs in Hungary, of which about half are active. Although only some of these will receive direct assistance, all will benefit as the services and resources available to SMEs increase.

Principal Contractors, Grantees, or Agencies: USAID is working with the following: Hungarian American Enterprise Fund, KPMG Peat Marwick, International Executive Service Corps, Center for International Private Enterprise, MBA Enterprise Corps - Keenan Institute, Volunteers in Overseas Cooperative Assistance (VOCA), Agricultural Cooperative Development International, Partners for International Education and Training (PIET), Land 'O Lakes, State University of New York, Indiana University, Eastern Europe Real Property Foundation, PADCO, International City and County Management, Urban Institute, and Peace Corps.

Major Results Indicators:\*

- Number of people employed by the private sector.
- Quantity of total exports.
- Amount of market capitalization on the Budapest Stock Exchange.
- Increase in ratio, profit before taxes (PBT)/sales.
- Increase in ratio, exports/sales.
- Increase in ratio, taxable profits/GDP.

\* These are illustrative indicators. ENI missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** Hungary

**TITLE:** Financial Reform, 180-S001.4

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$5,300,000 SEED Act

**INITIAL OBLIGATION:** FY 1992 **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: A More Competitive and Market Responsive Private Financial Sector

Background: The financial sector in Hungary remains underdeveloped and unresponsive to the needs of a market economy that can serve as the engine for sustained economic and social development in the country. The financial system which embraces the insurance industry, the banking system, and security and capital markets is immature and not yet capable of efficiently responding to all of the needs of a market economy. Macroeconomic financial structures are unstable and do not provide a favorable environment for substantially improved performance of the financial system. Fortunately, most of the policy, legal and regulatory frameworks needed for progress on more sustainable economic stabilization and an improved financial system are in place.

This activity includes initiatives to address these constraints under three ENI Bureau regional projects, (180-0014) Privatization and Enterprise Restructuring, (180-0027) Business Services, (180-0037) Partnerships in Health Care, and (180-0034) Housing Sector Assistance.

USAID Role and Achievement to Date: In 1995, through USAID/Hungary assistance, a draft of the Financial Institution Law was refined for submission to Parliament and is expected to be passed by Parliament in the next few months. A centralized Treasury Department in the Ministry of Finance is now fully operational and a USAID-funded Permanent Senior Economic Advisor Office at the Ministry of Finance has been established.

In 1997 USAID will focus on: developing the structure and improving the performance of Hungary's financial systems through improving bank intermediation and; promoting more sustainable economic stabilization through a more effective economic monetary policy and a more sound fiscal policy.

Description: USAID/Department of Treasury advisors are working on bank privatization and restructuring, treasury system development, program finance, government securities market development and tax administration, and debt policy. USAID/Hungary assistance will also focus on effectively monitoring and regulating the banking system and individual banks, mostly through strengthening the audit function of the Hungarian State Banking Supervision. It will also assist the Hungarian Ministry of Welfare (MOW), the Health Insurance Fund and local institutions to restructure the financing and delivery of health services. The central focus is on achieving a more cost effective system. USAID is also working to develop a market-oriented housing finance sector through the introduction of a housing finance loan activity and accompanying technical assistance.

Host Country and Other Donors: Other major donors involved in this activity are: IMF, EU-PHARE, the World Bank and the British Know How Fund.

In the banking field, the British Know How Fund is presently financing advisors at three Hungarian banks. Future plans include UK Inland Revenue visitors to the Hungarian Treasury and to the Debt Management Agency. The British are also involved at the State Securities and Exchange Commission, where they give advice on investment funds, introducing decentralized trading, establishing a broker's association, and money laundering.

The EU/PHARE program is helping to review the Securities Act, helping to train the Vice President of

the National Bank of Hungary and is involved with a larger project to assist the State Banking Supervision, where they are working together with USAID.

The EBRD is working to help privatize the Hungarian Credit Bank and preparing for an eventual equity investment. In addition, EBRD is looking at the insurance sector to set up an regional insurance fund.

The World Bank is presently assisting with projects focusing on: pension administration and insurance; health services and management; and tax administration. It is in the last stage of preparation of a large Enterprise and Financial Sector Adjustment Loan (EFSAL) loan, which would assist the fiscal and financial sector, with special attention to pension reforms. Additional activities under preparation include: assistance to the State Banking Supervision; a public sector adjustment loan and a public finance management project.

Beneficiaries: The Hungarian people will benefit from an improved financial sector.

Principal Contractors, Grantees, or Agencies: Implementors for this activity include: U.S. Department of Treasury, FSVC, Barents-KPMG, Agency on Health Policy and Research, American International Health Alliance, Health Care Finance Administration, Solon Consulting Group, and the Baltimore Urban Institute.

Major Results Indicators: \*

Number of firms listed on the Budapest Stock Exchange.

Private investment as percent of GDP.

Size of financial sector measured by sector assets as a per cent of the GDP.

Decreased inflation.

Competitive foreign exchange rate, measured by a real effective exchange rate index.

Sustainable current account deficit, balance of payments.

Reduced fiscal deficit, general government accounts.

Difference in planned and actual central government budget balance as per cent of planned.

increased taxpayer compliance.

Improved enforcement.

Reduced general government expenditure.

Number of bank examinations, off-site and on-site.

Bank equity owned by government agencies as per cent of total system equity.

\* These are illustrative indicators. ENI missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** Hungary

**TITLE:** Citizens' Participation, 180-S002.1

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,200,000 SEED Act

**INITIAL OBLIGATION:** FY 1991; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: Better informed citizens increase their participation in decision-making at the local level.

Background: Consolidation of democracy in Hungary hinges on the principle of irreversibility, or the ability of new democracies to overcome threats to regime reversal. To ensure consolidation, local governments and civil society must cooperate to provide effective governance and increase the likelihood that necessary governance reforms are undertaken and sustained. In addition, effective governance must be conditioned by increased political participation and accountability.

This activity includes initiatives to address these constraints under four ENI Bureau regional projects, (180-0021) Political and Social Process, (180-0032) Non Governmental Organization (NGO) Development Project, (180-0033) Labor Market Transition, and (180-0034) Housing Sector Assistance.

USAID Role and Achievements to Date: USAID-funded advisors have improved inter-community cooperation so that municipalities can prioritize and manage solid waste and wastewater issues. USAID grantees also monitored elections, strengthened political parties, and assisted the library and members of the Hungarian Parliament in the early years of the democratic transition.

In 1997, this activity will focus on promoting a more active civil society by achieving increased support for civic issues from the private sector, increased number of NGOs advocating for issues and delivering services more efficiently, and supporting an independent media which increases the flow of information. It will also encourage more accessible and effective local governments through assisting local governments in managing more efficiently, encouraging local governments to increase mechanisms for citizen input, increasing inter-community cooperation, and improving a national level framework conducive to local government.

Description: USAID long-term advisors are working with local governments to improve administrative operations, financial management, inter-community cooperation. USAID-funded assistance will also aid the Ministry of Finance and local governments in an effort to rationalize the municipal subsidy system. A USAID-funded civil society strengthening program will provide training and subgrants to Hungarian non-governmental organizations (NGOs) to increase their capacity for advocacy and service delivery.

Host Country and Other Donors: Ongoing efforts in democracy building are coordinated with those of other donors, including EU-PHARE, the British Know-How, The Organization for Economic Cooperation and Development (OECD), SIGMA, and the Soros Foundation.

Beneficiaries: This effort seeks to benefit local communities by ensuring greater participation and more useful information. Work to increase participation will involve assistance to local governments and NGOs. Local governments will become more efficient and their operations more transparent. Civil society will begin to take a more active and productive role in the management of their communities.

Principal Contractors, Grantees, or Agencies: USAID works with the following: Environmental Protection Agency (EPA), Regional Environmental Center, United States Information Agency, United Way International, Harvard Institute for International Development, Local Environmental Management, Urban Institute, International Research and Exchanges Board (IREX), and International City Management

Association (ICMA).

**Major Results Indicators:\***

Number of local referenda initiated by citizens

Number of voters who turn out for local initiatives

Amount of private sector financial or in-kind contributions to NGO sector

Amount of privatization of public services

Separate operating and capital budgets adopted

\* These are illustrative indicators. ENI missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## IRELAND

**FY 1997 Economic Support Fund Request . . . . . \$19,600,000**

### **Introduction.**

Years of strife and civil conflict have had a devastating effect on the social fabric and economy of Northern Ireland and the six counties of the Republic of Ireland which border Northern Ireland (Donegal, Sugo, Leitrim, Cavan, Monaghan, and Louth). Investment is inadequate, unemployment is high, and economic opportunity only a dream. These harsh conditions are self perpetuating and lead to distrust, inequity, and anger. The resulting unrest discourages investment and the cycle begins again. Economic assistance at the community level has been identified as the most effective means to break the cycle. Job growth has been the chief determinant of civic stability. The United States provides economic assistance to address these concerns through the International Fund for Ireland (the Fund).

The objectives of the Fund are to promote economic and social advancement; and to encourage contact, dialogue and reconciliation between Nationalists and Unionists throughout Ireland. The Fund 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. The Fund has been very successful in encouraging communities to take ownership of projects which can benefit their areas. The jobs and social stability which result from the U.S. contribution to the Fund are a tangible expression of the U.S. policy of encouraging peace and reconciliation through economic progress.

The United States has contributed approximately \$248,000,000 to the Fund since its inception in 1986.

### **The Development Challenge.**

Northern Ireland and the bordering Irish counties have seen over 25 years of armed struggle. Long-standing lack of equal opportunity is key to the conflict. All major social and economic indicators continue to show that Catholics in Northern Ireland are more disadvantaged than Protestants. Long-term unemployment is severe, with 55% being jobless for a year or more. The rate of unemployment among Catholic males is twice that of Protestant males. Inability to travel freely throughout the security zones compounds the difficulties for both groups in seeking employment. In addition, nationalists have been reluctant to seek employment in the security zones.

The Disadvantaged Areas Initiative continues to be a primary focus for the Fund, enabling its resources to be targeted at the areas of greatest need. Projects in support of the Initiative focus on community economic regeneration, community improvement, and border towns and villages with special emphasis on employment and business creation. Another area of great importance is the Fund's Communities Initiative, which is concerned with providing people in the most disadvantaged areas with the skills, resources and self-confidence to undertake the social and economic regeneration of their communities. Special emphasis in the Communities Initiative is on leadership potential, reconciliation and conflict resolution.

The Fund views itself as a facility to catalyze and support economic, political and social initiatives aimed at permanent reconciliation among Catholic and Protestant communities. The significant reduction of external debt since 1987 (40% of GDP in 1994) indicates positive movement on the economic front. However, the recent set-back in the ongoing peace process in Northern Ireland brings added urgency to its work.

**Other Donors.**

The Fund's activities are financed through international contributions from the United States, the European Union, Canada, New Zealand, and Australia. Each of the donors sends a non-voting observer to all Board meetings. In 1995, the European Union was the largest donor to the Fund, providing approximately 50% of total donor funding.

**FY 1997 Program.**

The Fund's principal efforts are directed at reducing the economic hardships of unemployment and community infrastructure decay in order to reduce the economic differences that exacerbate social disruption along religious lines.

**Cross-cutting and Special Initiative: Promoting Peace in Northern Ireland and the Republic of Ireland**

It is at the local community level that real change has to take place in order to achieve increased employment, social progress and promote reconciliation between people from different cultural backgrounds. The Fund supports the active involvement of communities in shaping their own futures. The Fund will continue its emphasis on projects which support economic regeneration. The focus on disadvantaged areas will also continue.

The Fund is multilateral and non-partisan. It disburses funds in accordance with the economic and social policies and priorities of both the Irish and United Kingdom governments. Funding supports employment generation and investment promotion, with special emphasis on projects promoting communal reconciliation. A recently completed independent assessment verifies that as of September 1994 Fund-supported projects have created 23,787 jobs. Four hundred forty-one organizations have been assisted to promote social and economic development, involving over 5,700 community leaders.

**IRELAND  
FY 1997 PROGRAM SUMMARY**

Strategic Objectives	Economic Restructuring	Democratic Transition	Social Stabilization	Cross-cutting and Special Initiatives	Total
Cross-cutting / Special Initiatives				19,600,000 a/	19,600,000
<b>TOTAL</b>				19,600,000 a/	19,600,000

a) Economic Support Fund

Director, Office of European Country Affairs: David Cowles

## KAZAKSTAN

FY 1997 Assistance to the NIS Request.....\$39,000,000

### Introduction.

Kazakstan, the world's largest land-locked country, is resource-rich and offers considerable trade and investment opportunities. Of particular value are vast reserves of oil, as well as gold, copper, and chromium. Lack of effective transport routes and relative isolation make it difficult for Kazakstan to access international markets. The government is publicly committed to building a democratic, market-based political, social and economic order. Considerable progress has been made in a number of areas since independence, though many elements of the Soviet legacy continue to have strong impact. Kazaks represent the single largest ethnic group, but there is also a significant Russian population and dozens of other ethnic minorities, including Germans, Koreans, Tatars, and Uigers. The country's geographic location, combined with its mix of both Russian and Asian traditions, position it to play an important role in supporting a successful interaction between the two traditions.

U.S. national interests in Kazakstan are both commercial and strategic. The country actively promotes Western trade, investment and economic support. The potential is enormous, especially in the energy sector. Foreign investment is already at levels higher than any other former Soviet republic including Russia, though lack of a transparent, consistent legal and regulatory environment causes concern and is proving to be a stumbling block for foreign investors. Kazakstan's large size and geographical location means it is also a key player in shaping the post-Soviet political and economic order in the large Eurasia landmass. Relations with Russia are vital, as are those with China, its other large neighbor; Kazakstan also interacts closely with the other Central Asian republics and, more indirectly, with both the Middle East and the Indian Subcontinent to the south. Kazakstan was one of four states in the former Soviet Union that possessed nuclear weapons on independence, but is now nuclear weapons free. An independent and prosperous Kazakstan which engages constructively on the international stage is an important factor in determining regional stability in a potentially volatile area of the world.

### The Development Challenge.

Kazakstan, the largest recipient of U.S. assistance in Central Asia, has made considerable progress in privatizing government assets and setting up the basic framework for a market-based economy. Official pronouncements support such an approach, and the government has issued a series of measures designed to fundamentally change the role of the state in bringing about sustained economic growth. However, implementation often lags. Lack of experience in managing a market economy is often a problem, especially at lower levels where officials lack either the expertise or commitment needed to implement meaningful reform. Lack of transparency and the difficult social costs associated with some aspects of the transition also have undermined public confidence in the shape and direction of change.

Overall macroeconomic management has been relatively good, especially considering that Kazakstan at independence lacked the experience needed to conduct international trading relationships and take control of its own economic destiny. Despite initial difficulties in introducing a new currency in November 1993, the Kazakastani tenghe has been relatively stable since at least June 1995. Initially rampant inflation has also been largely brought under control, with monthly inflation rates now in the low single digits and overall inflation rates the lowest since independence. These and other measures designed to ensure greater macro stability are important first steps in setting the country on a path toward sustained growth. Although most production figures plummeted following independence, the rate of decline has slowed and there are signs that the recession may have finally bottomed out.

Regarding debt, Kazakhstan has relatively low external debt obligations with a debt service in terms of exports ratio averaging one percent over the period 1992-94. The future appears promising as there is significant investor interest in the country's natural resource base.

Privatization programs have on occasion been delayed and suffered implementation difficulties, but the government has shed itself of most small businesses as well as a large number of medium-sized enterprises. A few very large firms have been sold off on a case-by-case basis and others are slated to be sold off as well. The decision in the fall of 1995 to break apart a number of large holding companies and sell off their constituent parts was an important step forward, ensuring that some of the more attractive enterprises were available for private purchase and giving an important boost to the overall privatization process. According to one estimate by the European Bank for Reconstruction and Development, as much as 25% of Kazakhstan's GDP now originates in the private sector.

Growth in the energy sector has not yet met expectations, though it is still regarded as a significant engine for future economic growth. Current oil production levels of around 300,000 barrels a day are still only about 25% of those achieved just prior to independence in 1991. Continued lack of progress on an oil export pipeline makes it extremely difficult for Kazakstani oil and gas to reach world markets. Oil and gas are critical to the economic future of the region; USAID and State will be developing some focused activities in FY 1996/97 to further natural development and regional cooperation. Joint ventures are becoming more active, but uncertainty on the pipeline issue and difficulties exporting through Russia will continue to cast a cloud over future development until the issues are resolved. Power sector reform appears to be back on track raising the possibility of major privatization and investment.

Agricultural performance has been disappointing in a number of respects. The 1995 grain harvest represented a major setback, with production levels only half of those in 1994. Kazakhstan will still meet its own domestic requirements, but grain exports will be much reduced. Drought, inefficiencies in supply and distribution systems and a shortage of spare parts and fuel all contributed to the poor harvest. Areas in which the private sector plays an important role, such as the production, distribution and marketing of fruits and vegetables, have performed much better.

Kazakhstan's population is relatively well educated, and its literacy rate is almost 98 percent. State-organized systems for delivering social services have proven to be unsustainable. For example, the health care system is centralized and emphasizes curative measures instead of prevention. Some market-based mechanisms are now being introduced, including the privatization of dozens of government-owned pharmacies. The economic transition has proven to be especially difficult for vulnerable groups such as pensioners and large families headed by women. Ways to introduce more targeted assistance for vulnerable groups are being discussed and in some instances introduced.

While individual human rights are by and large respected and there is a lively independent media, democratization has not yet taken root in Kazakhstan. Government institutions still run largely along communist lines. The population tends to focus on economic issues and is frequently uninterested in political processes. An April 1995 referendum extended the president in office until 2000, and a new constitution adopted in August 1995 concentrates power in the presidency. It remains to be seen to what extent the new parliament, elected in December, will exercise its limited powers and emerge as an effective and open forum for debating issues.

USAID expects that Kazakhstan will have the institutional and other resources to continue its own transition. Current plans are to phaseout Freedom Support Act (FSA) assistance within the next several years.

#### **Other Donors.**

Other donors are heavily engaged in Kazakhstan, reflecting the country's reputation as one of the early

reformers interested in working with international institutions to effect lasting change. Standby agreements have been negotiated with the IMF, and both the European Bank for Reconstruction and Development (EBRD) and the World Bank have active programs. The World Bank provides technical assistance for economic restructuring and loans in key areas related to oil development, urban transport, social protection, and finance and enterprise development. New projects in a number of areas covering land registration, financial sector adjustment, private sector support, irrigation and drainage, water supply, agricultural privatization, and treasury modernization are being prepared. EU-TACIS and bilateral donors such as Germany, Britain, Japan and Korea provide additional aid, usually in the form of technical assistance and training. USAID works closely with these other organizations and in some instances their resources are able to supplement and provide wider support for programs pioneered by USAID-funded technical assistance teams.

#### **FY 1997 Program.**

USAID's strategy for helping Kazakhstan achieve a democratic, market-based society focuses on four main areas: economic and financial restructuring; democracy building; social transition; and participant training. Economic restructuring remains the single most significant part of the portfolio, though the emphasis over time has shifted from privatization (which is now being phased out) to broader legal and regulatory concerns. This in turn represents a natural "next step" toward the ultimate purpose of the aid program: promoting and sustaining private commercial trade and investment relationships for which aid is no longer needed.

The planned 1997 program anticipates further work in the fiscal area, mainly by providing hands-on practical training and support for administering a modernized tax code and managing a more transparent budgetary process. Private firms, whether newly privatized or established by an emerging entrepreneurial class, will benefit from improvements in the overall legal and regulatory environment. Trade and investment issues receive special attention, including speeding up Kazakhstan's membership in the World Trade Organization. Further support for financial sector development is envisaged by building on Central Asia's first stock market, established in Almaty in spring 1995. Plans are to improve and expand operations. Planned democratization programs include a mix of support for independent media, for strengthening the judiciary and parliament, and for developing local NGOs as an essential feature of a more open civil society. Work in the social sectors will be closely linked to the economic restructuring objective, especially by using sustainable, incentive-based market systems to deliver needed social services. Finally, a continued training program is envisaged, cutting across all sectors, with greater emphasis on in-country training and on follow-on programs which ensure greater effectiveness of newly acquired technical skills in Kazakhstan.

#### **Strategic Goal: Economic Restructuring**

Kazakhstan's educated population, large natural resource base and relatively developed industrial infrastructure offer a number of advantages that should enable it to eventually compete effectively in world markets. Although the shift from a socialist system to a market-based economic system has at times been difficult, Kazakhstan is partway down the path toward fundamental, lasting change. As the government's own privatization program, implemented with considerable assistance from USAID, winds down, greater emphasis needs to be placed on building the commercial environment needed to ensure that newly privatized firms grow and prosper. Also, although the government has issued a number of significant decrees and is working on others, considerably more work is needed to implement legal frameworks effectively.

USAID advisors played a central role in developing Kazakhstan's new tax code that was introduced in July 1995 and described as perhaps the most modern and transparent in the former Soviet Union. Considerable work is also being done to improve the budget planning and implementation process. Effective implementation of these new policies is needed in order to ensure their ultimate success. Key activities include providing technical advisors and training in modern tax administration procedures.

Programs aimed at ensuring more rational and transparent ways to raise revenues and allocate among the various levels of government (national, oblast, local) is also planned.

The imminent conclusion of ongoing privatization programs makes it all the more imperative to work on the legal environment in which newly privatized firms must operate. Private economic actors must know the "rules of the game" at the outset, and potential new investors have to be sure beforehand that they can confidently analyze risks involved in a new venture. Trade and investment concerns figure prominently in the work undertaken, with a view toward assuring the economic climate in Kazakhstan is attractive to both local and foreign investors.

The notion of financial markets was almost unknown during the Soviet era. In a market economy, strong financial markets are needed to ensure that capital is channeled into areas of highest economic return rather than being squandered on inefficient enterprises that contribute nothing to long-term growth. Initial USAID activity ensured creation of Central Asia's first stock market in Almaty as well as establishment of an independent securities exchange commission to regulate it. Next steps include expanding the size and scope of the stock exchange and ensuring that Kazakstani counterparts are effectively equipped with the skills needed to manage a modern financial sector. As with fiscal and commercial environments, a strong financial sector is crucial for attracting the kind of trade and investment needed to ensure sustainable, long-term commercial relationships in the international marketplace.

- **Strategic Objective:** Increased soundness of fiscal policies and fiscal management practices
- **Strategic Objective:** Accelerated development and growth of private enterprises
- **Strategic Objective:** A more competitive and market-responsive private financial sector

#### **Strategic Goal: Democratic Transition**

There were a number of setbacks last year in terms of democracy building in Kazakhstan, including the use of a referendum in place of a presidential election and the relatively sudden introduction of a new constitution that concentrates power in the office of the president. International observers have questioned some elements of the electoral process as it has been implemented in Kazakhstan. More positive signs include a sensitivity to human rights, maintenance of a lively independent media and the emergence of a growing NGO sector. Building democracy will be a long-term process in Kazakhstan, requiring both commitment at the upper levels of government and interest on the part of individuals and NGOs in helping to shape future development patterns.

The trend toward greater centralization of power underscores the importance of expanding the flow of information and ensuring that a variety of voices are heard. Growing emphasis is now being placed on building and sustaining local NGOs as a way to ensure more grassroots involvement. Assistance will also continue to independent television networks, both to improve their professional programming skills and to ensure that they become sustainable, commercially viable business operations. Where appropriate, programs on judicial development and parliament strengthening will also be considered.

- **Strategic Objective:** Increased, better-informed citizens' participation in political and economic decision-making

#### **Strategic Goal: Social Stabilization**

USAID will focus on developing a system of health care, including financing, insurance, and patient care. Social service delivery concerns are closely linked to broader economic restructuring issues, in large part because government-controlled and financed mechanisms from the past are no longer

sustainable. Already, Kazakstan's decision to breakup the centralized pharmaceutical monopoly and allow private pharmacies is having an effect by increasing the availability of and lowering the costs of essential medical supplies. USAID advisors were closely associated with this effort from the start.

USAID interventions will stress more efficient, market-based approaches to social service delivery, especially in the health sector. When feasible, development and testing on a localized, pilot basis will be emphasized. Once the pilots are successful, efforts will be made to work with the government and other donors on trying to expand these pilot efforts nationally.

- **Strategic Objective: Reduced Human suffering and crisis impact**

#### **Cross-cutting/Special Initiatives**

In Kazakstan, "special initiatives" refers mainly to Congressional earmarks in the areas of medical partnerships and family planning. There is substantial interest among health professionals in Kazakstan in participating in such programs. USAID also attempts when possible to ensure that these earmarks are closely integrated with other activities and that they address broader strategic and programming concerns, including those in health reform. Finally, modest general project support in the form of special studies, evaluations, and pilot activities are funded out of the special initiatives line item; on occasion, these activities involve not only Kazakstan but other countries in Central Asia as well.

The medical partnership between a Tucson hospital consortium and four medical facilities in Almaty has provided training and technical assistance since 1993. A new partnership between Methodist Hospital and Baylor College of Medicine and four medical institutions in Semipalatinsk/Kurchatov began in February 1995. Thus far, the Almaty partnership has resulted in the establishment of the Almaty Perinatal Center, the Almaty Poison Information Center and the Almaty Regional Emergency Medical Services Center. New clinical practices are being introduced into the Almaty Medical College curriculum. Also, the city health administration created the new position of Head Nurse for Infection Control. This position was then created at 80 other city hospitals and resulted in reduced infection rates and shorter hospital stays. Under the reproductive health initiative, a Demographic Health Survey was recently completed, the first in the former Soviet Union. The survey provides empirically sound data on the health and family planning situation in Kazakstan which can be used to shape more targeted interventions. Also, the contraceptive social marketing program, based on market approaches to contraceptive sales, trained hundreds of pharmacists in modern counselling techniques and broadcast television messages seen by hundreds of thousands of Kazakstanis since January 1995. Five international pharmaceutical manufacturers have entered the Kazakstan market. The number of pharmacies carrying modern contraceptives has increased dramatically since December 1994. Kazakstan is also participating in the USAID-funded reproductive program resulting in two fully equipped service delivery/clinical training sites in Almaty staffed with qualified trainers and service providers. Finally, special studies and programs funded out of the special initiatives have included such items as an innovative conference and follow-up programs linking Kazakstanis to professional counterparts in the U.S.

Also under Cross-cutting Programs, the Exchanges and Training program continues to provide important support for reform-minded Kazakstanis to obtain specific training in a way that also exposes them first-hand to Western systems and methods. The training has proven to be especially effective in Kazakstan because it is usually linked to the larger technical assistance effort and because counterparts often come back with new ideas and views on how to do things differently back in Kazakstan. Given the country's historical isolation, this opportunity is all the more useful.

NET provided U.S. short-term training for 482 officials in 1994 and 1995, with an additional 160 participants scheduled for 1996. USAID-funded participants have been instrumental in the development

of a tax code, central banking operations, national budgeting commercial law, accounting standards and health reform. This effort benefits Kazakstanis at all levels by training qualified public officials who are able to establish laws and regulations that are transparent and foster the growth of markets and democratic governance. New entrepreneurs will benefit as they establish links with potential future U.S. commercial partners.

NET resources provide for both U.S. short-term training as well as in country follow-on programs. The in-country program revolves around the establishment of an Alumni Center where returning participants can utilize E-mail and fax facilities to keep in touch with U.S. trainers and contacts, as well as duplicating equipment to reproduce reports and other materials. The in-country follow-on program also provides for additional training through seminars and conferences, principally conducted by technical expertise located in Central Asia. The NET program will continue with greater emphasis on in-country training.

The focused technical training provided through NET has been instrumental in assisting the Government of Kazakstan in the implementation of its economic restructuring program. NET is coordinated closely with the program of other donors in Kazakstan, a number of which also sponsor various training initiatives.

Although some elements of the training program will change, there will be a continued emphasis on linking participants to ongoing technical assistance in order to increase their effectiveness. Expanded follow-on programs and more in-country training is also planned, to ensure that technical skills learned on a U.S. study tour are effectively applied in Kazakstan-specific work contexts once the trainees return.

**KAZAKSTAN  
FY 1997 PROGRAM SUMMARY\***

Strategic Objectives	Economic Restructuring	Democratic Transition	Social Stabilization	Cross-cutting and Special Initiatives	Total
Privatization					
Fiscal Reform	3,500,000				3,500,000
Private Enterprise	14,000,000				14,000,000
Financial Reform	6,000,000				6,000,000
Energy					
Citizens' Participation		3,000,000			3,000,000
Legal Systems		500,000			500,000
Local Government					
Crises					
Social Benefits			1,500,000		1,500,000
Environmental Health					
Cross-cutting / Special Initiatives				10,500,000	10,500,000
<b>TOTAL</b>	<b>23,500,000</b>	<b>3,500,000</b>	<b>1,500,000</b>	<b>10,500,000</b>	<b>39,000,000</b>

\* Freedom Support Act (FSA) funds

USAID Mission Director, Acting: Patricia K. Buckles

## ACTIVITY DATA SHEET

**PROGRAM:** KAZAKSTAN

**TITLE:** Fiscal Reform, 110-S001.2

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,500,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Increased soundness of fiscal policies and fiscal management practices.

Background: The Soviet legacy ensured that newly independent states such as Kazakstan inherited an antiquated set of fiscal programs and policies. Complicated budget procedures lacked transparency. Similarly, little was known about modern approaches to tax collection and revenue generation. Progress in both areas is essential in order to ensure and sustain macroeconomic stability.

USAID Role and Achievements to Date: USAID-funded advisors made major contributions to the formulation of a new tax code, adopted in July 1995 and described by some outsiders as perhaps the most modern and transparent of any in the former Soviet Union. On the budgetary side, USAID-funded contractors and USAID-funded Treasury advisors are helping to introduce a new budget classification system, a national and local budget law, and a modern system for managing public external debt.

Description: USAID advisors are working with Kazakstani counterparts to ensure a more efficient revenue collection system and to shape more rational and transparent budgetary processes. Now that a new tax code is in place, the focus is shifting to training and hands-on instruction in how to manage and implement the new system. In the budgeting area, advisors work directly with counterparts to improve systems and to rationalize the expenditure and taxation authority among the various levels of government (national, oblast, local).

Host Country and Other Donors: Ongoing efforts in the fiscal arena are coordinated with those of other donors, including the World Bank, IMF and EU-TACIS. The World Bank is planning a major treasury modernization project which would involve technical advisors, training and equipment.

Beneficiaries: This effort seeks to benefit tax-paying Kazakstanis at all levels by ensuring greater transparency and a more rational revenue collection and budgetary expenditure process. Potential entrepreneurs will benefit as more comprehensible and transparent fiscal systems are adopted. Increased government revenues and a more rational system for allocating their use should also lead to more effective governance and greater macro economic stability.

Principal Contractors, Grantees, or Agencies: USAID activities are implemented through two private U.S. firms and the U.S. Department of Treasury.

Major Results Indicators\*:

Amount of government budgetary transfers to state-owned enterprises.

\*These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** KAZAKSTAN

**TITLE:** Private Enterprise, 110-S001.3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$14,000,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Accelerated development and growth of private enterprise.

Background: Kazakhstan's economic future depends largely on its ability to stimulate a nascent private sector. Some of this will come through the privatization process, some as a result of entrepreneurs entering the marketplace to start or expand businesses. Already, outside private investment is higher in Kazakhstan than in any other country in the former Soviet Union, in large part because of Kazakhstan's enormous supplies of oil and other natural resources. Although the government is broadly supportive of economic reforms needed to foster private sector growth, problems often occur at lower levels, where there is a lack of understanding of market-based policies and procedures and a lack of technical competence that will be needed to implement them effectively.

USAID Role and Achievements to Date: Privatization represented the first phase of USAID economic restructuring work in Kazakhstan. By early 1996, more than 6,000 enterprises valued at more than \$49 million had been sold through cash auctions. A parallel program of mass privatization involving coupons has also made considerable progress, especially since August 1995. By the middle of February 1996, 22 coupon auctions for 1,712 companies had been held. By some accounts, nearly two-thirds of the industrial employment in Kazakhstan now works for firms that are majority owned by the private sector. Recently, USAID focused more attention to the policy and legal environment needed to sustain a supportive business environment. To promote competition, USAID advisors worked with the Anti-Monopoly Committee to successfully promulgate reforms that drastically reduced the number of companies subject to pricing and profitability controls. USAID advisors also helped force the breakup of many major holding companies and made sure that they were included in the mass privatization program. Finally, they helped ensure an insurance regulatory framework which promotes competition and ensures foreign participation. Also, the USAID-funded Central Asian American Enterprise Fund (CAAEF) is now a very visible presence and has already made a number of equity and loan investments in Kazakhstan.

Description: Private sector support represents by far the biggest USAID activity in Kazakhstan. In the area of legal and regulatory reform, advisors are working in key areas including trade and investment, bankruptcy reform and general business law reform; a large training effort in all three areas is anticipated. The general business component targets constraints to business operations, including passage of legislation in such areas as contract law and property rights. The bankruptcy area is designed to help establish the rights of creditors and develop a framework for disposing of unproductive assets and channeling them toward more efficient economic uses. Many of these efforts are needed to maintain the momentum created by the privatization process and to expand opportunities for US trade and investment in Kazakhstan. The CAAEF is also available to help facilitate and promote this type of investment. People-to-people efforts and exchange programs such as those supported by the International Executive Service Corps (IESC) and the various farmer-to-farmer programs have proven to be excellent vehicles to identify potential investment opportunities and develop appropriate business plans.

Host Country and Other Donors: Ongoing efforts to strengthen private business operations are developed in conjunction with those of other donors, especially the World Bank, EBRD, and EU-TACIS. World Bank funds are being used to provide consultancy services. A World Bank-funded project on private enterprise support is now being developed. EBRD programs include a loan program comparable

to that offered by the CAAEF. EU-Tacis also supports private sector development and has a special interest in the agricultural sector.

**Beneficiaries:** Specific beneficiaries include the hundreds of thousands of Kazakstanis who own shares in privatized government enterprises and stand to gain financially if these new firms are successful. Aspiring entrepreneurs stand to benefit from a transparent, stable and consistent legal environment. The entire population stands to gain from a more efficient market-based economic system that produces jobs and increases the availability of goods and services.

**Principal Contractors, Grantees, or Agencies:** USAID activities are implemented through several private U.S. firms as well as U.S. private voluntary organizations such as IESC, Agricultural Cooperative Development International (ACDI), Volunteers in Overseas Cooperative Assistance (VOCA), and Winrock. As noted, the CAAEF also makes an important contribution by expanding the amount of investment and equity capital available to Kazakstan's private sector.

**Major Results Indicators\*:**

Number of private sector businesses operating and generating employment.

Number of business associations advocating on behalf of private sector initiatives, needs, and future growth requirements.

Number of laws implemented to expand the private sector.

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** KAZAKSTAN

**TITLE:** Financial Reform, 110-S001.4

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$6,000,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: A more competitive and market-responsive private financial sector.

Background: Success in privatization will be fleeting unless it is followed by development and expansion of a vibrant capital market to channel scarce investment resources into areas of highest economic return. A basic legal and institutional framework for market-based financial market development is now in place, but further skill and understanding is needed to ensure its effective operation and implementation.

USAID Role and Achievements to Date: The establishment of the Central Asia Stock Exchange (CASE) in Almaty represents one notable achievement, the formation of an Independent Securities Exchange Commission another. International corporate accounting standards were introduced in December 1995. Significant strides also have been made to tighten financial regulatory guidelines and to enhance monitoring capacity in the banking sector. Through January 1996, as a result of detailed bank examinations, more than fifty insolvent banks have had their licenses suspended. These actions, plus a dramatic reduction in credits and an overall tight monetary policy in the last two years, reflect the success of the Central Bank in asserting its independence.

Description: USAID's main role is to provide technical assistance and training to nascent institutions in the financial sector. Work often entails drafting and introducing new laws, procedures, and operating systems. Hands-on work and on-the-job training receives special emphasis. Banker training is conducted through a series of one-week classroom sessions. High level policy advice is accompanied by efforts to ensure that counterparts develop the capacity to undertake such research and analysis on their own.

Host Country and Other Donors: USAID is the major foreign donor working in the financial sector, and the only one involved in the securities area. Work is coordinated closely with the World Bank. Training activities for private banks undertaken by both USAID and EU-TACIS are about to be merged into a single institution that should set the standard for banker training in Central Asia.

Beneficiaries: Immediate beneficiaries include professionals involved in securities market development such as private bankers, stock brokers, and government officials. Newly emerging entrepreneurs as well as a broad range of Kazakstani citizens should benefit by the extension of capital markets that channel scarce financial resources into more productive directions.

Principal Contractors, Grantees, or Agencies: USAID activities are implemented through several U.S. firms in cooperation with local counterparts at the National Bank, Ministry of Finance, Central Asia Stock Exchange, and National Securities Commission.

Major Results Indicators\*:

Amount of investment, both from domestic and foreign sources.

Number of licensed, viable, private commercial banks.

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** KAZAKSTAN

**TITLE:** Citizens' Participation, 110-S002.1

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,000,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Increased citizens' participation in political and economic decision-making.

Background: There have been a number of setbacks on the road to democracy in Kazakstan. Since independence in December 1991, the country already has had two constitutions, two general parliamentary elections, several by-elections, and one presidential referendum. The current constitution consolidates power in the president. However, there are independent media outlets, non-governmental organizations (NGOs) that organize and carry out activities, and opposition voices that can be heard. The diverse nature of Kazakstani society underscores the importance of ensuring a multiplicity of media outlets and NGOs that provide platforms upon which all sections of society can voice opinions and help shape their future. An independent media and a vibrant NGO sector are the foundations for building a truly democratic civil society in Kazakstan.

USAID Role and Achievements to Date: Prior to 1990, there were no truly non-governmental organizations in Kazakstan. Several hundred now exist, though lack of funding and lack of organizational skills is a recurring problem. Through the end of December 1995, USAID-funded American organizations had provided 126 grants throughout Kazakstan to local NGOs representing a variety of interests, including human rights, the environment, rule of law, women's rights, agricultural development and market transition. The fact that Almaty by some accounts has the most independent local television programming of any city in the former Soviet Union is in part a tribute to the work of the relevant USAID grantee. The same group is helping to strengthen independent media across the country (of the 38 independent television stations throughout Kazakstan, only five are in Almaty). Following a July 1995 conference involving 21 television cities in 14 cities, membership in an Association of Independent Electronic Mass Media increased nearly 200 percent, from 7 to 20. The organization's main goal is to protect independent electronic media. USAID-supported monitoring groups made sure that inadequacies in Kazakstan's electoral processes have been documented and brought to public attention, in hopes of establishing dialogue with relevant government institutions and improving electoral processes in future.

Description: USAID's current program focuses on democratic processes, especially those aimed at enhancing civic participation and education, the flow of information, ensuring transparency and accountability in government and dialogue between the government and non-governmental sectors. Parliamentary strengthening programs will also be considered. The local NGO sector receives special attention, in terms of improving the legal and regulatory environment they work in, in terms of introducing greater professionalism and new management skills, and in terms of effecting needed social change and providing needed services. The formation and effectiveness of a local bar association, a form of NGO, is being furthered because of their potential contribution to democratic, economic and social change.

Host Country and Other Donors: The United States is the major foreign donor working in the area of democratization in Kazakstan. Programs supported by the various USG agencies, including those of USAID and USIA, are closely coordinated.

Beneficiaries: Immediate beneficiaries include individuals directly associated with Kazakstan's NGO sector. Many more Kazakstanis will benefit through the public interest advocacy and social services provided as the NGO sector grows and expands. Tens of thousands of Kazakstanis also benefit from

improved programming and management skills at the country's independent television stations. More broadly, all Kazakstanis stand to benefit from strengthened civil society and the introduction of more democratic norms and practices.

Principal Contractors, Grantees, or Agencies: Several USAID-funded American NGOs such as the National Democratic Institute (NDI), the American Bar Association/CEELI, Internews and the International Foundation for Election Systems (IFES) have played a role in promoting democracy in Kazakstan. Familiar American groups such as Goodwill Industries, Aid to Artisans, and the Citizens Network for Foreign Affairs also participate in local NGO development.

Major Results Indicators\*:

Number of changes made to government policy as a result of citizen participation.  
Number and types of fora in which NGOs engage state institutions in policy debate.  
Percent of citizens who believe they are being represented by their legislators.

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** KAZAKSTAN

**TITLE:** Social Benefits, 110-S003.2

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,500,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Improved sustainability of social benefits and services.

Background: The transition to a market economy places severe strains on the social sectors, which were previously funded and managed entirely by the government. In the absence of subsidies from Moscow, old patterns of social service planning are no longer viable. Old age pensioners and large families headed by a single mother have been especially hard hit. What is needed is a combination of fee-based services (for those able to afford it) to ensure sustainability, combined with targeted assistance to the most vulnerable populations. Some progress has been made in these areas, but much more needs to be done to ensure a successful and less painful transition to a market-based economy.

USAID Role and Achievements to Date: The rapid privatization of large numbers of pharmacies represents the most significant achievement to date. Since the decision to privatize was approved by the Cabinet of Ministers in July 1995, 438 auctions have been held and 239 pharmacies have been privatized. Immediate results include lower prices and increased availability of key pharmaceuticals. USAID-funded advisors and training also helped draft a Presidential decree to establish health insurance. USAID-funded advisors from the Centers for Disease Control (CDC) are working to improve health surveillance and introduce more effective, efficient and less costly health surveillance measures. Already, CDC advice on eliminating a costly, inefficient and outdated TB detection program for children should result in savings of around \$2.4 million annually. Also, USAID-funded advice to the Ministry of Health resulted in revised immunization schedules consistent with world standards. This will reduce the required number of vaccinations for children under age 17, reduce current expenditures on commodities by 16.5 percent, and result in annual savings of \$1.75 million. In the housing sector, USAID advisors have played an influential role in helping the national government address the costly problem of local governments' subsidizing housing and utilities. The government is in the process of adopting a national policy which expects cities to reduce these subsidies through the year 2000. USAID has also helped one city, Semipalatinsk, implement a housing allowance program. As a result, the city has been able to increase utility service fees, raise much-needed municipal revenue, and still protect low-income households and vulnerable groups. Presently, 8,720 families receive allowances, while the city had gradually raised its service fees to cover 75 percent of real costs.

Description: USAID work focuses mainly on health and housing, with health representing the most significant area of concern. At the policy level, advisors prepare analyses and discussing with government counterparts new approaches to dealing with problems in key social sectors such as health and housing. Training programs, both within Kazakstan and in the U.S., further support and supplement this effort.

Host Country and Other Donors: Work by World Bank-funded technical advisors in the health sector are closely coordinated with that of USAID. Similarly, frequent discussions have been held regarding the World's Bank's \$41 million Social Protection loan. Immunization programs are implemented in cooperation with WHO and UNICEF.

Beneficiaries: Immediate beneficiaries include owners of newly privatized pharmacies and their clientele. Given the far-reaching nature of policy changes introduced in the health and housing area, large numbers of Kazakstani citizens stand to benefit from more efficient, market-based approaches which expand the availability of goods and services, lower prices, and allow citizens to individually

determine their own preferred priorities and choices.

Principal Contractors, Grantees, or Agencies: Several USAID-funded groups are involved in the area of social transition, including commercial contractors and the Centers for Disease Control (CDC) in Atlanta.

Major Results Indicators\*:

Number of services privatized (e.g. pharmacies, hospitals).

Percent of public with confidence in private service delivery.

Market reforms in place and introduced to various sub-sector service deliverers.

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## KYRGYZSTAN

FY 1997 Assistance to the NIS Request . . . . . \$20,000,000

### Introduction.

Kyrgyzstan remains the most open of the five countries of Central Asia in terms of both economic and political change. On the economic front, the transition, though difficult, has included some of the most far-reaching reforms in the former Soviet Union. Initial steps toward democracy were very encouraging, but more recent political developments have included some setbacks. For example, efforts have on occasion been made to silence the press, and the disqualification of some candidates prior to recent presidential elections cast a cloud over the electoral process which followed. Presidential moves to consolidate and centralize power also suggest that interest may be flagging in maintaining a strong parliamentary system in which many independent voices are heard.

United States strategic interests in Kyrgyzstan are twofold. First, there is strong desire to work with Kyrgyzstan reformers to build and sustain a democratic and market-oriented country that could serve as an example to neighboring countries which seem less committed to these values. Second, a vibrant, independent Kyrgyzstan interacting positively on a wider international stage is important to maintaining stability in an area of the world where a number of international players, including Russia, China, Iran, the Middle East, and the Indian Subcontinent, have displayed strategic interests of their own.

### The Development Challenge.

Kyrgyzstan is a relatively small country of 4.6 million people living in an area about the size of Nebraska. Despite considerable out-migration over the past several years, the country remains ethnically diverse. Ethnic Kyrgyz represent the majority population, but there are sizable communities of Russians, Uzbeks, Germans, Tatars, Uigers, and others. Mountains cover much of the country. There are significant hydro as well as mineral resources which enhance the country's prospects for long-term economic success. However, Kyrgyzstan's geographic isolation, combined with the enormous investment costs in exploiting these resources makes short-term economic prospects much more problematic.

Kyrgyzstan's major achievement since independence in 1991 has been to establish the basic framework for a market economy and to maintain a commendable degree of macroeconomic stability. In 1993 it became the first country in Central Asia to introduce its own currency. Since then, the Kyrgyz 'som' has been remarkably stable, maintaining its value well against the dollar and other freely tradable international currencies. Monthly inflation rates have been brought to within the low single digits and overall fiscal management has been among the best of any country in the former Soviet Union. Foreign investment is strongly encouraged and the country's privatization is regarded as among the most ambitious of the former Soviet republics. Kyrgystan is classified as a lesser indebted lower income country by the World Bank.

Despite overall macroeconomic stability, the standard of living has fallen and the social costs have been high. The elimination of subsidies from Moscow represented one early concern; the disruption of existing trading systems a second concern; and the departure of many skilled technical and professional workers to Russia, Germany and elsewhere a third. Also, the industrial sector that Kyrgyzstan inherited at independence was among the least efficient in the former Soviet Union. It included unproductive defense-related plants and a variety of other industrial establishments that simply cannot compete in the international marketplace.

Perhaps because of its isolation and weak economic situation, Kyrgyzstan moved quickly to introduce economic reform and emerge as a leader in demonstrating commitment to bring about real and enduring change. There are signs, especially when economic activity in the informal sector is factored in, that the post-independence recession may finally have bottomed out. The economy is divided roughly equally among the agriculture, industry, and service sectors. According to official statistics, agricultural performance was quite strong in 1995 and overall agricultural output appears to have increased by about eight percent. The continued decline in industrial output appears to have been cushioned to some extent by a rise in electricity production. Trade patterns continue to be dominated by countries in the former Soviet Union, which still account for well over half of both imports and exports.

USAID-funded advisory groups have played an important role, both in the privatization process and in the overall economic restructuring effort. The mass privatization program is now reaching its final stages and should be largely complete by the end of the year. Central Asia's second stock exchange has been established in Bishkek and, despite a modest start, is positioning itself to play an important role in promoting the kind of capital market development needed to ensure that scarce financial resources are directed toward areas of highest economic return. A new tax code is being finalized and should be implemented soon. As the private sector begins to play an increasing role in the economy, more attention is being devoted to ensuring that appropriate legal and administrative structures are in place that promote rather than retard private sector growth. Recent approval for creation of an independent energy regulatory agency is one important example of the type of change needed to improve efficiencies and attract foreign investment. Further changes in the policy and administrative environment are needed to consolidate and maintain Kyrgyzstan's reputation as a country which is committed to market reform, encourages entrepreneurial talent and is hospitable to private investment.

USAID expects that Kyrgyzstan will have the institutional and other resources to continue its own transition. Current plans are to phaseout Freedom Support Act (FSA) assistance within the next several years.

#### **Other Donors.**

Kyrgyzstan's relative openness to economic reform has attracted a large number of foreign donors. Kyrgyzstan counterparts have demonstrated a commendable interest in ensuring that donor efforts are properly coordinated and that aid resources are stretched as far as possible. The Japanese and several European donors are active, including Germany (in agriculture, education, health and small enterprise development) and Switzerland (in agriculture and social services). The European Community has a wide-ranging technical assistance effort covering a number of areas, including communications, education, energy, environment and privatization. UN agencies such as UNDP have more modest programs. Multilateral banks such as the Asian Development (ADB), World Bank, and European Bank for Reconstruction and Development (EBRD) are well represented. They are expanding their loan portfolios, in some instances based in part on work undertaken by USAID-funded technical assistance teams that have been on the ground for some time. As USAID's own resources decline, renewed efforts are being made to ensure greater coordination and, where possible, dialogue with other donors on using USAID's own past experience to extend pilot programs to a national level.

#### **FY 1997 Program.**

USAID's strategy in Kyrgyzstan emphasizes both economic and political reform, reflecting the belief that both issues must be addressed in order to build and sustain democracy and a market-based economy in Kyrgyzstan. The largest share of aid resources are devoted to the economic transition, though the composition of the program is changing over time. For example, the privatization program is scheduled to wind down this year and no new resources are anticipated in this area. At the same time, work in other areas such as trade, investment, legal and regulatory environments, and land registration are due to be increased. Democratization programs will increasingly focus on developing

the basic foundations for a civil society, in large part through promoting a variety of independent means of communication and in building an indigenous non-government organizations (NGO) sector. Social sector programs are tied closely to broader economic restructuring objectives, emphasizing for example the importance of health reform in bringing about more sustainable approaches to health care.

### **Strategic Goal: Economic Restructuring**

Kyrgyzstan's future hinges in large part on completing the program of economic restructuring now under way. Considerable progress has been made on a number of fronts, particularly lowering inflation rates, maintaining currency stability, and establishing an overall level of macroeconomic stability that sets Kyrgyzstan apart from most of the other NIS countries. Major elements of the country's privatization program are winding down following a process that has in many ways been more transparent and open than those adopted elsewhere. As this phase of the economic transition moves to completion, increasing emphasis will need to be devoted to ensuring a legal and regulatory environment that promotes private sector growth. Trade, investment, bankruptcy laws, financial sector development and land registration are all likely to be emphasized during the next phase of the reform process.

Considerable progress has been made on the fiscal front. However, further work is needed to ensure that the macroeconomic progress achieved thus far is maintained. Many of the early successes are attributable to very tight short-term fiscal management policies, including a drastic reduction in subsidies for both failed enterprises and the social sectors. While budgetary controls have been tight, revenue generation reforms have lagged behind. The introduction of a new tax code in the near future should help, resulting in a more rational and transparent approach to tax collections. This in turn needs to be followed by improvements in tax administration, including greater use of computers and the introduction of a taxpayer information system. Finally, a USAID-funded Department of Treasury advisor is helping to improve budgetary classification and ensure more effective budget management. Reforms in the revenue generation and budget allocation process among the various elements of government (national, oblast, local) are also needed.

As noted, the legal and regulatory environment is increasingly emerging as a key issue within Kyrgyzstan's larger reform program. Private economic actors must know the "rules of the game" beforehand, and potential investors must have assurance that their risks are protected by laws. Some elements of a policy, legal and regulatory framework that support competition and private sector growth are already in place, but much work still needs to be done. Also, on-the-job training and hands-on advice is needed to ensure that new laws and regulations, once adopted, are effectively managed and implemented.

A new legal and regulatory reform initiative began in November 1995. The emphasis is on adopting approaches that further trade and investment and on implementing legislation and regulations that clarify and strengthen property ownership and the transfer of commercial transaction rights. Without such measures, newly privatized industries will flounder and new entrepreneurs are unlikely to enter the marketplace. Given Kyrgyzstan's relative isolation and lack of easily exploitable natural resources, the extent to which its own legal and regulatory environment is conducive to both local and foreign investors will go a long way to determining prospects for future economic growth.

USAID has already provided crucial support in several areas of legal and regulatory reform as well as in setting up a corporate governance framework for privatized enterprises. Land registration will be added to the housing program, which includes formation of a housing policy council and a real estate register. The housing program is also successfully engaged in promotion of land privatization and private sector housing production, as well as formation of condominium associations able to manage and maintain housing to a much needed higher standard. USAID advice on a draft energy law led to important modifications that called for an independent electrical utility regulatory agency and more

private sector involvement, both of which are preconditions for proposed World Bank and Asian Development Bank electricity sector loans.

Systems need to be introduced that ensure that scarce capital is channeled into the areas of highest economic return. Activity here revolves around developing the main institutions and features of an effective financial market, including the Kyrgyz Stock Exchange (KSE), State Securities Agency (SSA), private investment funds and private broker and dealer groups. Policy advice, the transmission of technical skills and training are all important parts of this effort.

The fact that KSE opened its doors and began trading in May 1995 represents one early success, the establishment of the SSA as a licensing and oversight institution another. The fact that the SSA has been able to establish its independence and receive appropriate enforcement powers and budget allocations is also important. Also, an Investment Funds Association was established in October 1995. Specifications for the clearing and settlement of transactions were established when the commercial bank "Maskat" was designated the clearing bank for KSE operations.

Future goals including promoting a self-sufficient securities exchange with at least 30 companies trading on the main board; assistance for a variety of automated accounting, settlement and depository systems; assistance to the SSA to enforce securities law and regulations and to train staffers about regulations and various operations; and completion of a broker/dealer compliance manual. Over time, the emergence of efficient capital markets should also help channel foreign investment into the Kyrgyz economy.

- Strategic Objective: Increased soundness of fiscal policies and fiscal management practices
- Strategic Objective: Accelerated development and growth of private enterprises
- Strategic Objective: A more competitive and market-responsive private financial sector

**Strategic Goal: Democratic Transition**

The importance of ensuring that economic reform is accompanied by political reform lies at the heart of the ongoing USG dialogue with Kyrgyzstan as it moves to build and shape its own future. The role of free information flows, respect for human rights, the importance of an active non-governmental sector and the need to ensure widespread citizen participation are all prominent features of this effort.

Efforts to enhance the flow of information and help develop the basic features of a civil society in Kyrgyzstan take place on a number of levels. First, USAID would like to help nurture and develop the non-governmental organization (NGO) sector as a way to enhance citizen participation and involvement. Second, programs are underway to promote independent media, especially television. Third, assistance is being offered to the newly elected Kyrgyz parliament in order to enhance its effectiveness. Fourth, outreach programs involve judges and lawyers as part of an effort to improve the effectiveness of and expand the independence of the judiciary. Finally, efforts are underway to improve the electoral process.

Viable democracies depend on the participation of all citizens, as individuals or as members of interest groups. Virtually no NGOs existed before the breakup of the Soviet Union. Since then, several hundred NGOs have emerged, but are poorly funded and make a limited contribution to the political, economic and social life of Kyrgyzstan. However, the generally open environment for NGOs provides opportunities that are being increasingly realized. USAID-funded groups work directly with such groups, providing both training and small grants to assist in program development.

A free and independent media is also a hallmark of democratic societies. Efforts are under way to improve both the quality of independent television programming and ensure its continued financial

viability. TV officials attest to the value of these programs in redesigning studios, improving presentations, maintaining ethical standards, and learning how to manage a private enterprise.

While constitutional changes limit the power of the legislative branch of government, the parliament still represents a forum for public debate and can play a constructive role in ensuring that alternative voices are heard and pending legislation is properly debated and discussed before it becomes law. USAID-funded organizations assist by providing forums for public discussion on pending legislation and in helping legislatures strengthen relationships with their constituents.

USAID-funded programs seek to involve the judiciary to help ensure a transparent law-making process. USAID focuses on judges, bar development, and legal education. It has provided advice on legal and constitutional issues and on improving the credibility and independence of the judiciary. In July 1995, a charter for a forty-member Voluntary Lawyer's Union of Kyrgyzstan was established. USAID also helped organize a seminar on legislative drafting as well as candid discussions on draft legislation related to civil and criminal codes.

Finally, USAID programs have sought to improve the electoral process and, where appropriate, bring weaknesses and inconsistencies to light. Work of this type helps strengthen the professional capacity of the Kyrgyz Central Election Commission (CEC) and improves the effectiveness of foreign observer teams. USAID-funded groups have assisted local monitoring groups that brought claims of election fraud and other violations to the attention of news media and the CEC. This action in turn led to reruns of some elections.

- **Strategic Objective:** Increased, better-informed citizens' participation in political and economic decision-making

#### **Strategic Goal: Social Stabilization**

Social sector restructuring is closely related to the wider economic restructuring effort. The elimination of subsidies from Moscow shortly after independence underscored the fact that existing approaches were not sustainable. The need for sustainable approaches also provides a powerful impetus for devising new and innovative ways in which the state can facilitate social sector development rather than being solely responsible for funding and managing it.

USAID efforts focus on health, with the aim of introducing market-based approaches that increase individual choice and rely when possible on the private sector. In the health area, a pilot project is under way in the Karakol region of northeastern Kyrgyzstan. Activities include the introduction of insurance schemes, family group practices, cost-accounting and more efficient patient-discharge programs. Based on the experience gained in Karakol, the World Bank anticipates extending this health reform effort to other oblasts.

- **Strategic Objective:** Improved sustainability of social benefits and services

#### **Cross-cutting/Special Initiatives**

In Kyrgyzstan, "special initiatives" refers to new medical partnerships and family planning. Both represent Congressionally-mandated funding earmarks. There is considerable interest on the part of Kyrgyz health professionals in collaborating with U.S. counterparts. USAID also attempts when possible to ensure that these earmarks are closely integrated with other activities and address broader strategic concerns in Kyrgyzstan, especially in health reform.

The medical partnership between Kansas University Medical Center and two health institutions in Bishkek was established in 1992. More than 130 exchange visits have already taken place, during which hospital administration and nursing care received special emphasis. Among other things, the

partnership led to the establishment of a Kyrgyzstan nursing association and outreach programs at 100 other Kyrgyz medical institutions. The partnership also resulted in a Ministry of Health decision to institute a new position of Nurse Manager in all hospitals with more than 300 beds. This is a revolutionary step in the former Soviet Union where nursing skills and responsibilities tended to be minimized. New management techniques have reduced the cost of treating patients, reduced the average length of stay in a hospital, introduced fee for service approaches in some areas, and helped support the wider health reform effort. One particularly creative approach adopted by the Institute of Oncology and Radiology cut the number of hospital beds by 30 percent. This move emptied one building for use as a hotel for visiting friends and relatives and allowed the proceeds to be applied toward better hospital services. Kyrgyzstan also participated in the USAID-funded reproductive health program, resulting in two fully equipped service delivery/clinical training sites in Bishkek staffed with qualified trainers and service providers.

The medical partnership involves training and people-to-people exchanges between medical staff in Kansas City and Bishkek. In Kyrgyzstan, as elsewhere in the former Soviet Union, the partnership serves as a vehicle for raising additional private American funds and providing badly needed medical supplies and equipment to Kyrgyzstan. Family planning programs are a combination of advisory services and training aimed at introducing new approaches and technologies to Kazakstani counterparts.

Economic and democratic reform cannot take place without a cadre of individuals from both the public and private sectors who have an understanding of markets and democratic processes. The NIS: Exchanges and Training (NET) program in Central Asia has been developed to supply the human resources necessary to assure this orderly transition. The program has been designed to support USAID's technical assistance programs in the areas of economic, democratic and social sector reform and to develop cadres of officials willing and able to bring about necessary change.

NET provided U.S. short-term training for 341 officials in 1994 and 1995, with an additional 30 participants scheduled for 1996. USAID-funded participants have been instrumental in the fiscal reform, central banking operations, commercial law, accounting standards and health reform. This effort benefits the Kyrgyz at all levels by training qualified public officials who are able to establish laws and regulations that are transparent and foster the growth of markets and democratic government. Potential entrepreneurs will benefit as they establish links with potential future U.S. commercial partners.

NET resources provide for both U.S. short-term training as well as in-country follow-on programs. The in-country program revolves around the establishment of an Alumni Center where returning participants can utilize e-mail and fax facilities to keep in touch with U.S. trainers and contacts, as well as duplicating equipment to reproduce reports and other materials. The in-country follow-on program also provides for additional training through seminars and conferences, principally conducted by technical expertise located in Central Asia. The NET program will continue, with greater emphasis on in-country training.

NET has been instrumental in assisting the Government of Kyrgyzstan in implementing its economic restructuring program. NET is coordinated closely with the program of other donors in Kyrgystan, a number of which also support various kinds of training.

**KYRGYZSTAN  
FY 1997 PROGRAM SUMMARY\***

Strategic Objectives	Economic Restructuring	Democratic Transition	Social Stabilization	Cross-cutting and Special Initiatives	Total
Privatization					
Fiscal Reform	1,500,000				1,500,000
Private Enterprise	6,000,000				6,000,000
Financial Reform	4,000,000				4,000,000
Energy					
Citizens' Participation		3,000,000			3,000,000
Legal Systems					
Local Government					
Crises					
Social Benefits			1,500,000		1,500,000
Environmental Health					
Cross-cutting / Special Initiatives				4,000,000	4,000,000
<b>TOTAL</b>	<b>11,500,000</b>	<b>3,000,000</b>	<b>1,500,000</b>	<b>4,000,000</b>	<b>20,000,000</b>

\* Freedom Support Act (FSA) funds

USAID Mission Director, Acting: Patricia K. Buckles

## ACTIVITY DATA SHEET

**PROGRAM:** KYRGYZSTAN

**TITLE:** Fiscal Reform, 110-S001.2

**STATUS:** Continuing

**PROPOSED OBLIGATION:** FY 1997: \$1,500,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Increased soundness of fiscal policies and fiscal management practices.

Background: Prior to independence, Kyrgyzstan had almost no experience in formulating its own fiscal policy and administering rational and efficient tax collection and budgeting practices. Complicated budget procedures lacked transparency and little was known about modern approaches to tax collection and revenue generation. Given this backdrop, Kyrgyzstan has been successful in implementing a tight fiscal policy which contributes to economic stability. For example, subsidies on both the production and consumption side have been drastically reduced. Similarly, inflation is now around two or three percent per month, among the lowest of any countries in the former Soviet Union. Finally, exchange rate management has been extremely effective, with the Kyrgyzstan som emerging as probably the most stable currency in the NIS.

USAID Role and Achievements to Date: Officials at the Ministry of Finance have benefitted from USAID-funded analysis and policy advice, particularly in the fiscal area. As noted, results include dramatically reduced inflation, currency stability and a macroeconomic environment that is among the most stable in the former Soviet Union. USAID-funded advisors have also made major contributions to the formulation of a new tax code which is being presented to parliament and should be adopted soon.

Description: USAID-funded consultants play an important role in providing policy advice to the Ministry of Finance. USAID-funded advisors also played a lead role in developing a new draft tax code which, when adopted, will mark a major improvement over the highly distortive and inequitable tax system now in place. Once the new tax code is adopted, additional assistance will be provided to help manage the new tax system. Finally, a USAID-funded Treasury advisor is helping to design a modernized budget classification system and strengthen the budgetary implementation process. Part of this Treasury work involves introducing new systems of inter-governmental finance and clarifying the role of the various levels of government (national, oblast, local) in raising revenue and allocating resources.

Host Country and Other Donors: Ongoing efforts in the fiscal arena are coordinated with those of other donors, including the World Bank and EU-TACIS.

Beneficiaries: This effort seeks to benefit tax-paying citizens of Kyrgyzstan at all levels by ensuring greater transparency and a more rational revenue collection and budgetary expenditure process. Potential entrepreneurs will benefit as more comprehensible and transparent tax systems are adopted. More efficient revenue collection and more rational budgetary procedures should also help strengthen the credibility of the government and help ensure the sustainability of targeted social programs aimed at the most vulnerable sections of society.

Principal Contractors, Grantees, or Agencies: USAID activities are implemented through a U.S. commercial contractor as well as through the U.S. Department of Treasury.

Major Results Indicators\*:

Amount of (local currency) of revenues available from a cost efficient tax administration.

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** KYRGYZSTAN

**TITLE:** Private Enterprise, 110-S001.3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$6,000,000 Freedom Support Act

**INITIAL OBLIGATION:** FY1993; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Accelerated development and growth of private enterprises.

Background: Given relative success in stabilizing the macro economic environment and placing government-owned assets under private control, Kyrgyzstan's future growth now depends on its ability to stimulate and promote a new and emerging indigenous private sector. The fact that Kyrgyzstan lacks easily exploitable natural resources and the fact that it inherited one of the least efficient industrial sectors in the former Soviet Union complicates matters. Nonetheless, there was widespread citizen participation in the mass privatization program and approximately 70 percent of the industrial labor force is expected to shortly be working for private firms.

USAID Role and Achievements to Date: USAID is providing crucial support for promoting legal and regulatory reforms that call for broad-based privatization process, promote the breakup of regional transport and wholesale monopolies, promote effective banking and securities market regulatory guidelines, and improve the corporate governance framework for privatized firms. Work in privatization has been especially key, ensuring among other things that the percentage of investment coupons invested in private enterprise increased from 10 percent in December 1994 to 90% in July 1995. By June 1, 1996 virtually all of the 900 targeted medium- and large-scale firms should have gone through the coupon auction process. As the proportion of the economy managed by the private sector expands, new emphasis is being given to the legal and regulatory environment in which private entrepreneurs must operate. Trade and investment, bankruptcy, and general business law receive special attention. The Central Asian American Enterprise Fund (CAAEF) represents another vehicle for bringing badly needed capital to the emerging private sector and recently started operations in Kyrgyzstan.

Description: Support for private sector expansion represents by far the biggest area of USAID activity in Kyrgyzstan. As USAID support for mass privatization winds down, greater emphasis is being placed on legal and regulatory work. Advisors work with counterparts on a number of key areas, including trade and investment, bankruptcy reform and general business law reform. Many of these efforts should also help pave the way for foreign investors interested in Kyrgyzstan. Already, the CAAEF is making capital available to eligible local entrepreneurs. People-to-people efforts involving retired executives, agriculturalists and others sponsored by USAID-funded groups such as the International Executive Service Corps (IESC) and the various farmer-to-farmer programs help identify potential investment opportunities and develop appropriate business plans. Also, an innovative micro enterprise initiative is now underway, providing modest but essential amounts of loan funds to new entrepreneurs, particularly women in the rural areas around Bishkek and Osh.

Host Country and Other Donors: Ongoing efforts to strengthen private business operations are developed in close conjunction with those of other donors, especially the World Bank, EBRD, and EU-Tacis.

Beneficiaries: Specific beneficiaries include the hundreds of thousands of citizens of Kyrgyzstan who own shares in newly privatized government enterprises and stand to gain if these new firms increase in value or pay out dividends. Aspiring entrepreneurs stand to benefit from a more comprehensible and more transparent legal environment. The entire population stands to gain from a market-based economic system which creates employment, increases incomes, lower prices, and expands individual

choice.

**Principal Contractors, Grantees, or Agencies:** USAID activities are implemented through several private U.S. firms as well as U.S. private voluntary organizations such as IESC, FINCA and Volunteers in Overseas Cooperative Assistance (VOCA). As noted, the CAAEF is an important player because of its role in making scarce investment and equity capital available to Kyrgyzstan's emerging private sector.

**Major Results Indicators\*:**

Volume of business support services available to private enterprises from self-sustaining local institutions.

Number of laws implemented to expand private sector

Number of private sector businesses operating and generating employment.

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** KYRGYZSTAN

**TITLE:** Financial Reform, 110-S001.4

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$4,000,000 Freedom Support Act

**INITIAL OBLIGATION:** FY1993; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: A more competitive and market-responsive private financial sector.

Background: Early success in the privatization arena will be unsustainable unless it is followed by the establishment and growth of a vibrant capital market to channel scarce investment resources into areas of highest economic return. Most commercial banks are barely solvent, and there is only the most rudimentary understanding of how capital markets work. Although Kyrgyzstan adopted basic central and commercial banking laws in December 1992, continued assistance is needed to modernize these laws and ensure effective implementation. A strong, independent Central Bank with an effective banking supervisory capacity is needed to modernize the banking system. The basic framework for an effective securities market also needs to be implemented and set on a sustainable footing.

USAID Role and Achievements to Date: The formation of a State Securities Agency in 1994 represents one early achievement, the establishment of Kyrgyzstan's first stock exchange in Bishkek in 1995 another. Twelve companies are now listed on the stock exchange board. New corporate accounting standards have been introduced. Significant strides have also been made as part of USAID's effort to tighten financial regulatory guidelines and enhance monitoring capacity in the banking sector. A number of insolvent banks have had their licenses suspended as a result of this work. These actions, and a dramatic reduction in credits and an overall tight monetary policy over the last two years, reflect the success of the Central Bank in asserting its independence.

Description: USAID's main role is to provide technical assistance and training to nascent institutions in the financial sector. Much of the early work--drafting and introducing new laws, procedures and operating systems--has already been done. Now, hands-on work and on-the-job training is receiving special emphasis.

Host Country and Other Donors: USAID is the major foreign donor working in the financial sector, and the only one involved in the securities area. Work is coordinated closely with the World Bank as well as with other donors such as EU-TACIS.

Beneficiaries: Immediate beneficiaries include professionals involved in securities market development such as private bankers, stock brokers, and government officials. Newly emerging entrepreneurs as well as a broad range of Kyrgyz citizens should benefit by expanding capital markets which channel scarce financial resources in more productive directions.

Principal Contractors, Grantees, or Agencies: USAID activities are implemented through three private U.S. firms in cooperation with the local counterparts at the Central Bank, Ministry of Finance, the Bishkek Stock Exchange, and Securities Exchange Commission.

### Major Results Indicators\*:

Number of licensed, viable private commercial banks.

Amount of funding for equity/credit provided to small and medium-sized businesses from private commercial banks.

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** KYRGYZSTAN

**TITLE:** Citizens' Participation, 110-S002.1

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,000,000 Freedom Support Act

**INITIAL OBLIGATION:** FY1993; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Increased citizens' participation in political and economic decision-making.

Background: Kyrgyzstan remains the most open Central Asian country, but there have been a number of recent setbacks on the road to democracy. Examples include the muzzling of some newspapers, constitutional changes that limit the power of the legislature, and the disqualification of several candidates in recent presidential elections. In this environment, the importance of building and sustaining a vibrant non-government sector with active citizen participation and a free media becomes even more important.

USAID Role and Achievements to Date: Active support of local non-governmental organizations (NGOs) remains a central part of the USAID program in Kyrgyzstan. Through December 1995, 64 grants had been provided to local groups active in such areas as the environment, human rights, agricultural development, women's rights, media, civic education, and election law reform. An effective USAID presence supported the presence of foreign observers at various Kyrgyz elections, ensuring that problems brought to the attention of both private groups and governmental institutions in order to improve electoral practices in future. USAID grantees have also been influential in establishing a voluntary lawyer's union for Kyrgyzstan, encouraging the development of local bar associations, and promoting public discussion on pending legislation.

Description: USAID-funded program activities largely involve technical assistance, training, and grants to local NGOs. The local NGO sector receives special attention, in terms of the legal and regulatory environment, in terms of introducing greater professionalism and new management skills to NGOs, and in terms of effecting social change and providing needed social services. Under a competitive small grants program, a number of local organizations are eligible to receive direct programming support. A new initiative will provide training to private television stations to improve programming quality and enhance their financial viability.

Host Country and Other Donors: The United States is the major foreign donor working in the area of democratization in Kyrgyzstan. Programs supported by the various USG agencies, including those of USAID and USIA, are closely coordinated.

Beneficiaries: Immediate beneficiaries include individuals directly associated with Kyrgyzstan NGO sector. Many more will benefit as various NGOs increase their public interest presence and expand their social service programs. Tens of thousands should also benefit from improved programming and management skills at the country's independent television stations. More broadly, all citizens stand to gain from strengthened civil society and the opportunity to help shape the future economic, political, and social life of the country.

Principal Contractors, Grantees, or Agencies: Several USAID-funded American NGOs such as the American Bar Association/CEELI, National Democratic Institute (NDI), Internews, International Republican Institute (IRI) and the International Foundation for Election Systems (IFES) have played important roles in promoting democracy in Kyrgyzstan. Familiar American groups such as Goodwill Industries, Aid to Artisans, and the Citizens Network for Foreign Affairs, which together form The Counterpart Consortium, also participate in local NGO development.

**Major Results Indicators\***:

Number of changes made to government policy as a result of citizen participation.

Number of new federations, organizations, coalitions, etc. formed to promote/oppose specific policies/legislation-Number and types of fora in which NGOs engage state institutions in policy debate.

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** KYRGYZSTAN

**TITLE:** Social Benefits, 110-S003.2

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,500,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Improved sustainability of social benefits and services.

Background: The transition to a market economy places severe strains on the social sectors, which were previously funded and managed entirely by the government. Without subsidies from Moscow, old patterns of social service planning are no longer sustainable. The relative macroeconomic stability which has been achieved in Kyrgyzstan stems in part from deep budget cuts, which have especially affected the social sectors. Some medical personnel do not receive paychecks for months at a time. Although some progress has been made, the central elements of a market-based approach to the social sectors are not yet in place.

USAID Role and Achievements to Date: Initial USAID efforts have focused on pilot demonstration projects in the Karakol region of Kyrgyzstan. Considerable progress has been made, including the introduction of market-based insurance schemes, establishment of 29 family group medical practices, and development of new cost accounting and patient discharge programs. The World Bank intends to introduce and extend the successful elements of this approach to the country's other five oblasts. USAID-funded technical assistance to the Ministry of Health resulted in revised immunization schedules consistent with international standards. This will reduce the number of vaccinations required for children under the age of 17, reduce current expenditures on commodities by 6.7 percent, and result in annual savings of approximately \$650,000.

Description: USAID work focuses mainly on health and housing, and health represents the most significant area of concern. At the policy level, advisors prepare analyses and discuss with government counterparts new approaches to key social sectors such as health and housing. Training programs, both in Kyrgyzstan and in the United States, further supplement this effort. Advisors from the Centers for Disease Control (CDC) are also funded, in order to improve surveillance systems and promote more effective public health strategies.

Host Country and Other Donors: USAID work is closely coordinated with that of other donors, in order to leverage additional funding and ensure that successful pilot activities are extended to a national level. As noted, the World Bank anticipates extending the Karakol pilot program to other regions of the country.

Beneficiaries: Immediate beneficiaries include the population of Karakol oblast who are participating in the pilot health reform effort and have a wider choice of health care options. Funding from other donors should allow these benefits to be spread to other regions of the country.

Principal Contractors, Grantees, or Agencies: The health reform effort is being implemented mainly through a commercial American contractor. Centers for Disease Control (CDC) personnel are also actively involved in promoting better approaches to health surveillance.

Major Results Indicators\*:

Number of services privatized (e.g. pharmacies, hospitals, delivery services).  
Incentives for private (profit and non-profit) services exist for quality service delivery.  
Market reforms in place and introduced to various sub-sector service deliverers.

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## LITHUANIA

**FY 1997 Assistance to Central Europe Request: . . . . . \$7,000,000**

### **Introduction.**

After more than a half century of forced annexation by the Soviet Union, Lithuania regained its independence in September 1991. The United States never recognized the incorporation of Lithuania into the Soviet Union, and quickly became the largest bilateral donor in the country, playing an active leadership role within the international donor community. Economic assistance has been supported by Lithuania's close ties to the United States and through the large network of Americans of Lithuanian heritage (over 800,000). Despite these ties and generally stable relations with neighboring countries, Lithuania has been slow to attract foreign investment and generate a favorable trade balance. The successful economic and democratic transition of Lithuania and its integration into the European Community is an important U.S. foreign policy objective in the region.

### **The Development Challenge.**

The Baltic nations were among the most developed parts of the former Soviet Union and have made the greatest advances of any of the Soviet successor states. The Government of Lithuania (GOL) has continued on the complex path of transforming its centrally-planned economy into a market-oriented system. Reforms have been geared to Western models and, in most areas, are proceeding at a satisfactory pace, although Lithuania has not had the degree of development success as in the other Baltic states. Examples of the fragility of Lithuania's democracy are persistent cases of white collar and organized crime and corruption and attacks against independent institutions, such as the media. Use of the Baltics as transit countries have increased substantially since 1994 as illegal goods are smuggled in and out of Russia and other New Independent States. Law enforcement officials recognize the problem and rely on Western law enforcement agencies, including many U.S. agencies, for training. In addition, local governments, having seen an unexpectedly large turnover in new officials after the 1995 elections, view U.S. assistance as a key factor to help decentralize and strengthen their organizational structures and intergovernmental relationships.

Historically less industrialized than its Baltic and Central European neighbors, Lithuania agreed to a slower European Union structural adjustment period than either Estonia or Latvia. Service sectors related to agriculture are particularly important and require managers, accountants and marketers trained in Western methods. A restructured agribusiness sector will reduce dependence on its neighbors and present export opportunities. Industrial output has also staged a recovery and Lithuania's economic prospects look positive. Over 50 percent of trade is now with the West. Annual inflation for 1995 was relatively low at around 25-30 percent, compared to 183 percent just two years ago. Rising economic activity has led to increased electricity, gas and water consumption. Production, particularly in state-owned enterprises, remains weak and has cost jobs in agriculture and food-related industries and raised unemployment and prices. It is estimated that the private sector now employs slightly more than half of the workforce and that the real wage rate has almost doubled since 1993, thereby helping to cushion the effects of declining state production. However, the next stages of reform, such as a sound financial system and legal base, are crucial for future economic growth. In these sectors, the United States is seen as a model donor for technical assistance and training. While a recent banking crisis dampened recovery and shook national confidence, the economy expanded 3 to 5 percent in 1995 and is expected to grow moderately in 1996 and 1997. The World Bank projects that Lithuania's external debt will grow over the medium and long term, but remain moderate and manageable. The Bank classifies Lithuania as less-indebted lower middle income country. Lithuania has canceled all claims and obligations to Russia as it does not consider itself a successor state of the USSR.

USAID expects that Lithuania will have the institutional and other resources to continue its own transition. Current plans are to phaseout Support for East European Democracy (SEED) Act assistance within the next few years.

#### **Other Donors.**

Other major donors are Denmark, Sweden, Norway, and the Netherlands. USAID technical assistance to the Bank of Lithuania in the area of bank supervision is provided in close collaboration with the World Bank, International Monetary Fund, and the European Union's (EU) PHARE program. The development of a unified banker training program represents a substantial combined effort initiated by USAID with the EU PHARE Program and British Know-How Fund. In collaboration with the World Bank, SEED-funded advisors have made improvements in tax collection procedures. USAID has also worked closely with the World Bank, the EU PHARE program, and other governments on the reform of the electric power sector. Monitoring and safety information regarding the Ignalina nuclear power plant is regularly exchanged among the Government of Sweden and other cooperating donors. USAID is currently the only major donor in this field, and consequently there is no notable coordination. USAID and the U.S. Environmental Protection Agency's (EPA) monitoring and policy advice to strengthen the Ministry's knowledge base complements work by the EU PHARE program in its development of a national environmental strategy, including environmental law. U.S. assistance for protection of the environment has included cooperation with the World Bank to support the drafting of environmental action plans; these plans now serve as a framework for country-level discussions.

#### **FY 1997 Program.**

Consolidation of reforms to create an effective market economy and a secure democracy remain the overriding objective of U.S. assistance. Setbacks experienced in the financial sector, including the banking crisis, underscore the need for a focus on support to private businesses. The FY 1997 program will help enterprises implement western management and accounting practices. Complementary attention to financial policy changes, such as bank reform and capital market reform will improve the environment in which business operates. USAID's program will also focus on geographic areas in Lithuania that have not received assistance in the past. In the area of democratic initiatives, USAID, in collaboration with the U.S. Information Agency, sees an opportunity to be responsive in strengthening the media by increasing media training and gradually decreasing emphasis on language training, to reflect changed needs of the country. The FY 1997 program will also strive for approximately \$200,000 in small grants to Lithuanian nongovernmental organizations (NGOs) to raise their public visibility and empowerment capabilities. The U.S. will also continue training officials in applying law enforcement and legal reform methods. In addition, political party and campaign building on the national level will be emphasized in view of the fall 1996 parliamentary elections.

#### **Strategic Goal: Economic Restructuring.**

USAID economic efforts in Lithuania focus on strengthening the growth of the nascent private sector and promoting a viable financial sector that provides the stability and capital for an expanding market economy. Though most private dwellings and agricultural entities have been privatized, well over half of all state-owned enterprises has not yet been sold. In 1995, the GOL created a privatization agency but privatization of large scale enterprises remains slow.

USAID is working to improve the business functions of new and post-privatized enterprises and the financial sector, including agribusinesses, by (a) promoting market-driven pricing and investment promotion; (b) improving institutional support services to agriculture and other sectors; (c) improving private sector credit delivery services; and (d) assisting banks through a long-term loan guarantee program.

In collaboration with other U.S.G. agencies, USAID has strengthened the capacity of over 100 selected

firms and businesses to operate efficiently in the market. New and newly privatized enterprises receive a wide range of technical assistance, varying from basic western-style bookkeeping to training in computerized accounting and database systems, implementing budget controls, and marketing guidance and training on foreign exchange operations. USAID participated with other donors in drafting a comprehensive banker training program for Lithuanian commercial banks. These efforts are critical in prompting a sound market-oriented banking sector; for example, initial results catalyzed the decision to create a national bank training center.

In conjunction with the U.S. Departments of Commerce and Justice, USAID assisted Lithuanian reformers draft financial sector legislation and policy reform, and investment and trade policies that are steadily improving Lithuania's business environment. Assistance in commercial law has enabled judicial and professional legal associations to enhance trade, judicial ethics, and establish the first-ever commercial law center. U.S. Treasury Department advisors helped the Ministry of Finance formulate tax policy and regulations, design tax training, and develop a national treasury function and cash management system.

The Baltic-American Enterprise Fund helps address capital requirements for fledgling Lithuanian enterprises. In FY 1995, it provided loans totaling almost \$500,000 for small and medium sized enterprises. The Fund is actively reviewing 96 proposals for small loans and expects to establish a banker's acceptance program that will make available letters of credit through financially reliable banks.

In agriculture, the slow pace of land tenuring remains a concern. Through two major grants with U.S. nongovernmental organizations (NGOs), USAID is providing technical assistance in management, production and marketing to Lithuania's farmers, agribusinesses, and cooperatives. Responding to GOL requests, USAID is placing special emphasis on the country's dairy industry by advising on the quality and regulation of milk production, herd range and disease control, and in establishing a milk pricing structure.

For the past three years, the GOL has stressed supervision of commercial banks by the Central Bank as a top financial sector priority. USAID assisted the Central Bank in reformulating a bank supervision strategy. As a result of U.S. assistance in bank examination training, the Central Bank closed seven problem banks (out of a total of 23 commercial banks) in 1995. USAID institutional and policy strengthening efforts are helping the GOL address the serious banking crisis which arose in 1995. This crisis resulted in a changeover of Central Bank leadership, including the bank supervision department. The level of expertise of the Central Bank's new management team may set back progress already achieved in bank examination and liquidation procedures.

- Strategic Objective: Accelerated Development and Growth of Private Enterprise
- Strategic Objective: More Competitive and Market-Responsive Private Financial Sector

**Strategic Goal: Democratic Transition.**

USAID plans to focus increased attention on strengthening the network of fledgling, indigenous nongovernmental organizations, especially those striving to improve or constructively influence public policy, the environment, economic growth, and the social sector. USAID has established a resident interagency democracy commission to oversee this emerging priority. Another responsibility of the democracy commission is to provide grant funding of up to \$24,000 to qualified Lithuanian organizations or individuals whose work demonstrates progress in democratic transition. The range and diversity of issues they advocate is broad, but they operate with extremely limited resources and largely inexperienced staff.

Advanced legal reform (to complement the pace of commercial law reform) and law enforcement to

support the GOL's fight against economic and organized crime and corruption are also USAID priorities in Lithuania. USAID has structured a rule of law project which serves the collective needs of Lithuanian judges, prosecutors, and attorneys through conferences, discussion groups, and the provision of specialized legal libraries. To strengthen public and private democratic institutions, USAID assistance is applied to legal analysis of draft legislation and judicial reform and promoting judicial training, training of journalists, parliamentary training, and political party development.

A newly-launched program in public administration will enable U.S. advisors to work in two cities on budget and finance issues, citizen and intergovernmental relations, and media outreach, in order to build a model local government structure for other municipalities.

Grass-roots training for local political parties throughout Lithuania has helped build organizational, communication and legislative skills. A USAID-sponsored political party development program has been instrumental in the evolution of independent political parties. In 1994-1995, ten regional training seminars were attended by over 500 local party activists from 64 cities, town and villages. Twenty-one percent of those participating were municipal mayors and councilors. Workshops covered topics including party organization, political communication, general campaign strategy, and voter contact programs. Training manuals in Lithuanian were distributed to local party activities and national party leaders. As a result, door-to-door polling and distribution of brochures and hand-outs promoting the platforms of regional political parties were used in advance of the election. Regional and national party slogans and issue-based campaigns were created to shift voters' attention way from personalities and toward the political differences, resulting in the first political platform-based election since Lithuanian independence. Unlike the last parliamentary elections which saw two political forces contending against one another, the next elections will see a number of issue-based parties participating.

- Strategic Objective: Increased, Better-Informed Citizens' Participation in Political and Economic Decision-Making
- Strategic Objective: Legal Institutions That Better Support Democratic Processes and Market Reforms

#### **Cross-cutting/Special Initiatives.**

Under Soviet rule, Lithuania was completely dependent on other regions (particularly Russia) for its primary energy supply. This situation remains largely the case today. Although Lithuania now owns the Ignalina Nuclear Power Plant and other electricity supply and distribution plants, the country remains virtually 100 percent dependent on oil, natural gas and nuclear fuel rods imported from Russia. This vulnerability was turned to significant advantage by Russia shortly after the Baltics regained independence, namely by controlling the energy supply pipelines. In today's more stable environment, USAID has shifted its assistance from emergency power delivery to improving electric energy efficiency and pricing, modernizing the electricity and gas delivery sectors and promoting nuclear safety. The program also supports regional electricity cooperation among the three Baltic republics with the long-term goal of integration into the Nordic and European power grids.

USAID energy programs seek to improve the production capacity, financial and personnel management, and power distribution methods of the Lithuanian national utility company. In addition, USAID is collaborating with the national utility company on upgrading plans for a modern energy dispatch center, the construction of which will be proposed for inclusion in a planned World Bank power sector loan. A USAID-initiated utility partnership with the Alabama Power Company promotes improved power management and organization, information technical system and cost-benefit techniques. USAID also promotes regional energy cooperation among the three Baltic republics and with Belarus.

**Building on the successful implementation of a pilot industrial energy efficiency program, USAID-funded contractors designed an expanded plan for a demand-side electricity management program in Kaunas, Lithuania's second largest city. Progress in enterprise development through programs in waste minimization and institutional strengthening has significantly cut production costs by as much as 20% for some model enterprises.**

**The U.S. Department of Energy has continued to implement its project of nuclear safety training with plant managers at the Ignalina nuclear power plant and related institutions. Provision of specialized computer equipment in 1994 by the U.S. Environmental Protection Agency (EPA) to augment a comprehensive national environmental monitoring database was the first step toward applied regional research and protection. The EPA has also completed field work for a long-term plan to evaluate air quality, emissions, waste water treatment and groundwater contamination of a strategically important oil refinery in the city of Mazeikiai. The full extent of environmental degradation in some areas, especially at former Soviet military installations, is not yet known. More international attention is needed to ensure longer-term assistance in this sector.**

**USAID has also recently initiated activities in Lithuania under its regional environmental action program to provide advice and training to enterprises that are currently sources of public health hazards, thereby making them significantly more attractive for international investors. USAID-funded NGOs implement specially designed waste minimization, and industrial pollution prevention activities, in connection with money-saving efficiency programs. Successful methods are then demonstrated in regional workshops to associations and enterprises wishing to replicate them.**

**LITHUANIA  
FY 1997 PROGRAM SUMMARY\***

Strategic Objectives	Economic Restructuring	Democratic Transition	Social Stabilization	Cross-cutting and Special Initiatives	Total
Privatization					
Fiscal Reform					
Private Enterprise	2,400,000				2,400,000
Financial Reform	2,750,000				2,750,000
Energy					
Citizens' Participation		600,000			600,000
Legal Systems		450,000			450,000
Local Government					
Crises					
Social Benefits					
Environmental Health					
Cross-cutting / Special Initiatives				800,000	800,000
<b>TOTAL</b>	<b>5,150,000</b>	<b>1,050,000</b>		<b>800,000</b>	<b>7,000,000</b>

\* Support for East European Democracy (SEED) Act funds

USAID Representative: Ronald J. Greenberg

## ACTIVITY DATA SHEET

**PROGRAM:** LITHUANIA

**TITLE:** Private Enterprise, 180-S001.3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$ 2,400,000 SEED Act

**INITIAL OBLIGATION:** FY 1992; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: Accelerated development and growth of private enterprises.

Background: Laws on business and economics in Lithuania are undeveloped and disorganized and progress in reform is slow. The Government of Lithuania (GOL) does not have a clear vision for the creation of an economic policy framework. Some of the GOL's steps promote free market development include passing the Law on Tax Administration, the Law on Foreign Investment, and the Law on Free Economic Zones. The GOL is also establishing an Investment Agency and the Small-Medium Enterprise Agency to accelerate private sector development. At the same time, other actions impede growth, e.g., granting privileges and exemptions in order to support the weak players in the economy, or result in undermining the market further (e.g. government subsidies to state enterprises, unfair regulation of private business, restrictions on land ownership, rules for foreign investors). Environmental pollution continues to be a major problem, primarily as a consequence of private sector inefficiencies, the lack of treatment facilities at enterprises, lack of environmental management experience and lack of appropriate GOL policy. The energy sector does not have a local and regional strategic planning approach and needs a more effective pricing mechanism. These problems have detrimentally affected business development. An Energy Pricing Council has been created, but it is still in its developmental stages. Energy prices are approaching actual costs of generation. Progress at the macroeconomic level as well as direct assistance to private enterprises is essential in order to stimulate development of private sector enterprises, create new employment and expand trade and economic growth.

USAID Role and Achievements to Date: The Lithuanian Free Market Institute made major contributions to a number of draft and existing laws on economic issues, such as the Law on Foreign Investment, Law on Free Economic Zones, Law on Chamber of Commerce and others. Also, 92 articles and interviews on economic issues appeared in three newspapers with an average daily circulation of 80,000. On the enterprise side, USAID-funded advisors assisted private enterprises in a number of key issues, including financial management, reorganization, marketing, and technology improvements. Fifteen companies assisted by IESC volunteers improved cost and operations control and six companies assisted by MBA Enterprise Corps increased their quality of services. VOCA's assistance to two mushroom producers increased yields by over 100% per square meter, assistance to a dairy processor resulted in increased sales by \$125,000 a month, and assistance to poultry producers will result in anticipated annual savings of over \$600,000 per producer. Thirty entrepreneurs have increased investments and profits in their companies upon return from their U.S. training. The World Environmental Center (WEC) worked with seven enterprises for joint environmental investments on technical assistance and equipment for a value of \$174,000. This has led to annual savings of over \$475,000 for the plants. WEC has also established the Pollution Prevention Center to promote sustainable development, pollution prevention and waste minimization in Lithuanian industry.

Description: Assistance to enterprises will focus on the most prospective industrial and service sectors for private enterprise development, such as agriculture, light industry, wood processing, chemical industry, building materials and tourism in order to have a greater impact to these particular sectors. USAID-funded experts will work with private companies to develop and implement changes needed for survival in a free market system, including greater productivity, improved energy efficiency, and increased investment as well as low-cost waste minimization improvements. Development of bankable private sector investment proposals to obtain funding from the European Bank of Reconstruction and

Development (EBRD), commercial banks and provision of capital resources through the Baltic American Enterprise Fund will be a higher priority over the next year. These activities will be supported by in-country training and U.S.-based training. At the macro-level, legal assistance will be provided to amend business and economic laws, especially the Commercial Code, and drafting new ones that lead to greater macro-economic stability and policy assistance to develop an effective energy pricing system.

Host Country and Other Donors: Lithuania was slow in creating favorable conditions for private sector development. However, the newly appointed Prime Minister has emphasized that the main priority for the new Government will be the creation of favorable conditions for private business development, such as establishing equal opportunities for all types of businesses and creation of a transparent and fair tax system. Waste minimization project recipients have cost-shared (20 percent) for technological improvements. Ongoing USAID efforts in private sector development are coordinated with the European Union (EU) PHARE as well as other donors including EBRD, the World Bank and the German Assistance program. USAID and other donors have shared information on sectors and companies being assisted. The U.S. program has been particularly effective in providing assistance outside of the main cities and implementing the changes.

Beneficiaries: Through an improved legal structure, this effort seeks to create a better environment for private sector development and investment. Private manufacturing and service companies will be able to expand their operations and create employment opportunities, thus benefitting individual employees and the economy as a whole. The environmental investments not only improve profits, but also create a healthier environment for Lithuanian and neighboring countries' citizens permit the more efficient use of energy resources.

Principal Contractors, Grantees, or Agencies: USAID activities are implemented through grantees MBA Enterprise Corps, Volunteers in Overseas Cooperative Assistance (VOCA), Lithuanian Free Market Institute (LFMI), World Environmental Center (WEC), Chemonics International, International Executive Service Corps (IESC), Central and East European Law Initiative (CEELI), U.S. Energy Agency, and Texas A & M; contractors: Bechtel, Electrotek, Entrepreneurial Management and Executive Development (EMED) program through Partners for International Education and Training (PIET).

Major Results Indicators\*:

20-25 expanded private sector businesses operating and generating employment  
National environment strategy passed by Parliament  
Competitive pricing for efficient use of energy resources  
Three Baltic utilities will use least-cost planning for the Baltic region  
10 enterprises will attract investments by a total of \$5 million  
3-7 laws implemented to expand private sector  
Commercial tax system revisions leading to increased efficiency and transparency.

- These are illustrative indicators. ENI Missions are in the midst of the complex process of developing meaningful, measurable, country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** LITHUANIA

**TITLE:** Financial Reform, 180-S001.4

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,750,000 SEED Act

**INITIAL OBLIGATION:** FY 1992; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: A more competitive and market-responsive private financial sector.

Background: The Soviet Union centralized all economic decision making in Moscow, such that Lithuania was only an implementor of financial decisions. An independent financial sector had to be created from the systems left behind and in some cases created anew. These systems are needed for the whole country to operate - manufacturing, retail, trade, etc. Lithuanians view the U.S. as a model for competitive banking, sound bank regulation, efficient capital markets, and financing of specific sectors (credit unions, environment funds.) Efforts to reform the financial sector are hindered by the lack of financial knowledge, criminal and fraudulent activity, lack of transparency, lack of accurate financial disclosure per International Accounting Standards (IAS) and lack of capital. Also, the legal base continues to need improvements to safeguard the rights of creditors and investors.

USAID Role and Achievements to Date: USAID assistance has been instrumental in improving regulation of the banking sector, creating the Lithuanian bank training center, improving private financial sector services, improving the operations of the Stock Exchange, and developing an environmental investment fund. The bank supervision department has improved the quality of its inspections and reduced examination report completion times by 50 percent. Through the department's improved examinations and increased regulation, six banks were closed in 1995, two were placed under a moratorium, and information was prepared for a prosecution case. These actions reduced the number of capital insufficient banks whose continued existence decreased market effectiveness and level of quality. A draft bank examiners manual is two-thirds completed through an iterative process of chapter preparation and field testing. During the 1996 banking crisis, poor, piecemeal legislation was prevented from going to Parliament, a structure for dealing with problem loans was created, and two problem banks were prevented from reopening. USAID advisors have assisted the drafting of the recently passed Securities Law, the creating a Stock Exchange Index, and preparing the implementation of the Investment Company Law.

Description: Banking assistance will focus on improved regulation, improved skills within a smaller group of banks, closure of banks, and prevention of financial criminal activity. Further technical assistance will be provided to the Central Bank bank supervision department for on-site training in examinations of banks, completion of an examiner's manual, closing the twelve failed banks, completing their liquidation, freeing up assets, and repaying creditors. Private bankers will be trained to improve credit management, asset-liability management, internal audit skills, and in bank mergers. Money laundering prevention and detection will be targeted and corporate governance of banks with majority state ownership will be improved. All of these activities support a stronger, more transparent and more competitive private commercial banking sector. USAID seeks to improve the regulation of the market, to increase liquidity and interest, and make the stock exchange a viable supplement to the banks for raising capital and attracting investments. Support will be given to the further development of the Lithuanian Environmental Investment Fund (LEIF) to provide loans having environmental benefits with a positive economic payback.

Host Country and Other Donors: USAID is the only donor working in the capital markets sector. The activities are building upon the foundation set by the French program in 1993-94. Activities in the banking sector are coordinated among USAID, European Union (EU) PHARE, the World Bank, Great Britain, Denmark and Sweden. USAID has taken the lead in bank training and bank supervision

activities, with close coordination with other donors, especially EU PHARE. USAID and Great Britain provided complementary courses and materials for the establishment of the Lithuanian bank training center. USAID and EU PHARE have developed a common approach in assisting in Lithuania's banking crisis. The two organizations are also working closely together to develop the Lithuanian Environmental Investment Fund (LEIF) with USAID assistance on the Fund's mechanism and structure and EU PHARE providing capitalization. The Government of Lithuania will support LEIF with revenues from environmental charges and pollution fines. Future cooperation with the European Bank of Reconstruction and Development (EBRD) is expected.

Beneficiaries: The immediate beneficiaries of USAID assistance are the main players in the financial services sector such as the Lithuanian Stock Exchange, the Securities Commission, the Central Bank, the commercial banking sector, and private enterprises through LEIF. The final beneficiaries will be people and enterprises with accounts in commercial banks and people investing in the stock exchange.

Principal Contractors, Grantees, or Agencies: USAID activities are implemented through a combination of contracts, grants and Interagency Agreements: Barents Group (KPMG), International Business and Technical Consultants Inc. and U.S. Treasury on banking sector reform, World Council of Credit Unions on credit union development, Department of Justice/American Bar Association's Central and East European Law Initiative on money laundering, Price Waterhouse and Financial Services Volunteer Corps on capital markets, Chemonics and the Harvard Institute for International Development for environmental investments, and Partners for International Education and Training on training support.

Major Results Indicators\*:

Through improved supervision, six insolvent banks will be closed in 1996.

Five additional credit unions will receive licenses in 1996.

The Lithuanian Environmental Investment Fund is designed and will be capitalized by 1997.

- These are illustrative indicators. ENI Missions are in the midst of the complex process of developing meaningful, measurable, country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** LITHUANIA

**TITLE:** Citizens' Participation, 180-S002.1

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$600,000 SEED Act

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1998

Purpose: Increased, better-informed citizens' participation in political and economic decision-making.

Background: During the Soviet occupation, the only legal party was the Communist Party and decision-making was conducted only at the highest level of the Central Government. Individual initiatives and public participation outside of the Soviet system were not tolerated. The only way for special interest groups to have their concerns heard was to voice them in the Communist apparatus. In effect, groups had to function as instruments of the Communist Party. Efforts are now needed to encourage the public to take part in local politics and government decision-making and to help the government to respond to citizens' concerns in its decision-making process.

USAID Role and Achievements to Date: USAID programming assisted in the development of diverse, issue-based political parties in Lithuania. Many of the 18 political parties which benefitted from campaign and platform assistance provided by USAID training participated in the March 1995 municipal elections. In FY 1995, \$100,000 in grants was dispersed through the interagency Democracy Commission to indigenous NGOs for one-time activities in areas which promoted democracy in Lithuania. NGO initiatives only began in the last quarter of FY 1995 and program impacts are expected in 1996.

Description: USAID is promoting the development of NGOs through policy grants and training to strengthen capacity building skills. Assistance to the Government of Lithuania is building the legal framework surrounding NGOs. USAID advisors are improving the ability of three municipalities to responsively govern through the introduction of public hearings, a program of public education, improvement of the general operations management of the municipalities, and introduction of strategic planning processes undertaken in conjunction with the public. Further funding will be available to send up to four individuals to the United States for training in the area of local government. A resident advisor is currently helping regional political parties prepare for the 1996 Parliamentary elections.

Host Country and Other Donors: USAID is coordinating its efforts with key donors in these areas, including the United Nations Development Program (UNDP), which supported the creation of an NGO Support Center. In anticipation of further decentralization of power from the central government, the Danish Ministry of the Interior, which has dedicated \$1.8 million to a public administration reform program, and European Union PHARE are providing broad-based assistance to strengthen the capacity of local governments to govern responsibly.

Beneficiaries: USAID programs are targeted to benefit the citizens of Lithuania through the empowerment of the over-650 currently registered Lithuanian NGOs to enable them to successfully lobby the government on behalf of special interest groups, and through the training of local governments to incorporate citizens' concerns in its decision-making process. It is estimated that over 700,000 citizens (almost 20 percent of the country's population) will benefit from current programming in three cities. USAID's political party development program provides assistance to all registered, democratically-committed political parties.

Principal Contractors, Grantees, or Agencies: Activities in this area are being implemented through grants with the U.S.-Baltic Foundation, the National Democratic Institute, the International Republican Institute and a contract with Development Associates.

**Major Results Indicators\***:

Two cities develop a municipal strategic plan by September 1997.

10 public hearings are held in three cities by January 1997.

50 NGOs present their interests before the government through a variety of public fora (e.g. direct lobbying, public hearings and debates, media events, conferences and seminars,) resulting in increased visibility to government officials by September 1998.

## ACTIVITY DATA SHEET

**PROGRAM:** LITHUANIA

**TITLE:** Legal Reform, 180-S002.2

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$450,000 SEED Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Legal systems that better support democratic processes and market reforms.

Background: The Soviet legal system imposed communist economic principles and served to ensure that the state controlled the citizens. Lithuania's commitment to economic reform and democratic rule necessitated major legal reform to allow for the introduction and success of a free-market economy and to foster the establishment of democratic institutions. Lithuania must now develop basic key legislation, modernize its commercial code, establish a qualified, experienced legal bar and judiciary and develop a code of judicial ethics. In the absence of operational laws, organized crime has taken advantage of the period of transition and has increased operations that have been detrimental to the development of democracy and thwarted the development of a free market economy.

Under Soviet rule, the press and media were heavily regulated sectors. After independence, the Government of Lithuania (GOL) loosened its hold on media to some extent, but remains wary of independent media. As a result, the GOL restricts independent media development and supports state-owned media in unfair competition with the private media. Attitudinal and legal changes are necessary to allow for the development and sustainability of an independent, private media in Lithuania.

USAID Role and Achievements to Date: USAID programming was responsible for the creation of an independent Commercial Law Center. Resident advisors in the areas of Commercial Law and the Rule of Law have worked over the past four years to help draft legislation (including a commercial code, judicial ethics, media law, and collateral law) and to train lawyers in these new fields. A program to fight organized crime was initiated in the fall of 1995. For the past three years, USAID has funded programs to train journalists through USIA. USAID will launch a new media program in FY 1996 to directly address the challenges of appropriate government control.

Description: USAID advisors have assisted the drafting of legislation and have helped create and train the Lithuanian bar. In FY 1996, an additional USAID advisor will focus on organized crime and money laundering activities. Assistance will also be provided to Lithuanian press and media associations to overcome governmental bottlenecks to a private, independent media. Funding will be available to send media representatives to the United States for short-term USAID training projects.

Host Country and Other Donors: USAID works directly with the Ministry of Justice, the Constitutional Court, the Court of Appeals, and the independent Commercial Law Center. USAID is working in cooperation with the United Nations Development Program's Judicial Training Center and with European Union PHARE to ensure that new legislation is consistent with EU accession requirements. USAID's organized crime specialist is working with the Prosecutor's Office and the Ministry of the Interior. USAID plans to implement its new media program through the Association of Independent Television and Radio Stations. No major assistance is being given in either of these areas from other donors.

Beneficiaries: USAID's activities in this field will ultimately influence the four million citizens of Lithuania, as legislation and legal processes are revised and the population is empowered to embrace democratic practices and a free-market economy. Furthermore, eradication of organized crime will ultimately serve to stabilize the economy, as the shadow economy caused by the activities of organized crime are brought in to check. USAID's efforts in the field of media will strengthen the

capacity for independent stations and press houses to operate successfully. As the restrictions surrounding the media are lifted, the public will benefit from improved, objective dissemination of information and increased government accountability.

Principal Contractors, Grantees, or Agencies: USAID's efforts in legal reform are being conducted by advisors provided under a grant to the American Bar Association's Central and East European Legal Initiative. Efforts to improve the conditions surrounding the media will be undertaken through an interagency agreement with USIA.

Major Results Indicators\*:

Ability to detect and stop money laundering abilities improved, as evidenced by a 20 percent increase in the crackdown of money launderers, by January 1997.

National government supports independent media and press, as evidenced by a 15 percent increase in the number of sustainable private publications and broadcast stations operating by June 1997.

Transparent, trained judiciary in place by June 1999 and able to efficiently try 25 percent more cases than in 1995.

● These are illustrative indicators. ENI Missions are in the midst of the complex process of developing meaningful, measurable, country-specific indicators and targets, which will be completed by June 1996.

## FORMER YUGOSLAV REPUBLIC OF MACEDONIA

**FY 1997 Assistance to Central Europe Request . . . . . \$16,000,000**

The Former Yugoslav Republic of Macedonia (FYROM), the poorest country of the former Yugoslavia, was the only former republic to gain independence peacefully. Although FYROM declared its independence in 1991, the United States did not establish full diplomatic relations until September 13, 1995. The FYRMacedonians have assertively pursued policies aimed at reforming the economy and strengthening democratic institutions. Despite the hardships imposed by external forces (UN sanctions against Serbia and the Greek embargo), FYROM persisted in implementing the key reforms urged by the World Bank and the International Monetary Fund in their proposed stabilization program.

### **The Development Challenge.**

FYROM is suffering from many of the same ills as other East European countries going through the transition from a centralized to a market economy and from a socialist to a democratic society. With most of the agricultural land already privately owned and with fewer industrial environmental disasters, FYROM has certain advantages over its neighbors. However, the country dealt with the effects of compliance with the United Nations-mandated sanctions against Serbia, which accounted for 60% of its markets prior to the disintegration of Yugoslavia, and which also served as a conduit to other East, Central and West European markets. Further, the country had to deal with the effects of the trade embargo imposed by Greece from February 1994 to October, 1995, in response to the declared constitutional name (Republic of Macedonia), the use of national symbols, and alleged territorial ambitions. Current government estimates put the cumulative price of the sanctions and Greek embargo at over \$2 billion. The FYROM government faces the additional challenge of having to create institutions to perform national functions previously performed by the federal government in Belgrade. Lastly, ethnic tensions remain a critical factor in the ability of the government to maintain its integrity and stability.

Despite these numerous obstacles, FYRMacedonians appear to have the natural and human resources, and have demonstrated the political will, to transform their economic and political systems. In its first two years of implementation, the International Monetary Fund (IMF) and World Bank-mandated stabilization program has produced positive effects. Inflation has been brought under control; the annual inflation rate was 1,925% in 1992, fell to 229% in 1993, 54% in 1994 (compared to the 70% rate projected by the IMF) and down to 16% in 1995 (again exceeding the IMF targets).

In July 1995, FYRMacedonia reached an agreement with the Paris Club of official creditors that provides \$288 million in debt relief and ratified an understanding on the allocation of responsibility for the external debt of the former Yugoslavia (non-allocated debt). FYRMacedonia accepted responsibility for 5.4% of the non-allocated debt, as well as for debt that was owed or guaranteed by entities located on its territory.

USAID expects that FYRMacedonia will have the institutional and other resources to continue its own transition. Current plans are to phasout SEED Act assistance within the next several years.

### **Other Donors.**

With the repayment of the arrears to the World Bank, FYROM is now receiving assistance from international financial institutions such as the World Bank, European Bank for Reconstruction and

Development, the IMF and the World Bank's International Development Association. And as a result of the signing of the Greek/FYROM Accord on September 13, 1995, FYRMacedonian participation in the EC PHARE program is expected to increase. Germany was the largest provider of assistance to FYRMacedonia (primarily in humanitarian assistance and commodities).

#### **FY 1997 Program.**

While the core FY 1997 program represents a continuation of multi-year programs begun in FY 1995, it also reflects the progress being made by FYRMacedonia in the transition to a democratic system and a market economy. In the area of democracy, for example, the focus of the initial project activities was on national elections, creation and development of political parties, and the legal framework for independence. The focus is now shifting to the local level with activities targeted at building capacity of local government, civic organizations, and grassroots political organizations. In the financial sector, the focus is shifting from national oversight of the banking system (banking supervision) to capacity building within the commercial banking sector, and from development of national tax laws to the administration of tax collection systems. Lastly, in the area of privatization, the focus is shifting from national-level management of the privatization process to capacity building at the individual business level, and provision of mechanisms for obtaining access to credit.

#### **Strategic Goal: Economic Restructuring**

Despite the stresses of the UN sanctions against Serbia and the Greek embargo, the FYRMacedonian Government has maintained its commitment to economic reform and has complied with (or even bettered) the stabilization program developed in conjunction with the IMF and the World Bank. Fiscal reforms were successfully implemented: most subsidies were eliminated; government foreign currency reserves were increased; and wages were brought under control. Structural reforms, although moving more slowly, were nonetheless significant, with a majority of non-agricultural, socially-owned enterprises privatized, and with the major bank (accounting for 70% of assets and liabilities) restructured.

USAID played a key role in many of these reforms. USAID worked with the Privatization Agency to establish the procedures for privatizing public enterprises. Most viable small and medium enterprises have now been incorporated into the process. USAID trained staff on valuation techniques, advised them on privatization options, wrote a guide for potential foreign investors, and issued investment kits to prepare companies for foreign investment and for stock market listings. In the financial arena, USAID assisted in creating a bank supervision function at the central bank, participated in a World Bank assessment of the four largest banks, and provide advice on the restructuring of the largest bank. One advisor to the Bank Rehabilitation Agency provided assistance in the definition of that agency's functions and in the training of new staff. USAID also provided legal experts to advise on revisions to laws on the central bank, commercial banks, and savings houses. Under a SEED contract, business resource centers are now assisting new entrepreneurs in basic business skills. A program of micro-lending has been initiated, and rural, user-owned credit institutions are being developed for farmers. Considerable effort will be needed to ensure that new entrepreneurs gain the skills needed to ensure survivability. More emphasis needs to be placed on the completion of legal and banking systems reforms. Further work is needed in privatization, including privatization of the agrikombinats (agri-industrial complex) and the 388 companies that were excluded from the original privatization law based on their "strategic" nature. The major constraints on privatization are lack of interest by potential foreign investors due to (1) uncertain economic conditions; (2) lack of adequate financial institutions; and (3) an uncertain regulatory environment.

- **Strategic Objective: Accelerated Development and Growth of Private Enterprises**

## **Strategic Goal Democratic Transition**

As with reforms to a market economy, FYR Macedonia has shown a strong and enduring commitment to the transition to a democratic society. USAID activities have contributed significantly to this transition. USAID has been involved in institution-building in indigenous NGOs. Catholic Relief Services is developing parent/teacher associations in ethnically-mixed schools throughout the country. This activity has become a model for other neighboring countries dealing with ethnic issues at the local level. The FYRMacedonian Government has recently established a requirement that all schools in the country have such associations. Delphi STAR is working to develop indigenous women's organizations. As part of the Democracy Network Project, the Institute for Sustainable Communities is focussing on environmental NGOs. The International Center for Not-For-Profit Law is assisting in improving the NGO related legal and regulatory environment and The National Forum Foundation is providing national, regional, and international internships , regional workshops and conferences. The National Democratic Institute is working on ways to ensure greater citizen involvement in the political process. A new public administration project is working with local governments to develop their institutional capacities. Given a series of new laws affecting local government, USAID will establish pilot programs in five cities, and will work with the Association of Mayors to ensure that local leaders can meet the challenges. Most of USAID's democracy projects are just initiating multi-year programs, so their efforts at enhancing democracy are still in the early stages. Changing people's perceptions of their ongoing responsibilities to participate actively in their government is not something accomplished quickly. Further assistance is needed in public administration. Legislation and procedures are needed in formalizing the structure of the national government. Administrative procedures need to be established to address government regulatory responsibilities, including public participation; while assistance is needed to develop a modern civil service system for government employees.

- **Strategic Objective:** Increased, Better-Informed Citizens' Participation in Political and Economic Decision-Making
- **Strategic Objective:** Legal Systems That Better Support Democratic Processes and Market Reforms

**FORMER YUGOSLAV REPUBLIC OF MACEDONIA  
FY 1997 PROGRAM SUMMARY\***

Strategic Objectives	Economic Restructuring	Democratic Transition	Social Stabilization	Cross-cutting and Special Initiatives	Total
Privatization					
Fiscal Reform					
Private Enterprise	10,250,000				10,250,000
Financial Reform					
Energy					
Citizens' Participation		2,700,000			2,700,000
Legal Systems		2,650,000			2,600,000
Local Government					
Crises					
Social Benefits					
Environmental Health					
Cross-cutting / Special Initiatives				400,000	400,000
<b>TOTAL</b>	<b>10,250,000</b>	<b>5,350,000</b>		<b>400,000</b>	<b>16,000,000</b>

\* Support for East European Democracy (SEED) Act funds

USAID Representative: Linda Gregory

## ACTIVITY DATA SHEET

**PROGRAM:** FYRMacedonia

**TITLE:** Private Enterprise, 180-S001.3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$10,250,000 SEED Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: Accelerated development and growth of private enterprises.

Background: FYRMacedonia initiated its privatization process in June 1993 with passage of the Law on Transformation of Socially-Owned Enterprises. A privatization agency was created in December of that year, charged with managing the privatization process. A methodology for valuation of companies was developed, and valuers were trained and licensed by the agency. Small and medium companies (SME) were to submit their privatization plans by December 1994; large companies were given an additional year. A total of roughly 1,200 companies were targeted for privatization. Agricultural kombinats were excluded from the process, due to the need to resolve the issue of land ownership first. [Most agricultural production has been on individual farms which remained in private hands through the social era.] "Strategic" companies (utilities, public service monopolies, etc.) were also excluded in this first privatization program, since their privatization process would need to address more complicated issues of regulation in the public interest. As of the end of January, close to 900 companies had completed the process, while another 250 companies were in the pipeline. Legislation on denationalization of land, and the related privatization of agricultural kombinats, is now under consideration by the government. While the largest number of companies are in the trade sector, most of the new company owners and managers are anxious for assistance in making the transition to a private, market economy.

USAID Role and Achievements to Date: A team of USAID advisors worked directly with the Privatization Agency, assisting them in developing the privatization process, in developing information materials for potential foreign investors, and in publicizing, both domestically and internationally, the opportunities for investment in FYRMacedonian businesses. One of the advisors produced a publication entitled "Doing Business in FYRMacedonia" which has been distributed all over the world. Another advisor was instrumental in getting press coverage for FYRMacedonia's privatization process in several European business publications. And advisors to the central bank and to the bank rehabilitation agency have assisted in the restructuring and reform of the commercial banking sector, a vital factor in attracting new investment, whether foreign or domestic.

Description: Shifting its focus from the privatization process to the encouragement of the newly-created private sector, USAID has developed a number of activities aimed at providing businesses with the technical and managerial skills to succeed in the new arena of a market economy. A business resource center has been established to respond to individual requests for assistance from the new private sector; a cadre of experts, both short and long term, can perform a "diagnostic" assessment of a company and then target assistance to areas which will have the greatest impact on profitability. A program is being designed to provide technical assistance to commercial banks which will be coping with sizable lines of credit targeted to small and medium enterprises. Another project is establishing a mechanism for offering credit to very small entrepreneurs (micro-lending), while yet another is working to create member-owned financial institutions in rural areas, to provide access to credit for farmers and others in rural areas not fully supported by the commercial banking system. The farmer-to-farmer program provides grassroots-level assistance to farmers on a one-to-one basis, while a sheep-oriented project is attempting to expand production and marketing of milk and cheese from the very large population of sheep breeders. Critical to the success of the new private sector is the ability to deal with the social impacts of the needed restructuring. USAID is funding an advisor to the pension program, which is allocated 15% of the sales proceeds from privatization.

Host Country and Other Donors: USAID program are intermeshed with donor activities throughout the portfolio. On the business resource centers, we are coordinating closely with the UK Know How Fund, which is financing two small centers in regional cities, as well as with the World Bank, which is using our centers for advice to potential borrowers for new credit lines coming on line. This project has also negotiated agreements with both British and Dutch retired executive programs, to provide a framework for short-term assistance from those sources. In the area of commercial banking, USAID activities are being coordinated with small training programs being implemented by the European Bank (EBRD) and the UK Know How Fund. Lines of credit for SME's are being established by EBRD, the World Bank, and Germany. In the agricultural area, USAID activities are coordinated closely with the World Bank's Private Farmer Support Project. And the assistance to the pension program are being closely coordinated with similar assistance being provided by the World Bank in related social assurance programs (welfare, health, and unemployment).

Beneficiaries: Although USAID programs will specifically benefit new private sector companies, pensioners, bankers and farmers, the benefits will accrue to all FYRMacedonians through development of an improved economic climate and increased employment and productivity.

Principal Contractors, Grantees, or Agencies: USAID programs are being implemented by Crimson Capital, Carana Corporation, KPMG Peat Marwick, Opportunity International, the World Council of Credit Unions (WOCCU), Volunteers in Overseas Cooperative Assistance (VOCA), Land O'Lakes, Financial Services Volunteer Corps (FSVC), and the U.S. Information Agency (USIA). Implementors for new projects in SME development and commercial banking have not yet been identified.

Major Results Indicators: \*

Volume of business support services available to private sector from self-sustaining local institutions  
Pension fund self-sustaining and current on disbursements  
Government regulatory processes in place to address obstacles to SME growth  
Number of socially-owned enterprises privatized  
Number of loans made to private sector enterprises by commercial banks  
Number of rural credit associations established  
Reduction in disease rates for sheep; expanded production of milk and cheese

\*These are illustrative indicators. ENI missions are in the midst of the complex process of developing meaningful, measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** FYRMacedonia

**TITLE:** Citizens' Participation, 180-S002.1

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,700,000 SEED Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** Increased, better-informed citizens' participation in political and economic decision making.

**Background:** Following its independence in 1991, FYRMacedonia made a commitment to a democratic system. Initial elections were assessed as being largely fair and open by international observers, as were the second national elections held in the fall of 1994. Turnout at the last national election was approximately 78%. A draft law on elections at the national level was defeated in parliament just before the last election, resulting in the election being conducted according to an old Yugoslavian law. The law on local governments was passed late last year, and elections are expected to take place late in 1996. Two prerequisites for such elections include a law on territories (defining the municipalities) and a law on local elections. Passage is expected in the summer or fall. While there are numerous indigenous NGOs in FYRMacedonia, they have not been as active as in other countries. The press is not generally viewed as independent or unbiased, with the large-circulation papers viewed by many citizens as being under the thumb of the national government. Most citizens have not yet come to recognize the responsibilities of citizenship, and do not take an active role in government, neither at the local nor the national level.

**USAID Role and Achievements to Date:** USAID advisors provided substantive input to the draft law on national elections. A number of parent/teacher organizations have been successfully established at schools in FYRMacedonia, with the full backing of the Ministry of Education. This program is serving as a model for similar programs elsewhere in the region. Electronic mail connections have been established among women's organizations in the former Yugoslav republics. Over 900 domestic monitors were trained and participated in the last national elections, with full accreditation by the State Election Commission. Media training has been provided to a number of journalists. And seed funding has been provided to a number of media organizations, environmental NGOs, and other domestic organizations for democracy-related activities.

**Description:** USAID has initiated several longer-term projects aimed at enhancing the capacity of indigenous NGO's to participate in the day-to-day job of governance. USAID activities have encouraged the development of political parties, have assisted in the development of a domestic capacity for election monitoring, have helped in the establishment of civic organizations, have trained journalists and media professionals, and have provided seed funding for new activities by indigenous NGO's. Advisors have also assisted in the creation of parent/teacher associations, and in the establishment of regional networks for NGO's throughout the Central and East European region. And a new project, initiated in 1995, is providing hands-on assistance to units of local government, to develop their capacity to govern.

**Host Country and Other Donors:** Donor assistance in this area has been rather limited. Dutch Interchurch Aid assisted in the creation of an indigenous civic organization (the FYRMacedonian Center for International Cooperations) which has been active in local community-level issues (such as income generation, basic health, nutrition, food for the poor, and sanitation). The European Community Humanitarian Office (ECHO) has provided funding for humanitarian activities implemented by indigenous NGO, as has the International Federation of the Red Cross (IFRC). A number of donor humanitarian activities have used indigenous NGO's as a conduit for distribution of food and other relief supplies, which has had a secondary benefit of building capacity within those organizations.

**Beneficiaries:** USAID activities seek to benefit all citizens by encouraging greater citizen participation in all aspects of political and social life, whether through professional associations, civic organizations, special interest groups, or political parties. Activities also benefit the government by assisting in the development of appropriate mechanisms for public participation and of awareness of the importance of such participation to a modern democracy.

**Principal Contractors, Grantees, or Agencies:** USAID activities have been implemented through a number of contractors and grantees: Catholic Relief Services (CRS), Delphi Star, the International Republican Institute (IRI), the National Democratic Institute (NDI), Development Associates Inc. (DAI), the Institute for Sustainable Communities (ISC), The National Forum Foundation (NFF), and the International Center for Not-For-Profit Law (ICNL). Media programs have been implemented through the U.S. Information Agency (USIA). Training programs have been designed by Partners in Developmental Education and Training.

**Major Results Indicators: \***

Law enacted on regulation of non-government organizations  
Number of draft laws introduced after citizen participation in their development  
Number of NGO's actively participating in the legislative process  
Enactment of administrative procedures laws for the national government  
Percentage of news articles representing opposition views  
Rating of elections as free and fair by local and international monitors

\*These are illustrative indicators. ENI missions are in the midst of the complex process of developing meaningful, measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** FYRMacedonia

**TITLE:** Legal Systems

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,650,000 SEED Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 1999

**Purpose:** Legal systems that better support democratic processes and market reforms.

**Background:** Following independence in 1991, the new government of FYRMacedonia made the decision to move FYRMacedonia to a democratic society and market economy. This transition was slowed to some extent by the need to first address the immediate needs of setting up a new national government to deal with many governmental functions previously handled by the central Yugoslav government in Belgrade. Nevertheless, in coordination with the World Bank (IBRD) and the International Monetary Fund (IMF), FYRMacedonia developed a stabilization program and started to lay the legal groundwork for a market-oriented democracy. Despite the economic shocks associated with the UN-mandated imposition of sanctions against Serbia (previously FYRMacedonia's major market) and the later imposition of an embargo by Greece (FYRMacedonia's only remaining outlet to both eastern and western markets), FYRMacedonia remained committed to reform. Targets for fiscal reform (control of inflation, build-up of foreign currency reserves, reduction/elimination of government subsidies, control of wages, etc.) were met or exceeded. Structural reforms moved more slowly, especially in the areas of the financial sector (commercial banking) and privatization. But an ambitious legislative agenda has resulted in most key legal reforms being in place by the end of FY 1995, although several important areas remain to be resolved.

**USAID Role and Achievements to Date:** USAID-funded advisors made major contributions to the formulation of new tax laws, which were enacted in January 1994. Legal advisors provided in-depth assessments which influenced the preparation of laws on banking, bank supervision, the court system, judicial ethics, and elections. USAID advisors have also provided direct assistance to the Central Bank in the development of bank supervision procedures.

**Description:** USAID-funded advisors are working with FYRMacedonian counterparts to improve bankruptcy laws and procedures, to revise collateral laws, and to develop a comprehensive, and Western-oriented, commercial code, to ensure a proper legal framework for the new market economy. A Treasury advisor is assisting the Revenues Office in the development of tax collection procedures, in order to increase revenues and improve tax compliance by the new private sector. And advisors are working with the Ministry of Agriculture on the key issues of government subsidies to the agricultural sector, which currently accounts for about 70% of the agriculture component of the national budget.

**Host Country and Other Donors:** USAID activities have been closely coordinated with other donors, especially the World Bank and IMF. In the area of bank supervision, both USAID and the IMF have provided resident advisors to the Central Bank, who work together to provide training and to develop manuals for bank examinations. In the area of agricultural policy, USAID activities have meshed closely with the World Bank's private farmer support project.

**Beneficiaries:** USAID activities will benefit the people of FYRMacedonia (by ensuring a more equitable and transparent tax collection process), private businesses (by providing a legal and regulatory framework for commercial transactions), farmers (by enhancing the competitiveness of agricultural production), and the government (by increasing revenues for the national budget).

**Principal Contractors, Grantees, or Agencies:** USAID activities are implemented through two non-governmental organizations: the International Development Law Institute (IDLI) and the American Bar

Association's Central and East European Law Initiative (CEELI). Both Deloitte and Touche and Carana Corporation have provided assistance in the area of bankruptcy law, while IRIS-Central Europe has provided assistance in development of a collateral law. In addition, two as-yet unidentified contractors will provide support in the areas of agricultural policy and commercial law.

Major Results Indicators:\*

Commercial code in line with market economy principles is enacted

Alternative dispute resolution procedures are in place and actively used by private sector businesses

Laws and regulations are enacted which minimize the negative distortions of agricultural subsidies

Percentage increase in revenues collection

\*These are illustrative indicators. ENI missions are in the midst of the complex process of developing meaningful, measurable country-specific indicators and targets, which will be completed by June 1996.

## MOLDOVA

**FY 1997 Assistance to the NIS Request: . . . . . \$ 27,000,000**

### **Introduction.**

The Government of Moldova is committed to the process of reform and transition to a market economy initiated in 1991. One of the smallest and the most densely populated of the New Independent States (NIS), Moldova has emerged from the shadows of communism and begun the arduous task of building a democratic nation and market-based economy. Since the collapse of the Soviet Union, Moldova has faced divisive ethnic conflicts, a series of natural disasters, and the social hardships accompanying societal transformation. Despite these obstacles, the country is pushing ahead with political and economic reform and adopting peaceful solutions to its ethnic and security problems, including granting the largely Russian population of the conflict-plagued Trans-Dniester region broad autonomy. For the first time since independence, Moldova will register positive economic growth in 1996.

Over the last eighteen months Moldova has made significant progress in establishing the macroeconomic and policy framework needed for the transition to a market economy. The successful introduction of the new currency, the leu, was accompanied by a firm stabilization policy which has reduced inflation to under two percent per month, a fiscal deficit of approximately four and a half percent of gross domestic product (GDP), and a real GDP growth of about three percent in 1995. Price controls and trade restrictions have also been eliminated in tandem and privatization has accelerated markedly since mid-1994. In addition, efforts to modernize the banking sector and introduce payments disciplines are being made, along with progress in rationalizing social benefits and providing for dismissed workers.

### **The Development Challenge.**

Moldova has set a positive example for its neighbors and has become a force for hope and prosperity in the NIS. In spite of these encouraging signs, many of Moldova's authorities remain philosophically skeptical of market forces. Progress on structural reform is unlikely to be as fast as desirable until that mind-set changes. Moldova must now address remaining weaknesses in its financial policies and accelerate the process of structural reform.

Regarding debt, the country's external official debt is \$652 million as of March 1996, about 42% of GDP, and is growing steadily. A significant share of the total debt burden is for energy imports, primarily gas from Russia, with current debt arrears of \$330 million as of February 1996. Moldova is almost wholly dependent on imports for its energy requirements and inputs for its industries. Analysts indicate that exports need to be encouraged to help reduce external indebtedness. Debt rescheduling privileges will begin to expire in 1996-1998, significantly increasing the debt servicing burden during this period. In 1996, the Ministry of Finance drafted a new law that will allow the government to manage and regulate all official debt, including internal, external and sovereign guarantees to economic agents.

USAID expects that Moldova will have the institutional and other resources to continue its own transition. Current plans are to phaseout Freedom Support Act (FSA) assistance within the next several years.

### **Other Donors.**

Data from Moldova's Ministry of Economy as of February 1996 indicate that there are approximately 80 projects ongoing under foreign technical assistance, about half of the planned target of 157 projects in the country's 1995 two year technical assistance program plan. The chief donors in 1995 were

EU-TACIS, USAID, GTZ of Germany, and the UNDP.

#### **FY 1997 Program.**

The United States is working with Moldovan officials to promote land and energy sector reform, improved agricultural capacity, improved fiscal performance through better tax administration, establishment of a treasury function, better customs administration, and bank system reform, including better supervision. Moldova has a strong potential to become one of the first NIS countries to achieve sustained economic growth, but Moldova can succeed on its course only with the substantial support of the United States and the international donor community.

#### **Strategic Goal: Economic Restructuring**

Strengthening efforts at macroeconomic stabilization and accelerating structural reform are the most important economic policy challenges facing Moldova. The USG goal is to help increase the productivity of the economy and thus to increase foreign investment. USAID activities assist in the privatization of state-owned assets and development of the institutions necessary to support a market economy. Without USG support it will be extremely difficult for Moldova to create a fully-functioning market economy.

Regarding privatization, the restructuring of the Moldovan enterprise sector has been a top priority of United States assistance to Moldova. With USAID support, Moldova has completed its mass privatization program, with the majority of industrial assets transferred to the private sector. Emphasis is now shifting to post-privatization efforts--assisting newly privatized enterprises to restructure, compete globally, attract both foreign and domestic investment, and promote trade. Thus, in the area of private enterprise, USAID is focussing on strengthening business advocacy associations, improving production and processing technologies in selected businesses, providing additional financial resources for selected local businesses through joint ventures, making available adequate market information to identified pilot enterprises, expanding the share registry, corporate governance, and broker/dealer networks, and developing business and farm advisory centers. One example of USAID's work in this area is the Western NIS Enterprise Fund which recently opened its office in Chisinau and has already committed over \$4 million direct investments to five companies. In addition, USAID is also working to promote small business support services through local institutions, demonopolize transportation and distribution systems, and create enterprise restructuring and public information campaigns to inform people of their rights and options in the emerging market system. USAID is also improving the analytical capacity of the Parliament to understand the ramifications of business laws proposed for enactment.

Because Moldova is a predominantly agriculturally-based society and economy, USAID also focuses on agricultural privatization. In addition to wine, the best-known product and the backbone of its exports, other key agricultural products include: grain, soybeans, fruit, vegetables, beef and dairy cattle and hogs. Crop yields are above the NIS average. The food processing industry is of special economic significance. Land reform is the cornerstone of the agriculture privatization program, and Moldova is one of the first of the former Soviet republics to allow agricultural privatization. USAID is helping to introduce legal and regulatory reforms supportive of land privatization. To date, about one-third of the state farms have been converted to joint-stock companies. USAID efforts in food systems restructuring will continue current work which identifies potential U.S.-Moldovan agribusiness partners, and complements the efforts of U.S. Department of Agriculture/Trade and Development Agency business-linkage tours for entrepreneurs interested in trade and the investment opportunities. Enterprise land sales and farm reorganization pilots will be underway shortly. Also, much of the effort in privatization, particularly demonopolization and enterprise restructuring, places emphasis on agriculture and agribusiness.

In the area of fiscal reform, USAID has provided training and technical assistance to the Ministry of Finance staff to improve tax policy, fiscal policy and the management information systems for budgeting practices and design of computer systems. This training has been geared toward making changes in the budget law, and improving budgeting practices and Treasury operations.

In the area of financial reform, with USAID support, the Moldova Stock Exchange is planning all aspects of securities trading: hardware procurement, software implementation, legislation, trading rules, clearing and settlement systems and expanded training programs on customer service and credit issues. USAID has also helped to create a Securities and Exchange Commission, and in June 1995 Moldova opened its first Stock Exchange whereby approximately 100 firms will be traded by mid-1996. In addition, the program is developing a financial sector infrastructure to promote a safe and sound banking system through bank supervision training, the formation of a troubled bank resolution unit in the central bank, and implementation of a new chart of accounts that is consistent with the commercial banks. New activities will include assisting in the adoption and application of internationally accepted corporate accounting principles, and developing indigenous financial and other enterprise restructuring services.

Concerning energy and environment, Moldova imports close to 100% of its energy resources, most of which is gas. Gas imports are an enormous balance of payments burden to the country, and need to be profitably and effectively managed by Moldova's gas distribution companies. MoldovaGas, the state monopoly, has requested the assistance of USAID in restructuring its assets. This restructuring is also being promoted by the World Bank in order for MoldovaGas to qualify for loans. USAID expects to work with MoldovaGas in reconfiguring the State monopoly into a series of competitive companies and provide a corporatization strategy together with new corporate organization plans. The restructuring effort will include training programs in financial management and in financial accounting as well as a procurement plan for management systems equipment. More efficient natural gas use will also be promoted.

- Strategic Objective: Increased transfer of state-owned assets to the private sector
- Strategic Objective: Increased soundness of fiscal policies and fiscal management practices
- Strategic Objective: Accelerated development and growth of private enterprises
- Strategic Objective: A more competitive and market-responsive private financial sector
- Strategic Objective: A more economically sustainable and environmentally sound energy sector

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

In FY 1997, support for building democracy will be directed toward non-governmental organization (NGO) development, voter education, legal reform, and a resource center for information on election management and administration.

Although parliamentary elections in 1994 were deemed free and fair, Moldova does not yet have a permanent Central Election Commission. Furthermore, the law governing presidential and local elections needs to be revised. USAID provided comments on the draft parliamentary election law used for the 1994 elections. USAID assistance has also increased the participation of media, civic activists, and politicians in shaping the policy debate concerning the election process. Progress in these areas may depend in large part on the results of the next presidential and parliamentary elections.

Due to funding constraints, USAID's assistance to promote rule of law has been modest compared to the progress the country has made. Due to USAID efforts, however, the Moldovan Collegium of

Advocates should be functioning by the end of 1996. This group already drafted a Law on the Legal Profession, which, if passed, will allow for the creation of a powerful bar association.

Upon Moldova's independence from the Soviet Union in 1991, the government was no longer able to provide adequate social services for the population, and an emergency situation ensued. The international community, including USAID, responded by providing critical humanitarian assistance to temporarily sustain the population. In addition, to meet the most important technical assistance needs expressed by health care providers, medical partnerships are providing health care knowledge so that preventive and curative techniques can be adapted and disseminated.

In order to help make social services work for the people during the country's very difficult economic and political reform and after, USAID supports the institutional development of local non-governmental organizations (NGOs) whose efforts are critical as part of the private sector network of organizations providing social protection services. The number of NGOs in Moldova has increased dramatically since independence and many of these emerging NGOs address the urgent needs of the social sector. Furthermore, in order to alleviate to the extent possible the hardships imposed on the most vulnerable populations during the country's difficult transition, USAID continues to provide humanitarian assistance through local NGOs and social services to meet the critical needs of these groups.

USAID has provided DOD excess property and in-kind donations as humanitarian assistance through local NGOs and social service providers to meet the critical needs of vulnerable populations, including medical supplies, basic living supplies and capital goods. In order to maximize emergency preparedness, USAID has created a stockpile of emergency supplies. To strengthen the capacity of local NGOs to play a vital role in assisting the most vulnerable groups, USAID has trained 130 budding NGO leaders in basic NGO management and sustainability. In addition, USAID is providing small grants to local NGOs working to provide sustainable social protection services to vulnerable populations.

Another of USAID's humanitarian efforts is the response to the 1995 UN Emergency Appeal for the Diphtheria Epidemic in the NIS. In this case, USAID provided funds for UNICEF to purchase adult diphtheria vaccine, antitoxin, and antibiotics for Moldova. In addition, USAID provided technical assistance to the government of Moldova in planning for mass immunization campaigns and educating the population on the importance of immunization. Preliminary results from this 1995 effort using the USAID purchased vaccine indicate a dramatic reduction in the incidence of diphtheria cases.

Through medical partnerships, USAID is seeking to improve the efficiency and productivity of existing health care providers through better clinical and administrative management and organization. The partnerships also train health care policy makers and administrators at all levels of government to make informed choices and rational system changes with respect to delivery system reform. The partners will continue to train operating room personnel in infection control techniques, data collection and team approach management strategies, and to initiate the expansion of the Emergency Medical Services (EMS) training to include police, firemen, and industrial safety personnel. They also plan to expand cardiovascular disease prevention with a focus on rheumatic fever, public health programs and procedural aspects of patient care. The partners plan to create a model to expand the role of nursing in infection control procedures, management skills, education and nursing assessment and intervention, in addition to introducing health promotion programs and encourage ownership to support health care in Moldova.

**MOLDOVA  
FY 1997 PROGRAM SUMMARY\***

Strategic Objectives	Economic Restructuring	Democratic Transition	Social Stabilization	Cross-cutting and Special Initiatives	Total
Privatization	3,500,000				3,500,000
Fiscal Reform	2,100,000				2,100,000
Private Enterprise	11,100,000				11,100,000
Financial Reform	3,900,000				3,900,000
Energy	1,000,000				1,000,000
Citizens' Participation					
Legal Systems					
Local Government					
Crises					
Social Benefits					
Environmental Health					
Cross-cutting / Special Initiatives				5,400,000	5,400,000
<b>TOTAL</b>	<b>21,600,000</b>			<b>5,400,000</b>	<b>27,000,000</b>

\* Freedom Support Act (FSA) funds

USAID Mission Director, Gregory Huger

## ACTIVITY DATA SHEET

**PROGRAM:** MOLDOVA

**TITLE:** Privatization, 110-S001.1

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,500,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1994; **ESTIMATED COMPLETION DATE:** FY 1999

**Purpose:** Increased transfer of state-owned assets to the private sector.

**Background:** The Republic of Moldova is one of two countries of the Former Soviet Union (FSU) which has completed a mass privatization program, with sixty percent of industrial assets transferred to the private sector. While the Law of Privatization was adopted by the Moldovan Parliament in July 1991, the program did not begin in earnest until February 1994 following Parliamentary elections won by progressive leaders who declared their support for economic reforms, including privatization. Moldova remains one of the foremost reform-minded countries within the FSU and is now poised to initiate essential market reform programs that will create a business environment to attract both foreign and domestic investment.

**USAID Role and Achievements to date:** USAID assistance played a critical and instrumental role in supporting the Republic of Moldova throughout the course of its privatization program, during which two-thirds of the Republic's non-agricultural economy, including 1,139 medium and large scale enterprises, 732 shops and 364 health care and other objects were privatized. The program was extraordinarily popular, with approximately 95 percent of the eligible population participating. Concurrently, the appointment of the Minister of Privatization, a dynamic and energetic reformist leader, signaled Moldova's strong commitment to this process. USAID has provided technical assistance in the corporatization process of small, medium and large enterprises prior to privatization. This assistance has entailed the valuation of property subject to privatization; performance of open outcry auctions and public tenders of small scale objects and nationwide share subscription auctions for large and medium scale enterprises; the establishment of 115 bid collection sites nationwide to ensure individual participation and the operation of the national Data Center for Republican Auction. USAID assistance was also instrumental in the creation of the Share Registry Coordination Unit responsible for preparing and consolidating an accurate record of privatized enterprises with more than 300 shareholders, subsequently transferred to one of 27 independent share registries to insure safekeeping and maintenance of the records for purpose of corporate governance and dividend issuance.

**Description:** USAID assistance in 1997 will focus on providing technical assistance to the Ministry of Privatization to support cash auction sales of the remaining state shares in privatized enterprises. In addition, USAID will continue to provide support for privatization of urban and agricultural land.

**Host Country and Other Donors:** The Moldovan Government has created and staffed a private enterprise restructuring agency, which receives training and technical assistance through EU/TACIS and financial support in the restructuring of weak enterprises from the World Bank.

**Beneficiaries:** Beneficiaries include the 95% of the population that participated directly in the mass privatization program, and employees and managers of small to large -sale firms who exercised preferential rights to ownership in their own enterprises.

**Principal Contractors, Grantees, or Agencies:** East-West Management Institute is the primary implementor of USAID's mass privatization program, and Booz Allen & Hamilton is implementing land privatization. Carana Corporation is working in demonopolization efforts and the cash-sale privatization

of the fruits and vegetable distribution network. Mendez England Associates is providing public education, publicity and public relations on all privatization activities.

**Major Results Indicators\***:

Percent of land owned by state of parastatal entities  
Percent of business assets in state-ownership nation-wide  
Percent of GDP attributable to private sector activities  
Percent of housing privately owned in specific locals

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** MOLDOVA

**TITLE:** Fiscal Reform, 110-S001.2

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,100,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 1997

Purpose: Increased soundness of fiscal policies and fiscal management practices.

Background: One of the critical changes necessary for the successful transition of centrally planned economies is greater transparency in the fiscal estimation process so that policy decisions based on that information can be informed. Moldovan officials have been receptive to technical assistance and have pursued a number of reforms in government financial management, particularly with respect to changes in the budget law, improved budgeting practices and the establishment of a Treasury. There has also been a program to establish a government securities capability which has met with some success. These efforts are, however, constrained by lack of computer equipment needed to fully implement many of the changes.

USAID Role and Achievements to date: A USAID-funded project has provided tools and training to Ministry of Finance (MOF) staff in the areas of tax policy, fiscal policy and Management Information Systems. Among other things, it has supplied assistance in the areas of budget classification and design of computer systems. Another team composed of a budget policy advisor and a legal advisor has been working with the Parliament. Under USAID funding, the U.S. Treasury has provided both resident and short-term advisors to the MOF, including a budget/treasury advisor, a government securities advisor and short-term legal and data processing advisors.

Description: As a result of USAID technical assistance, we expect to see a functioning treasuring system at the central level and the beginnings of a similar development at the regional level. Technical assistance to the MOF should result in a more rigorous system of budget formation at the Ministry of Finance, using reasonably sophisticated fiscal modeling. We also expect that in time, government securities will finance an ever increasing part of the government budget.

Host Country and Other Donors: The British Know-How Fund is providing assistance to the MOF in budgeting and the IMF is providing more general macro-economic advice in line with the Article Four Consultation.

Beneficiaries: The MOF receives advice on tax policy and tax administration and macropolicy, and the Budget Committee of the Parliament receives advice on legislation and macropolicy as well.

Principal Contractors, Grantees, or Agencies: Barents-KPMG is the principal implementor of USAID activities, with additional assistance provided by USAID-funded U.S. Department of Treasury advisors.

### Major Results Indicators\*:

Amount of budget deficits.

Amount of government budgetary transfers to state-owned enterprises.

Amount of revenues available from cost efficient tax administration.

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** MOLDOVA

**TITLE:** Private Enterprise, 110-S001.3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$11,100,000 Freedom Support Act:

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1999

**Purpose:** Accelerated development and growth of private enterprises.

**Background:** The emphasis of USAID assistance to Moldova is now on post-privatization since the mass privatization program has been successful. USAID will build on the concomitant components of the enabling environment necessary to support and strengthen the newly developing private sector. It is designed to build the capacity of individual Moldovan professionals, independent firms and nascent industries in fields that did not exist before the transformation to a market economy, and in areas that are essential to ensure that new and developing enterprises become commercially viable.

**USAID Role and Achievements to date:** Without laws, regulations and policies that are conducive to business activity, the private sector will not be able to grow. USAID is addressing that through strengthening business advocacy associations. Another approach is to improve the analytical capacity of the Parliament to understand the ramifications of laws proposed for enactment. The improved management of business is a key to the creation of viable private enterprises.

**Description:** In order to improve the management capacity of business, USAID will assist in the improvement of production and processing technologies in selected businesses, the provision of additional financial resources for selected local businesses through joint ventures, ensure the availability of adequate market information to identified pilot enterprises, and the development of business and farm advisory centers.

**Host Country and Other Donors:** USAID coordinates with the United Nations Development Programme and EU-TACIS to provide technical assistance and funding for business service centers that help small and medium-sized business managers improve business plans and management skills.

**Beneficiaries:** Privatized and start-up businesses will benefit directly from these activities, but specific focus will be on restructuring the agro-industrial complex, including foodprocessing, marketing, equipment and services suppliers, as well as light manufacturing, construction and the service industry.

**Principal Contractors, Grantees or Agencies:** TBD. Peace Corps provides business volunteers to advise the Moldovan managers of the business service centers.

**Major Results Indicators\*:**

Volume of business support services available to private enterprises from self-sustaining local institutions.

Number of private sector business operating and generating employment.

Number of business associations advocating on behalf of private sector initiatives, needs and future growth requirements.

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** MOLDOVA

**TITLE:** Financial Reform, 110-S001.4

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,900,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: A more competitive and market-responsive private financial sector.

Background: The development of a strong and dynamic market-based economy requires an effective, transparent and safe financial sector. USAID's strategy emphasizes the creation of a private banking sector together with the creation of a transparent and open securities system. The revitalized banking sector will provide a vehicle to transfer ownership and funds between individuals and enterprises, and capital markets facilitate the restructuring of enterprises and provide them with a flexible source of funds for investment.

USAID Role and Achievements to date: The development of the financial infrastructure in Moldova is continuing at an accelerated pace. The Moldovan Stock Exchange was inaugurated in June, 1995, following a six month USAID effort to train Moldovan professionals in all aspects of the securities market and installation of the necessary hardware and software. To date, 43 investment, 11 trust companies, 27 independent registrars, and 54 broker/dealers and consulting companies are active in the stock exchange. Moldova was the first NIS country to establish an independent securities market regulating entity with Ministry status. In addition, the Central Bank has converted to a new chart of accounts, and the commercial banks are expected to convert to a new chart of accounts consistent with internationally accepted standards, with USAID assistance, by the end of 1996. Improved banking supervision is a major emphasis, and it has led to the formation of a troubled bank resolution unit in the central bank, with assistance from USAID. This unit has already made its first recommendations for dealing with the largest troubled institutions.

Description: USAID's assistance in 1997 will focus on the adoption of new laws on joint-stock companies, securities, and on investment funds. USAID will continue to assist the development of self-regulation among market participants, while helping to expand the broker/dealer community and broaden the role of existing investment funds to include raising capital for privatized enterprises through initial public offerings or venture funds. In the banking sector, USAID will focus on training employees of the Central and commercial banks in western banking practices and standards, and supporting the Moldovan Bankers Association in maintaining a self-sustaining banking training center. USAID assistance will continue to help create a professional bank supervision department at the National Bank, focusing in particular on development of an off-site supervision system which will use the work developed on the accounting standards earlier.

Host Country and Other Donors: The banking school is benefitting from support from the German Government in train-the-trainers, and the National Bank is receiving assistance in on-site bank supervision from the International Monetary Fund in collaboration with USAID.

Beneficiaries: The beneficiaries are the National Bank of Moldova and virtually all the larger banks in the country who have sent employees to the AID-funded training center. By extension, depositors and borrowers from the banking system will benefit, as will firms and their employees that access securities markets and the financial intermediaries - banks, brokerage firms, etc. - that participate in the financial market.

Principal Contractors, Grantees, or Agencies: Barents-KPMG, Financial Services Volunteer Corps (FSVC) are implementing USAID's banking support activities. Capital Markets assistance implementors

are still to be determined.

**Major Results Indicators\*:**

--Amount of investment, both from domestic and foreign sources.

--Number of licensed viable private commercial banks.

--Amount of funds for equity/credit provided to small and medium-sized businesses from private commercial banks.

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** MOLDOVA

**TITLE:** Energy, 110-S001.5

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,000,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1999

**Purpose:** A more economically sustainable and environmentally sound energy sector

**Background:** Moldova imports 98% of its primary energy and, although investigating domestic and gas sources, has at present no chance of becoming self-efficient. Moldova has lost its preferred place in energy trade with Russia and must pay close to market prices for Russian oil and gas in hard currency and barter. Primary and secondary energy use is extremely inefficient. Energy demand is expected to fall precipitously over the next decade, and a shift from coal to natural gas in the urban economy is expected. Moldova power plants consume up to 50% of all imported natural gas. The State Department of Energy (Moldenergo, the electricity utility), the State Fuel Agency, State Department of Gasification (managing Moldovagas) have plans to corporatize into stock companies with the further goal of fully privatizing them.

**USAID Role and Achievements to Date:** USAID, in cooperation with other key donors in the country and in particular with the World Bank, has agreed with the Government of Moldova to provide primary assistance to restructure gas industry. The project activities have only been initiated in 1996 and so there are no achievements to date.

**Description:** The USAID program in Moldova will focus on three specific areas on energy sector assistance. Restructuring assistance for Moldova Gas Stock Company will improve its financial position, attract investments, privatize and increase efficiency of natural gas use at distribution level. Upgrade assistance of the largest fossil-fuel power plants (Chisinau CHP#1, CHP#2, Tiraspol CHP) will increase efficiency and reliability, reduce energy consumption and environmental degradation and strengthen management techniques. The US - Moldova Energy Utility Partnership will facilitate corporatization, information exchange, and conduct seminars on restructuring of the energy sector.

**Host Country and Other Donors:** World Bank, EU-TACIS and EBRD coordinate with USAID in providing assistance.

**Beneficiaries:** The State Department of Energy, State Department of gasification, Moldenergo, Moldovagas, Fossil-fuel power plants (Chisinau CHP#1, CHP#2, Tiraspol CHP) will directly benefit, and the environment and consumers of energy resource will indirectly benefit from subsequent improvements.

**Principal Contractors, Grantees, or Agencies:** USAID's energy sector activities are implemented by Hagler-Bailly Consulting, Inc. (HBC), Burns and Roe, and the US Energy Association.

**Major Results Indicators\*:**

Number of improved environmentally-friendly energy technologies

Percent of private enterprises using environmentally-friendly energy technologies

Percent of heat and power plants with energy-conservation measures

Percent of cost savings of selected heat and power plants due to improved environmental technologies

Percent of industries with energy efficiency programs which focus on demand-side management

Percent of total volume of electricity and heating produced and distributed by privatized sources

**Percent change in pollution due to the application of environmentally-sound technologies at selected sites**

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## POLAND

**FY 1997 Assistance to Central Europe Request . . . . . \$40,000,000**

### **Introduction.**

Poland was the first country in Central and Eastern Europe to declare its independence. U.S. assistance with its transition to democracy and free markets began in 1989 with the inception of Support for Eastern European Democracy (SEED) Act support. Debt restructuring and debt relief from the U.S. and other creditors has been a major factor in helping Poland through the transition. Poland has served as a leader in the political and economic transition of the region. Despite resulting social hardship, it was willing to use shock therapy at the earliest critical point in its transition which succeeded in breaking its initial hyper-inflation crisis. With a population of 38.5 million, Poland is the largest market for U.S. exports in the region. Its early accession to European Union (EU) membership is important to U.S. security and economic interests in Central Europe.

### **The Development Challenge.**

Poland has regained its fundamental economic strength. Inflation and debt are now contained at manageable levels and pre-1990 output has been re-established. The Polish real GDP expanded by 5.2% in 1994 and an estimated 6% in 1995 (according to the World Bank), and Poland is second only to Albania in having the highest rate of economic growth in the region. As the largest domestic market in the region, Poland has great potential for attracting foreign investment, now that economic stabilization is completed and growth is steady. However, per capita direct foreign investment to date is still low, even compared to smaller countries like Hungary.

In October 1994, Poland reached agreement with commercial creditors to restructure \$14.4 billion in external debt. Debt reduction amounted to \$8.4 billion or 59% of the nominal amount restructured. Prior to this agreement, during 1991-94, write-offs of some official obligations by Paris Club members had also occurred. Nevertheless, the country remains the largest debtor in Central Europe with an estimated \$42.1 billion external debt at the end of 1994. Although the country is classified as severely indebted by the World Bank, the burden of debt has been reduced as a consequence of the debt reduction agreements and large increases in currency reserves and exports.

With U.S. assistance, Poland has seen an impressive increase in privately owned businesses (producing over 56% of GDP and 61% of employment by the end of 1994) and an improved policy climate for the further growth of the private sector, greater competition within the banking sector, expansion of mortgages and development of new financial products and capital markets, and the introduction of models for environmental improvement, housing privatization, and delivery of key services. Though a number of business management training programs are in place and graduating to self-sufficiency, there is still much to do to develop indigenous business support organizations that will continue to foster private sector growth.

The large informal sector still allows massive tax evasion, and there is a lack of confidence in the zloty and the banking system. Fewer than 50% of households have bank accounts and cash transactions predominate. Resulting savings and investment rates remain low (less than 20% of GDP) compared to other high growth economies and needs. Government treasury bills and notes still dominates capital markets and crowd out private efforts to raise capital. Banks are overly conservative in their lending practices. To address this, more diversified financial instruments are being developed, financial markets are being further deepened, and programs are underway to make banks more efficient and user-friendly.

U.S. assistance has also strengthened democracy in Poland through its focus on the role of local

governments, and the broadening of participation, notably through non-governmental organizations. Much still remains to be done to develop capacity in local government, especially for revenue generation and budgeting, service delivery, and economic development, and to develop models for public-private partnerships in all of these areas.

Poland enacted the most profound reforms in the region, notably, more enterprise restructuring and shedding of excess labor, resulting in major productivity increases at the enterprise level. Hence, in 1994 private sector industrial output rose by 23%, while that of State enterprises expanded by only six percent. U.S. funding levels have declined annually since 1992, in recognition of this progress, and Poland is now expected to graduate from additional SEED Act assistance in the year 2000. Assistance is oriented toward preparing for this graduation.

#### **Other Donors.**

The European Community appropriately provides the largest and thematically broadest share of technical assistance to Poland. The U.S. provides the next largest share of grant assistance. The World Bank provides \$4 billion in loans with emphasis on infrastructure improvement in the transport sector (roads, rail, ports), and the European Bank for Reconstruction and Development provides loans for private sector investment (85% of its current portfolio). The British Know-How Fund provides a small program of assistance to the financial sector and local government. Germany, France and Japan finance modest programs focused on scientific and cultural exchanges and growth in trade and investment. In September 1995, Japan acknowledged the success of Poland's debt management and repayment record by reopening its trade credit and guarantee windows to Poland. The U.S. collaborates closely with all of these donors and lenders in its definition of program strategy.

#### **FY 1997 Program.**

Poland has graduated from International Monetary Fund assistance, and it is expected to become a member of the Organization for European Cooperation and Development before the end of 1996. During the last quarter of 1995, in view of Poland's stage in moving through the transition, the decision was reached to focus the future USAID program on three strategic objectives: stimulating private enterprise at the firm-level, establishing a competitive and efficient financial sector, and making local government effective, responsive and accountable. This intensifies efforts on aspects critical to Poland's progress in moving towards EU membership, and its graduation from U.S. assistance after FY 2000.

#### **Strategic Goal: Economic Restructuring**

Poland has the potential to become the largest and most diverse economy among the Central and Eastern European countries. Achievement of this goal is dependent on private sector development and the establishment of a private financial sector. Progress in FY 1995 includes: the creation of 15 National Investment Funds, the launching of a Mass Privatization Program, bank privatizations, business skills and privatization training, and the creation of a special small business credit program.

Future economic restructuring activities in Poland will focus in the future on stimulating private sector development at the firm level and creating a competitive market-oriented private financial sector. More state-owned banks will be privatized, bank supervision will improve, and the percentage of housing constructed by the private sector will increase. Longer term capital will be provided for municipal projects through commercial bank lending and the issuance of municipal bonds. The creation of a credit rating agency will better inform investors of the risk in buying debt investments and will improve pricing of debt issues. Help will be furnished to make the over-the-counter market operational so that it serves as an effective alternative way of raising financing. Further work will proceed in deepening capital markets by developing institutional investors such as private pension funds. Energy activities will be refocused to support power privatization and private enterprise development. The establishment

of post-graduate training programs in business management in Warsaw, Gdansk and Lodz will be completed.

- Strategic Objective: Private Sector Development Stimulated at the Firm Level
- Strategic Objective: A Competitive and Efficient Private Financial Sector Established

#### **Strategic Goal: Democratic Transition**

Democracy in Poland has developed rapidly, and the necessary laws, media, and legal institutions to support democratic processes are in place. Local governments have assumed greater responsibility and are demonstrating increased creativity and capacity in their use of resources and management services. The NGO sector is increasing in diversity, growing to over 12,000 organizations since independence.

Remaining problems include unfunded mandates for service delivery at the local government level, the need for: capacity-building in local government, economic development finance, and greater influence on local decision-making by neighborhoods, local businesses, and NGOs that represent these and other groups.

- Strategic Objective: Local Government Becomes Effective, Responsive and Accountable

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

There are four cross-cutting or special initiatives in Poland: English language training; U.S. graduate degree support; small democracy program grants; and a re-employment fund for worker re-training. Each of these small, but critical programs either provide basic skills and opportunities, such as retaining for laid off workers and advocacy on behalf of the handicapped and abandoned children; or compliment activities associated with Poland's three Strategic Objectives, such as graduate degrees in business and citizen's committees for strengthening schools.

**POLAND  
FY 1997 PROGRAM SUMMARY\***

Strategic Objectives	Economic Restructuring	Democratic Transition	Social Stabilization	Cross-cutting and Special Initiatives	Total
Privatization					
Fiscal Reform					
Private Enterprise	15,350,000				15,350,000
Financial Reform	11,750,000				11,750,000
Energy					
Citizens' Participation					
Legal Systems					
Local Government		11,750,000			11,750,000
Crises					
Social Benefits					
Environmental Health					
Cross-cutting / Special Initiatives				1,150,000	1,150,000
<b>TOTAL</b>	<b>27,100,000</b>	<b>11,750,000</b>		<b>1,150,000</b>	<b>40,000,000</b>

\* Support for East European Democracy (SEED) Act funds

USAID Representative: Suzanne Olds

## ACTIVITY DATA SHEET

**PROGRAM:** POLAND

**TITLE:** Local Government, 180-S002.3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$11,750,000 SEED Act

**INITIAL OBLIGATION:** FY 1989; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: Local Government becomes effective, responsive, and accountable.

Background: Poland is graduating from USAID assistance under all other USAID/ENI democratic objectives. Though major responsibilities for service delivery in key sectors like health, education, and housing have been delegated to the local level, these are severely under-funded mandates. Ownership of key land and buildings that could contribute to economic development have also been transferred to the local government level, but at that level there is little capability for planning, applying for financing for infrastructure, or instituting incentives in support of privatization and economic development. Public-private partnerships will be essential for both service delivery and economic development, at the local level, but models do not yet exist for such partnerships.

USAID Role and Achievements to Date: Currently between 30-50% of local government revenues are self-generated, primarily through property taxes and user fees. Recognizing the importance of strong local government in a democracy, USAID has concentrated on public administration activities, and housing and urban development. As a result, municipal associations and support institutions have been strengthened, including creation of a Municipal Development Agency; task-based budgeting is being disseminated throughout the country; and a \$50 million loan from the World Bank and a \$4.0 million ECU grant have been leveraged for infrastructure. In addition, local government lobbying has improved, which has led to changes in the housing allowance law to more fairly reflect the differences among cities' housing stock and burden.

Description: Activities under this objective will be expanded to 15 partner cities specially selected as representative of the range of city sizes and development contexts in which U.S. models for local government innovation and public-private partnerships in economic development and service delivery can be most effective. Pilot activities will focus on cities and their support organizations and training institutions, specifically: increasing their internal resource management capacity, strengthening their financial and legal authority, increasing citizen involvement, improving service delivery, developing capital budgeting, economic development and land use planning capacity, and increasing locally-generated revenues. New degree programs in city and regional planning will be established in key universities to develop a cadre of local government economic development professionals. USAID support for NGOs, neighborhood and business associations will be initiated to promote cooperation between NGOs and the local government in service delivery and economic development.

Host Country and Other Donors: The British Know-How Fund supports a small program of pilot local government projects. EC PHARE also provides some assistance to local governments. USAID is the major donor supporting this objective. The GOP recently enacted the Local Government Law which gives cities and towns the authority to borrow from banks and float municipal bonds to finance development projects, but as of February 1996, only one large city had issued a municipal bond.

Beneficiaries: All 2,400 gminas (local governments) covering the entire population of Poland will benefit from the models developed and extended, the national policy and new urban development finance options, and long term degree programs created by this assistance. Fifteen partner cities and their residents will benefit most intensively from the actual models tested.

Principal Contractors, Grantees, or Agencies: USAID implements activities through direct grants to two

Polish local government support organizations, sub-grants to many other Polish NGOs, contracts with two U.S. universities and five U.S. contractors, and sub-grants and sub-contracts to many other Polish firms and organizations.

**Major Results Indicators:**

	Baseline	Target
1. Percentage of cities using public-private partnerships for service delivery	TBD (1996)	10%(2000)
2. Percentage of cities using public-private partnerships for economic development	TBD (1996)	10%(2000)
3. Percentage of cities using bank or bond financing for economic development	TBD (1996)	10%(2000)

**Sources:**

1. Baseline survey by DAI, 1996, and follow-up surveys annually by Polish institution.
2. Same as above.
3. Sample survey of banks and local governments in 1996 by Polish institution and annual follow-up sample surveys thereafter.

## ACTIVITY DATA SHEET

**PROGRAM:** POLAND

**TITLE:** Financial Reform, 180-S001.4

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$11,750,000 SEED Act

**INITIAL OBLIGATION:** FY 1989; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: A competitive and efficient private financial sector is established.

Background: To complete Poland's transformation to a market economy integrated with the European Union, the Polish financial sector will have to play a greater role in mobilizing savings and efficiently allocating investment. Depositors' and investors' confidence in financial institutions must be established. More accurate and complete information must be made available to creditors and investors. Competition among financial institutions and between debt and equity markets needs to be encouraged, and markets need to be deepened. Financial institutions still lack skills in corporate finance, risk analysis, and mortgage lending. Poland has yet to develop a full range of financial instruments.

USAID Role and Achievements to Date: Four of Poland's nine state-owned commercial banks have been privatized. An on-site bank examination manual has been developed for the Polish central bank, and examiners have been trained in its use. A modern collateral law is under consideration in Poland's legislature which would provide greater surety to banks in lending against assets. A bank training institute is now delivering professional banking courses using Polish rather than expatriate staff. Polish brokers have agreed to form an over-the-counter market which will provide an alternative to the Warsaw Stock Exchange for raising equity capital, especially attractive to less well-known companies. Financing for housing construction, municipal development, and home purchase is slowly becoming more available.

Description: The U.S. will continue to strengthen the ability of Poland's central bank to carry out its bank supervision responsibilities. New initiatives will create a legal and regulatory framework and enforcement capability for the over-the-counter market, municipal bond issuance, spot and futures commodity trading, and private pension funds. Banks will improve their corporate finance capabilities. A decentralized cooperative banking system will remain autonomous. A licensed warehouse receipt system will become functional, facilitating commodity trading, and allowing farmers to borrow against stored produce. A new activity will promote financial services for small businesses. Improvements to the payments clearing system will be instituted, and information on the creditworthiness of firms and municipalities will become more readily available.

Beneficiaries: First line beneficiaries will be the Polish financial institutions including banks, brokerage houses, commodity traders, private pension funds, stock and commodities exchanges, and the entities that regulate them. Their client depositors, investors, and borrowers will all be indirect beneficiaries including businesses, both large and small, individuals and families, and at least five municipalities.

Principal Contractors, Grantees, or Agencies: USAID implementors include: the U.S. Department of Treasury, KPMG-Peat Marwick, Price Waterhouse, Crimson Capital, Barents, First Washington Associates Ltd., Credit Union National Association, Volunteers in Overseas Cooperative Assistance, Agricultural Cooperative Development International(ACDI), Financial Services Volunteer Corps Inc., Eastern Europe Real Property Foundation, Urban Institute, and PADCO.

<u>Major Results Indicators:</u>	Baseline	Target
1. Number of large banks inspected on-site by Central Bank	0 (1/96)	5 (12/99)
2. Regulations and supervision of private pension funds established		12/97
3. Law, regulations and supervision of futures & commodity exchanges established		12/97
4. An independent membership-governed cooperative bank system functioning.		12/98
5. Number of banks using more advanced techniques for credits & investments		15 (12/98)

Sources:

1. National Bank of Poland data.
2. USAID contractor reports.
3. Same as above.
4. Same as above.
5. Same as above.

## ACTIVITY DATA SHEET

**PROGRAM:** POLAND

**TITLE:** Private Enterprise, 180-S001.3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$15,350,000 million SEED Act

**INITIAL OBLIGATION:** FY 1989; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** Private Sector Development Stimulated at the Firm Level.

**Background:** Over the five years since independence, Poland's small and medium-sized enterprise (SME) sector has grown dynamically. In Poland today, the private sector employs 60% of the labor force and generates approximately 50% of GNP. Between 1990 and 1994 the level of employment in private enterprises increased by approximately 1.5 million persons, thereby alleviating some of the negative social effects of the restructuring of state-owned enterprises. There are still some factors in the Polish economy, notably poor credit and onerous tax systems, that constrain the private sector, especially SMEs. Technologies are outdated and knowledge of modern management techniques and skills is still lacking.

**USAID Role and Achievements to Date:** USAID advisors have assisted with the conceptual and regulatory design of the Mass Privatization Program under which 513 firms have been privatized. They have helped stimulate interest in privatization of State-Owned Enterprises (SOEs) and conducted trained 1200 SOE workers, owners, and 293 managers. USAID's advisors have contributed to a revision of Poland's commercial code, especially provisions on tax administration, public procurement, and bankruptcy. They have helped the newly created Polish foundation for the support of SMEs develop a formal strategy for small businesses and helped draft a modern collateral law. They also mounted a strong public education program for passage of the law. USAID has contributed to the rapid expansion of the private sector by helping over 650 Polish small businesses to develop business plans and to improve their marketing and overall enterprise management. Polish capacity to train entrepreneurs in business skills has been strengthened by establishing seven Polish management training institutions.

**Description:** Privatization of SOEs under the Regional Transaction Support (RTS) Program will continue. Based on the success of the Pilot Program in one region, this effort will then be enlarged to include at least five additional regions. A pilot effort in five sensitive sectors will begin and, based on its findings, be followed by direct privatization assistance in one or more of these sectors. Continued support will be provided to the SME Foundation and to lobbying efforts in support of SMEs. Assistance will also continue in the following areas: judicial and commercial law reform; legal training; public procurement from the private sector; and in assisting in the establishment of national registries for collateral and asset-based lending in Poland. Legal assistance and registration for SMEs will also be provided. In view of the progress made by the SME sector in Poland to date and the remaining gaps in technical know-how constraints still facing the sector, greater emphasis will be given to improving and strengthening indigenous business support organizations, especially private firms and NGOs that can provide quality consulting and training to Poland's SME's. Secondly, USAID will continue to provide technical assistance to selected Polish SMEs to improve their planning, management, marketing and production capabilities.

**Host country and other donors:** USAID collaborated with EC assistance program to Eastern Europe (PHARE), the British Know-How Fund, the International Finance Corporation (IFC) and other donors who also provide assistance to SMEs. Host country legal and regulatory changes in support of SMEs have been undertaken with USAID assistance. Host country regional development initiatives are being planned and USAID activities under this objective will contribute to their success.

**Beneficiaries:** Over 1300 businesses and 25 business support organizations will benefit directly from this assistance. Indirect beneficiaries will include the future clients of these business support organizations.

**Principal contractors, Grantees, or Agencies:** U.S. assistance is delivered by a wide range of institutions and mechanisms -- grants to two U.S. universities, the U.S. Treasury, an international organization (IDLI), and several U.S. PVOs; contracts with U.S. private firms, and grants to the Polish-American Enterprise Fund.

<b><u>Major Results Indicators:</u></b>	<b>Baseline</b>	<b>Target</b>
1. Per cent of remaining SOEs privatized with U.S. assistance	6000 SOEs left to privatize (1/95)	600 SOEs privatized (12/99)

ACTIVITY DATA SHEET

**PROGRAM:** POLAND

**TITLE:** Cross-cutting and Special Initiatives, 180-S004

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,150,000 million SEED Act

**INITIAL OBLIGATION:** FY 1989; **ESTIMATED COMPLETION DATE:** FY 2000

Description: There are four Special Initiatives in Poland.

First, indigenous capacity to teach English language at the college level will continue to be upgraded and the number of secondary schools offering English as a foreign language will continue to increase.

Second, Muskie Scholarships will continue to fund higher degrees in the U. S.

Third, the Democracy Commission Small Grants Program will continue to provide small start-up or democracy program grants up to \$24,000 to eligible Polish NGOs. Initiatives likely to receive funding: training of trainers for civic skills, advocacy on behalf of the handicapped and abandoned children, women's organizations, environmental awareness groups, and citizens' committees for the strengthening of schools.

Fourth, the U.S. Department of Labor will receive a final tranche of funding for the establishment of a Re-employment Fund that will retrain coal miners likely to be laid off in Silesia. It will also complete assistance to three union-owned training centers for skilled workers.

Principal Contractors, Grantees or Agencies: Activities are principally implemented by other U.S. government agencies -- USIA and the U.S. Department of Labor.

Major Results Indicators:

	Baseline	Target
1. Number of self-sufficient union-owned centers training skilled workers	0 (1/96)	3 (12/97)
2. Mechanism established in Silesia for retraining redundant coal miners		12/98
3. Number of new NGO democratic initiatives		100 (12/97)

Sources:

1. Department of Labor reports
2. Department of Labor reports
3. USIA reports

## ROMANIA

FY 1997 Assistance to Central Europe . . . . . \$33,000,000

### Introduction.

With 23 million people, Romania is the second most populous of the formerly centrally planned economies in Central and Eastern Europe. Following 45 years of Communist Party rule, Romania began its economic and democratic transformation after the December 1989 revolution. The U.S. assistance program to Romania began in 1990 with the direct provision of humanitarian and social sector assistance. Assistance also sought to strengthen the tenuous democracy which emerged from Romania's revolution. Since 1993, an increasing share of Support for East European Democracy (SEED) resources have been devoted to fundamental economic restructuring programs, which now account for the largest share of USAID commitments. Support to the democratic transition process is focussed on strengthening democratic institutions, notably non-governmental organizations (NGOs) and local government institutions. Social sector restructuring programs are shifting the programmatic emphasis from direct service delivery to activities which address the systemic causes of social problems. The political and economic interests of the United States continue to be best served by an active program assisting Romania to promote a strong sustainable economic transition and stable democratic society.

### The Development Challenge.

Following severe shocks to the economy immediately after the revolution, Romania has experienced a steady improvement due to a number of macroeconomic reforms. In 1995, the upward trend continued and Romania showed strong signs of growth, as the country made substantial progress toward economic reform and recovery. Strong Gross Domestic Product (GDP) performance (4.5% growth) was Romania's best since 1984. Foreign investment rose steadily during the course of the year, with cumulative registered foreign investment reaching \$1.55 billion in October 1995. Despite steady improvement in the overall macro-economic picture, Romania's per capita GDP (\$1,352 in 1995) remains among the lowest in Central Europe. The private sector generated close to 40% of GDP in 1995 and has been the single most dynamic element of economic restructuring. It employed an estimated 52% of the occupied labor force, including three million farmers, 1.9 million owners and employees of private firms, and 0.3 million self-employed individuals. A comparatively low debt burden and the sustained growth of exports bode well for Romania's investment potential.

The early years of transition saw a flowering of political parties and free speech, but the most popular and powerful force remains the Party of Social Democracy (PDSR). In recently expelling the extreme nationalist PUNR party from the governing coalition, the PDSR seems once again to be seeking to develop a more moderate and centrist basis for governance. Despite the coalition split, the PDSR is expected to continue its prime role in Government until elections in September 1996.

Romania continues to face formidable challenges. The current account balance has deteriorated sharply due to the rapid growth of domestic consumption and other factors. The long-term solution is greater foreign investment. Although foreign investment rose steadily during the course of 1995, Romania has one of the lowest levels in the region. Foreign investment is also the key to modernizing and restructuring Romania's ailing industrial sector. Without an increase in external financing, restructuring will be delayed and the economy will be unable to sustain its present growth.

Romania's ability to sustain economic reforms and promote a stable democracy faces other key constraints, including: restrictions against foreign ownership of land; bureaucratic red-tape and corruption; limited availability of investment finance; slow pace of privatization; lack of respect for contractual obligations; lack of a sound electoral registration system; low voter turnout; and low confidence in the judiciary.

USAID expects that Romania will have the institutional and other resources to continue its own transition. Current plans are to phaseout SEED Act assistance within the next several years.

#### **Other Donors.**

The use of SEED resources to leverage financial contributions from other donors has been an explicit element of the assistance program in Romania. USAID funded technical assistance has paved the way for projects such as the \$346 million World Bank/EIB project in energy, the \$250 million World Bank privatization and financial reform project, the \$100 million World Bank private agriculture effort, the \$55 million World Bank employment services program, the \$150 million health rehabilitation activity and the \$65 million European Bank for Reconstruction and Development (EBRD) municipal utilities project.

#### **FY 1997 Program.**

USAID has continued its strong emphasis on economic restructuring assistance, reflected in the significant commitment of funds (\$15 million in FY 1995 and 1996) and technical resources to support the country's development of private independent capital markets. An ambitious goal of creating a fluid share-trading market for a wide variety of firms and investors has been established, linked to the final stage of the Romanian Mass Privatization Program (MPP), during which tradeable company shares are registered to individuals. The program continues assistance on other economic transition assistance, including support for direct business development programs.

Strengthening Romania's still-fragile democratic institutions remains a key objective. Priority areas include decentralization of governing authority towards the local level and fostering the development of Romanian non-governmental organizations (NGOs). USAID remains committed to pursuing key social service restructuring opportunities to address broader systemic problems.

In October 1995, the governments of the U.S. and Romania signed a bilateral agreement concerning economic, technical and related assistance which, when ratified by the Romanian Parliament, will place USAID assistance within a firm legal context.

#### **Strategic Goal: Economic Restructuring**

For the first time, through USAID-funded technical assistance, the Romanian Government consolidated its national accounts and thus kept track of its funds flow, enabling greater control over revenues and expenditures. Likewise, USG securities advisors focussed on the legal framework, development of the primary market approaches to debt management.

USAID-financing fostered several cooperative partnerships with U.S. electrical utilities to improve the energy efficiency of the power sector and its major clients. This has reduced government subsidies, thereby relieving pressure in public spending. USAID technical assistance prepared the original sector analysis and restructuring recommendations that paved the way for the \$346 million World Bank Petroleum Rehabilitation Project which makes the industry more efficient and less destructive to the environment.

USAID's strategy in FY 1997 calls for assisting in developing a capital market that trades newly issued company shares over-the-counter (OTC), on behalf of small investors. This program is expected to allow the over 3,000 companies eligible for privatization under the MPP to be freely traded thus contributing to the development of a competitive private financial sector. Major efforts in support of private business development will continue as a centerpiece of the USAID program, combining technical assistance to private enterprises with financial support provided by the Romanian-American Enterprise Fund.

Efforts will continue to promote sustainable use of natural resources and to limit environmental risks to health, with continued emphasis placed on power sector restructuring, effective regulation of the oil and gas industry and energy efficiency.

USAID will continue to provide assistance to enable greater control over central government revenues and expenditures, as well as continued focus on improving the legal framework, developing the primary securities market and promoting better debt management.

- **Strategic Objective:** Increase soundness of fiscal policies and fiscal management practices.
- **Strategic Objective:** Accelerated development and growth of private enterprises.
- **Strategic Objective:** A more competitive and market-responsive private financial sector.
- **Strategic Objective:** A more economically sustainable and environmentally sound energy sector.

#### **Strategic Goal: Democratic Transition**

To improve the legislature's ability to make decisions based on independent and sound policy research, USAID has worked with the Congressional Research Service (CRS) to assist Romanian parliamentarians through training programs and give them greater access to information.

Ongoing USAID-funded municipal infrastructure projects in three cities dealt with customer service and also with management improvements and increased reliability of services. These activities helped reduce customer service backlogs in requests for water, sewage, and heating services by 35, 59 and 43%, respectively. Furthermore, the EBRD proposed loan for \$65 million will be financing infrastructure improvements in five cities. In two of these cities, Brasov and Craiova, USAID, through the International City Management Association (ICMA), is directly assisting with the implementation of infrastructure development activities of this loan program.

In FY 1997, a more targeted program in the area of democratic transition will be maintained in order to foster increased decentralization of government towards the municipal and county level, and foster the development of Romanian non-governmental organizations (NGOs).

As part of a program directed at housing and urban improvements, USAID has implemented financial management, public budgeting, and water utility management programs. As a result of these initial successes, a Public Administration program initiated in 1995 in five initial cities will be expanded to five more. The program focuses on basic public management, economic development, and public participation.

The Rule of Law program offers technical assistance to the School of Magistrates and the Romanian bar associations and provides comments on draft laws. Emphasis will continue on Romania's business-related body of law including intellectual property protection, bankruptcy law, and international joint ventures.

- **Strategic Objective:** Increased, better-informed citizens' participation in political and economic decision-making.
- **Strategic Objective:** Legal systems that better support democratic processes and market reforms.

- **Strategic Objective:** More effective, responsible, and accountable local government.

**Strategic Goal: Social Stabilization**

Through the U.S. Department of Labor (DOL), USAID is supporting implementation of the Employment and Social Protection Project. DOL technical assistance for employment services is being coordinated with those of other bilateral donors, notably Germany.

Some of USAID's programs have a direct aim of reducing human suffering and improving long-term prospects for the disabled. Results include: 1224 institutionalized children reunited with their families, 65 handicapped or abandoned children moved from institutions to foster or group homes, and over 450 children adopted either domestically or abroad.

The USAID program also helped reduce health risks. For example, regulatory authorities and community representatives have worked together to improve worker safety in Zlatna, site of an outdated copper smelter responsible for heavy metal contamination and sulfur dioxide emissions.

U.S. technical assistance has supported three key components of the World Bank Health Rehabilitation Project. First, a USAID grant to UNICEF for Hepatitis B vaccinations directly leveraged the inclusion of a \$15 million vaccination program in the World Bank project. Second, the U.S. Centers for Disease Control (CDC) provided training and advice in family planning logistics management, helping the GOR Ministry of Health (MOH) and the National Pharmacy to better implement a large World Bank-financed contraceptive commodity distribution program. Third, ongoing assistance to regional hospitals, chosen as test sites for health finance and management reform, is laying the groundwork for an entirely new system of payment for health services.

USAID strategy will continue to pursue key social service restructuring opportunities, moving beyond earlier service delivery programs in family planning and help for institutionalized children to address broader constraints in the health and social service delivery systems. An effort will be made to increase the role of private pharmacies in the delivery of contraceptives and to expand the general awareness of modern contraceptives. Health management training will build the human resources necessary to better manage the shift to primary health care and a diagnostic related cost (DRG) system will be introduced to allocate scarce health resources more rationally. The health program will support Romania's health reform law in key areas.

- **Strategic Objective:** Individuals receive more effective and sustainable health and social services and benefits.
- **Strategic Objective:** Reduced environmental risks to public health.

**Strategic Goal: Cross-cutting and Special Initiatives**

USAID funds a cross-cutting training program which offers training opportunities in the United States for Romanians in a number of key sectors and areas which support the strategic objectives of the USAID program.

**ROMANIA  
FY 1997 PROGRAM SUMMARY\***

Strategic Objectives	Economic Restructuring	Democratic Transition	Social Stabilization	Cross-cutting and Special Initiatives	Total
Privatization					
Fiscal Reform	1,000,000				1,000,000
Private Enterprise	13,000,000				13,000,000
Financial Reform	2,000,000				2,000,000
Energy	4,000,000				4,000,000
Citizens' Participation		1,500,000			1,500,000
Legal Systems		500,000			500,000
Local Government		3,000,000			3,000,000
Crises					
Social Benefits			3,000,000		3,000,000
Environmental Health			4,000,000		4,000,000
Cross-cutting / Special Initiatives				1,000,000	1,000,000
<b>TOTAL</b>	<b>20,000,000</b>	<b>5,000,000</b>	<b>7,000,000</b>	<b>1,000,000</b>	<b>33,000,000</b>

\* Support for East European Democracy (SEED) Act funds

USAID Representative: Richard Hough

## ACTIVITY DATA SHEET

**PROGRAM:** ROMANIA

**TITLE:** Fiscal Reform, 180-S001.2

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,000,000 SEED Act

**INITIAL OBLIGATION:** FY 1991; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: Increased soundness of fiscal policies and fiscal management practices.

Background: The era of Central Planning ensured that Romania inherited an antiquated set of fiscal policies and programs. Up until 1990, essentially all enterprise was state-owned and there was no individual income tax. Since 1990, there has been an explosion of privately owned companies (600,000) and a personal income tax has been introduced. It has become essential that the Government continue to modernize its fiscal policies, forecasting capabilities and cash management practices.

USAID Role and Achievements to Date: USAID-funded advisors have made major contributions to the formation of a new tax code which was recently enacted. They have also provided advice on how to better forecast cash requirements and improve treasury cash management practices.

Description: USAID financed treasury advisors are working with Ministry of Finance counterparts to ensure a more efficient revenue collection system and to shape more rational and transparent budgetary processes. With the new tax code in place, the emphasis has shifted to restructuring departments within the Ministry of Finance to improve line authority.

Other Treasury advisors have been instrumental in assisting the Ministry of Finance to develop forecasting techniques which have allowed the Ministry to better predict cash deficits and take advance action. Advisors are also assisting the Ministry and the National Bank in developing financing mechanisms on both the local and international markets.

Host Country and Other Donors: Ongoing efforts in this sector are coordinated with those of other donors including the Eastern European Assistance Program of the European Union (EU-PHARE) and the World Bank.

Beneficiaries: This effort seeks to benefit tax-paying Romanians at all levels.

Principal Contractors, Grantees or Agencies: U.S. Department of The Treasury.

Major Results Indicators\*:

Awareness of budget deficit and amount of budget deficit  
Amount of revenue available from cost efficient tax administration

\*These are illustrative indicators. ENI missions are in the midst of the complex process of developing meaningful, measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** ROMANIA

**TITLE:** Private Enterprise, 180-S001.3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$13,000,000 SEED Act

**INITIAL OBLIGATION:** FY 1991; **ESTIMATED COMPLETION DATE:** FY 2002

Purpose: Accelerated development and growth of private enterprises.

Background: Since 1990, Romania has embarked on the transition from a centrally planned to a free market economy. Progress has at times been slow but has quickened in the last two years. Currently, there are over 600,000 private enterprises in Romania and over 40% of GDP comes from non-government sources.

USAID Role and Achievements to Date: USAID programs have made major contributions in assisting small businesses to flourish. Because of the need for people in the judicial branch to learn more about the financial aspects of companies, USAID has embarked upon a program to train key personnel of this sector in interpreting company financial statements.

Description: USAID funded business development advisors continue to focus their efforts on providing assistance to companies that have demonstrated excellent growth potential in their sectors. The Romanian-American Enterprise Fund has also evaluated prospective investment projects and began its lending program during 1995.

Host Country and Other Donors: Ongoing efforts in this sector are coordinated with those of other donors including the United Nations Development Program (UNDP) program, World Bank and EU-Phare.

Beneficiaries: The direct beneficiaries of this assistance are the private entrepreneurs of small and medium sized businesses.

Principal Contractors, Grantees or Agencies: Washington State University, Citizens Democracy Corps, Volunteers in Overseas Cooperative Assistance (VOCA), Agricultural Cooperative Development International, Land O' Lakes, Aid to Artisans, Entrepreneurial Management and Executive Development (EMED), and Peace Corps. Romanian-American Enterprise Fund

Major Results Indicators:

Increases in company sales.

Number of business associations advocating on behalf of private sector initiatives, needs, and future growth requirements

Number of private sector businesses operating and generating employment

\*These are illustrative indicators. ENI missions are in the midst of the complex process of developing meaningful, measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** ROMANIA

**TITLE:** Financial Reform, 180-S001.4

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,000,000 SEED Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: A competitive, market-oriented private financial sector.

Background: Development of the private financial sector has continued to accelerate. Legislation has been introduced in Parliament allowing for the privatization of state-owned banks. The first of these banks (the Romanian Development Bank) has already been identified.

The Bucharest Stock Exchange began trading operations in November 1995 and a separate over-the-counter (OTC) trading system is expected to be operational by mid-1996. The OTC system will be used to trade shares of the 3,900 companies that are under the mass privatization program and possibly Government securities.

USAID Role and Achievements to Date: USAID advisors have reviewed the draft bank privatization bill and recommended changes to it. All of these changes have been included in the Bill that is now in parliament. An expert has also been advising senior management of the Romanian Bank for Development on its privatization plans.

A major activity that USAID is undertaking is the development of an OTC trading system and all the components that go with it. The program is on track to be completed by mid-1996.

Finally, USAID is supporting a grass roots savings mobilization program which is intended to capture part of the liquidity that is not in the formal financial system. These funds could then be used for small business lending.

Description: A long term bank privatization Treasury advisor has worked extensively with the National Bank of Romania and the Council for Coordination, Planning and Economic Reform to develop a draft bank privatization law. The draft that has been submitted to parliament has had extensive input from this advisor and is acceptable to the World Bank.

In the capital markets area, assistance is being provided to strengthen the Romanian Securities and Exchange Commission, assist in the development of investment funds, develop an OTC trading system as well as all the back office operations (clearance, settlement and depository) that go with it.

A pilot program is underway to establish credit unions in private sector companies and capture some of the excess liquidity in the Romanian economy.

Host Country and Other Donors: Ongoing efforts in this sector are being coordinated with the World Bank, EU-Phare, the British Know How fund and Canadian technical assistance teams.

Beneficiaries: The Romanian population at large will have access to a much improved financial system.

Principal Contractors, Grantees or Agencies: U.S. Treasury, the World Council of Credit Unions, Coopers & Lybrand, INTRADOS, Financial Markets International and Booz Allen & Hamilton.

Major Results Indicators\*:

Numbers of licensed viable private commercial banks  
Volume of shares traded on over-the-counter markets

\*These are illustrative indicators. ENI missions are in the midst of the complex process of developing meaningful, measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** ROMANIA

**TITLE AND NUMBER:** Energy, 180-S001.5

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$4,000,000 SEED Act

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: A more economically sustainable and environmentally sound energy sector

Background: USAID provides assistance to the Government of Romania (GOR) in three critical areas of the energy sector: Power, Petroleum Refining and Petroleum Exploration and Licensing.

A main objective of the Power Sector Policy of the GOR is to provide reliable electricity supply to all Romania's people at least cost to the economy. The achievement of this objective is hampered by lack of a coherent legal and regulatory framework, inefficiencies of the sector institutions and lack of capital. To address these systemic problems, the GOR has decided to undertake a fundamental reform of the power sector that will bring about demonopolization of activities, and create conditions for the participation of publicly and privately owned companies in a competitive environment.

The refining sector has been beset by poor operational performance, extended downtime, losses and disregard for environment and energy conservation. As a first step towards developing such a strategy, the GOR intends to undertake a Study on Refining and Associated Petrochemical Sector Restructuring and Privatization.

As a condition to receiving World Bank assistance in the petroleum sector, and following technical assistance granted through USAID consultants, the Government of Romania agreed in 1993 to establish an independent National Agency for Mineral Resources (NAMR) to negotiate mineral rights and grant licenses for concessions and to oversee geological research. NAMR is responsible for administering a petroleum law that incorporates internationally recognized standards. The new law was approved by the Parliament in December of 1995. Previous USAID assistance identified the need for further assistance to NAMR, to become a fully operational, independent regulatory body.

USAID Role and Achievements to Date: USAID has been the key provider of technical assistance and program development support for over \$500 million in lending from international financial institutions for energy sector programs.

- World Bank Petroleum Subsector Rehabilitation loan program signed and under implementation.
- Preliminary sector analyses and options studies for refinery and power sector restructuring programs completed and under review by the government.
- Long term consultant for oil and gas regulations arrived in Romania in October 1995 and have completed drafting regulations for well licenses, drilling, exploration, exploitation, and offshore and pipeline transportation systems.

Description: The Power Sector Study is to be carried out in two phases. The first phase, a diagnosis, should define the current constraints to the reaching of the GOR's policy objectives and will identify possible solutions for overcoming them. During this phase the USAID consultants review current options for restructuring, identify key issues associated with these options and analyze advantages and disadvantages of alternative options for consideration by the GOR. The second phase will build on the diagnosis and the GOR's decision with regard to the sector structure and ownership. In the second phase the consultants should provide the main elements for implementing the reform, including recommendations on detailed steps and schedules.

The Refining Study developed by the USAID Consultant will produce: 1) a restructuring strategy the refining and associated petrochemical sector based on a full review and detailed evaluation of the performance of each operating company in the sector; 2) a critical investment report needed to identify investments that hypothetically private partners/owners would need to undertake to optimize the performance of the plan; 3) privatization proposals of the refinery products retail marketing and service subsector and few large refinery-petrochemical operating companies.

Host Country and Other Donors: The Power Study is undertaken in partial fulfillment of the condition with the GOR and with respect to the World Bank, EBRD and EIB loan to the Electricity Utility RENEL. The loan for the power sector rehabilitation and modernization has an estimated value of \$363,900,000 over a four year period.

The Refinery Study is undertaken in cooperation with the World Bank and EIB which granted a loan for the rehabilitation of the refining sector and promotion of private investment in the sector.

The assistance to NAMR is being provided in close cooperation with World Bank which granted a loan of \$ 225,000,000 for the rehabilitation of the petroleum sector.

Beneficiaries: The primary beneficiaries of this assistance are the owners and suppliers of the respective organizations. All Romania will eventually benefit from a more efficient energy sector.

Principal Contractors, Grantees or Agencies: The project is implemented by a team headed by the Bechtel Corporation, and comprised mainly of: Bechtel, Arthur Anderson, National Economic Research Associates, and Gaffney Cline.

Major Results Indicators\*:

For Power Sector:

- Implementation of the strategy for option selected;
- New electricity law passed by the parliament.

For the Refinery Sector:

- Decision by GOR to implement the restructuring plan;

For NAMR:

- Publication and adoption by the agency of basic regulations for the exploration, producing and pipeline industries

\*These are illustrative indicators. ENI missions are in the midst of the complex process of developing meaningful, measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** ROMANIA

**TITLE:** Citizens' Participation, 180-S002.1

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,500,000 SEED Act

**INITIAL OBLIGATION:** FY 1994; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: Increased, better informed citizens' participation in political and economic decision-making.

Background: USAID engages this issue in two significant areas; support for local NGO development and improved local public administration.

Six years ago, Romania was confronted by an influx of private groups all bringing emergency assistance. For the first time, Romanians heard of non-governmental organizations and tried to understand the concept. Initially, many officials were wary, refusing any involvement with NGOs, other than to form their own so they could access international funds. Then the pendulum shifted to attempting to control the NGO sector. Since 1994, however, there is broad recognition and support of the NGO sector in Romania, which has expanded beyond expectations.

In the area of public administration, decisions traditionally have been made and control exercised by the central government in Bucharest. Local authorities have restricted legal authority and even that authority is limited by central government control over the financial resources necessary to exercise even the limited authority the law provides. There are hopeful signs, however, as local officials are actively lobbying for increased levels of responsibility. A recently revised law on local government gives increased authority to municipalities.

USAID Role and Achievements to Date: USAID's "Democracy Network" program supports the emerging NGO sector in Romania, through: establishing linkages within the NGO community and program sectors; enhancing institutional effectiveness; fostering state, market and civil society collaboration; and increasing the access of Central and East European regional resources to Romanian NGOs. During the period July 1995 to February 1996, assessments were conducted throughout the country to identify NGOs with the potential to influence public policy in Romania and to make a preliminary assessment of their training and technical assistance needs. Of the 345 NGOs and 34 governmental organizations interviewed, 111 have qualified for participation in the "Democracy Network" program and 60 have further qualified to attend the NGO Management Workshop series. The first workshops in this series have been organized.

The Romania Public Administration Program began operation in October 1995. Its first public participation specialists began work in Romania at that time. As a result of their initial efforts, a citizen information center has been constructed, staffed and begun operation in Slobozia, sponsored by the Ialomita County Council.

Description: USAID focuses on the development and strengthening of a broad range of Romanian public policy oriented NGOs in four priority sectors: (1) democracy; (2) environment; (3) economic growth, and (4) social safety nets. Through subgrants and technical assistance, local NGOs are helped to become self-sustaining and capable of: influencing the formulation and implementation of public policy; serving as a forum for public policy debate and advocacy; mobilizing private resources; forming partnerships and alliances with appropriate public and/or private organizations; raising funds to further the purpose of the NGO and secure its financial and organizational sustainability; operating democratically, effectively, efficiently and responsibly; providing services to and advocacy for their constituents.

The Public Administration Program focuses on economic development, public management and public participation. It provides for short term advisors in each of these areas to concentrate activities on each of five pilot cities, the successful projects from each to be transferred to five additional Romanian cities. The public participation focus of the program will encourage non government and citizens organizations and individual citizens to participate in local government decision making and to encourage local authorities to make effective use of citizens. Among the few permitted activities of local government is local economic development. As citizens become more involved in government, they will become equally involved in economic decision making as well.

**Host Country and Other Donors:** EU-PHARE, EBRD, International Monetary Fund (IMF), the Soros Foundation, National Democratic Institute (NDI), International Republican Institute (IRI), and some individual European countries have programs which address this objective. Romanian communities receiving USAID assistance are not the beneficiaries of programs of other donors offering similar assistance. The Government of Romania does not provide matching funds or in-kind support for NGO development programs. Public Administration activities are largely supported by Romanian local government personnel and institutions. Individual NGO recipients also provide facilities and support with their own personnel.

**Beneficiaries:** The main beneficiaries of the "Democracy Network" program are citizen groups and local NGOs, who will improve their public advocacy methods and skills, as well as their institution-building capabilities. Ultimately, this will make staff of indigenous NGOs gain credibility and government officials become aware of the value of dialogue, team work and participatory training as examples of democracy at work in meeting the social needs at the community level.

Public Administration beneficiaries include local authorities and the citizens they serve will benefit through improved services. Ultimately the central government will benefit through being able to turn over authority for essentially local activities to local authorities.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities through a cooperative agreement with World Learning Inc., in collaboration with the National Democratic Institute for International Affairs (NDI), and Support Center International (SCI). National Forum Foundation (NFF) and International Center for Not-for-profit Law (ICNL) are also involved in the program, as regional contractors.

This objective is supported by a contract with Chemonics, Inc. for the Public Administration Program for Romania.

**Major Results Indicators\*:**

Number of new federations, organizations, coalitions, etc. formed to promote or oppose specific policies or legislation.

Rating of elections as free and fair by local and international monitors

\*These are illustrative indicators. ENI missions are in the midst of the complex process of developing meaningful, measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** ROMANIA

**TITLE:** Legal Systems, 180-S002.2

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$500,000 SEED Act

**INITIAL OBLIGATION:** FY 1991; **ESTIMATED COMPLETION DATE:** FY 1998

Purpose: Legal systems that better support democratic processes and market reforms.

Background: After December 1989, Romania had no laws safeguarding individual rights and delineating the limits of government power, nor regulations promoting the formation and development of a competitive and efficient market.

USAID Role and Achievements to Date: USAID's "Rule of Law" program offered technical assistance to the School of Magistrates, comments on draft laws, and seminars for young magistrates and lawyers. In 1995, a particular emphasis was on Romania's business-related body of law, covering intellectual property protection, bankruptcy, managing a private law practice and international joint ventures. Direct financial support was provided to the Bucharest Young Lawyers' Association to help it become self-sustaining. USAID worked to strengthening of the legislative branch of the government, which is still relatively weak compared to the executive branch. The FROST program to train parliamentarians and provide greater access to library material was initiated in August 1995 and will end in December 1996.

Description: USAID focuses its activities on: (1) creating an independent judiciary, free of interference from other branches of government; (2) creating a more coherent and rational commercial framework, which includes giving the Romanian Bar and judiciary a deeper understanding of commercial law; (3) activities to enable lawyers to exercise independent initiative in the development and implementation of legal principles and the protection of individual rights; (4) enabling law school graduates to better understand and appreciate the importance of legal skills in a system based on the rule of law; (5) strengthening parliament's capacity to pass high quality legislation.

Host Country and Other Donors: Ongoing efforts in legal system reform are coordinated with those of other donors, including EU-Phare, and the British Know-How Fund.

Beneficiaries: The main beneficiaries of the "Rule of Law" program are members of Romanian Magistrates Association, Bucharest Young Lawyers' Association, Romanian Bar Association, and law school graduates. The Romanian business community will benefit as improvements in corporate governance are implemented. Enabling parliament members to reference similar laws and undertake a critical analysis of draft legislation will help to ensure uniform and timely enforcement of laws.

Principal Contractors, Grantees, or Agencies: USAID implements activities through a grant to the American Bar Association, and an interagency agreement with the Congressional Research Service.

### Major Results Indicators\*:

Targeted laws are available to judges, court officials and the public, updated and published in a timely manner

\*These are illustrative indicators. ENI missions are in the midst of the complex process of developing meaningful, measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** ROMANIA

**TITLE:** Local Government, 180-S002.3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,000,000 SEED Act

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2002

Purpose: More Effective, Responsive, and Accountable Local Governments.

Background: Romania is a unitary state and it has little experience with decentralized governmental authority. Decisions are made and control is exercised by the central government in Bucharest. Local authorities have restricted legal authority and even that authority is limited by central government control over the financial resources necessary to exercise even the limited authority the law provides.

USAID Role and Achievements to Date: USAID has provided assistance to several Romanian cities in housing privatization and management through creation of condominium associations, and in systems management for those same cities with emphasis on budget and financial management with the computerization necessary to support those systems. Two cities have been assisted in qualification for European Bank for Reconstruction and Development loans to correct deficiencies in their water and waste water systems. So far six cities have received technical assistance in budget and finance, the creation of modern program budgets, or computerization. Two of these cities have been approved for international assistance for their water utilities. The Romania Public Administration Program, underway only since October, 1995, has already produced an operating public participation citizens center in Slobozia, one of its pilot cities. As a result of the condominium project, a portion of the new housing law currently under consideration would not only provide for the existence of condominium associations but would require their creation as replacements for tenant associations for privately owned apartments.

Description: Expanding the condominium activity, a local capability to create and train condominium associations will be produced to cope with the national demand expected to be produced with the passage of the new condominium law now under consideration. The Romania Public Administration Program will encourage decentralization of power to local authorities by increasing the capacity and capability of local governments to perform those responsibilities the law now charges them with. Among those responsibilities is economic development, and the program will focus on economic assessments of each pilot city and the production of development plans for each. To combat the tendency to look to the central government for solutions, the public participation focus of the program will encourage non government and citizens organizations to participate in local authority decision making and to encourage local authorities to make effective use of citizens. The program will work initially in five pilot cities, and will expand to five more. The initial five will be charged with transferring lessons learned to the second five and the ten will then be the basis for spreading the benefits of the program throughout Romania.

Host Country and Other Donors: EU-PHARE, European Bank for Reconstruction and Development (EBRD), International Monetary Fund (IMF), the Soros Foundation, National Democratic Institute (NDI), and some individual European countries, notably the United Kingdom and Denmark sponsor programs that directly or indirectly impact this objective. Public Administration Program pilot cities do not receive similar assistance from other donors. Individual recipient cities provide facilities and support with their own personnel.

Beneficiaries: Through the process of spreading the results of successful programs in pilot cities, all local authorities in Romania will benefit. The citizens will benefit through improved services. Ultimately the central government will benefit through being able to turn over authority for local

activities to local authorities.

Principal Contractors, Grantees or Agencies: This objective is supported by contracts with Chemonics Inc. for the Public Administration Program, with ICMA for the Local Government Assistance Program, and with NDI and IRI for programs which indirectly affect it.

Major Results Indicators\*:

Percent of national revenue flowing to local governments

Passage of legal, fiscal and procurement reforms that empower local governments

Percent of local population that believes management and delivery of services at municipal level are either: improved, more cost effective or responsive.

\*These are illustrative indicators. ENI missions are in the midst of the complex process of developing meaningful, measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** ROMANIA

**TITLE AND NUMBER:** Social Benefits, 180-S003.2

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,000,000 SEED Act

**INITIAL OBLIGATION:** FY 1990; **ESTIMATED COMPLETION DATE:** FY 2002

Purpose: Individuals Receive More Effective and Sustainable Health Services and Benefits

Background: Romania has one of the highest maternal mortality and infant mortality rates in Europe as well as a high number of institutionalized children. A major contributing factor is the lack of access to and use of modern contraceptives, resulting in unplanned pregnancies and subsequent high rates of abortion and child abandonment.

In addition, Romanian health care institutions have limited quality assurance systems and prevention programs in place, which has resulted in high rates of infectious diseases, such as HIV/AIDs and Hepatitis B and high rates of cardiovascular disease. There is an over-reliance on more costly hospital and specialist care in comparison to primary health care. Managers of the health care institutions are physicians who do not have skills in basic management, which has resulted in less effective and efficient use of the limited health resources.

Health reform is being piloted and evaluated in eight counties, a health insurance law has been introduced, and there is a draft health sector reform strategy. Major barriers to reform efforts identified by the World Bank and the government include lack of management training and lack of experience in implementing a new health delivery system.

USAID Role and Achievements to Date: Modeling prevention, community-based services, primary health care, and sound management practices has been a major focus for the last five years.

Community-based approaches to care of Romania's institutionalized children have been successfully demonstrated in ten counties. Social workers and educators have been trained and are working in collaboration with staff in government institutions to demonstrate services to prevent abandonment; facilitate family reintegration, domestic adoption and foster care; or improve the social and living skills for children and young adults. Government officials are starting to implement similar programs in other counties. Romanian social workers and managers trained through these projects are now taking a leadership role in addressing child welfare issues. National and local groups have been created to advocate for children's rights and to promote improvements in child welfare legislation and administrative policies.

Family planning services have been developed and seven clinics have provided high quality services and education, which have served over 27,000 women to date. The Ministry of Health is now utilizing staff trained by the program to train government family planning providers. Family planning managers are being trained in contraceptive logistics management.

A primary health care curriculum has been developed and approved by the Ministry of Education. More than 3,700 students, residents and general practitioners will be trained each year in primary health care at the Medical school in Cluj. Concepts of primary health care will be introduced to schools of dentistry and pharmacy.

Six new-born protocols are in place in 12 maternities and will be introduced in another 40 hospitals impacting 80% of all mothers and newborns. Safe and effective hepatitis B vaccines are now being given to all newborns whom are born in maternities. Over 17,000 workers have been screened for

cardiovascular risk; those at risk will receive prevention education and follow-up screening.

An early childhood development program has resulted in the development of a national curriculum that has been implemented at 20 government sites.

Health management technical assistance and training has focused on introducing to health managers and providers in the health reform districts concepts of quality assurance, practice management, and methods for determining costs and performance. The program facilitated the creation of work groups of general practitioners and specialists in two reform districts that are now developing practice protocols and standards to improve quality of care and have implemented procedures to increase client access to care.

Description: Through the United Nations Children's Fund (UNICEF), the program will continue to promote the sustainability of community based care for children by educating policy makers about the achievements of the projects.

Seven USAID funded family planning clinics will implement sustainability plans. To increase access to modern contraceptives, private pharmacists will be trained in contraceptive marketing and operations management. The program will continue activities to help create a policy environment supportive of women's and children's health.

A health management training partnership will build upon program activities initiated to date and on a World Bank management training program. The partnership will strengthen the knowledge and skills of the health management training staff and health managers in the field by assessing and improving the health management curriculum. The program will facilitate linkages between health management training and practical application in the context of health reform implementation, through the development of case studies. The program will also facilitate information sharing and problem solving across reform districts and with other Central and East European countries implementing health reform.

Host Country and Other Donors: On going efforts related to women's and children's health are coordinated with those of other donors, including UNICEF, United Nations Fund for Population Activities (UNFPA), EU PHARE (Child Protection Program), and the World Bank. USAID is represented on the National Committee for the Protection of Children, which has developed a National Action Plan for child protection. The Ministry of Health is beginning to provide family planning services around the country and to provide training to about 400 general practitioners and obstetrical nurses.

Efforts related to health system reform are coordinated with the World Bank and EU Phare. The World Bank has been the major donor in the health sector, providing loans for primary health care, family planning clinics, and a health management training institute. The Ministry of Health has initiated several laws related to health reform, has taken the initiative on developing a cost model, is implementing health reform in eight counties, and supports (through the World Bank loan) the Institute of Hygiene, Public Health and Health Services and Management (IIPSSC). The IIPSSC staff is responsible for health management training and technical assistance to the reform districts.

Beneficiaries: All Romanians will eventually be impacted by health reform efforts. Women of reproductive age and children account for 40% of the population in Romania, or about nine million people. USAID-supported program reach about one-one half of these beneficiaries.

Principal Contractors, Grantees, or Agencies: USAID implements activities through U.S. PVOs, local NGOs U.S. firms and U.S. universities including: Feed the Children, Holt International Children's Services, Project Concern International and World Vision.

Major Results Indicators\*:

Improved treatment for cardio-vascular disease (leading cause of death) results in decrease in mortality rate

Reduced child mortality rates

Increased use of modern contraceptives and decline in unwanted pregnancies

Improved health management practices

Increased use of primary health care

\*These are illustrative indicators. ENI missions are in the midst of the complex process of developing meaningful, measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM: ROMANIA**

**TITLE: Environmental Health, 180-S003.3**

**PROPOSED OBLIGATION AND FUNDING SOURCE: FY 97: \$4,000,000 SEED Act**

**INITIAL OBLIGATION: FY 1991; ESTIMATED COMPLETION DATE FY 2002**

Purpose: Reduced environmental risk to public health

Background: USAID environmental health activities address three areas: 1) the reduction of exposure to toxic pollution at selected industrial sites; 2) improving environmental policies and institutions and; 3) using economic incentives to obtain better environmental outcomes.

1) The town of Zlatna is one of 14 environmental "hot spots" in Romania. The major health problems in the area are caused by exposure to lead and Sulfur dioxide. Lead in the environment comes from traditional mining and copper smelting activities that existed in the area for the last 250 years. Sulfur dioxide is emitted by AMPELLUM Copper Smelter during its operation.

2) EAPS activities in Romania are being implemented pursuant to the U.S. Government commitments under the Environmental Action Program which was adopted in Lucerne in 1993. Following GOR requests, and in support of the EHP1, EAPS focusses on Technical Assistance and equipment provision to the AMPELLUM Copper Smelter.

3) Due to the need to create and improve a environmental policy, and a legal and regulatory framework, at the request of the Council for Coordination, Strategy and Economic Reform, USAID, through HIID, began to grant long and short term technical assistance to the GOR, namely Ministry of Waters, Forests and Environmental Protection, Ministry of Industries, Parliament, National Commission for Statistics, and municipalities.

USAID Role and Achievements to Date: Romanian Working Groups for all three major activities have greatly assisted EHP team members in identifying equipment and TA needs. Locally designed, family and community health education/ counselling materials and programs to reduce exposure of children to lead were drafted and distributed. More than 300 children were tested for their blood lead levels; as a consequence, more than 150 families received counselling from the local medical staff. Data reveal that no child under 11 had a level of 10mcg/dl, the CDC's "level of concern". A Workshop on Data Analysis, Interpretation and Communication increased the capability to approach in a holistic way the different kinds of data made available during the project, in order to find concrete ways to reduce health hazards for population. The Medical Research Center in Cluj Napoca is better able to perform blood lead level tests.

The EAPS initiated activities in Romania in 1995, working with AMPELLUM on smelter technological information, operation, management, and financial support for equipment purchases and design assistance. The EAPS project also supported a Study Tour in December 1995 of US Copper Smelter.

Assistance with the Water Law, in recommending the "beneficiary-pays" principle, the establishment of the local level River Basin Commissions, and explicit and mandatory public participation in the water management. At the suggestion of the USAID program, an interministerial task force to ensure the expeditious implementation of the Environmental Law was established. In the forestry sector, the Project has designed procedures for the Forestry Dept to improve timber auction to help them obtain a fair market value for the timber. To date, the program has also completed a contingent valuation survey/willingness-to-pay analysis which will form the basis of upcoming policy recommendations. A methodology has been provided to the National Statistics Commission to a compute a NNP series incorporating resource depletion. This will allow the GOR to set targets and indicators regarding the

true sustainability of investment and consumption allocation decisions.

**Description:** At the request of the GOR, USAID selected Zlatna as a demonstration site for reducing the environmental risk to population. USAID requested the Environmental Health Project (EHP) to provide AMPELLUM and various community groups in Zlatna with both technical and equipment assistance to reduce the environmental and human health problems associated with the smelter. At the request of USAID, EHP addressed the following three areas of concern in Zlatna and the surrounding county of Alba: reducing the exposure of young children to lead; air quality monitoring and control; and occupational health and safety. There is a clear need to consolidate these gains, as well as to attempt to replicate this model with other communities in Romania facing similar environmental and occupational problems.

Depending on available funding, the EAPS program will provide to selected project sites a combination of three types of support (1) TA aimed at improving process efficiency, (2) grant procurement of equipment and instrumentation that significantly reduces environmental emissions, and (3) training focussing on building the technical capacity and environmental awareness in the non-ferrous metals industry.

The Project is designed to: analyze existing policies, laws and regulations, to determine their impact on environment and major environmental hazards and their causes; identify least-cost policies and their concrete solutions to deliver affordable environmental protection during transition to a market economy; develop strategies, legislation, regulations and methodologies in support of sustainable economic development; transfer skills in environmental economics and policy analysis.

**Host Country and Other Donors:** The Government of Romania disbursed the equivalent of \$1,000,000 up to the end of 1995 for retrofitting the AMPELLUM Copper Smelter. Proposals have been made to allocate the equivalent of \$1,500,000 from the FY 1996 State Budget for the same purpose.

**Beneficiaries:** Local communities, EPAs, industries in selected sites; central and local GOR and municipalities.

**Principal Contractors, Grantees and Agencies:** Camp Dresser and McKee (EHP), Chemonics (EAPS), World Environment Center.

**Major Results Indicators\*:**

Average blood lead levels reduced in targeted areas  
Substantially reduced emissions of airborne pollution, especially metal oxides, other particulate, and Sulfur dioxide in targeted areas  
Improved management capacity to plan and manage operations in accordance with Western standards and practices through training, workshops, and tours of US industries  
GOR develops strategy to implement environmental liability provisions mandated by the environmental law

\*These are illustrative indicators. ENI missions are in the midst of the complex process of developing meaningful, measurable country-specific indicators and targets, which will be completed by June 1996.

## RUSSIA

**FY 1997 Assistance to the NIS Request . . . . . \$173,000,000**

### **Introduction.**

Since 1992, the U.S. has actively engaged in the development of a democratic and market-oriented Russia. In so doing, the U.S. seeks to build and consolidate new relationships with Russia, first as a constructive partner on a wide range of global issues, ranging from the maintenance of regional and world peace to the reduction of environmental threats, and second, as an active partner in a trade and investment relationship. A democratic and market-oriented Russia will continue to draw American exports and pose little or no threat to U.S. security.

To date, the Government of Russia has pursued a course which has permitted these relationships to take root. Both public and private energies have been mobilized to: transfer a substantial volume of formerly state-owned assets to private individuals and companies; establish the outlines of a legal and regulatory framework which will allow private individuals and firms to operate in a competitive, market environment; provide investment and income incentives to thousands of small entrepreneurs and managers and employees of newly-privatized firms both directly and by encouraging the growth of sound financial and training institutions; address the macroeconomic imbalances which led to debilitating inflation and budget deficits and develop new banking and budgetary mechanisms which will foster macroeconomic stability in the future; give Russian citizens the rights to participate in free elections as well as in other fora through which they can express their opinions and to make up their own minds about issues based upon independent sources of information; and begin to address the deterioration of health and housing services available to the population and to reverse the environmental pollution which affects the quality of life in Russia.

USAID has contributed significantly to the pursuit of this lengthy agenda of change and innovation. USAID has mobilized technical expertise which has helped Russians in both private and public sectors to think through problems and devise solutions. Cooperative "pilot" activities have been worked out by Russian-American teams in a variety of sectors; the lessons of these pilots have been "rolled out" to the larger population of Russians attempting to address similar problems. Thousands and thousands of Russians have been personally exposed to American ways of working, doing business, and addressing issues characteristic of a democratic, market-oriented society.

U.S. budgetary realities mean that program priorities must be more and more focussed in the coming months and years with special attention to fostering the sustainability of the important reforms already launched. Final funding for technical assistance programs will be provided in FY 1998. At the same time, some degree of flexibility will be maintained to respond to changing circumstances. Political realities in Russia demand this. It is certain that the political situation in Russia will evolve as the country moves through its first democratic presidential elections, but it remains in our national interest to help the reform-oriented relationships which have just begun to develop to grow and thrive. During the technical assistance phase-down period, USAID will place increasing emphasis on strengthening people-to-people linkages outside the capital.

The next year or two will be critical for the Russian economy. To qualify for \$6.5 billion in IMF financing in 1995, Russia had to meet tough macroeconomic targets on a monthly basis. Inflation and the budget deficit were brought down. Industrial production at year's end was poised on the verge of real growth for the first time since the collapse of the Soviet Union. In early 1996, agreement was reached with the IMF on a new three-year, \$10.2 billion fund facility. This should provide the needed discipline to achieve financial stabilization and pursue much-needed structural reform in the economy.

Russia met each monthly target in 1995; the IMF arrangement will provide a further boost to the Russian economy and an incentive for deeper integration with the global markets.

USAID expects that Russia will have the institutional and other resources to continue its own transition. Current plans are to phaseout Freedom Support Act (FSA) assistance within the next several years.

### **The Development Challenge.**

While Russia can look with satisfaction at progress already achieved, the tasks ahead continue to pose enormous challenges. Although the privatization process progressed much more rapidly than was anticipated in early 1992, many of the privatized enterprises have not yet developed successful restructuring plans. The continued threat of growing unemployment has contributed to a widespread skepticism about the benefits of privatization and fueled a political debate about renationalization. Infrastructure and investment needed to facilitate industrial restructuring are not yet in place. Domestic investment capital has been slow to mobilize, in part because of high inflation (under control only in 1995 and related to a persistent deficit in government financing) and in part because of the high risks associated with the rapidly evolving economic and legal environment.

Little progress has been made in increasing the productivity of farms and agricultural enterprises, inhibited in part by lack of agreement on whether and how to privatize farmland. While foreign investors are exploring the Russian market, actual investment levels remain relatively low as potential investors display caution in the face of uncertainties about Russia's political future, its poor credit rating, and the perverse economic incentives created by certain taxes, regulations and policies governing economic activity and foreign participation.

Corruption and organized crime have emerged as major political and economic concerns, reflecting a lack of functioning systems to maintain the rule of law under open and democratic principles. The success of the Communists in the December 1995 Duma elections and the exit of key reformers from the Yeltsin government in early 1996 have created uncertainty about Russia's resolve to continue reforms, especially if the Communists capture the Presidency in the June 1996 elections.

Although the tasks remaining are significant, U.S. assistance via the USAID budget, especially to central government entities, has already begun phasing out. Commitments in FY 1996 will be less than half of the level proposed in the Congressional Presentation for 1996. The last year of new obligations for most types of technical assistance is now planned for 1998, with resources declining rapidly over the 1997 to 1999 period. USAID has undertaken the development of exit strategies which will plan for the completion of specific assistance activities, look toward how they will be sustained by Russian institutions, or prepare them for transition to support from other donors.

According to the World Bank, Russia's debt to the West at the end of 1994 was \$94 billion. Over \$4 billion in debt service was paid in 1994. Russia has assumed the external debt of the USSR under the "zero option" agreement with former Soviet republics. Its total external debt when liabilities to former CMEA partners are included was estimated to be about \$122 billion at the end of 1994. Russian debts to official creditors have been rescheduled for the last three years in the Paris Club. As part of the 1995 rescheduling, the Paris Club agreed to consider a comprehensive rescheduling, provided Russia stayed on track with its IMF program and met other conditions. They also agreed a new deal would come into force when Russia entered into an Extended Fund Facility or other appropriate IMF arrangement. This is a top Russian priority. The first round of discussions between Russians and the Paris Club creditors took place in November. Russia reached agreement in principle with private (London Club) creditors on November 16 to reschedule \$32.5 billion, including \$7 billion in arrears over a 25-year period. The agreement will be "closed" (i.e., all details agreed and signed) following a process of reconciliation, which parties hope can be concluded within six months. The agreement

reschedules Russia's debt for 25 years, with a seven-year grace period. Payments drop off sharply in year 20.

#### **Other Donors.**

USAID coordinates closely with other donors on a sectoral basis, with particular emphasis on work collaboration in the energy, housing, land market development, agriculture, new business, and environment sectors. Perhaps the most fruitful coordination to date has been in the urban development area, where US support for the development of a World Bank loan to Russia for transformation of the housing sector and the construction materials industry directly contributed to the signature of a \$400 million loan in July, 1995. USAID's ability to provide upfront grant funding for research and development or "pilot" work has provided the opportunity for both Russians and the World Bank to work out the feasibility of a loan prior to finalizing the design of the loan package. USAID's ability to mobilize technical consultants with world-class expertise and business experience has also contributed to the development of World Bank loan packages which involve the private sector; completion of a feasibility study for an electric power generating plant in Krasnodar is one concrete example in this area.

USAID-funded activities in various cities in Russia are also encouraged to coordinate with activities funded by other donors. Examples of such profitable collaboration can be seen in the small business sector where training and business support programs financed by USAID have provided clients -- and immediate start-up -- for EBRD business financing loans.

USAID has also developed coordination relationships with the British Know-How Fund, EU/TACIS, and Canadian International Development Agency.

A key factor in the success of USAID's exit or transition strategy will be the follow-on activities of other donors, especially the World Bank, which will permit the Russians to continue draw upon western experience and expertise as well as to tap into sources of external financing. USAID technical assistance funds are being used to finance and/or accelerate development of several new World Bank loans, and that approach will continue in FY 1997. USAID is currently assisting with the design of World Bank loans in the environment sector, energy sector, legal reform, the housing and urban development sector, the private sector, the agriculture and rural sector, the health sector, and the social sector. Additional loans to sustain USAID-initiated activities are under discussion with the World Bank, the IBRD, and others.

#### **FY 1997 Program.**

##### **Strategic Goal: Economic Restructuring**

It is in the U.S. national interest that Russia -- and millions of private Russians -- become active partners in a trade and investment relationship with the U.S. and other countries in the global marketplace. Russia has vast untapped mineral reserves and other natural resources, an underutilized industrial sector in search of new technology and new methods, a highly-educated and creative labor force, and 150 million consumers eager for products and services not yet available in Russia. As a trading partner for the U.S., however, Russia's potential is still limited by the relatively low levels of buying power and by the relative unfamiliarity of U.S. products. U.S.-Russian trade volumes increased by about 70 percent between 1992 and 1995, but remain relatively small in absolute terms with an estimate total turnover of about \$6 billion in 1995.

As an investment partner for the U.S., Russia's potential has been constrained by several factors which, together, mean high investor risk: the macroeconomic situation (inflation, monetary instability, etc.); a perception of runaway crime and corruption in the Russian business sector; a variety of

infrastructural inadequacies (telecommunications, transport, etc.); and, perhaps most importantly, the quality of the enterprises in which there is a possibility to invest.

As much as 60 percent of industrial resources in Russia were, for decades, dedicated entirely to military production; virtually all industries operated on the basis of state orders rather than responding to market forces. While peaceful relations between Russia and the U.S. have spurred a massive effort to convert defense industries to civilian uses, progress to date has been slow. The demands of a market economy are significantly different from the demands of a militaristic, state-controlled economy. New ideas, skills, products, distribution channels, accounting systems, and financing methods must all be developed, tested, and put in place before a company is ready to compete in the world or domestic economy for market share or new investment capital.

With the essential completion of the mass privatization process, the U.S. assistance effort is focusing on regulatory reform and other measures to stimulate commerce, trade and investment. Building on the effort initiated in 1996 to assisting a comprehensive reform of the Russian tax system, U.S. assistance programs will continue to highlight implementation of tax reform at all levels, especially tax administration and collection. Assuming receptivity to further assistance, the U.S. will continue to give priority to helping Russia build the legal and institutional infrastructure needed to permit the mobilization of savings for investment. USAID will complete the assistance programs in capital markets development, including support for an independent regulatory body, independent share registries, clearance and settlement organizations, recognized accounting, reporting and auditing standards and ethical codes for corporate officers, dealers and brokers to protect shareholder rights. In addition, U.S. programs will finish improvements in the Central Bank's capabilities for bank supervision and payments clearance. This assistance is closely linked to major World Bank funding.

Concluding programs begun in FY 1995 and FY 1996, emphasis on the energy sector will be on electric power restructuring, particularly extending support to the emergence of a viable, competitive non-nuclear electric power generation industry at the regional level. In addition, final support will be provided to partnerships between U.S. and Russian energy organizations that have the potential to evolve into independently-financed partnerships in the future. Limited U.S. environmental assistance will support pilot projects at the regional level to help Russia gain experience in countering the most severe health risks from industrial pollution, reducing urban pollution and managing natural resources such as the Lake Baikal watershed and the Far Eastern forests in ways to promote environmentally friendly development and support long-term biodiversity. These programs emphasize the economic benefits of sound environmental practices and encourage community participation. Local demonstration of such practices will lead to models that can be replicated in other regions.

USAID has played a key role, along with other USG agencies, in working with Russian enterprise managers, policymakers, and financiers to bring about the needed transformations. Realization that there are mutual benefits to be realized from a Russian-American investment relationship are beginning to grow as Russian managers find, often through the face-to-face contacts fostered by the U.S. assistance program, that Americans have more to offer than straight financing. Recently, polls have begun to reflect this realization and the prospects for a true partnership in trade and investment are brighter.

#### Specific Results to Date

After a hectic four years' of work in Russia, USAID and our implementing partners are able to point with some pride to its contributions in an enormous range of areas which are critical to Russia's transition to a market economy. Only a few key results can be cited here; a more complete report is available upon request.

- **Privatization of production capacity:** Majority ownership in about 120,000 enterprises was transferred in 1994 from the Government of Russia to private owners through two

mechanisms: (1) the formation of joint stock companies by managers and employees; and (2) the purchase of shares in the company by individuals or institutions either for cash or using vouchers acquired in the nationwide voucher program. Massive public education campaigns supported this process and directly contributed to fully 98 percent of the population picking up their vouchers. Technical advisory services and material support for the management of the process were provided by USAID.

As part of the mass privatization program, in August and December, 1992, Presidential Decrees 922 and 933 created a private electric power joint stock company, RAO EES Rossii, to provide reliable electric power and manage the 210,000 megawatt unified power utility. The company was given three years to develop a program for electric power sector restructuring. USAID supported the basic analytical work needed to develop proposals for alternative structures for the power sector. In July, 1995, the RAO EES Rossii management board approved a "Recommended Plan for the Continued Restructuring and Privatization of the Russian Power Industry" which emphasizes the growth of non-nuclear capacity and the safe operation of nuclear facilities where appropriate as well as opening the power generation sector to competition and international investment.

- **Private ownership of land:** The title to 120 parcels of land was transferred to privatized industrial enterprises in St. Petersburg by September, 1995, after less than 11 months of USAID-funded work in this area. 825 additional applications are pending. Seven parcels have been transferred in Nizhny Novgorod with 27 additional applications in process. In absolute terms, these numbers are trivial -- but the baseline figure for private ownership prior to the reforms was zero. The St. Petersburg land sales program was a pilot effort, and provides the regulatory and administrative basis for replication of such transfers in all other Russian cities. Those enterprises who have bought land are beginning to make the expected economic decisions and commitments necessary to improving the general post-privatization economic picture.
- **Private ownership of housing:** In 1990, 85 percent of urban housing and 46 percent of rural housing stock was in state ownership. By 1992, 8.6 percent of this housing had been transferred to private owners. By 1994, 32.4 percent of housing was in private hands. This represents a fourfold increase in home ownership in a two year period.
- **Sustaining private sector development through private investment:**
  - *Laws and regulations appropriate for a market environment have been designed and implemented.*

On March 1, 1996, the new Russian Civil Code became effective after four years in the making. This broad set of laws is perhaps the most important Russian document to be passed since the disintegration of the former Soviet Union. For the first time, the Code clearly establishes, among other things, the legal right to buy and sell private property, borrow money, contract, and for non-governmental organizations to operate. It includes sections on corporations, property rights, contracts, and secured transactions. This modern Civil Code is a major advance in reform efforts, as it makes a fundamental break with past Soviet and Russian legislation by effectively guaranteeing both freedom of contract and protection of private property. The Code will also help protect against the proliferation of financial crimes that is undermining society's confidence in the market. It literally creates new regulatory systems to help enforce the laws and resolve economic disputes, and gives those institutions the authority and legal guidance necessary to promote commerce and business investments. The Code is also viewed by many Russian reformers as a bulwark against future attempts to retrench on hard-won economic and political gains. Foreign legal experts from the U.S. and Europe participated in the drafting of the Code, working with the Research Center for Private Law. USAID-

funded experts convened working sessions both to review the draft text and to examine the underlying theory of commercial law.

USAID has been the primary supporter of virtually all of the key legal reformers working on the Civil Code over the last several years, including those working within the Office of the President as well as the Parliament. Key U.S. assistance has been provided by many of the leading U.S. experts in the commercial law field through multi-year programs with the University of Maryland/IRIS, the Rule of Law Consortium and the Harvard Institute for International Development.

A body of both national and local legislation (municipal and oblast level) has been developed as the basis for functioning land and real estate markets. The Presidential Decree "On the State Land Cadastre and the Registration of Documents on Real Estate Rights," passed in December, 1993, authorized the local Land Committees to register privatized land parcels. Local administrations have used this authority to establish real estate market regulations.

The development of pilot Real Estate Information Systems (REIS) which USAID has funded in several cities has contributed to the implementation of the legal frameworks, furthering the growth of the private housing market.

-- *A reliable and efficient financial system begins to be established.*

The Russian banking sector has grown rapidly. From a handful operating in Moscow in 1992, there are now more than 50 foreign banks listed in the Moscow phone directory and more than 3,000 Russian banks currently in operation. Many of the Russian banks are undercapitalized and poorly-managed, but a September crisis in the interbank loan market was successfully weathered through successful stabilization efforts by the Central Bank of Russia (CBR). Bank supervision has also been improved as the CBR has established and staffed Bank Inspection and Supervision Departments. Almost 200 senior CBR inspectors and supervisors have received USAID-financed training in on-site inspection of banks.

-- *A stable currency prevents further erosion of savings and encourages investment.*

In the 1993-95 period, the Central Bank greatly strengthened its capacity to exert monetary controls as well, in part through close collaboration with, and following the discipline of, the International Monetary Fund (IMF). Use of Treasury bill auctions as a means of financing government debt has grown from a level of less than 5% of the central government deficit in 1993 to more than 85% of the deficit in 1995. The Financial Service Volunteer Corps (FSVC) has received funding from USAID to work with the Central Bank in this important area.

-- *The capacity to raise capital through the market increases.*

In 1993, no comprehensive securities law governed the emerging Russian securities markets. The markets were subject to a series of decrees and agency regulations, many of which were neither observed nor enforced.

The Russian Federation Commission on Securities and Capital Markets (RFCSCM) was established through legislation by the end of 1994 (ahead of schedule) and began operation by the end of 1995. To date, more than 50 new personnel have been trained. A database on market participant activities, registrars, and new issues has been created. The leadership of the RFCSCM actively provides policy advice and oversight for Russia's capital markets. USAID's consistent support in this area has been important for this achievement.

By September, 1995, there were 89 members in the Moscow Broker-Dealers' Association and 70 members in three regional associations in St. Petersburg, Novosibirsk, and Yekaterinburg. These self-

regulatory organizations provide market discipline complementary to that of the Russian Federation Commission on Securities and Capital Market. The Russian Trading System was developed in 1994/95 and went on-line in July, 1995. The weekly volume of trade was \$20 million. A Registrar Support Center (RSC) provides expert advice and market monitoring as well as conducting training seminars and carrying out audits. The RSC developed standards for voluntary certification of software for share registry; these were recently approved by the State Committee of Standards. The National Registry Company, established in spring of 1995, provides an independent share registration service which meets the professional standards in all areas of registrar operations and administration. It has attracted \$10 million in start-up capital from its shareholders: the Bank of New York, Nikoil, Unexim Bank, the International Finance Corporation (IFC), and the European Bank for Reconstruction and Development (EBRD). Its independence will ensure that the NRC will eliminate ownership risk for investors, guarantee the protection of shareholder rights, and facilitate Russian companies' ability to raise capital. Clearing and Settlement Organizations (CSOs) in Moscow, St. Petersburg, Yekaterinburg, and Novosibirsk clear and settle trades being made in the capital market. The Depository Clearing Corporation in Moscow is the only one currently linked electronically with the Russian Trading System. USAID has been the key bilateral donor supporting the development of both private and public organizations in their efforts to build a transparent and dynamic capital market.

-- *Other institutions and organizations which support entrepreneurship and innovation are flourishing.*

Business incubators, a new approach to business start-up in Russia where space to work is often a major constraint, are now operating in Nizhny Novgorod, St. Petersburg, and Moscow and supplying start-up assistance to new, often micro- or small businesses. Leasing programs are often associated with the incubators. A decree, "On the Development of Leasing in the Activity of Investment," was issued in June, 1995, to serve as the legal basis for such innovative programs. USAID helped stimulate the formation of this decree -- funding the development of a manual on leasing in 1994, sponsoring international experts who provided input on the future law, and organizing a conference attended by over 250 business leaders from all over Russia.

The Government has taken on a new role in promoting small business. The Russian Federation State Committee for Small Entrepreneurship Development and Promotion was formed in June, 1995, and charged with improving the legislation for small business and operating a small business support program with a budget of 700 billion rubles (or about \$155 million) in proceeds from the privatization program. This was a vital step, considering that no federal body formerly existed to promote small business growth. USAID resources helped the leadership and the staff to explore options in the small business area through a study tour to the U.S., and continue to provide information, advisory services, and limited equipment in support of the Committee.

USAID support, through the State University of New York, to the Morozov Project, a Russian nonprofit organization dedicated to building the business skills and experience of Russians across the country has resulted in the development of business training network in 36 regions. Working through established educational institutions, the Morozov project creates, refines, and disseminates quality business training curriculum. 1,650 trainers have already completed intensive "train the trainers" programs at the headquarters in Moscow and have returned to their communities to further spread their newly-gained knowledge. The Project's most popular courses include Small Business and Entrepreneurship, Financial Management, and Corporate Governance.

Eight regional Business Support Centers (BSCs) operated by Deloitte and Touche under a USAID contract have already provided over 19,000 Russian entrepreneurs and business managers with a range of consulting and training services in less than two years of operation. The Centers are currently actively supporting 77 business associations and business support organizations throughout Russia, and have already helped small businesses access financing valued at over \$5 million -- even though the Centers themselves offer no credit facilities.

More than 535 private agribusinesses and farming enterprises have been formed by the nearly 45,000 people associated with 74 former state and collective farms that have been legally restructured using a model procedure for farm reorganization developed with USAID financing. British Know-How Fund support and Canadian assistance have complemented USAID's direct support to 21 farms to achieve this outcome. Approximately 25,000 privatized state/collective farms are estimated to require such restructuring, however, so the next area of focus will be in training more Russians to roll out the process on a wider scale.

To encourage investment in Russia, USAID is providing venture capital through the U.S. Russia Investment Fund ("TUSRIF"). TUSRIF, which began operations in 1995, with a commitment of \$440 million from USAID, replaced the Russian American Enterprise Fund and the Fund for Large Enterprises in Russia.

-- *And efforts have been made to protect the environment and to promote development and income growth at the same time.*

Lake Baikal and its associated watershed are among the world's unique natural resources. The lake contains more than 20 percent of the world's fresh water and supports a tremendous assortment of biodiversity. The local governments' capacity to manage this environment has been strengthened through activities with carried out by a USAID grantee, Ecologically Sustainable Development, Inc. (ESD).

Three stations with computer-based Geographic Information Systems (GIS) have been set up in Chita Baikai Department, the Buryat Baikai Department, and Irkutsk. The GIS is being used to implement the Lake Baikal Comprehensive Plan. This information on soil classification, taxonomy, and hydrology is being shared with scientists, government, and NGO personnel throughout the Lake Baikal watershed and beyond and applied in land use planning to determine approaches for both revenue planning and environmental protection.

Two more GIS stations have been set up in scientific institutes in Khabarovsk and Vladivostok to develop the Ussuri Sustainable Land Use Plan. Through the Sustainable Natural Resources Management Project in the Russian Far East, the Sikhote-Alin Biosphere Reserve (Primoryia Krai) received a GIS upgrade and training for the new equipment, for use in protected areas management.

- Strategic Objective: Increased transfer of state-owned assets to the private sector.
- Strategic Objective: Increased soundness of fiscal policies and fiscal management practices.
- Strategic Objective: Accelerated development and growth of private enterprises.
- Strategic Objective: A more competitive and market-responsive private financial sector.
- Strategic Objective: A more economically sustainable and environmentally sound energy sector.

#### **Strategic Goal: Democratic Transition**

USAID is helping Russian counterparts to establish and build the range of public and private institutions necessary to ensure a pluralistic, democratic society. Already established are a number of basic democratic institutions, including an election system, independent media, and literally thousands of grassroots non-governmental organizations which provide direct opportunities for citizen participation in the solution of a number of problems being faced by Russia. In addition, USAID is working with both public and private organizations tasked with assuring the rule of law. Efforts have also been focussed on increasing the capacities of local government to respond to the newly-decentralized system of governance which has gradually evolved since 1992 and to the demands of the newly-articulate citizenry. The media development program focuses nearly exclusively on the regions, and is helping develop a network of respected

independent television stations, capable of providing credible alternative sources of objective information. Political party building activities have begun to shift their emphasis from working with central organizations to working with municipal and other structures in the regions. A broad and far-flung program to help young NGOs is in place, and provides both technical and direct assistance in the form of small grants.

#### Examples of Results to Date

- Leaders of political parties representing a wide spectrum have been trained by the National Democratic Institute (NDI) and the International Republican Institute (IRI) in techniques for building grass-roots support, mobilizing voters and developing platforms. IRI has developed a successful Women in Politics Program, which seeks to integrate women into the democratic party movements as activists and candidates in the next election cycle.
- USAID grants to non-governmental organizations support the development of free labor unions and citizen organizations advocating public participation in areas such as environmental quality and human rights.
- Independent broadcast and print media are delivering news throughout Russia (including objective reporting on Chechnya) with support from USAID advisors and trainers.
- For the first time in Russia, a city government developed its own budget and published it, then held hearings to get citizens' views on the issues. This initiative by the city of Nizhny Novgorod showed how improved local government operations and financial management can be improved further when linked with citizen participation.
- Judicial reform is supported through workshops, training and exchanges, including a pilot program to reintroduce jury trials for serious criminal offenses in selected regions.

Russia's progress toward the establishment of a participatory democracy has been substantial. The December 1995 Duma elections were the first consecutively held democratic elections in Russia's history. Multiple political parties are beginning to build constituencies on the basis of issues as well as personalities. Finally, at the grassroots, the community of nongovernmental organizations addressing social and economic issues continues to grow and strengthen -- by one recent estimate, more than 30,000 strong. Independent media provide all Russians with a variety of perspectives on issues of the day and, especially in 1995, played an important role in fostering public debate on governmental policy toward the breakaway region in Chechnya. A Presidential election is scheduled for June 16, 1996.

- Strategic Objective: Increased, better informed citizens' participation in political and economic decision-making
- Strategic Objective: Legal systems that better support democratic processes and market reforms
- Strategic Objective: More effective, responsive, and accountable local government.

#### Strategic Goal: Social Stabilization

Russia's management of the difficult human dimensions of political and economic change has a major effect on the viability and durability of democratic and market reforms. Housing and health care services are critical social concerns for many Russians and are the focus of USAID efforts.

#### Specific Results to Date

To support private housing markets and ownership, USAID has helped establish condominium associations and private building maintenance, tested market-based mortgage lending, trained real estate professionals and developed systems for titling land and property.

USAID health programs help Russia restructure health care finance and service delivery with a focus on preventive care and quality improvement. A special initiative on women's reproductive health reduces abortion and increases access to modern family planning. U.S.-Russian hospital partnerships teach Russian health professionals state-of-the-art practices in several specializations.

- Strategic Objective: Reduced human suffering and crisis impact
- Strategic Objective: Improved sustainability of social benefits and services
- Strategic Objective: Reduce environmental risks to public health

**RUSSIA**  
**FY 1997 PROGRAM SUMMARY\***

Strategic Objectives	Economic Restructuring	Democratic Transition	Social Stabilization	Cross-cutting and Special Initiatives	Total
Privatization					
Fiscal Reform	6,750,000				6,750,000
Private Enterprise	43,350,000				43,350,000
Financial Reform	11,500,000				11,500,000
Energy	5,200,000				5,200,000
Citizens' Participation		5,400,000			5,400,000
Legal Systems		6,500,000			6,500,000
Local Government		4,000,000			4,000,000
Crises					
Social Benefits			5,500,000		5,500,000
Environmental Health			31,600,000		31,600,000
Cross-cutting / Special Initiatives				53,200,000	53,200,000
<b>TOTAL</b>	<b>66,800,000</b>	<b>15,900,000</b>	<b>37,100,000</b>	<b>53,200,000</b>	<b>173,000,000</b>

\* Freedom Support Act (FSA) funds

USAID Mission Director: James Norris

## ACTIVITY DATA SHEET

**PROGRAM:** RUSSIA

**TITLE:** Fiscal Reform, 110-S001.2

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$6,750,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1992; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: To support the development of an efficient fiscal system in Russia which is adapted to the needs and functions of a market economy as well as to government's need to raise revenues sufficient for public expenditures.

Background: Russia's fiscal system was designed to be consistent with the needs of a centralized, state-dominated economic structure; all revenue-raising as well as expenditure responsibilities were matters of explicit national policy. The privatization of the economy in 1993-94 combined with the substantial decentralization of governmental rights and responsibilities which accompanied the formation of the Government of the Russian Federation in 1991 both led to a growing need for significant revision of the fiscal system. It was evident that fiscal policy needed to be reconsidered from a private sector perspective; the drafting of a new, comprehensive Tax Code was launched in 1994. The need for better fiscal administration was underscored in 1994 and 1995, when shortfalls in revenue collection threatened the program of macro-economic stabilization being undertaken within the framework of an IMF Stand-By agreement. Local governments began to demand fiscal reforms which would permit them greater latitude in revenue generation so that they could begin to fulfill the expenditure responsibilities which were, de facto, arrogated to them by the federal government.

USAID Role and Achievements to Date : USAID has provided a range of technical experts and training opportunities to the Ministry of Finance, the Ministry of Economy, the Commission on Economic Reform, and the Russian Parliament (both the Duma and the Federation Council) to support various initiatives in fiscal reform. The advisory services have included experts in drafting of tax legislation, administration of tax systems, projecting and monitoring of tax revenues, design of fiscal policy to meet different economic and social objectives, and analysis of alternative tax mechanisms in terms of yield and impact. USAID has also supported local government efforts to address fiscal and budget issues in ways which would support private sector growth and, at the same time, meet local government revenue requirements; increase the efficiency of programs intended to meet social sector responsibilities; and make the whole process of taxing and spending a bit more transparent.

The Tax Code has gone through innumerable drafts and discussions and the first of two sections of the new code has been approved by the Federation Council and is now before the Duma. Revenue estimation and other analytical methods have been developed with technical assistance and adopted for use. Local governments in several cities have moved toward the privatization of land through sales of property to privatized enterprises. This has increased the business opportunities for the purchasing firms, contributed to the development of a nascent commercial real estate market, and spurred the interest of municipal governments in replacing lost leasing revenues with a system of property taxes which, combined with zoning reforms, will lead to the more economic use of land. The Municipal Finance and housing projects have worked with other municipalities on improving budget and revenue planning to assure improved social services to city residents.

Description: USAID and its partner USG institutions in this effort (the Department of Treasury and the Internal Revenue Service) plan to respond in FYs 1996 and 97 to the requests of both local and national entities as they begin to grapple with the structural and administrative changes which will be required in putting the new Tax Code into place. As before, the national level contacts will be broad, involving both the Ministries and the Parliament as well as the special Tax Reform Commission which was formed under the aegis of the Economic Reform Commission in 1995, the State Tax

Administrative Service and the Tax Enforcement Service. USAID will also support institutionalization of the work with property-based taxes with cities which have participated in the enterprises land sales activities through FY 96 and FY 97. A revised approach to local government fiscal planning and management which involves the local citizens to a greater extent will be developed in FY 96 and implemented in FY 97 - FY 99.

Host Country and Other Donors: USAID's involvement with host country officials at all levels of the government on these critical issues of public finance has already been noted. USAID coordinates closely with other donors, particularly the International Monetary Fund and the World Bank, both of which are also providing technical assistance and training in fiscal issues and tax administration.

Beneficiaries: No one likes to pay taxes; no one minds receiving the benefits of a public sector program funded through public revenues. While it is clear that a revised tax structure in Russia along the lines being included in the new Tax Code should provide significantly more positive incentives for private businesses by changing the principles for levying taxes, providing more equitable policies for different sectors, and more transparent (and customer-oriented) administrative procedures, it is not clear that all businesses will perceive it positively in the short term. Evasion is common now and any tightening up of the system may cause people intended to benefit from the new system to pay more. The housing sector example, however, may provide a ray of optimism. Privatization of housing and improved maintenance of housing led to municipalities' taking steps to increase rent and maintenance fees. By simultaneously installing a system of means-targeted housing allowances designed with USAID support, city governments across Russia found it was possible to meet the needs of two beneficiary groups at the same time. Those with low incomes were enabled to pay the increased rents and those paying the increased rent/maintenance fees got better service for their money.

Principal Contractors, Grantees, or Agencies: Fiscal reform activities are implemented under the overall direction of USAID. The Department of Treasury and Internal Revenue Services participate actively in the program through 632 transfers. The Harvard Institute for International Development (HIID), KPMG's Barents Group, the Research Triangle Institute, and various Omnibus II contractors (PADCO, Chemonics, CFED, etc.) are all engaged in different aspects of the program. HIID is currently serving as the overall technical coordinator for fiscal reform activities at the national level.

Major Results Indicators\*:

Amount of budget deficits  
Amount of government budgetary transfers to state-owned enterprises  
Amount of revenues available from cost efficient tax administration

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** RUSSIA

**TITLE:** Private Enterprise, 110-S001.3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$43,350,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1992; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: To accelerate development and growth of private enterprise in Russia, thereby realizing the transformation of Russia from a centrally-planned economy to one based upon individual initiative and the operation of market forces.

Background: In 1993, Russia undertook a process of mass privatization which made it possible for nearly 150,000 enterprises of all sizes to consider themselves private companies. The transfer of state assets to these companies was, however, only the first step toward accomplishment of the transformation of Russia into a market economy in which private ownership and management are dominant. Since 1993, many private as well as public initiatives have been launched to help the privatized enterprises become viable and competitive in both domestic and international markets and to foster the growth of new businesses, particularly small businesses. The critical mass of successful private enterprises is gradually developing. Those not yet successful are beginning to understand what it takes to turn their companies around. Those who have experienced some success are realizing what else must be done to stay competitive and to grow. Macroeconomic stability and political leadership have proven to be important even for small firms with domestic markets. Policies, legislation, and regulations conducive to broad-based competition and private sector growth are being developed, but are not yet adequate to provide entrepreneurs and managers with the incentives and structures they need to operate more profitably. A network of business support institutions providing advisory and training services as well as more specialized help has literally sprung up in every region across the country, but still needs strengthening technically and financially before it can be considered a reliable resource.

USAID Role and Achievements to Date : USAID has made direct contributions to developing the policy, legislative and regulatory frameworks appropriate for private sector growth through the provision of expert technical advisors, training and study tour opportunities, and by financing experimental models which have demonstrated what can work in Russia. Successful models of private ownership and management in firms both large and small have been developed in collaboration with private Russian partners and the lessons of these models have been shared with policy- and decision-makers at all levels of the government. USAID has also contributed significantly to the growth of an increasingly viable network of business support institutions rendering services to entrepreneurs and businesses. The Morozov Project training network now offers business courses in nearly two-thirds of the regions of Russia. The eight regional Business Support Centers offer advisory services, training, and trouble-shooting help to literally thousands of small business owners every year. Further, USAID has supported the establishment and the functioning of factor markets critical to all entrepreneurs and managers: land and real estate markets and financial markets.

In addition, USAID is addressing the needs of the private sector in Russia for both debt and equity capital through the U.S. Russia Investment Fund ("TUSRIF"). TUSRIF began operations in 1995, with a commitment of \$440 million from USAID, to replace the Russian American Enterprise Fund and the Fund for Large Enterprises in Russia. TUSRIF has provided venture capital financings totalling \$38.7 million to twelve (12) private companies, the largest of which is a financing to Sun Brewing in the amount of \$10.5 million. TUSRIF also has developed a small lending program in collaboration with Russian banks and has disbursed \$3.9 million to fifty (50) enterprises.

**Description:** Foci for USAID support for accelerating private enterprise growth in FY 97 will be: developing the sustainability of Russian business support organizations (i.e., providing quality services and achieving financial viability); further development of the policy, legislative, and regulatory environment within which private enterprises operate (in which fiscal policy, S.O. 1.2, is but one element); replication or "rollout" of successful models of private ownership and modern, market-oriented management; and better operation of the nascent factor markets (land, real estate, and capital) which are important to private enterprises.

**Host Country and Other Donors:** USAID works with private Russian institutions, the managers and owners of private enterprises and associations of private businesses, and with various Ministries and agencies of the government at both national and local levels. USAID collaborates with other donors seeking to support private sector growth, especially the British Know-How Fund, the European Bank for Reconstruction and Development, the International Finance Corporation, and the World Bank. EU-TACIS provides complementary support as do both private and public representatives of European governments.

**Beneficiaries:** Accelerated development and growth of private enterprises in Russia will benefit everybody. GDP and productivity have been declining for years. Official unemployment is growing as large firms, especially those which have been part of Russia's impressive military industry, begin to downsize. More successful businesses will provide new jobs and new incomes.

**Principal Contractors, Grantees, or Agencies:** USAID works with literally dozens of U.S. nongovernmental organizations as well as for-profit contractors in implementing a broad program of support to private sector growth.

**Major Results Indicators\*:**

Number of private sector businesses operating and generating employment  
Volume of business support services available to private enterprises from self-sustaining local institutions  
Number of laws implemented to expand private sector

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** RUSSIA

**TITLE:** Financial Reform, 110-S001.4

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$11,500,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1992; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: A more competitive and market-responsive financial sector is a fundamental for accelerated private sector growth.

Background: The financial sector in Russia has expanded significantly since 1992 as new private, commercial banks have been established across the country and the basic regulatory and market infrastructure necessary for a capital market have been put in place. Adequate measures to regulate the commercial banking sector, however, have only gradually been put in place by the Central Bank of Russia and public confidence in the sector is periodically eroded by bank failures. Better banking supervision and stiffer licensing requirements are expected to bear fruit in the coming years. Further developments in the capital market are planned to provide small investors alternatives to savings accounts or, as many expect, mattresses. Continued regulatory and institutional development are key to realizing the objective of a market-responsive financial sector which actively mobilizes capital for investment and provides the range of financial services needed to support entrepreneurial growth.

USAID Role and Achievements to Date: USAID has provided both long-term and short-term technical advisors and assistance in the development of legal frameworks and regulatory mechanisms for the development of the banking sector as well as for capital markets. Advisory services to the Central Bank of Russia have led to the establishment of bank supervision and inspection departments. Training in both the CBR and dozens of commercial banks has increased the capacity of middle and upper-level managers to understand and respond to market opportunities with effective banking practices. An increasingly efficient banking sector has resulted in more transparent and clear regulations for borrowing and lending which is making more capital available for investment. USAID-funded advisors have also provided support to the Central Bank in the issuance of treasury bills, thereby permitting Russia to manage its financing needs without recourse to the budget. This has been critical to compliance with the IMF Stand-By agreement in 1995. USAID advisors have been key players in the establishment of the Russian Federation Commission on Securities and Capital Markets, and in developing the institutional infrastructure for trading of shares in a secondary market. USAID's assistance has been crucial in the development of an increasingly well-regulated capital market and to increased confidence among foreign investors in Russia.

Description: USAID will continue to support both public and private participants in the banking sector and the capital market to assure continued broadening and deepening of the financial sector as a whole. Regulations need to be fine-tuned and the capacity of regulatory agency staff to apply them and develop them needs further development. Funds are used for direct technical assistance, such as the development of regulations for stock issuance, for training in financial sector reform, and for long term projects, including commercial bank reform.

Host Country and Other Donors: USAID plays a critical role in the financial sector. Activities are used as practical laboratories for future funding by the World Bank, the EU, and other donors. USAID works closely with the Russian Government on the development of an enabling regulatory and legal environment for strengthening of the financial sector.

Beneficiaries: Russian business, which creates jobs, Russian citizens who will be able to count on understandable bank regulations, and personal investment vehicles, and Russian banks are the beneficiaries of these activities.

Principal Contractors, Grantees, or Agencies: USAID implementers include: KPMG, Booz Allen, Intrados, HIID, IBTCI, PW, Burson Marsteller and Financial Services Volunteer Corps (FSVC).

Major Results Indicators\*:

Number of licensed viable private commercial banks

Amount of investment, both from domestic and foreign sources

Amount of funds for equity/credit provided to small and medium-sized businesses from private commercial banks

Percent of credit for housing construction and purchase available at reasonable interest rates from private commercial institutions

\*These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** RUSSIA

**TITLE:** Energy, 110-S001.5

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$5,200,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1992; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: A more economically sound and environmentally sustainable energy sector.

Background: Centrally controlled generation led to financial waste and unwise use of natural unsustainable natural resources. Uncontrolled power generation also led to enormous amounts of air and water pollution. By working to assure a more economically sustainable power sector with economically feasible pollution abatement procedures, USAID is one of the leading donors in Russia in the major restructuring of this sector.

USAID Role and Achievements to Date: USAID contractors and grantees have provided technical advice and training in many different energy sectors. Two major studies in coal sector restructuring have led to new innovations in mine management, and new, enforceable health and safety standards in mines. In collaboration with the World Bank, USAID advisors introduced modern management practices in the grossly mismanaged oil and gas sector. Assistance to one newly created oil company was singled out for further World Bank assistance and the company was able to offer shares by the end of 1995. USAID has sponsored utility to utility partnership programs between US and Russian utilities that have resulted in improved accounting practices, financial reporting, and management planning. In a major effort, USAID sponsored coal sector and electrical power restructuring resulting in safety net considerations being written into new mining regulations, and in the electrical industry, the provision of competitive models which can be applied to the sector for the first time ever. To date, USAID has also imported \$10 million US manufactured equipment in energy efficiency and environmental monitoring equipment..

Description: USAID works with US contractors, PVOs, local industry, and the Russian government on the development of rules and regulations and a legal framework leading to more efficient energy generation and distribution. USAID supplies technical assistance and commodities for this program.

Host Country and Other Donors: USAID works closely with the World Bank and other donors -- the EU, the Germans -- to develop Russia specific workable models for wise use of natural resources for energy and for efficient distribution systems.

Beneficiaries: The private sector in energy generation and distribution, and the government of Russia stand to save financial resources through this program. The people of Russia stand to gain through the implementation of market-determined energy pricing, less harmful use of resources, and decreasing environmental pollution due to more efficient energy production.

Principal Contractors, Grantees, or Agencies: USAID works with many groups to achieve this objective, including: U.S. Energy Agency (USEA), IDEA, Burns and Roe, RCG-Hagler/Bailly and Co., U.S. Department of Energy (DOE), PIER, Price Waterhouse, the Atlantic Council and the World Bank.

Major Results Indicators\*:

Number of improved environmentally-friendly energy technologies

Percent of private enterprises using environmentally-friendly technologies

Percent of heat and power plants with energy conservation measures

Percent of cost savings of selected heat and power plants due to use of improved environmental

## technologies

\*These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** RUSSIA

**TITLE:** Citizens' Participation, 110-S002.1

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$5,400,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1992; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Increased, better informed citizen's participation in political and economic decision-making.

Background : In the transition to a free-market democracy, transparent processes for selection of political leaders is crucial. Open and responsive political parties are an important part of this process. Elections must be free and open and citizens encouraged to vote for the candidate or party of their choice. Neither of these prerequisites to democratic reform were in place until recently. Improvements in both areas were and are still needed to help guarantee that the process of reform continues. The ability of citizens to understand the issues and to use this knowledge to influence economic and political policy is not only the result of political systems. Independent media have grown explosively in Russia since 1992 and have had a major, measurable impact on the quality and quantity of information about current events which all Russian citizens have available to them. And Russians now have the capacity to band together voluntarily around issues of common interest in nongovernmental organizations. Social issues, environmental concerns, and a host of other interests have stimulated the growth of thousands of NGOs to date. While the independent media are attempting to grow and survive in an increasingly competitive commercial market, NGOs are developing their strategies for effective sustainability by employing techniques of private fund-raising as well as relying on foreign donors for start-up financing.

USAID Role and Achievements to Date : USAID works through contracts and other financing mechanisms to provide technical assistance at the national, and now more the regional and local level to assure transparency, accuracy and reliability of Russia's election management system. USAID supported the run-up to the first multi-party Governor election in Russia in the Sverdlovsk Oblast in August, 1995. USAID has provided training for political parties and has been instrumental in developing party communication systems. USAID funded NGO assistance provides training directly to voters on communicating needs to public officials. Internews, an American PVO dedicated to the growth of global independent media, has played a key role in Russia with USAID funding by training and networking both broadcast and print media in the private sector.

Description: USAID-funded technical assistance works directly with voters and public officials and various political party officials and provides a variety of citizen-training opportunities in a variety of areas. Major grant programs are administered directly by USAID (often through umbrella grants to U.S. PVOs) and by the Eurasia Foundation. Media partnerships between American and Russian entities have been started in 1995 and will continue to be nurtured through the 1996 - 1998 period.

Host Country and Other Donors: Russia has literally dozens of political parties. USAID emphasis has been on responding to requests for technical advice and training services among those that consider themselves to be "democratic." Work with citizens' groups has generally been carried out through the community of NGOs and in concert with local institutions, including those of the local and regional governments. Other donors have been active in electoral process issues; USAID has coordinated regularly with them in all election run-up periods and will continue to do so. USAID also coordinates with other bilateral donors providing assistance to the media.

Beneficiaries: Beneficiaries include the entire population of Russia. The political process activities are of most importance to the voting public and public officials at the national and regional level. But media and NGO avenues for communication touch virtually all Russians.

Principal Contractors, Grantees, or Agencies: USAID is working with the following: International Republican Institute (IRI), Free Trade Union Institute (FTUI), IFES, National Democratic Institute (NDI), ISAR, Save the Children Federation, United Way, Helping Hand, Internews, RAMPS and the U.S. Information Agency (USIS).

Major Results Indicators\*:

Number of NGOs representing women's issues

Number and types of fora in which NGOs engage state institutions in policy debate

\*These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** RUSSIA

**TITLE:** Legal Systems, 110-S002.2

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$6,500,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1992; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Legal systems that better support democratic processes and market reforms

Background: USAID's Rule of Law activities focus on judicial reform, legal education and training, and legal information. The objective is to introduce and assure the sustainability of a society that is subject to fair, transparent, and understandable laws and to ensure that citizens are entitled to fair trials and equitable treatment under the law.

USAID Role and Achievements to Date: USAID's Rule of Law program is focussed on three principal aspects of legal reform in Russia: judicial reform, legal education and training, and legal information. Specific activities include providing technical expertise in the reinstatement of trial by jury after a 70 year hiatus. USAID funded technical experts from the U.S. Department of Justice (DOJ) who reviewed and commented on new legislation, including the Draft Criminal Code and the draft Code of Criminal Procedures. USAID has worked with a Rule of Law Consortium to ensure that all Russian Commercial Court judges are familiar with the new Civil Code. USAID support assured that all 1600 commercial judges in the country received Part 1 of the new commercial code and over 40% of commercial court judges received training in commercial law. USAID has funded the bringing together of US and Russian legal associations which has resulted in improved continuing legal education programs and increased flow of information between the two countries. USAID is funding another group from the US Department of Justice which is helping Russia reform its criminal justice system. USAID is also working with many local NGOs on advocacy, helping Russians become more aware of their rights in such areas as housing, property, civil rights, and environmental protection. The Free Trade Union Institute works with local legal groups to provide citizens with the resources and encouragement necessary to enable them to enforce their labor rights and to organize into effective labor unions.

Description: Grants are made to educational institutions, NGOs, legal institutions, and media groups to increase Russians' awareness of their rights and the law in many different areas. USAID funds PASAs with other USG agencies, associations, contractors, NGOs, and relies on pro bono assistance from the American Bar Association (ABA/CEELI). USAID advisors and contractors work directly with Russian legal entities, other European donors, and the Russian government.

Host country and other donors: The World Bank, the EU, and several bi-lateral donors are involved in the development of the Rule of Law for Russia. USAID also works closely with the Russian government, local governments, legal associations, and NGOs.

Beneficiaries: Russian citizens desiring an open, transparent civil and commercial legal system, and the legal profession stand to benefit from activities that increase transparency and usability of new laws.

Principle Contractors, Grantees, or Agencies: In addition to DOJ technical assistance, USAID works with ABA/CEELI and the Congressional Research Service (CRS).

Major Results Indicators\*:

Percent of population knowing/understanding specific rights

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** RUSSIA

**TITLE:** Local Government, 110-S002.3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$4,000,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1992; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: More effective, responsive, and accountable local government

Background: One of the most important components of the shift to democracy is the devolution of power and decision-making ability from the center to the regional level and even further to municipalities. Before 1991, information flow was limited and use of funds lacked transparency. The lack of an independent media inhibited free information flow which made free choice impossible and non-governmental organizations working on behalf and for people were non-existent. All of these areas needed an infusion of assistance in order to strengthen the underpinnings of the emerging democracy.

USAID Role and Achievements to Date: USAID targets funds at local government entities, NGOs, and media. For municipalities USAID provides technical advisors to help them better prioritize local budgets, help local authorities make choices on how to use funds to help the local populations, incorporate more information flow, and ensure transparency. To date, USAID assistance has helped install an information networks and library in the Moscow mayor's office to facilitate improved information, analysis, coordination, and decision-making. In two other cities, USAID advisors have helped mayors' make informed decisions on how to increase budgeting and transport efficiency. USAID has supported the development of NGOs, including the Moscow center for Human Rights, which, using USAID-supplied technical assistance, has reported on Chechnya and is communicating, via e-mail, to other similar organizations in Russia. USAID has helped the Social Information Agency disseminate topical information about medical and NGO reform in Russia. USAID also, through a grant, assured the publication of a booklet describing legal guidance on founding, registering, and funding voluntary organizations in Russia. Other important NGO activities supported by USAID contracts and grants include environmental awareness forums, the first ever official public hearing on NGO legislation at the Duma, and innovative NGO funding strategies. USAID grants have strengthened independent media in Russia by linking a network of news stations for more efficient news gathering, training in media, and helping media organizations become private and grow.

Description: USAID advisors and experts work directly with city administrations, NGOs, and media outlets. USAID supports this work through direct grants and cooperative agreements, with contractors, US private voluntary organizations.

Host Country and Other Donors: USAID works closely with Russian NGOs and municipal governments. The World Bank and European donors also are fully engaged in similar work which is discussed at periodic democracy round table discussion.

Beneficiaries: Local governments making decisions transparently, strengthened NGOs, and independent media benefit all Russian citizens and, also, assures that Russia continues its development into a full economic and political partner with the West.

Principal Contractors, Grantees, and Agencies: The Research Triangle Institute is the main implementor of the program.

Major Results Indicators\*:

## Percent of national revenue flowing to local government

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** RUSSIA

**TITLE:** Crises, 110-S003.1

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: TBD Freedom Support Act

**INITIAL OBLIGATION:** FY 1992; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Reduced human suffering and crises impact.

Background: USAID responded to the Chechnya crises with funding to the International Committee of the Red Cross and to the International Organization for Migration.

USAID Role and Achievements to Date: USAID provided funds to the ICRC and IOM for implementation of emergency humanitarian activities in Chechnya.

Description: Through the provision of funds to the ICRC and the (IOM), 400,000 persons displaced by the Chechnyan conflict were provided basic food, shelter, and health care.

Host Country and Other Donors: International Committee of the Red Crescent/Cross (ICRC), International Office of Migration (IOM)

Beneficiaries: Displaced Chechnyan citizens

Principal Contractors, Grantees, or Agencies: ICRC, IOM

Major Results Indicators\*:

Number of people given basic services.

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** RUSSIA

**TITLE:** Social Benefits, 110-S003.2

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$5,500,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1992; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Improved sustainability of social benefits and services.

Background: The Russian health care system is falling apart. In 1995, expenditures on health were estimated to be less than 1.5% of GDP. Budgetary pressures preclude the government health care system from providing adequate health services to the total population. Inefficient management systems and lack of alternative financing mechanisms assured that health service delivery was unsustainable and of low quality. Improved efficiency in management and resource allocation, and enabling policies and regulations are needed to assure that service delivery is sustainable and of sufficient quality.

USAID Role and Achievements to Date : USAID has provided technical assistance and advice in several sectors, successfully demonstrating the benefits of a restructured, more privatized health system. This has been accomplished through support for the development of working models which integrate financial incentives for high quality with cost-effective service delivery. USAID has provided groundbreaking assistance in setting up total quality management (TQM) for physicians, piloted health maintenance organizations and other financing models, and tested approaches for improving systems for pharmaceutical management. USAID is also providing a system to upgrade basic service delivery for residents of recently privatized state farms and is close to completion of a nation-wide policy for means testing for housing subsidies for low income populations. USAID is also supporting technical assistance to the Russian national immunization program to develop information and education campaigns related to vaccinations.

Description: USAID advisors work directly with physicians and polyclinics on the local level and with oblast and the Federal government on policy-level questions. Advisors also work directly with medical educational institutions, insurance companies, and private sector entities to develop and implement pilot activities which can be replicated throughout the country. In the future, USAID will focus on technical assistance to: 1) create a legal and regulatory framework to support health sector transformation, 2) develop models of innovative privatization and governance structures that include capital formation schemes, and 3) dissemination of results.

Host Country and Other Donors: Activities are closely coordinated with the World Bank, EU-TACIS, the British Know-How Fund and other donors. USAID normally pilot tests activities which are later modeled by other donors. The Ministries of Health, Agriculture, and Housing consider USAID activities to be very important and work closely with USAID in development of policy.

Beneficiaries: Efforts in assuring the sustainability of basic social services and benefits are targeted towards users of the health care system, low-income populations, and members of recently privatized state farms. Achievement of this SO will result in more efficient and sustainable delivery of quality basic services.

Principal Contractors, Grantees, or Agencies: Activities are implemented through IBTCI, BMS, Mir Searle, the U.S. Food and Drug Administration, Management Sciences for Health, U.S. Pharmacopeia, the U.S. Center for Disease Control, University of North Carolina, BASICS, U.S. Department of Health and Human Services, HPI, BU and Abt..

**Major Results Indicators\***:

**Number of services privatized**

\*These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** RUSSIA

**TITLE:** Environmental Health, 110-S003.3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$31,600,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1992; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Reduce environmental risks to public health

Background: The acuteness of environmental problems in Russia, deepened by the most critical socio-economic crises, has led to a substantial deterioration in the health of its population and undermines its drive towards economic reform. Environmental degradation and destruction of resources have led to substantial losses in economic productivity.

USAID Role and Achievements to Date: USAID has developed a comprehensive environmental health strategy that was endorsed by the Gore-Chernomyrdin Commission. This strategy focuses on the use of risk assessment as a tool in priority setting and environmental management, policy and legal changes that will lead to decreased environmental health risks, support to NGOs working in the environmental health sector, and training in risk assessment and environmental epidemiology. To date, six environmental audits have been completed that resulted in recommendations to decrease emissions of pollutants, an audit of municipal drinking water resulted in recommendations or long term financial savings in water system management, and other audits have resulted in the reduction of wastewater discharges. Over 100 small Russian NGOs have received assistance and over 200 Russians have received training in environmental management, risk assessment, environmental policy and environmental enforcement. Energy efficiency audits at district heating boilers have demonstrated that major reductions in air pollution (up to 30%) can result from efficiency improvements that also result in significant cost savings at these facilities.

Description: USAID advisors and contractors are working directly with Russia public and private sector counterparts implementing activities that demonstrate the effect of pollution abatement activities on public health. In addition, USAID works directly with NGOs on community environmental awareness activities. Representatives from local and national government and NGOs have been trained in improved environmental management techniques. Technical assistance is provided to national level policy makers in the use of risk assessment in prioritizing investments.

Host Country and Other Donors: Ongoing efforts are coordinated closely with the World Bank and other donors. Other donors are watching USAID's pilot activities and plan to duplicate some successful ones.

Beneficiaries: Beneficiaries of activities under this SO are intended to be the people of Russia who are exposed to air and water pollution, making them unhealthy, thereby decreasing their ability to consistently contribute to economic and political reform.

Principal Contractors, Grantees, or Agencies: USAID is working with the following: the U.S. Nuclear Regulatory Commission and the U.S. Department of Energy, the World Environment Center, the U.S. Environmental Protection Agency, CH2MHILL, Management Systems International and EPAT..

### Major Results Indicators\*:

Number of industrial plants modified to reduce emissions to acceptable levels

\*These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## SLOVAK REPUBLIC

FY 1997 Assistance to Central Europe Request . . . . . \$15,000,000

### Introduction.

Slovakia is one of Central Europe's newest countries and U.S. assistance seeks to root the country firmly in the western economic and political community and to accelerate its transformation to a market economy and pluralistic society. While impressive strides have been made in macroeconomic stabilization, without foreign investment and new technology the high growth rates of the past two years are not sustainable over the long term. The past year has been marked by growing western concern over the emergence of authoritarian decision-making at the national government level. The political and economic interests of the U.S. continue to be best served by an active program targeted to assist decentralized decision-making, encourage the development of a diverse and independent media, strengthen the non-governmental sector, deepen the general understanding and appreciation of democracy, and support already privatized small and medium size enterprises.

### The Development Challenge.

The Slovak economy enjoyed an impressive turnaround with five percent real GDP growth in 1994 after a cumulative GDP decline of 24% between 1990 and 1993. In 1995, this growth continued with a GDP increase of between 6% and 7%. The country also experienced solid export growth, resulting in a trade surplus for 1995. Industrial production, which fell by more than 10% in 1993, rose by an estimated seven percent in 1994 and 8.4% in 1995. Prudent monetary and fiscal policies have resulted in a rate of inflation below seven percent, and near balance in the national government's budget. Average real wages are increasing. Nominal interest rates are falling. At \$732 million, foreign investment is small relative to some other Central European countries, but has begun to grow from that small base. The second wave of privatization will end in June, 1996. The share of the GDP produced in the private sector now exceeds 62% according to official statistics. Most prices are free, with foreign trade relatively liberal and thriving. Slovakia is classified as a less indebted lower-middle income country by the World Bank. Its total external debt at the end of 1994 was estimated to be about \$4.1 billion, and its average debt service to exports ratio averaged about eight percent for the period 1992-94. Rising short-term debt and suppliers' credits are expected to raise the debt service ratio to 10% by the year 2000. However, medium- and long-term debt are expected to remain at about 30% of GDP, roughly the same level as in 1993-94.

The economic picture is not without its sobering side, however. Slovakia began its transition with a heavy adjustment burden, because much of its industrial base was comprised of large defense-related enterprises. Many of these and other large state-owned enterprises were heavily indebted to the banking system and to each other, as vain initial attempts to cope with the shocks of collapse of traditional product markets compounded a history of old-regime financial laxness.

The national average unemployment rate dipped below 13% in late 1995. However, some areas of the country experience nearly twice that rate. Drawing these high unemployment regions into the general growth path is an important task for economic policy makers. Because of the dislocations caused by the collapse of the old system and the adjustments necessary to accommodate to a market-based economy, social sector restructuring is an important element of the overall adjustment process. Needs include the establishment of unemployment insurance and modifying other safety net mechanisms, the introduction of new and financially viable health insurance and delivery systems and means-tested housing subsidies.

While the macroeconomic aggregates are improving, much work still needs to be done on restructuring

and strengthening privatized enterprises and on democracy-building. Forty years of communism left an apathetic, disenfranchised citizenry unaccustomed to believing individuals have a say in their government. This young nation is struggling to find its place as a European country tolerant of a plurality of views, based on a strong civil society. While many individuals and most young people are convinced that the only way forward for Slovakia lies with early integration into western institutions, the average citizen is somewhat ambivalent.

USAID expects that Slovakia will have the institutional and other resources to continue its own transition. Current plans are to phaseout Support for East European Democracy (SEED) Act assistance within the next several years.

#### **Other Donors.**

The United States has been very active in coordination with other donors such as the International Monetary Fund, the European Bank for Reconstruction and Development (EBRD), the East European Assistance Program of the European Union (EU PHARE), the British Know-How Fund, and the German Technical Assistance Agency in helping Slovakia transform into a democratic market economy. Close coordination among the British Know-How Fund and the German Technical Assistance advisors has been critical in banking and financial sector assistance.

Also, privately-funded NGOs, including the Ford Foundation, the Open Society Fund, the Foundation for Civil Society, and Partners for Democratic Change are working to ground Slovakia firmly within the Western tradition of democracy and pluralism.

#### **FY 1997 Program.**

USAID's strategy for helping Slovakia achieve a self-sustaining path toward a market economy emphasizes support to enterprise restructuring and revitalization of already privatized SME's and a sound business and investment climate. Democracy assistance supports the transition to transparent and accountable governance and the empowerment of citizens through grassroots initiatives aimed at strengthening the network of non-government organizations, decentralizing decision-making and government activity, deepening democratic attitudes and values, and encouraging the development of a diverse and independent media. USAID also helps locally-elected officials to better manage decentralized finances and administer city-owned properties and assets more effectively, supports reforms to introduce an "ethic of democracy" in primary and secondary classrooms, and assists in the development of an independent judiciary. To improve the quality of life in Slovakia assistance focuses on improving health care management, fostering "healthy communities", and helping to rationalize housing subsidies.

#### **Strategic Goal: Economic Restructuring**

USAID's assistance will help to accelerate Slovakia's transition to a market economy by aiding the restructuring of already privatized small and medium enterprises and the creation of a strong financial sector and economic institutions.

USAID has helped Slovakia establish and develop market-oriented institutions and a legal and regulatory framework conducive to competition and private sector growth by promoting bank and enterprise restructuring and workout of non-performing loans; encouraging adoption of efficient and equitable tax laws; improving Slovaks' entrepreneurial skills through business training and advice; and assisting the development of the capital markets. U.S. volunteer organizations have contributed significantly to enterprise development by providing business advisory services. U.S. assistance promoted economic liberalization. Early assistance was targeted at anti-monopoly efforts. The U.S. Treasury Department helped reform tax laws, regulations, administration, and fiscal and budgetary policy.

- **Strategic Objective:** Accelerated development and growth of private enterprises.
- **Strategic Objective:** A more competitive and market-responsive private financial sector.

**Strategic Goal: Democratic Transition**

USAID's assistance in support of this goal has, and will continue to emphasize work at the grassroots level to deepen the general understanding and appreciation of democracy, to foster pluralism and respect for different opinions, and to promote community based problem solving and decision making in Slovak society. In keeping with this emphasis, USAID will continue to provide support to municipal governments to equip them with the financial and human resources and capacity to govern effectively, responsively and accountably; to empower citizens in order to allow them to play an active role in the political and economic decision-making of their community; and to strengthen independent media's diversity and financial viability.

USAID's Local Self-Government Program fosters the decentralization of governmental authority and promotes democratic pluralism. The program aims to help municipalities manage their affairs in a transparent way, while providing necessary municipal services and facilities.

The International Republican Institute (IRI) is working to develop the political skills of locally elected officials and political party activists. The program has increased communication and public outreach skills, encouraged negotiation and coalition building within and among parties, and improved party organization by increasing fund raising and recruitment abilities. Better ways to solicit citizens input on local policy issues has also been realized.

The Democracy Network Program (Foundation for a Civil Society, National Forum Foundation and International Center for Non-for-Profit Law) is strengthening the ability of NGOs to affect the formulation and implementation of public policy, act as a forum for debate and advocacy, and provide services to their constituents.

USAID also provides assistance in the area of judicial reform. This includes training lawyers in commercial and bankruptcy law, and legal education reform

- **Strategic Objective:** Increased, better-informed citizens participation in political and economic decision-making.

**Strategic Goal: Social Stabilization**

The assistance program will support the transfer of public housing to the private sector, and assist in health care and educational reform.

Since 1989, the health status of the population has decreased and life expectancy has declined. Slovakia's health providers are inefficient and resources are inadequately managed. The government wants to guarantee quality and accessibility to health services, with emphasis on women, children and the elderly. It has been working to restructure the social assistance program to reduce dependence on subsidies and focus limited resources on low income earners.

In the health sector, priority programs aim to reduce the number of premature deaths and increase average life expectancy. Under the partnership grant to Project Hope, the Boston Children's Hospital helped the Bratislava Children's Hospital reduce child mortality from 40% in 1989 to 7.4% in 1994. The Bratislava Children's Hospital performed 284 pediatric cardiac surgeries in 1994 compared with only 144 in 1989.

In the area of health care management, USAID helped improve the efficiency and quality of care in two

Programs in this category are primarily training programs that are a key element of support for the larger USAID activities. In terms of 'customer satisfaction' these are among the most effective projects in the portfolio. Two participant training projects have enhanced the banking and financial sector and the class of new small entrepreneurs. The Entrepreneurial Management and Executive Development (EMED) program provides scholarships for private entrepreneurs to train with their

#### Cross-cutting and Special Initiatives

- Strategic Objective: Reduced environmental risks to public health.

In FY 1997, USAID will help reform health policies at national and local levels. Resources will be devoted to reducing negative health impacts of industrial manufacturing and processing facilities. Training will give Slovaks better ways to deal with various health risks, including environmental pollution. Under a new hospital partnership project, USAID is continuing its efforts to develop quality health care by providing technical assistance and training for physicians. U.S. assistance will help improve health care in areas such as neonatal intensive care, pediatric and gynecology. The U.S. will work to improve the management and organization skills of hospitals administrators as well.

Housing assistance was instrumental in introducing the condominium approach to housing privatization in Slovakia and USAID was a key player in drafting the concept underlying the 1993 condominium law. An estimated 10% of the 344,600 housing units owned by municipalities have been sold so far. USAID has been providing technical assistance and training to help develop a program for selling city-owned housing units. This training also helps explain to new unit owners how to manage and maintain a condominium. U.S. assistance is helping revise housing subsidies to focus on a needs based housing allowance to boost the private housing market. USAID assistance in FY 1996 will result in the drafting of a housing allowance law and implementing regulations. Given the need to develop a systematic approach to providing housing allowance benefits to needy households, FY 1997 assistance will be focused on assisting in the implementation of the program.

The USAID Environmental Training Project works at the local level to develop the institutional capacity needed to address environmental concerns. Workshops and training are offered to environmental NGOs and businesses, local and regional governments, and academic institutions on environmental management and approaches to pollution prevention.

In the environment sector, most of Slovakia's critical environmental problems can be attributed to poor water quality, air pollution, and hazardous solid waste dumping. It has many of the critical environmental problems facing countries in transition which adversely affect human health. Slovakia is also on the few countries in the world where every citizen has the constitutional right to a healthy environment, thus there is a commitment on the part of the GO to address environmental concerns. The USAID program addresses these issues through policy advisory work, environmental investments, training, waste minimization and the Environmental Health Project. USAID activities improve environmental quality and reduce related health risks by supporting economically viable pollution prevention/abatement projects. The U.S. EPA has trained central government, regional and local staff in health risk assessment. USAID has helped draft legislation creating the Slovak Environmental Revolving Investment Fund, which will finance environmental infrastructure projects. USAID also helped the Slovak Government prepare its presentation to the international environmental conference held recently in Sofia. At the conference, Slovakia proved it is well ahead of other participating countries in preparing an effective environmental action plan. USAID has also assisted in implementing aspects of this plan in two environmental "hot spots".

curricula for public and private institutions in this area. A team of nurses continues installing the pilot hospitals by introducing quality management practices. Current activities seek to institutionalize and replicate these practices by training lecturers in fields of health care management and developing better quality methodology developed with U.S. consultants. Current activities seek to institutionalize and

counterparts in the United States as well as to identify potential business partners. By mid-1996 more than 100 entrepreneurs will have participated in this training. Under the Participant Training Project for Europe (PTPE) approximately 150 Slovaks will have been trained in managerial and technical skills. PTPE provides short term training opportunities in the United States for senior and mid-level Slovaks working in organizations which contribute to the transformation of Slovakia's economy and the development of democracy. These programs provide Slovakia with essential skills necessary to undertake and sustain their economic and political transformation.

**SLOVAKIA  
FY 1997 PROGRAM SUMMARY\***

Strategic Objectives	Economic Restructuring	Democratic Transition	Social Stabilization	Cross-cutting and Special Initiatives	Total
Privatization					
Fiscal Reform					
Private Enterprise	3,600,000				3,600,000
Financial Reform					
Energy					
Citizens' Participation		8,425,000			8,425,000
Legal Systems					
Local Government					
Crises					
Social Benefits					
Environmental Health			600,000		600,000
Cross-cutting / Special Initiatives				2,375,000	2,375,000
<b>TOTAL</b>	<b>3,600,000</b>	<b>8,425,000</b>	<b>600,000</b>	<b>2,375,000</b>	<b>15,000,000</b>

\* Support for East European Democracy (SEED) Act funds

USAID Representative: Patricia J. Lerner

ACTIVITY DATA SHEET

**PROGRAM:** SLOVAKIA

**TITLE:** Private Enterprise, 180-S001.3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,600,000 SEED Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 1998

Purpose: Accelerated development and growth of private enterprise.

Background: Many potentially viable privatized enterprises are illiquid or near bankruptcy and are unable to service their bank debt. They cannot qualify for the new credit which would allow them to implement restructuring plans and take advantage of and contribute to the improving economic environment in Slovakia. To end this vicious cycle USAID is targeting some 80 to 100 troubled privatized medium and small businesses by instilling business management practices that will lead to a positive cash flow in the short term ultimately to profitability. By reinvigorating this core group of firms in the industrial sector, Slovakia's economy will be placed on a stronger and more diversified base.

USAID Role and Achievements to Date: The private sector contribution to the overall GDP increased in 1995 to an estimated 62%. In January 1996, USAID launched a major initiative creating the Slovak Business Advisory Center (SBAC). This center consolidates a number of USAID implementing organizations to provide comprehensive restructuring and business advice to small and medium sized businesses. The SBAC is new. However in only its pilot phase it has eight enterprises in the implementation stage of their turnaround and restructuring plans. Previous achievements under this activity include assisting two major former armaments companies in planning and beginning to implement successfully a plan for conversion to civilian goods production. Finally, several medium and large enterprises assisted in 1994 with financial diagnosis and planning are now implementing these restructuring plans.

Description: USAID's 1996-97 work will focus on post privatization assistance to restructure enterprises and encourage the creation and growth of a diversity of small and medium-sized businesses. USAID funding supports the development of a new MBA program at the Economics University which will provide a range of necessary business skills. The focus of these activities is to accelerate the transition to a diverse market economy.

Host Country and Other Donors: USAID programs coordinate with EU PHARE lending and technical assistance programs and with the British Know How Fund.

Beneficiaries: This effort seeks to directly benefit current and start-up business owners by providing business services, advice, training, and restructuring. This effort hopes to help incorporate access to economic opportunities for Slovak individuals through out Slovakia's society. It also benefits the country as a whole by reducing the country's reliance on a narrowly based industrial sector.

Principal Contractors, Grantees, or Agencies: Major organizations are: International Executive Service Corps, MBA Enterprise Corps, Volunteers in Overseas Cooperative Assistance, the University of Pittsburgh, The Recovery Group, U.S. Department of Agriculture, and Peace Corps. American firms provide services including Coopers and Lybrand, Crimson Capital and Deloitte and Touche.

<u>Major Results Indicators:</u>	<u>Baseline</u>	<u>Target</u>
Number of assisted enterprises successfully implementing restructuring plans	Zero Eight 50	July 1995 February 1996 Mid-1996



## ACTIVITY DATA SHEET

**PROGRAM:** SLOVAKIA

**TITLE:** Financial Reform, 180-S001.4

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** None for FY 1997

**INITIAL OBLIGATION:** FY 1992; **ESTIMATED COMPLETION DATE:** FY 1997

Purpose: A more competitive and market-responsive private financial sector.

Background: Since 1992 the United States has been a major contributor to financial sector reform in Slovakia. U.S. Government agencies have advised the Slovak Government, the Central Bank and commercial banks on an entire range of policies and technical issues. As a result, in the relatively short span of five years, Slovakia's financial sector has quickly evolved from a typical communist system to a relatively sophisticated system of public and private banks and other financial institutions that offer an ever-increasing range of services to their customers. The Central Bank is a model of prudent monetary policy. With the assistance of U.S. funded advisors, the capital market is developing a code of ethics and enforcement and developing self-regulating organizations along Western lines.

USAID Role and Achievements to Date: Through U.S. Government programs, in excess of 2000 Slovak bankers have been trained. An advisor on capital markets has helped draft a new securities law and is working with counterparts in shaping and developing a securities and exchange commission (SEC) type organization. An Association of Securities Dealers is being created as a self-regulatory organization. A U.S. advisor at the Institute of Bank Education has developed a long term strategy and has increased its self reliance. A bad loan work-out department has been set up in the largest bank in Slovakia. USAID also is supporting the training of on-site bank auditors.

Description: USAID's activities encourage the development and implementation of sound financial sector practices. This includes advising commercial banks on asset evaluation, risk assessment and bad loan workout. It also includes a resident capital markets advisor at the Ministry of Finance, who is quite influential in influencing the Ministry's policy and legal recommendations. Bank managers and staff are trained both through this activity and through participant training. Assistance is based on demand from clients. Based on present indications, it is anticipated that this demand can be met through 1997 with activities funded in FY 1996.

Host Country and Other Donors: USAID programs coordinate with EU PHARE advisors, IMF Bank Support Advisors, the British Know How Fund and the German Technical Assistance Agency.

Beneficiaries: This effort seeks to benefit Slovak citizens and businesses by ensuring sustainable credit institutions, transparent and logical procedures in financial markets, and creation on new financial opportunities and reduced risk in those opportunities through creation of securities investment vehicles. In addition, a rational enforceable financial system will benefit Slovakia by providing an inducement to increased foreign investment.

Principal Contractors, Grantees, or Agencies: Major organizations and firms are KPMG/Barents working on bank supervision and bank training; Financial Services Volunteer Corps on Capital Markets; Arthur Anderson and KPMG/Barents on bank advisory issues.

Major Results Indicators\*:

Value of investment fund assets

**SME lending**  
**Country financial ratings**

\* These are illustrative indicators. ENI missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** SLOVAKIA

**TITLE:** Citizens' Participation, 180-S002.1

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$8,425,000 SEED Act

**INITIAL OBLIGATION:** FY 1994; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Increased, better informed citizens' participation in political and economic decision making.

Background: After the Velvet Revolution of 1989, local self government was reconstituted and vested with substantial responsibilities. There are over 2800 towns and villages in Slovakia, each with a directly elected Mayor, Vice Mayor, and Municipal Council. Since 1990 local officials have been directly elected. However, they function in a political environment which has limited experience with representative democracy. Therefore many of the tools, skills, mechanisms, and practices which lead to open, responsible governance and constituent accountability are lacking. There is still little tradition of civic participation in political and economic decision-making, and little understanding among the general populace of their role and responsibilities in a democracy. While there is an independent media, the various media outlets are hampered by limited resources, inadequate business skills, and political considerations.

USAID Role and Achievements to Date: USAID's Educational Reform Project has met with remarkable success in its endeavor to introduce a "spirit of democracy into the classroom" through new teaching methods. This project works with teachers, administrators, students, parents, and university pedagogical faculties to provide in-service and university level teachers training, and to institute democratic principles into the Slovak education system. It is planned that this Project, which has been working for the past year in one administrative school district and one university faculty, will be expanded to two additional districts and an additional university faculty this year.

USAID's Democracy Network Program is finishing its first year having sub-granted over \$400,000 to local NGOs to carry out public policy-related missions and projects. One grant was given to create three additional Centers for Local Democracy, which act as resource centers for local government and civic associations to support the decentralization of decision-making and encourage the active participation of citizens in public life.

Description: USAID's assistance will continue to work at the grassroots level to promote the decentralization of decision-making in Slovak society. USAID will continue to provide support to municipal governments to equip them with the financial and human resources and capacity to govern effectively, responsively and accountably; to empower citizens in order to allow them to play an active role in the political and economic decision-making of their communities; and to strengthen independent media's financial viability. USAID is also supporting the independence of the judiciary and the research skills of the Slovak National Council. In addition, USAID will provide funding to the Free Trade Union Institute (FTUI) for independent trade union strengthening.

Host Country and Other Donors: Major host country counterparts are Comenius University, the Slovak Judges' Association, the ORAVA Regional Administrative Office of the Ministry of Education, and the Netherlands Embassy. Also involved have been the Center for Independent Journalism, the British Know How Fund, Open Society Fund, and EU PHARE.

Beneficiaries: This effort seeks to benefit Slovak citizens by increasing common understanding of basic principles of democracy and by increasing citizen participation and access to their government.

Principal Contractors, Grantees, or Agencies: These organizations include the University of Northern Iowa, the International Republican Institute, the Foundation for Civil Society, the International Center for Not-for-Profit Law, the National Forum Foundation, the National Democratic Institute, the Free Trade Union Institute, the American Bar Association/Central and East European Law Initiative, the U.S. Information Agency, and the International Research Exchange Board.

Major Results Indicators: \*

Number of changes made to government policy as result of citizen participation  
Number of draft legislative initiatives introduced by the legislative branch in which there was citizens participation  
Number of NGOs representing women's issues, ethnics and minorities  
Increase in the percentage of new coverage expressing opposing views  
Rating of elections as free and fair by local and international monitors  
Existence of laws protecting freedom of association, assembly, and speech

\* These are illustrative indicators. ENI missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** SLOVAKIA

**TITLE:** Environmental Health, 180-S003.3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$600,000 SEED Act

**INITIAL OBLIGATION:** FY 1991; **ESTIMATED COMPLETION DATE:** FY 1998

Purpose: Reduced environmental risks to public health.

Background: Slovakia has many of the critical environmental problems facing countries in transition which adversely affect human health. It is also one of the few countries in the world where every citizen has the constitutional right to a healthy environment. Thus there is a serious commitment on the part of the GOS to address environmental concerns.

USAID Role and Achievements to Date: Working with low/no cost methods to reduce loss of chemicals from chemical factories to the environment, USAID advisors helped one chemical plant buy a \$8,300 piece of equipment which significantly reduced the plant's use of formaldehyde, a cancer-causing chemical. The savings generated by this adopted change were equivalent to \$125,000 per year. Along the same lines, one lime processor converted from burning high sulfur coal to natural gas which reduced air pollution in the area, created less solid waste, reduced the level of health risk to workers and those living in the environs of the lime plant. Building on this success other firms such as lead smelters are also changing their technology to address environmental health conditions as well as to increase the efficiency of their operations. The USAID policy advisor to the Ministry of the Environment is working with counterparts on a new law to create a revolving environment fund which would make small to medium sized loans to industries and municipalities to encourage adoption of environmentally sound technology. In addition, this advisor is helping to drafting the Environmental Information Act which, when adopted, will be the cutting edge model for freedom of information law in Slovakia. USAID works in a number of nuclear safety programs to improve standards of safety and operations for nuclear plants. Finally, USAID is beginning an environmental health project to inform citizens how to mitigate adverse effects of environmental hazards.

Description: USAID's activities focus on improving environmental quality, citizens quality of life, and reduced related health risks by supporting economically viable pollution prevention and abatement activities.

Host Country and Other Donors: Over 24 municipalities, the Slovak Environmental Agency, the State Environmental fund and the Ministry of the Environment collaborate with USAID programs. In one USAID program the Slovak Environmental Fund provided local currency matching \$5 million for air and water monitoring equipment. In addition there is collaboration from the Ministry of Health, the Center for Epidemiology, and the Center for Occupational Hazards. USAID also seeks to incorporate EU PHARE and EBRD funding and technical expertise in collaboration of activities including planning for various workshops and other project components.

Beneficiaries: This effort seeks to benefit Slovak citizens by reducing serious environmental hazards which many citizens encounter in their daily life.

Principal Contractors, Grantees, or Agencies: Major organizations are the Harvard Institute for International Development, Chemonics, the University of Minnesota, the Environmental Health Program, and the World Environment Center. Cooperating US Agencies are the Environmental Protection Agency, Department of Energy, the Nuclear Regulator Commission.

**Major Results Indicators:\***

Number of industrial plants modified to reduce emissions to acceptable levels  
Number of improved laws/regulations incorporating environmental issues to the benefit of human health.  
Percent increase in labor productivity as a result of cleaner and safer working environment

\* These are illustrative indicators. ENI missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## TAJIKISTAN

**FY 1997 Assistance to the NIS Request . . . . . \$5,000,000**

### **Introduction.**

Tajikistan is the poorest of the five Central Asian Republics and the only one of the five in which underlying ethnic, regional, economic and ideological strains have led to open warfare and major population displacements. A cease-fire, in effect since late 1993, continues while UN-moderated peace talks appear to be making incremental progress. The UN Mission of Observers in Tajikistan (UNMOT) monitors the cease-fire agreement, while Commonwealth of Independent States (CIS) Russian-led troops, at the request of the local government, guard the southern Tajikistan boundary against incursions from Afghanistan. Donor efforts can make meaningful changes in Tajikistan's situation: the economy has been in free fall since independence, former trade ties have been dissolved and risks collapse before economic reform. U.S. interests are based on providing humanitarian aid, promoting regional stability in Central Asia and helping to create an independent, democratic and market-oriented Tajikistan that is friendly to the U.S. and constructively engaged in international political and economic relationships.

### **The Development Challenge.**

An average per capita GDP of approximately \$400 places Tajikistan firmly in the ranks of the world's least developed countries. Even during the Soviet era it was the poorest of the Soviet republics with a per capita GDP of \$1,100. Its economy was based almost entirely on aluminum exports and a cotton monoculture. Social services were maintained at an artificially high level with subsidies from Moscow. The collapse of the Soviet Union, followed by the outbreak of civil war in May 1992, thus hit Tajikistan especially hard.

The civil war left at least 50,000 dead, displaced 700,000 within the country and resulted in an outflow of at least 75,000 refugees to Afghanistan. Many refugees subsequently returned to rebuild their homes, but the harsh economic consequences of the civil war continue to take their toll. Thousands of homes and hundreds of schools and medical units were destroyed. The war also left behind 55,000 orphans, 25,000 widows and a legacy of hatred and suspicion that makes reconstruction difficult.

Political consensus has yet to be achieved, despite cease fire agreements and continuing rounds of UN-mediated peace talks involving government and opposition groups. In addition, in early 1996 two groups of government supporters outside the capital rebelled in an effort to force personnel changes. The government quickly agreed to some changes in return for disarming the rebels. Nonetheless, the political situation remains fragile. Rule of law is rarely observed and violence at times seems endemic.

The breakdown in economic links with other former Soviet republics hampers the flow of badly needed raw materials, consumer goods and food items. Gas supplies from Uzbekistan have been repeatedly cut off because of Tajikistan's inability to earn foreign exchange to pay its debts. The World Bank classifies Tajikistan as a less-indebted low-income country; total external debt at the end of 1994 was \$594 million. Unemployment is a growing problem, and many workers who have jobs go for months without being paid. Productivity in the two major economic sectors, agriculture and industry, has dropped precipitously, and per capita industrial and agricultural production has been reduced at least by half. While per capita income has fallen dramatically, prices for food, non-food items and services have sharply increased with monthly inflation rates often measuring in the double digits. In May 1995, the government introduced a new currency to replace the Russian ruble, the last of the Central Asian republics to do so.

The crisis has been especially severe in the social sectors. For example, the immunization program introduced and maintained during Soviet times has largely collapsed. The departure of many thousands of Russian-speaking professionals following independence left a gap in the health sector and other sectors that has yet to be filled. Infant mortality rates are very high (115 per thousand), nearly twice that of Kazakstan and more in line with patterns observed in less developed countries in many parts of Asia and Africa rather than those observed in the former Soviet Union. School and university enrollment has declined, especially for women. Most families do not have dependable access to either heating or potable water. There is a widespread shortage of pharmaceutical and other medical supplies and many hospitals and clinics are either closed or barely functioning due to a lack of medical supplies, equipment and salaries.

The government has attempted to deal with the crisis, most notably with the release of its "Five Year Economic Plan" in August 1995 that commits the country to "radical changes in economic policy" and states that the goal is to create a "socially oriented market economy." Subsidies have been curtailed and a relatively tight monetary policy has been maintained. Privatization efforts remain erratic in both industry and agriculture, but prices have been freed up in a number of areas. Official figures indicate low levels of state-controlled imports, but private traders are increasingly active in filling the gaps left by a diminishing government presence. Indeed, a relatively weak central government sometimes provides opportunities for innovation and new approaches at a local level.

Given the lack of political consensus and the ongoing economic and humanitarian crisis, Tajikistan is likely to need foreign assistance for some time to come. The devastation caused by civil war provides a strong disincentive for resuming violence, and there is some hope that development programs are now finally moving away from short-term humanitarian relief and laying the foundations for more long-term sustainable development. USAID supports this transition and, despite limited resources, intends to play a positive role in helping shape the reconstruction of Tajikistan. Programs thus far have entailed large-scale support for both international organizations and U.S. PVOs in carrying out relief and development programs. Also, more than 200 Tajiks have participated in short-term study visits in the United States. Modest technical assistance and in-country training related to economic restructuring, democratization, and health and family planning have also been provided, to expose Tajiks to alternative approaches and to mechanisms for introducing democratic processes and market-based economic reform.

USAID expects that Tajikistan may not have the institutional and other resources to continue its own transition. Current plans are to phaseout Freedom Support Act (FSA) assistance within the next few years and pursue other means of continuing cooperative assistance in the future.

#### **Other Donors.**

The United States is a lead donor in dealing with the immediate aftermath of civil war and responding to the humanitarian crisis which followed. Other countries, including Russia, Iran, Turkey and various EU countries have also been involved. The United Nations has had a significant presence, though with the end of the immediate crisis, UNHCR has reduced its presence and transferred responsibility for more long-term development programs to the United Nations Development Programme (UNDP). Other groups, including WFP, WHO and UNICEF, are also involved. The IMF and the World Bank have both engaged in dialogue with the government in order to shape the economic restructuring program and make multilateral resources available to support the economic recovery. Overseas Development Assistance in 1994 was \$66.5 million, with the United States contributing 27 percent of that sum. A number of PVOs from both the US and elsewhere are active in Tajikistan, and on-ground coordination among the various donors and PVOs is regarded as excellent.

#### **FY 1997 Program.**

USAID's strategy in Tajikistan will continue to concentrate on humanitarian assistance and social sector

restructuring. However, the focus will increasingly shift from meeting the immediate humanitarian needs to addressing longer-term development concerns. Funds will be channeled in large part through U.S. PVOs, with a view toward building local organizational capacity and strengthening the ability of Tajiks to build and sustain their own economic recovery. Efforts will also be made to use scarce USAID resources to leverage other donor funding and help shape the broader donor effort. For example, both the World Bank and the UNDP are contemplating new initiatives which could increase funding for various PVOs working in the country. A continued training effort and modest involvement in economic restructuring and democratization might also be considered. U.S. interests in the country are determined mainly by a concern about regional stability and a desire to see the country returned to normalcy. A return to civil war would be disastrous, with potential spill-over effects involving Afghanistan, Iran, Russia and Uzbekistan, among other countries. USAID's assistance program will, hopefully, help avert this possibility and prevent the country from slipping into costly social, political and economic chaos.

### **Strategic Goal: Social Stabilization**

Programming efforts will continue to focus on the ongoing economic and social crisis, with a view toward building local capacity and offering new approaches to development which can eventually be extended on a national level. USAID-funded American PVOs will remain as a significant programming vehicle for at least the next two years, and an increased emphasis will be placed on developing Tajik partner groups and ensuring sustainable approaches to development.

Building on current PVO activities underway in Tajikistan, funding will be provided for further activities and expansion into other areas of the country. Much of the early PVO emphasis was on rebuilding houses, providing food to vulnerable groups, and making medical services available to needy returning populations. Future programs will directly address more long-term, sustainable development concerns, in part by strengthening partnerships with local communities and putting programs in place which can continue once donor assistance ends.

- Strategic Objective: Reduced human suffering and crisis impact

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

In the past, USAID has also funded a modest range of other activities, including short-term technical assistance and training in economic restructuring; conferences, seminars, a small grant program, and the opening of a democracy center in Dushanbe to help form the basis for a civil society and rule of law; and a variety of health programs, including family programs and initiation of a medical partnership between hospitals in Dushanbe and Boulder, Colorado. Given the fluid nature of events in Tajikistan, it makes sense to retain flexibility and consider funding for a range of activities in order to be responsive and not miss possible opportunities to have development impact.

In Tajikistan, "special initiatives" refers mainly to a medical partnership and family planning. Both are part of Congressionally-mandated funding earmarks that are being used to promote broader programming and strategic concerns in Tajikistan. There is substantial interest within the Tajik health community in collaborating with U.S. experts, and many individuals in the Ministry of Health want to experiment with Western health care and family planning practices. Although the emphasis now is on health earmarks, limited training and technical assistance related to the political and economic transition is possible if funding and the situation in Tajikistan permits.

A Memorandum of Understanding was signed in August 1995 initiating the USAID-funded medical partnership between Boulder Community Hospital in Colorado and City Clinical Hospital Number 2 in Dushanbe. The fact that Boulder and Dushanbe are "sister cities" should help strengthen the relationship. Also, a full program of training and technical assistance in reproductive health began in

October 1994. As a result, modern family planning guidelines have been established. There are two fully staffed and equipped service delivery/clinical training sites, one in Khojent and one in Dushanbe.

The medical partnership involves training and people-to-people exchanges between medical staff in Boulder and Dushanbe. Often, the partnership serves as a vehicle to raise additional private American funds and provide badly needed medical supplies and equipment to Tajikistan. Family planning programs are a combination of advisory services and training aimed at introducing new approaches and technologies into Tajikistan. The focus right now is on health, but developments in Tajikistan could also permit the provision of additional training and technical assistance related to the economic and political transition in Tajikistan.

Economic and democratic reform cannot take place without a cadre of individuals from both the public and private sectors who have an understanding of markets and democratic processes. The NIS: Exchanges and Training (NET) program in Central Asia has been developed to supply the human resources necessary to assure this orderly transition. The program has been designed to support USAID's technical assistance programs in the areas of economic, democratic and social sector reform and to develop officials willing and able to bring about necessary change.

NET provided U.S. short-term training for 208 officials in 1994 and 1995, with an additional 70 participants scheduled for 1996. Because of the civil disturbances that have plagued Tajikistan, USAID has not specifically linked the NET program to Strategic Objectives. However, NET participants have been instrumental in exposing Tajik officials and private citizens to new ideas and will be an important resource for economic restructuring once political consensus is reached and stability is restored to Tajikistan. This effort benefits Tajiks at all levels by training qualified public officials who are able to establish laws and regulations that are transparent and foster the growth of markets and democratic government. New entrepreneurs will benefit as they establish links with potential future U.S. commercial partners.

NET resources provide for both U.S. short-term training as well as in country follow-on programs. The in-country program revolves around the establishment of an Alumni Center where returning participants can utilize e-mail and fax facilities to keep in touch with U.S. trainers and contacts, as well as duplicating equipment to reproduce reports and other materials. The in-country follow-on program also provides for additional training through seminars and conferences, principally conducted by technical expertise located in Central Asia. The NET program will continue with greater emphasis put on in-country training.

The government of Tajikistan has been highly appreciative of the NET program in providing vital training to officials. The program has also been beneficial to private entrepreneurs in networking and better understanding how international markets work. NET is coordinated closely with the program of other donors in Tajikistan, particularly the programs of the World Bank, UNDP and EU-TACIS.

**TAJIKISTAN  
FY 1997 PROGRAM SUMMARY\***

Strategic Objectives	Economic Restructuring	Democratic Transition	Social Stabilization	Cross-cutting and Special Initiatives	Total
Privatization					
Fiscal Reform					
Private Enterprise					
Financial Reform					
Energy					
Citizens' Participation					
Legal Systems					
Local Government					
Crises			3,000,000		3,000,000
Social Benefits					
Environmental Health					
Cross-cutting / Special Initiatives				2,000,000	2,000,000
<b>TOTAL</b>			3,000,000	2,000,000	5,000,000

\* Freedom Support Act (FSA) funds

USAID Mission Director, Acting: Patricia K. Buckles

## ACTIVITY DATA SHEET

**PROGRAM:** TAJIKISTAN

**TITLE:** Crises, 110-S003.1

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,000,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Reduced human suffering and crisis impact.

Background: Humanitarian relief programs funded by UNHCR, USAID and others have been largely successful in dealing with the immediate aftermath of the 1992 civil war, which resulted in many deaths, the departure of tens of thousands of local citizens and the destruction of many thousands of homes, schools, health centers and other facilities. Much of the damage was concentrated in the Katlon area immediately south of the capital, Dushanbe. Although political consensus has not yet been achieved and the situation remains very fragile, most Tajiks who fled during the civil war have now been able to return home. Recognizing this, the UNHCR is dramatically reducing its presence in Tajikistan and the focus of the United Nations agencies is turning toward long-term, sustainable development plans.

USAID Role and Achievements to Date: The U.S. was among the most generous donors in responding to the crisis in Tajikistan. Political consensus has not been achieved and Tajikistan and the political situation remains fragile. Nonetheless, USAID programs were effective in dealing with the immediate aftermath of the civil war and in facilitating a safe return of most refugees. Portions of USG resources were channeled through international organizations, such as UNHCR and UNICEF, and through American PVOs. The immediate impact of these efforts has been substantial and positive, including the delivery of 18,000 metric tons of food, the restoration of health facilities for 260,000 people, the reconstruction of more than 10,000 homes, and the provision of potable water and improved sanitation facilities for about 40,000 beneficiaries.

Description: USAID-supported work is carried out through contributions to international organizations and American PVOs. Emergency work included major support for feeding programs, including food-for-work activities and the provision of food for especially vulnerable groups such as women and school children. As aid shifts toward more sustainable development projects, programs have been able to expand to include health, water, income generation, employment and agricultural development. Funding has also been provided for a small hydro generating plant in the isolated Gorno-Badakhshan area of Tajikistan.

Host Country and Other Donors: Donor coordination in Tajikistan is excellent and is regarded as among the most effective in the former Soviet Union. Various donor groups meet weekly to discuss programs and ensure that all parties are working together. Lead organizations include the United Nations (UNHCR, UNDP, UNICEF, WHO, etc.), bilateral donors including various European organizations, and a variety of American and international PVOs. Both the World Bank and the UNDP are contemplating major new initiatives that would rely largely on local and foreign NGOs to manage and deliver badly needed goods and services to many areas of Tajikistan.

Beneficiaries: Direct beneficiaries include those who have benefited from the food, medical services, housing and water provided by the various USAID-funded groups. In particular, tens of thousands of refugees and internally displaced persons have been helped as a result of the USAID program. Vulnerable groups, including women and children, have especially benefited.

Principal Contractors, Grantees, or Agencies: American PVOs play a significant role in providing

USAID-funded humanitarian assistance to Tajikistan. Groups that have received USAID funds thus far include Save the Children, Relief International, International Rescue Committee, CARE, and the Aga Khan Foundation. Funds have also been provided to a number of international organizations, including the International Federation for the Red Cross, UNHCR, and UNICEF.

Major Results Indicators\*:

Percent of targeted group(s) with access to food, clean water, housing and medical services.  
Number/kind of local institutions/organizations strengthened.

\*These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## TURKEY

**FY 1997 Economic Support Fund Request** ..... \$60,000,000  
**FY 1997 Development Assistance Request** ..... \$5,700,000

### **Introduction.**

Turkey is a close and valued ally of the United States. It occupies a strategic location between Eastern Europe, the Middle East and the New Independent States, and is a key member of NATO.

From the establishment of the Republic until 1980, Turkey was an insulated, state-directed economy. In 1980, however, the country embarked on a new course. Increased reliance on market forces, decentralization, export-led development, lower taxes, foreign investment, and privatization became the basis for the new economic philosophy. The U.S. has an interest in encouraging and supporting the growth and stability of a western-oriented Turkey following sound, free-market and democratic policies.

### **The Development Challenge.**

The USG has not maintained a full-scale bilateral foreign aid program in Turkey since the mid-1970's. The country achieved an advanced standing in the developing world at that time and has continued to modernize. Nevertheless, the economic situation, while at times experiencing dramatic growth, has been unstable, rife with internal structural problems resulting from state intervention and bloated government bureaucracies. Economic problems are further exacerbated by excessive population growth, fueled by heavy rural to urban migration and relatively low prevalence of modern contraceptive usage. Turkey is also encountering a separatist and terrorist campaign from within the country, and this fight has resulted in alleged and confirmed human rights violations.

Turkey has made substantial progress towards implementing an ambitious program for correcting the underlying macroeconomic imbalances which have plagued the economy over several years. In 1994, the Government of Turkey (GOT) was able to achieve some measure of stabilization in terms of foreign exchange and external payments. The austerity package introduced in April 1994 was inconsistently applied and failed to eliminate Turkey's high inflation rates of over 65%. A severe currency crisis during the early months of 1994 put Turkey at risk of not meeting its external debt payment commitments. However, macroeconomic policy adjustments initiated by the government in April 1994, and supported by an International Monetary Fund (IMF) standby arrangement have led to a more favorable outlook for the sustainability of debt servicing by the country. By the end of 1994, the external currency account had improved significantly, foreign currency reserves restored to pre-crisis levels, and the composition of external debt had shifted further toward medium- and long-term commitments with average maturity of more than eight years.

In 1995, the Turkish economy grew robustly. GNP grew nearly eight percent in the first nine months of the year and overall manufacturing capacity increased to 80% in the last quarter of 1995 compared with 76% at the end of 1994. Most analysts expect far slower growth in 1996 as a new coalition between center right parties moves to implement a new austerity program which will probably be similar to that of 1994.

### **Other Donors.**

The principal form of U.S. assistance is through the cash transfer mechanism. The purpose is to support Turkey in implementing economic and democratic reforms. These resources, in conjunction with those provided by other donors and private lenders, enable Turkey to continue servicing its large debt, and help support its economic reform program and structural adjustment efforts.

The International Monetary Fund (IMF) and World Bank have provided standby and project loans to the GOT to encourage and reward major economic reform measures. Moreover, the UN Fund for Population Activities and the International Planned Parenthood Federation support activities in less developed areas and with indigenous organizations respectively.

#### **FY 1997 Program.**

USAID supports an economic policy reform program under the Economic Support Fund (ESF) cash transfer program, which has spurred a dramatic increase in exports. The ESF program dwarfs all other activities USAID finances in Turkey.

The second largest program supports a focused population assistance program, which is guided by a five-year strategy. The strategy calls for a rational phase-over of activities to the GOT and the private sector by the end of the century. The strategy supports the U.S. Embassy's interest in broadening the bilateral US-Turkey relationship beyond military cooperation.

#### **Strategic Goal: Social Stabilization**

Population issues are developing into a major priority of the GOT, given that its current population of almost 61 million is expected to double by the year 2025. Surveys show that Turkish couples use less reliable traditional methods. Modern contraceptive prevalence, while increasing, is just approaching 35%, which is below countries like Bangladesh and Egypt. USAID donates approximately 90% of all GOT contraceptive commodities. Recently, the Government of Turkey has demonstrated a sense of commitment to reducing population growth. Together USAID and the GOT have developed a plan for enhancing private and public ability to meet consumer contraceptive demand independent of USAID support. Thus in FY 1995 USAID began implementing this agreed upon plan for enhancing contraceptive availability as part of a 5-year phase down strategy ultimately promoting Turkish private and public resources to take USAID's place as the main provider.

The USG-approved Population Strategy for Turkey 1995-99 contemplates the following activities. The USAID program is strengthening the GOT policy environment, forging ties among private firms and facilitating increased non-governmental organization (NGO) participation. The project works to train counselors and care providers to improve their quality of services and depth of knowledge. It seeks to expand access to services by integrating them into existing health care delivery networks. Finally, on a decreasing scale, USAID provides funding for contraceptive commodities.

The program, implemented by a number of U.S. Cooperating Agencies, has seen many gains. Family planning training has been integrated into eight university teaching programs, midwifery and nursing schools, as well as the Ministry of Health (MOH) in-service family planning sites. The MOH adopted the first-ever national family planning guidelines and operates model family planning clinics throughout the country. The MOH and social security organization agreed to begin purchasing contraceptives. The USG is working with the cooperating agencies to foment more synergistic implementation and sustainable impacts. The strategy, which includes a five-year phase down approach, will provide important guidance and impetus for results.

- **Strategic Objective:** Improved sustainability of social benefits and services

#### **Strategic Goal: Cross-cutting and Special Initiatives**

This special initiative works to maintain economic and political strength and stability in Turkey. Turkey is a key ally and plays an important role in the region. While peace prospects have improved in some parts of the Middle East, hot spots are evident throughout the Caucasus, Central Asia, Cyprus and Iraq/Iran. The instability surrounding Turkey and the internal civil strife distract the government from major economic reforms. Growing religious conservatism could make reform more difficult. In

addition, the GOT must take much more drastic steps to reform the economy, for example, through full-scale privatization and reduced government expenditures. These significant changes in the economic system require international financial support to ease the burden and maintain stability.

USAID assistance will be used primarily for balance-of-payment support, including the servicing of nonmilitary U.S. and international lending institutions' debt. USAID's strategy is to provide resources, which, in conjunction with those provided by other donors and private lenders, will permit continued implementation of Turkey's economic reform program, while allowing it to continue importing the goods and services it needs for economic growth and stability.

**TURKEY  
FY 1997 PROGRAM SUMMARY**

<b>Strategic Objectives</b>	<b>Economic Restructuring</b>	<b>Democratic Transition</b>	<b>Social Stabilization</b>	<b>Cross-cutting and Special Initiatives</b>	<b>Total</b>
<b>Social Benefits</b>			5,700,000 b/		5,700,000
<b>Cross-cutting / Special Initiatives</b>				60,000,000 a/	60,000,000
<b>TOTAL</b>			5,700,000 b/	60,000,000 a/	65,700,000

a) Economic Support Fund

b) Development Assistance

Director, Office of European Country Affairs: David Cowles

## ACTIVITY DATA SHEET

**PROGRAM:** TURKEY  
**TITLE:** Social Benefits, 000-S003.2  
**STATUS:** Continuing  
**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$ 5,700,000 DA  
**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Improved sustainability of social benefits and services.

Background: Turkey's rapid population growth is a deterrent to its social and economic development. Turkey has a population of 61.8 million, which under current conditions will double in just 33 years. Desired fertility in Turkey is 2.1, while the actual fertility is 2.7. Although overall contraceptive prevalence is 63%, only about half of that represents modern method use. There are 11.5 million married women of reproductive age, 9.6 million of whom want to use contraceptives, but only 4.4 million of whom are using modern contraceptive methods. Thus over five million couples (over 40% of all Turkish couples) have unmet demand for modern family planning methods. The Government of Turkey (GOT) has recently demonstrated an elevated sense of commitment to population and family planning issues.

USAID Role and Achievements to Date: USAID has provided funds for population programs in Turkey since the 1960s. Today's USAID assistance focuses on sustaining a reduced rate of population growth and a financially sustainable program, able to continue in the absence of donor resources. To achieve this end, USAID and the U.S. Embassy in Ankara, developed a five-year strategy for 1995-1999. According to the strategy, the assistance budget will be phased down to insignificant levels by the end of 1999. The program focuses on policy, management development, training education, communication and service delivery. Twenty-one percent of the 1995 USAID population assistance budget was earmarked for contraceptive commodities for the public sector. The strategy also includes a phase-out plan for commodities, whereby the GOT will assume full responsibility for procurement of contraceptives by the year 1999. The convergence of a number of factors have created ideal conditions for impact in Turkey. The most salient factor is the GOT's elevated sense of commitment to population and family planning issues and the willingness to develop the role of the commercial and non-government sectors -- an endeavor seen to promote program sustainability. The GOT, commercial sector, and non-governmental organizations have all requested technical assistance in reaching their individual and mutual goals -- contributing to the increasingly productive partnership between USAID and Turkey. The coordination of the program rests with a Joint Programming Team comprised of USAID/Washington and U.S. Embassy representatives.

Description: USAID's activities focus on increasing the availability and effective use of quality family planning and reproductive health services; improving Turkey's self-reliance in family planning and reproductive health by enhancing the public and private sector ability to meet consumer demand for these services independent of USAID support. There are three USAID strategic approaches for achieving the program's strategic objectives: 1. Strengthen policy and GOT budgetary support for the family planning program; 2. Improve the quality of family planning and reproductive health services in the public and private sectors; 3. Expand access to family planning and reproductive health services and information in the public and private sectors.

Host Country and Other Donors: The Turkey's Ministry of Health, the Social Insurance Organization (SSK), NGOs and the commercial sector collaborate with USAID programs. With USAID as the lead donor both in financial and programmatic terms of the program, several other donors contribute to the program. The United Nations (UN) endorses an integrated approach to improve maternal, child and family planning services and focusses on underserved populations, covering the most remote 28

provinces in eastern and southeastern Turkey. The International Planned Parenthood Federation (IPPF) supports the Family Planning Association of Turkey (FPAT), its local affiliate, in supporting various small projects, mostly educational activities, aimed to religious leaders, adolescents, men, and policy-makers. The Japanese International Cooperating Agency (JICA) plays a limited role, in funding the establishment of a high-tech studio for the development of audio-visual materials for the MOH. In addition, The European Union (EU) and the German Technical Cooperation Assistance (GTZ), have recently committed small grants to local NGOs to carry out small scale family planning service delivery projects. Finally, the World Bank supports a large five year health sector loan, however, it does not focus on population and family planning.

**Beneficiaries:** This effort seeks to directly benefit women of reproductive age, their husbands and children through helping them meet their desired family size and improving the health status of women and children. Indirectly, this effort seeks to benefit the entire population of Turkey by reducing the population pressures on the economy, environment, housing and social services.

**Principal Contractors, Grantees, or Agencies:** Cooperating groups are: the Johns Hopkins Program for International Education in Reproductive Health (JHPIEGO), the Johns Hopkins Population Communication Services (PCS), the Futures Group International through the Social Marketing Project (SOMARC) and through OPTIONS for Population Policy Project, Pathfinder International, Access to Voluntary and Safe Contraception (AVSC) International, Management for Sciences for Health through the Family Planning Management Development Project (FPMD), John Snow Incorporated through the Family Planning Logistics and Management Project (FPLM) and through Family Planning Service Expansion And Technical Support Project (SEATS).

**Major Results Indicators:**

Achievement of strategic objectives by the end of 1999 will be measured quantitatively or qualitatively, as appropriate, using the following markers:

- Existence and implementation of a strategic plan for the national family planning program.
- Contraceptive prevalence of modern methods increased from 34.5% to 45%
- Improved method mix by increasing long-term methods (Depo-Provera, male & female sterilization, pills)
- Decreased discontinuation rates of modern contraceptives
- Reduction in the rates of reported abortions.
- GOT procuring all public sector contraceptives, including injectable.
- MOH has a family planning line item in its annual budget.
- The private sector will provide 75% of modern contraceptives (condoms, pills, Depo-Provera)

## TURKMENISTAN

**FY 1997 Assistance to the NIS Request . . . . . \$5,000,000**

### **Introduction.**

Turkmenistan remains a resolutely one-party state, with power invested in an old-line communist-turned-nationalist leader. It has made minimal progress in privatization or economic restructuring. Its small population of approximately 4 million, combined with rich gas fields and other natural resources, suggests the prospect of considerable future wealth. Given these circumstances, the government has thus far perceived few compelling reasons to undertake the wrenching economic reforms or associated political risks necessary for moving toward a market economy. The principal problem with Turkmenistan's economic strategy is that gas pipelines lead only to other former Soviet states that lack hard currency and are unable to pay market prices. Alternative openings to Iran for transport and access to wider international markets present other difficulties, both for the government and for Western political and economic interests.

The United States has a combination of commercial and strategic interests in Turkmenistan. On the commercial front, Turkmenistan boasts some of the largest gas reserves in the world, with obvious implications for international energy markets once the transport problem is resolved. A wealthy Turkmenistan that lives up to its economic potential will also be an attractive target for U.S. trade and investment. Other interests relate to ensuring stability and long-term growth prospects in a potentially volatile region of the world that borders Iran and Afghanistan and is relatively close to both the Caucasus and the Middle East. By encouraging greater openness in both economic and political development, the U.S. hopes to encourage potential reformers to seriously look at new ways for Turkmenistan to engage with the wider world and to begin to put into place the structures and mechanisms needed for more democratic governance and market-based economic growth.

### **The Development Challenge.**

Although Turkmenistan appears interested in avoiding the trauma of economic transition inherent in a rapid economic restructuring program, maintaining the status quo has its own risks and problems. More than four years after independence, life for the average citizen remains grim and only a few, very tentative steps toward market-based economic reform have begun. The inflation rate is among the highest in the former Soviet Union. A new currency has been introduced and foreign exchange management is improving, following an initially unsuccessful effort to maintain exchange rates at an artificial level. The construction of a few showcase projects such as luxury hotels, government buildings and a new airport cannot hide the fact that fundamental economic weaknesses remain and that a reasonable strategy for economic growth has not yet been put into place. However, there have been some recent encouraging indications that the government is becoming more willing to consider and in some cases begin taking steps that would start the country on the road toward economic reform.

In 1995, Turkmenistan experienced problems servicing its external debt. Arrears of \$78 million were accumulated by the end of the year. Recently, an agreement was reached with the EU for the payment of \$58 million owed in quarterly installments during 1996. External debt has risen rapidly increasing from \$168 million in 1993 to \$469 million at the end of 1995. Debt service payments were over \$260 million as the average maturity of the debt was less than two years.

Economic management is premised on unrealistic expectations about hard currency earnings from gas sales abroad. Unfortunately, these expectations have yet to materialize. Production levels have been disappointing and no markets have been found outside the former Soviet Union. Meanwhile, energy demand in the former Soviet Union is plummeting, partly because of energy conservation measures and

partly because of the overall decline in economic activity. Earnings from gas sales in 1995 were far less than anticipated and probably did not reach \$1 billion. The fact that buyers in the former Soviet Union are unable to pay in hard currency and unwilling to pay world market prices complicates matters further. Payment problems with Ukraine are especially severe, and payment of arrears owed by Georgia, Armenia, Azerbaijan and Tajikistan has been complicated by the political problems facing each of those countries. Various pipeline schemes under discussion as part of an effort to diversify markets and reduce transport problems have yet to materialize, in large part because of a lack of investment resources.

Stagnation is occurring in other areas, even as the gas sector fails to live up to its potential. The government issues little or no official data, but IMF reports suggest that there have been sharp declines in industrial output over at least the past couple of years. Cotton harvests have also been disappointing, and virtually all the output is still picked by hand. The official policy of heavily subsidizing utilities and social services, while perhaps understandable from a political point of view, is unsustainable under present economic circumstances.

At the political level, Turkmenistan still maintains the centralized system of governance inherited from Soviet times. Turkmenistan's leadership exercises firm authoritarian control, and there is little evidence of legal reform, formation of independent social and political organizations, establishment of a free press, or creation of an independent parliament and judiciary. Alternate views are rarely heard and opposition voices are quickly silenced. The fact that Turkmenistan was so isolated during the Soviet era complicates matters still further. While the country is very interested in engaging with the wider world, its lack of experience on how the world economy works clearly shows, complicating its own dealings with other countries.

The modest USAID program in Turkmenistan mainly involves offering opportunities and alternative perspectives to Turkmen as they seek to find a place in a modern, interdependent world. It also aims to lay the foundation for a stronger commercial relationship once Turkmenistan begins to exploit its natural economic advantages and emerges as an important energy source. Special efforts are being made to identify a potential "next generation" of reformers who will shape and manage Turkmenistan's economic and political policies in the next century.

USAID expects that Turkmenistan will have the institutional and other resources to continue its own transition. Current plans are to phaseout Freedom Support Act (FSA) assistance within the next few years.

#### **Other Donors.**

Other donors such as EU-TACIS and the various United Nations agencies such as UNDP and UNFPA maintain a modest presence in Turkmenistan. The IMF and the World Bank also deal directly with the government. They offer important policy guidance and advice as Turkmenistan becomes more familiar with what it means to maintain independence and function effectively as an economic and political player within the broader community of nations. Both the World Bank and the IMF indicate that recent signs have been encouraging and that government officials are more open to reform, partly as a result of the various training efforts undertaken by USAID.

#### **FY 1997 Program.**

USAID's strategy for Turkmenistan will continue to be centered on a creative use of U.S. study tours and in-country workshops and seminars designed to prepare the next generation of Turkmen leaders. The innovative follow-on program, which builds on US exposure trips and amplifies and expands on the training received, will continue to be important. On occasion, the effort also involves regional events that allow Turkmen officials to learn from the experience of others and discuss common concerns with representatives of other Central Asian countries. While economic restructuring and

privatization are central themes in this training effort, other areas such as democracy, health and environmental issues can also be addressed.

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

Past USAID activity includes significant assistance to Turkmenistan and the introduction of new technology under the Aral Sea initiative that is now winding down; an extensive training effort; modest work in the health and family planning area; and a limited farmer-to-farmer program. In all cases, programs have been organized to help provide a previously isolated Turkmenistan an open window on a wider world, by introducing new concepts, showcasing new technologies and building a better understanding of alternative approaches and ways of doing business. These same concerns will continue to inform USAID program development in the future.

In Turkmenistan, "special initiatives" refers mainly to a medical partnership and family planning. Both are part of Congressionally-mandated funding earmarks which are being used to promote broader programming and strategic concerns in Turkmenistan. There is substantial interest in the Turkmen health community in collaborating with U.S. experts, although the emphasis so far has been more on "high tech" curative practices than on basic health care approaches that would make most sense in Turkmenistan. Although the emphasis now is on health earmarks, limited training and technical assistance related to the political and economic transition is possible if funding and the situation in Turkmenistan permits.

The medical partnership between the Cleveland Clinic and the Niyazov Medical Consultative Center in Ashgabat was established in 1993 and is now entering its "graduation" phase. Through June 1995, some 35 short-term exchange trips had been conducted involving individuals from both institutions. Turkmen health staff from thirty other medical institutions have received management training at a number of regional seminars and workshops. Improvements that result from the partnership are designed to provide a good precedent for other hospitals to follow. For example, an examination of cost factors led to the establishment of a cost accounting department that in turn led to a marked reduction in the average length of patient stays. This review also led to the introduction of a number of fee-for-service activities which now account for 10 percent of the Niyazov hospital budget. New infection control procedures resulted in lowered morbidity and mortality rates. Turkmenistan is also participating in a USAID-funded regional family planning program that resulted in the first international meeting to address reproductive health issues in Turkmenistan. The country also participated in the USAID-funded reproductive health program, resulting in two fully equipped service delivery/clinical sites in Ashgabat staffed with qualified trainers and service providers.

The medical partnership involves training and people-to-people exchanges between medical staffs in Cleveland and Ashgabat. Often, the partnership becomes a vehicle for raising additional private American funds and for providing badly needed medical supplies and equipment to Turkmenistan. Family planning programs combine advisory services and training that introduces new approaches and technologies into Turkmenistan. The focus now is on health, but developments in Turkmenistan could also permit additional training and technical assistance in support of the economic and political transition in Turkmenistan.

Also under Cross-Cutting Programs, the Exchanges and Training program continues to provide important support for reform-minded Turkmens to obtain specific training in a way that also exposes them first-hand to Western systems and methods. By the end of 1995, some 236 Turkmens had participated in the USAID-funded NET training effort, a program that is highly regarded by local counterparts. As many as 140 more Turkmens may participate in the ongoing effort in 1996. Programs focus on economic restructuring and cover such areas as privatization, bank reform, tax and fiscal policy, international contracting and budget reform. Although the time period is too short to fully "train" individuals in a particular technical field, the experience does provide highly useful, hands-on exposure to how modern, democratic and marketed-based societies are organized. An extensive

follow-on effort, involving both returned participants as well as their colleagues who were unable to go to the U.S., helps reinforce the training and extends the experience to a wider number of people. For FY1997, this tailor-made approach to identify and support potential reformers within Turkmenistan will continue. If more definitive steps are taken to introduce and implement reform, short-term technical assistance in relevant areas can also be considered as part of the wide follow-on effort.

**TURKMENISTAN  
FY 1997 PROGRAM SUMMARY\***

Strategic Objectives	Economic Restructuring	Democratic Transition	Social Stabilization	Cross-cutting and Special Initiatives	Total
Privatization					
Fiscal Reform					
Private Enterprise					
Financial Reform					
Energy					
Citizens' Participation					
Legal Systems					
Local Government					
Crises					
Social Benefits					
Environmental Health					
Cross-cutting / Special Initiatives				5,000,000	5,000,000
<b>TOTAL</b>				<b>5,000,000</b>	<b>5,000,000</b>

\* Freedom Support Act (FSA) funds

USAID Mission Director, Acting: Patricia K. Buckles

## UKRAINE

**FY 1997 Assistance to the NIS Request . . . . . \$183,000,000**

### **Introduction.**

Under the strong leadership of its reform-minded president, and despite considerable resistance from his political opponents, Ukraine's movement toward rebirth as a market-oriented democracy has had its continued problems but progress remains evident. While the course of Ukraine's transformation has not been without some setbacks, the overall outlook remains encouraging.

The United States and Ukraine have a shared interest in Ukraine's independence, stability and prosperity. Straddling East and West, Ukraine is trying to assert its national identity while at the same time establishing and balancing relationships with Russia, its fellow newly independent states, and the free world. In regard to the latter, over the past several years, Ukraine has taken a number of important steps that have led to greater global security and furthered economic and political integration with the West. Of critical importance were the decisions to rid itself of nuclear weapons and to become a leading member-state in the Partnership for Peace. Further demonstrating its position as a member of the world community, Ukraine has also participated in peacekeeping efforts in Bosnia-Herzegovina. On the economic side, Ukraine has strived to keep pace with an ambitious and politically difficult economic reform program negotiated with the International Monetary Fund (IMF) and supported by the donor community. Although there remains much to be accomplished, considerable strides have been made, including monetary stabilization, trade liberalization and a substantial reduction in inflation. Recently concluded negotiations with the IMF have reconfirmed that Ukraine is serious about achieving its economic reform targets and sustaining reform momentum.

### **The Development Challenge.**

The transformation of Ukraine's economic and social structure is a complex and daunting task, one requiring strong and steadfast support both from within the country and from the international community. While USAID is assisting Ukraine to put in place the basic building blocks of a market-oriented economy, involving the transfer of a significant proportion of command-controlled assets to private ownership and comprehensive change in economic policies and supporting institutions, an enormous challenge for the Government of Ukraine is to maintain popular support for the reform effort. As long as the quality of life continues to deteriorate for most Ukrainian citizens, the promise of a brighter future associated with economic reform will ring hollow. Therefore, USAID is assisting Ukraine in building political and civil institutions that will supplement and balance the efforts of government. Attention is also being given to restructuring basic social protection programs so that government social service expenditures are targeted to the most needy and can become sustainable within the confines of Ukraine's budgetary strictures.

Having just begun serious economic reform little more than a year ago, and without deep political consensus to proceed, Ukraine has far to go in its journey. The pace of privatization has been slow to date, and the criminal justice system has grievous problems including police harassment and unduly lengthy detentions prior to trial. President Kuchma's recent reaffirmation of the importance of privatization, and the upcoming debate on Ukraine's new constitution are positive hallmarks. In these and other efforts, USAID will continue to provide financial and technical assistance to ensure that the full range of choices are available to Ukraine as its citizens forge their way. Already U.S. assistance provided to date is reaping tangible results. No other country has come as far as fast in reforming its energy sector, which has enormous implications for the country's solvency. At the local level, governments are beginning to take responsibility for resolving problems, and in the process mobilizing and becoming more responsive and accountable to citizens. In terms of the human dimension of reform, over a million low-income people have had the pain of market reform eased by housing benefits targeted to them which offset reform-mandated rent increases. At the same time the Government has

realized enormous savings by collecting increased rents from those who can afford it.

A strong impetus for undergoing radical reform is Ukraine's enormous debt burden, which now stands at \$8 billion, or about 25% of GDP. More than half is owed to countries of the former Soviet Union, mainly Russia, for oil and natural gas. The Government of Ukraine well understands the importance to its future solvency of reducing this drain on the economy. In fact, rescheduling of over \$3 billion of arrears in debt service and gas payments was crucial to Ukraine's ability to mount a reform program under IMF auspices, and payment of external debt remains a key component of the program.

USAID expects that Ukraine will have the institutional and other resources to continue its own transition. Current plans are to phaseout Freedom Support Act (FSA) assistance within the next several years.

#### **Other Donors.**

In addition to the United States, major donors to Ukraine include the World Bank, the European Union and the U.K., with whom USAID coordinates assistance programs closely, both at the planning and implementation stages. A unified donor voice has been particularly instrumental in focusing a critical mass of attention on overcoming obstacles that threatened to derail the mass privatization program. Another major multi-donor effort in which the U.S. is participating is the G-7 initiative to help Ukraine close the Chernobyl Nuclear Power Plant. This is an integral part of the re-vamping of Ukraine's energy sector, in which USAID has played a major role in the successful restructuring of the power sector. Progress to date has led to a proposed World Bank capital credit loan to further energy sector restructuring goals. Beyond that, the World Bank has asked the U.S. and U.K. to work together to assist Ukraine in the development of an energy sector privatization strategy. Finally, USAID work in supporting Ukraine's social transition is carried out in coordination with the EU and supports key targets of Ukraine's IMF program by helping mitigate impacts of the reform program on health, housing, and other social factors.

#### **FY 1997 Program.**

In FY 1997, the USAID program in Ukraine will continue to assist the coalition of reformers to succeed in the fundamental restructuring of Ukraine's economic and political system. USAID will also support the efforts of the government to alleviate the privations imposed on the most vulnerable members of society during the economic transition.

#### **Strategic Goal: Economic Restructuring**

Economic growth is critical to Ukraine's future as a stable and prosperous country, but growth requires investment. Without the transfer of assets to the private sector and the appropriate policy, legal and regulatory framework conducive to broad-based competition and private sector growth, Ukraine will not be able to foster investor confidence and attract meaningful investment. Also key to successful economic and social stability are efficient and safe energy systems and environmentally sound practices and environmental sustainability. As a result, Ukraine has committed itself to a comprehensive economic reform program, and USAID is playing a significant role with a multi-faceted assistance program to foster these reforms. Specifically, USAID is assisting Ukraine in privatization of enterprises, land and housing; creation of capital markets; reform of financial and fiscal systems; development of sound commercial law; restructuring the energy sector; fostering new business development and investment; reinvigorating agriculture; and promoting environmentally sustainable growth.

To date, Ukraine has privatized approximately 16,000 small companies and over 1,500 medium and large enterprises. Progress in implementing mass privatization has been slower than expected due to the cumbersome structure of the process, as well as deep-seated political and social concerns. As a

result, in conjunction with the World Bank and European Union, USAID is now conducting a concerted effort to assist Ukraine in streamlining and accelerating the program. The outlook for success is bolstered by President Kuchma's publicly stated personal commitment to ensuring the successful and speedy completion of this program.

Ukraine's capital markets structure underwent significant changes last year, the most noteworthy being the USAID-supported establishment of the Securities Regulatory Commission, a self-regulating association of investment companies. Over the next year, USAID intends to continue its support for the development and maturation of Ukrainian capital markets, with a focus on helping to establish secure trading and settlement systems and develop a central depository for traded shares.

Over the past year, USAID assistance was instrumental in the drafting of a land privatization decree issued by President Kuchma in July, and urban land auction systems developed by USAID were used by a number of cities to either sell into private ownership or lease land plots for up to 50 years. Word of the success of these auctions has reached localities all over Ukraine and led to a flurry of activity. Through FY 1997, it is expected that Ukrainian cities will hold up to fifty land auctions or tenders and 10 cities will develop a routine auction process. USAID will also assist in the establishment of a national land titling and registration system, the development of a legal and regulatory framework for urban and rural land privatization, and the creation of a national land taxation system. This, together with reforms at the local level, including rationalizing the provision of urban infrastructure, will help promote badly needed private sector urban real estate development. In support of agrarian land reform, USAID-funded farm reorganization pilots have recently gotten underway. Successes and lessons learned from this initial work will form the basis for future activities covering a wider area.

USAID's housing privatization program integrates national and local efforts to encourage the private ownership of housing units and to improve the delivery of maintenance and communal services. Assistance includes work on national policy issues, as well as local projects in four regions to demonstrate ways to carry out reform. Activities to promote privatization of housing ownership, management and maintenance are well underway in 16 localities and are expected to extend to a total of 50 localities over the coming months. So far, almost 22,000 units are being operated under private management nationwide. More than a dozen buildings totalling over 500 units have been registered as homeowner condominium associations. With USAID's assistance, the groundwork for nationwide replication of the condominium program has been completed just as a national condominium decree was passed, mandating the formation of homeowner associations in buildings in which three or more units have been privatized. The challenge for the future, as in the case of land privatization, will be to help local government and the private sector begin the process of developing a truly functioning and productive housing and real estate sector in Ukrainian cities.

With USAID's technical support, the National Bank of Ukraine (NBU) has moved forward in developing the infrastructure for a safe and sound banking sector. Most notably, the NBU's interbank payment system is fully functioning, with technical execution of payments now taking minutes rather than weeks. Work in progress includes development of the NBU's capacity to analyze and monitor risk and enforce prudential regulations; revision of banking law and NBU regulations; and the development of a government securities market. USAID efforts over the next year will focus on further development and strengthening of bank supervision, funds transfer and accounting systems, and the government securities market. USAID assistance will also encompass banker training in critical areas such as credit analysis.

With USAID technical assistance, a significant start has been made in strengthening and increasing the transparency of the budget formulation process. A macroeconomic forecasting model has been developed, and the staff of the Ministries of Economy and Finance have been trained in its use. Monthly budget reports on major items of revenue and expenditure are now issued and widely circulated. On the revenue side, USAID has provided training to the State Tax Inspectorate in the areas of tax collection procedures, tax law enforcement, audit and internal control mechanisms.

Government-wide taxpayer identification numbers and an electronic master file are being created. As access to essential data is a major problem, future USAID budget-related assistance will focus on further development of databases and models for budget preparation, analysis and monitoring, including the development of analytic tools to assess the "underground economy" and its budgetary implications. In view of poorly drafted and sometimes contradictory tax law, USAID's tax-related efforts will emphasize rationalization of the existing disparate tax legislation to enhance the environment for private investment. Given serious impediments to tax collection, USAID plans to encourage the adoption of a wider range of taxpayer assistance programs and tax law enforcement provisions to increase tax law compliance and collections.

USAID's focus in legal and regulatory reform has been in the areas of anti-monopoly and unfair competition. With USAID support, the Antimonopoly Committee of Ukraine has moved aggressively to develop the necessary statutes, internal and investigative procedures and enforcement mechanisms, gaining international recognition for its progress. The Committee has also actively promoted a transparency of governmental process that is quite new to the region. It has sought, received and exercised administration enforcement powers essential to its efforts in the absence of necessary judicial infrastructure. For the future, USAID assistance will be targeted to complete statutory and regulatory drafting and enactment assistance, and to help ensure that secured lending and debt restructuring can take place. Bankruptcy and collateral law activities, just getting underway, will complement work done with the Antimonopoly Committee.

With USAID assistance, Ukraine's thermal power sector is rapidly being transformed from a state-owned and operated regionalized monopoly system into a reconfiguration of privately-owned and operated companies, reorganized to maximize the play of free market forces. Ukraine's eight former regional monopolies, which combined the basic utility functions of power generation, transmission and distribution, have been reconfigured into over thirty-three separate competing companies, with the system's natural monopoly - a high voltage power transmission company - retained and corporatized. With the break up of the monopolies, competition from four new power generating companies is projected to lead to increased operating efficiencies and lower electricity costs for the country. At the same time, a National Electricity Regulatory Commission, the first of its kind in the NIS, has been created to oversee fair competition in the generating companies and ensure an equitable system of retail tariffs. A new company, Energomarket, will operate the pool by acting as a national financial clearinghouse/electricity dispatch center for the reconfigured system. Energomarket is slated to begin operations in the Spring of 1996. For the future, USAID will continue to assist the new power generating and electricity companies complete their internal market reorientation, and will assist the generating and local electricity companies implement their new corporate structures, adopt corporate charters that ensure responsible management and financial transparency, and in overall financial planning as they move toward privatization. In response to a GOU request, USAID is also looking at the potential for assisting in the effort to restructure the coal sector, given the important economic, political and social issues involved.

Power sector restructuring is central to the effort being undertaken by the United States in conjunction with the G-7 countries to assist Ukraine close the Chernobyl Nuclear Power Plant by 2000. After lengthy negotiations, a Memorandum of Understanding was signed by the G-7 countries and Ukraine in December 1995, specifying steps that will be taken to achieve this objective. Among the areas addressed by this program, in addition to power sector restructuring, are energy investments and energy efficiency, thermal power, nuclear safety and the social impact of closing Chernobyl. The United States considers this initiative to be of major importance and will continue to play a prominent role in the context of the G-7 to assist Ukraine in this complex and difficult undertaking. Plans are underway to strengthen U.S. assistance in energy efficiency and to mobilize private as well as international financial institution resources.

There are still many barriers to establishing and maintaining small and medium-sized enterprises in Ukraine, and USAID assistance addresses several important constraints. A number of regional business

service centers have been established and are providing training and advisory services directly to current and prospective entrepreneurs. These centers also offer access to information and data for improved planning and decision making. Another key component to USAID's business development support is the West NIS Enterprise Fund, which includes both a direct investment program and a small business loan program. Under the former, close to \$10 million has been committed in just over a year's time, with a primary focus on agribusiness, construction-related industries, and wood furniture. The small business loan program has approved over \$700,000 in loans to date in Ukraine. In addition to continuing these programs over the next year, plans are also underway for the development of a micro-lending program.

Representing nearly 30% of GDP and 20% of employment, a reformed and strong agriculture sector is critical to the success of Ukraine's new market economy. Maximizing limited resources and helping to foster a private sector approach to Ukraine's agricultural development, USAID supports U.S. private sector investment in Ukraine's agricultural production, marketing and input supply. Despite a number of constraints, pioneering U.S. agribusinesses have successfully started operating there, and others have a strong interest in Ukraine as a market for inputs and western technology and as a low-cost producer of agricultural commodities for processing and export. As a result of these USAID-supported efforts, four farm service centers have been created through partnerships between Ukrainian and U.S. concerns. Private, profit-oriented alternatives to the old system of state monopolies, these centers provide farmers with alternative sources of inputs and marketing channels, new technology and technical and managerial support. No-till and minimum tillage cultivation methods introduced by joint venture U.S. partners have been adopted on over 800,000 acres, and yield increases of 30% on average have been achieved. Based on these successes, USAID plans to expand the farm supply center network so that up to 25% of Ukraine's farmers will have access to advanced U.S. technology and technical assistance. USAID also plans to assist in the creation of a self-sustaining privately-operated credit facility through which affordable and accessible financing will be available for farm inputs and technology.

A major focus of USAID's environmental program is improved management of natural resources as the foundation for economic development. USAID is strengthening environmental institutions within government, the private sector, and the NGO community to create an institutional framework that will support Ukraine's transition to a market economy. As an example of the implications of environmental concerns for the economy, one element of USAID's program involves identifying investor costs, obligations (including potential liability) and opportunities in a number of industries across Ukraine to enable and facilitate the privatization process. Other activities include environmental assessments for heavy industry in Donetsk to identify opportunities to reduce waste and improve efficiency, and eco-efficient business development in Ivano-Frankivsk, focusing on sound resource management to enable long-term, sustainable economic development.

- **Strategic Objective:** Increased transfer of state-owned assets to the private sector
- **Strategic Objective:** Increased soundness of fiscal policies and fiscal management practices
- **Strategic Objective:** Accelerated development and growth of private enterprises
- **Strategic Objective:** A more competitive and market-responsive private financial sector
- **Strategic Objective:** A more economically sound and environmentally sustainable energy system

## **Strategic Goal: Democratic Transition**

The development of democracy -- transparent and accountable governance and the empowerment of citizens through democratic political processes and civil society institutions -- is key to the success of sustained economic and social reform in Ukraine. As decision-making is decentralized and democratization proceeds, Ukraine's citizens will increasingly assume the responsibilities and enjoy the benefits of participation in the political, economic and social decisions that form their society. The success of this process will depend on the existence of appropriate institutions, laws, and processes, as well as the availability of relevant information. USAID's democracy program in Ukraine is focused on strengthening these building blocks of democracy -- developing competitive and fair political processes, including elections; promoting the active participation of citizens in political and economic decision-making through non-governmental organizations; strengthening independent media; putting in place laws and legal institutions that support democratic processes; and strengthening local government to make it effective, responsive and accountable to its citizens.

With USAID's support of electoral information systems, results of recent elections are being reported on a more timely basis and an increasing amount of information is being collected and published about political candidates, elected officials and party platforms. A new election law, drafted with USAID assistance and expected to be passed by Parliament, addresses a number of major shortcomings in the current law and will greatly increase the efficiency of the electoral process. To strengthen political parties, USAID is helping to improve the capacity of party members to communicate their message to constituents and translate voters' interests into policy. USAID is also helping voters articulate their interests and strengthen their capacity to participate in economic and political decision-making by supporting the work of non-governmental organizations, among them women's groups, independent trade unions, independent media and human rights groups. The result of this effort is that these organizations are increasingly active and effective. They are investigating and reporting on human rights violations; addressing such key women's issues as domestic violence, legal inequality and women's entrepreneurship; conducting opinion polls; publishing a public policy journal; and producing and broadcasting daily television programs that keep Ukrainian citizens informed about the news, politics, free-market economics, and other current events.

Among the greatest challenges Ukraine faces is the completion of its new constitution this year, with enormous implications for how the country functions, as well as its future development. USAID has provided legislative drafting assistance in support of constitutional development, as well as for a new civil code and a wide variety of legislation. USAID-supported activities have created a system of Rada (parliament) interns who provide legislators with research and analysis on draft laws. An information system was designed for the Rada which has increased the access of lawmakers and the public to information, connected Ukraine with the Internet, and improved research and analysis of information. USAID assistance is also having a significant impact on Ukrainian law schools. The five largest law schools, representing 80% of law students, have each received in-house publishing equipment so that their curricula can be revamped with post-Soviet material. Law schools will introduce 26 new subjects into their curricula over the request period. With USAID support, the Supreme Court and Supreme Arbitration Court are conducting in-house continuing education for all judges, who will play an ever-increasing role in upholding the constitution, enforcing laws and resolving disputes. USAID programs are also helping to initiate court cases to protect the environment and the rights of workers.

Aided by USAID technical assistance, leaders of local governments all over Ukraine are beginning to practice democratic governance through the introduction of more open budgeting, town meetings, citizen task forces, constituency outreach and local government watchdog groups. The result is that local governments are improving their financial management, and becoming more effective, transparent and accountable to their citizens. For instance, in the City of Kharkiv, the mayor appeared on television after publication of the recently-passed budget for all to examine, to explain spending priorities and answer call-in questions about it, responding to criticism. The city of Ternopyl revamped its entire bus system to include higher fares but better maintenance and more service, increasing its

public transportation capacity by 40%. The Ukrainian Association of Cities is very active in advocating on behalf of Ukraine's municipalities, especially with regard to new legislation being considered in Parliament. As a result of continued USAID assistance, the majority of Ukraine's urban population will have more access and better services from their local elected governments.

- Strategic Objective: Increased, better-informed citizens' participation in political and economic decision-making.
- Strategic Objective: Legal systems that better support democratic processes and market reforms.
- Strategic Objective: More effective, responsible, and accountable local government

### **Strategic Goal: Social Stabilization**

The objective of USAID's assistance in this area is to help make social services work for the Ukrainian people, both during and after the country's economic and political transition. USAID support for social sector restructuring is designed to protect the most vulnerable members of society during the economic transition, reduce government budget expenditures in the social sector, and facilitate the price increases necessary to improve social service quality. Political support for economic reform in Ukraine will evaporate if affordable methods are not developed to shelter the poor from rapid price increases, falling incomes, and the deterioration of basic public services. USAID activities are designed to address the urgent humanitarian needs of the people of Ukraine, support the government in moving from universal price subsidies to those based on income, and to lay the foundation for a sustainable system of social insurance. They are also designed to reduce the public health risks caused by environmental mismanagement.

USAID provides humanitarian assistance to address critical needs of the most vulnerable groups and to respond to emergency situations. Ukraine has benefited greatly from the distribution of excess U.S. military supplies. Roughly \$6 million worth of these supplies have been distributed to the needy through local Ukrainian NGOs, and a 1,000 bed U.S. Army hospital worth approximately \$17 million was delivered to the city of Donetsk. In response to highly destructive flooding in Kharkiv last summer, USAID provided chloride disinfectant to render household water potable, along with emergency relief supplies flown in on five cargo planes.

USAID has been the largest donor of vaccine to combat the diphtheria epidemic in Ukraine, providing 32 of 50 million doses needed and related technical assistance. This program has demonstrated that Western vaccines work, that mass campaigns work, and that Ukraine can safely modify its immunization protocols. As a result of USAID efforts, the epidemic is beginning to subside. USAID is also providing a one-year supply of insulin for Ukraine's child diabetics while concurrently helping to restore indigenous production of basic medicines and to market promising Ukrainian plants to potential U.S. partners. Partnerships between U.S. hospitals and facilities in Kiev, Lviv, Donetsk and Odessa are focusing on improving the prevention and treatment of disease and on cost containment. Results are heartening. The Kiev partnership hospital has reduced the mortality rate for newborn babies by 62% between 1993 and 1995, and the cost of health care has been reduced at partnership hospitals through 45-65% reductions in the number of days patients stay in the hospital. The Ukrainian National Emergency Medical and Disaster Medicine Training Center, supported by this program, opened in December, with the potential to increase greatly the effectiveness and efficiency of Ukraine's emergency response capacity.

To help make social protection services work for the Ukrainian people, USAID is supporting the development of non-governmental organizations (NGOs) to provide services that government can no longer afford. Since the break-up of the Soviet Union, the number of NGOs has grown markedly, from

roughly 40 in 1990 to over 800 in 1995. The USAID-supported NGO Service Center provides a broad range of services to the local NGO community, including training, technical assistance, and seed grants to local NGOs working in social protection services. More than 200 NGOs have received grants, over 1,300 NGO leaders have been trained, substantially strengthening the capacity of NGOs to meet critical social needs.

To promote social sector restructuring, USAID is providing technical assistance to help refine and build support for the new income-based benefits program on housing and utilities, and to help develop a broader program of means-tested benefits for the needy. To date, over a million people have received subsidies for part of the cost of their housing and utility bills, while price increases for housing and communal services for those who can afford them have resulted in a savings to the Government of Ukraine of \$600 million in 1995 and a projected \$1 billion in 1996. Since 1994, USAID has supported technical assistance and training in U.S.-based health care management, finance, and information to enable Ukrainian counterparts to use existing resources more effectively and to generate new revenues to the health sector. Health care finance and service delivery reform is focused at local level structures, including intensive demonstration sites in Lviv and Odessa, where USAID is working to reduce the cost of health care by supporting reorientation of health care delivery away from long hospital stays and toward clinic visits, and by introducing market incentives. Reducing health care costs is also a goal of the reproductive health project, which aims to reduce the rate of abortion through physician training in modern family planning methods. As a result, Lviv Oblast recently issued a decree restructuring financing for its health care system and providing for use of paid services.

In addition to addressing the economic implications of Ukraine's environmental problems, USAID's environment program also focuses on the public health risks caused by Ukraine's deteriorating municipal infrastructure. In the city of Lviv, where water quality does not meet minimum U.S. health standards, USAID is helping the city re-engineer its water utility and establish consumption-based billing and cost-recovery for sustainable system maintenance. This is expected to lead to the city's eligibility for a World Bank loan based on demonstrated ability to generate revenue to repay bank loans. When the city of Kharkiv was flooded last summer, causing a sewage emergency, a USAID team quickly conducted an on-site assessment of the public health needs and contributed commodities and technical assistance to prevent a health emergency. USAID also provided water pipe to local authorities in Crimea for completion of a new pipeline, which doubled the previous delivery capacity and now provides water to some 82,000 residents. Thousands of brochures were also provided with instructions for improving environmental health.

For the future, USAID will also assist Ukraine in developing and implementing a comprehensive plan for the environmentally sound economic re-development of the Chernobyl region.

- Strategic Objective: Reduced human suffering and crisis impact
- Strategic Objective: Improved sustainability of social benefits and services
- Strategic Objective: Reduced environmental risks to public health

**UKRAINE  
FY 1997 PROGRAM SUMMARY\***

Strategic Objectives	Economic Restructuring	Democratic Transition	Social Stabilization	Cross-cutting and Special Initiatives	Total
Privatization	11,000,000				11,000,000
Fiscal Reform	5,800,000				5,800,000
Private Enterprise	56,500,000				56,500,000
Financial Reform	10,700,000				10,700,000
Energy	11,000,000				11,000,000
Citizens' Participation		10,300,000			10,300,000
Legal Systems		5,700,000			5,700,000
Local Government		5,000,000			5,000,000
Crises			1,000,000		1,000,000
Social Benefits			4,500,000		4,500,000
Environmental Health			2,700,000		2,700,000
Cross-cutting / Special Initiatives				58,800,000	58,800,000
<b>TOTAL</b>	<b>95,000,000</b>	<b>21,000,000</b>	<b>8,200,000</b>	<b>58,800,000</b>	<b>183,000,000</b>

\* Freedom Support Act (FSA) funds

USAID Mission Director, Gregory Huger

## ACTIVITY DATA SHEET

**PROGRAM:** UKRAINE

**TITLE:** Privatization, 110-S001.1

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$11,000,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1994; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Increased transfer of state-owned assets to the private sector.

Background: Economic reform in Ukraine began in earnest with the administration of President Leonid Kuchma. Key to this reform is the privatization of industries, housing and land. In November 1994, President Kuchma set an overly optimistic target of privatizing 8,000 medium and large scale enterprises by the end of 1995. Over 1,500 medium/large enterprises and approximately 22,000 small scale companies have been privatized to date. The government of Ukraine has since revised its targets for medium and large-scale privatization and is accelerating the pace. Small-scale privatization has progressed rapidly since mid-1995.

USAID Role and Achievements to date: USAID has worked very closely with the government of Ukraine and other donors to develop a certificate privatization program that is rapid and transparent, and that elicits popular participation and support. Forty-eight million privatization certificates and 200 million savings certificates were designed, printed and delivered to Ukraine for use in the program. Close to 60% of the population has either picked up their certificates or opened a privatization account. Twenty-six auction centers operate around Ukraine and over 1,000 bid collection centers are open in local neighborhoods for citizens to offer certificates for shares. Recent improvements in policy have tripled the number of enterprises auctioned each month. USAID supports small-scale privatization in 18 cities in 13 oblasts throughout Ukraine, and most USAID-funded cities have privatized between 50 and 90% of available small-scale objects. USAID has also developed and is helping implement procedures for competitive privatization of urban land parcels, titling and registration, and zoning procedures. USAID's housing program was instrumental in creating condominium associations that now include more than 500 housing units, with groundwork laid for a national roll-out of the program, and almost 22,000 units are being operated under private management nationwide.

Description: United States is the principal source of funding and technical assistance for implementing Ukraine's privatization program. USAID finances and provides technical assistance to 1) operate a nationwide network of enterprise auction centers and bid collection centers, 2) prepare state enterprises for auction, 3) calculate and disseminate auction results, 4) advise the State Property Fund (SPF) and its regional affiliates on a wide range of issues regarding improving the implementation of the privatization program, 5) assist local government to carry out small scale privatization, 6) conduct pilot privatization of agricultural land on six collective farms, 7) improve procedures for the privatization of housing units and formation of condominiums, and privatization and development of urban land, and 8) inform and advise the public about privatization and market reform.

Host Country and Other Donors: USAID activities in privatization are coordinated with the World Bank and the European Union's TACIS and the Government of Ukraine.

Beneficiaries: The participating Ukrainian public benefits from the privatization program through direct ownership in the country's productive and commercial capacity. The GOU and local governments benefits by being able to eliminate subsidies to state industries and increase revenues from privatization auctions and increased tax revenue.

Principal Contractors, Grantees, or Agencies: USAID implements its activities through the IFC, Price Waterhouse, Gavin Anderson, PADCO and RONCO.

Major Results Indicators\*:

Percent of land owned by state of parastatal entities declines  
Percent of business assets in state-ownership nation-wide declines  
Percent of GDP attributable to private sector activities increases  
Percent of housing privately owned, managed and maintained in specific locals increases

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** UKRAINE

**TITLE:** Fiscal Reform, 110-S001.2

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$5,800,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1994; **ESTIMATED COMPLETION DATE:** FY 1997

Purpose: Increased soundness of fiscal policies and fiscal management practices.

Background: Technical assistance under this strategic objective aims to make the process of fiscal budget development more systematic and transparent so that the policy level decisions will be made in an environment where the implications of these decisions are clear to all. Under the reform-oriented regime of President Kuchma, Ukraine is moving to strengthen its fiscal sector and the institutions involved with it, including the Ministry of Finance, the Ministry of Economy, relevant committees of the Parliament (Rada) and units of local government. Over the past year there has been modest, but undoubted progress made. This involves efforts to institute macroeconomic forecasting, improve tax policy and administration, and gain tighter control over the budget in order to reduce budget deficits and meet other fiscal targets set by the International Monetary Fund as a condition for receiving future assistance.

USAID Role and Achievements to date: USAID has provided training to officials of the State Tax Inspectorate of the Ministry of Finance in the areas of tax collection procedures, tax law enforcement, audit and internal control mechanisms. Government-wide taxpayer identification numbers and an electronic master file are being created with USAID assistance. A Budget Policy and Macroeconomic Analysis unit has been created within the Main Budget Department of the Ministry of Finance and supplied with computers and related equipment and training in their use.

Description: USAID's fiscal program focuses on improving overall tax structure and administration, developing tools for budget preparation, analysis and monitoring, formulating alternative approaches to inter-governmental finances, and strengthening the ability of institutions, particularly the Ministry of Finance, to function effectively in a market economy.

Host Country and Other Donors: USAID activities are part of a coordinated effort with the IMF and the British Know How Fund.

Beneficiaries: The Ministry of Finance and the State Tax inspectorate are the immediate beneficiaries, and by extension the tax payers and voters of Ukraine.

Principal Contractors, Grantees, or Agencies: USAID activities are implemented by KPMG. In addition, USAID-funded advisors from the U.S. Department of Treasury are advising counterparts in the Government of Ukraine.

### Major Results Indicators\*:

Amount of Karbovanets budget deficits

Amount of Karbovanets of government budgetary transfers to state-owned enterprises

Amount of Karbovanets of revenues available from cost efficient tax administration

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** UKRAINE

**TITLE:** Private Enterprise, 110-S001.3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$56,500,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1994; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Accelerated development and growth of private enterprise.

Background: Business development in Ukraine is essential to create jobs, generate income, expand the availability of goods and services, increase tax revenues and other economic benefits especially at the local level. However, Ukrainian entrepreneurs have difficulty exercising the business skills required for a market environment and getting together with investors. Support services, especially financial services, are inadequate. And the regulatory and local political environment does not yet encourage the growth of competitive businesses. Agriculture remains a major contributor to production in Ukraine, comprises nearly 30% of GDP and 20% of employment, and is a major export earner. Agriculture was central to the structure and functioning of the previous planned economy and its transformation is critical to creating a successful market economy. In all sectors, Ukraine is making mixed progress in developing a framework for institutionalizing rules regarding property relations, and an enforcement system for ensuring that contracts are adhered to. In the area of antimonopoly and unfair competition, the Antimonopoly Committee of Ukraine (AMC) has moved aggressively to develop necessary statutes, internal and investigative procedures, and enforcement mechanisms, gaining international recognition for its progress. Ukraine is applying for the harmonized system of the classification of traded goods, is actively moving toward accession to the World Trade Organization (WTO) and is also expected to join the Kyoto Convention.

USAID Role and Achievements to date: In March 1995, the West NIS Enterprise Fund was registered to do business in Ukraine, and has issued three letters of intent so far, totaling \$4 million. The Eurasia Foundation has funded ten loans so far through its small business loan program. The NewBizNet project is assisting local business advisory organizations to strengthen their services to small and medium businesses. Two new projects are being prepared to support the recovery of privatized companies. USAID's \$175 million EXIM bank program has leveraged private sector resources to supply much needed inputs to the agricultural sector. Three Farm Service Centers have been established with strong U.S. private sector participation, and a private farm finance company is under development. In housing, USAID assistance has supported the growth of a private realtors' association, and has developed the regulations and procedures to form condominium associations of privatized housing owners as well as the provision of housing maintenance and management services by private businesses. USAID has also assisted the AMC in drafting anti-trust legislation and procedural and administrative laws and regulations, and in initiating several hundred cases of violations of monopoly statutes, unlawful agreements, unfair competition and discrimination by state agencies and executive authorities in restraint of competition. USAID has helped Ukraine complete over half the prerequisites for admission to the WTO. USAID is supporting the creation of the infrastructure necessary to support increased trade by assisting the State Customs Committee (SCC) in several areas necessary for WTO accession and in establishing training programs for approximately 16,000 new employees.

Description: Under the Newbiznet Project, Business Service Centers will continue to provide advisory services directly to enterprises. This activity works in collaboration with other USAID-funded activities such as the Enterprise Fund. Through the Small Business Loan Program and the Micro-Lending Program of the West NIS Enterprise Fund, enterprises will receive loans and equity financing. Other USAID activities will work with organizations such as the Association of Cities and the Council of Regions, under the President of Ukraine, to support policy development and improve the environment for business. The Association, and potentially other Ukrainian institutions, will also use USAID

assistance to promote a private housing market, including condominium formation. Ukraine's Realtors' Association will tap USAID support to promote the private management and maintenance of multiple occupant buildings by private firms. USAID will also continue to support the development of market driven, private sector agricultural production, including private marketing and input supply and private sector farm supply centers, which provide farmers with alternative sources of inputs and marketing channels, new technology and technical and managerial support. USAID has initiated a bankruptcy law program to provide the legal infrastructure for the restructuring of insolvent enterprises.

Host Country and Other Donors: The roles of the AMC and SCC have been noted above. The British Know How Fund has provided certain short term assistance to the AMC, and the World Bank has an RFP outstanding for European training for AMC personnel. The bankruptcy program will directly foster compliance with planned conditionality for bankruptcy reform to be included in the IMF's medium term facility expected in 1997.

Beneficiaries: Proprietors and employees of small and medium-sized businesses benefit from the various firm-level assistance activities described above. The business community at large will benefit from bankruptcy reform and the introduction of restructuring procedures for insolvent businesses. The business community and the public at large will benefit from vigorous antitrust enforcement being promoted by USAID assistance to the AMC. All participants in Ukraine's international trade will benefit from WTO accession and the harmonized system, as well as from training provided to SCC personnel. Producers and consumers benefit from agricultural activities under the program.

Principal Contractors, Grantees, or Agencies: The contractor for the bankruptcy program is IRIS. Assistance to the SCC is being provided under contract with IRIS, through a subcontract with Nathan Associates, Inc. Assistance to the AMC is being converted from an IRIS contract to an Interagency Agreement with the Federal Trade Commission and Department of Justice. Other contractors and/or grantees include: the International Executive Service Corps, DA, the World Council of Credit Unions, the Eurasia Foundation, and the Eastern Europe Real Property Foundation.

Major Results Indicators\*:

Number of business associations advocating on behalf of private sector initiatives, needs, and future growth requirements  
Number of laws implemented to expand the private sector  
Number of regulatory procedures necessary to strengthen competitiveness in key economic sectors  
Number of commercial (e.g. contract disputes) cases brought to courts and being resolved  
Commercial tax system in place that is considered equitable and transparent  
Volume of business support services available to private enterprise from self-sustaining local institutions  
Number of private sector businesses operating and generating employment  
Competitive pricing for efficient use of energy resources  
WTO accession  
Harmonized system accession  
Kyoto Convention accession

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** UKRAINE

**TITLE:** Financial Reform, 110-S001.4

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997 \$10,700,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1994; **ESTIMATED COMPLETION DATE:** FY 1997

Purpose: A more competitive and market-responsive private financial sector.

Background: The National Bank of Ukraine has made some progress in developing the infrastructure for a safe and sound banking sector in which banks are able to pay a true intermediation role. Specifically this means development of bank supervision capacity, accounting and reporting, the legal infrastructure and government securities markets. This work is critical to developing a larger number of viable banks as opposed to the current fragmented situation in which many of the banks may not be solvent and some serve as little more than adjuncts to company treasuries. Ukraine's capital markets structure underwent significant changes last year, the most noteworthy item being a) approval by Parliament of a strategy for capital market development that stresses sound principles of competition and regulating and b) the establishment of the Securities Regulatory Commission (SRC).

USAID Role and Achievements to date: US bank supervisors have begun working with Ukrainian supervisors to develop capacity at the National Bank of Ukraine (NBU) to analyze and monitor risk and enforce prudential regulations. The NBU's Interbank Payment System (EFPS), partially funded by a USAID grant, is fully functioning, and technical execution of payments is now minutes rather than weeks. Approximately 2,000 bank employees from over 100 banks have attended training at the National Center for Training Bank Personnel, which was created with substantial investment and support from the NBU. A collateral law program has been initiated to provide the legal infrastructure for rational secured credit transactions. The Association of Investment Businesses has been established, uniting 140 investment funds and trust companies that subscribed to its code of conduct. Temporary share registries compiling initial shareholder lists are operating at 26 privatization auction centers around Ukraine, independent pilot registrars and a registrar support center have been established. More than 450 directors of private enterprises have received training on the principles of shareholder rights.

Description: USAID is assisting the new SRC on the development of its regulations and oversight capacity with the support of full time legislative regulation drafting and monitoring and enforcement advice. It is also providing it with up to date information and market analyses through the Capital Markets Monitoring Unit. Most of its board members are also receiving specialized training courses in the U.S. and other NIS countries along with a program that provides ongoing support to the Commission via a cooperative program of orientation and training with the U.S. Securities Exchange Commission. USAID is also providing technical assistance, training and equipment establishing independent share registries in Ukraine, educating managers of privatized enterprises and the public on shareholder rights, and establishing a national over-the-counter share trading system, owned and operated by a broker/dealer self-regulatory organization.

Host Country and Other Donors: Financial reform activities are coordinated with EU/TACIS, the World Bank, the IMF, the British Know How Fund, the National Bank of Netherlands and the Government of Ukraine.

Beneficiaries: The entire private financial sector will benefit directly from these activities, as will, by extension, shareholders, bank account holders and the people who need and use capital to finance the economy's growth.

Principal Contractors, Grantees, or Agencies: USAID's activities in Financial Reform are implemented by KPMG-Barents, Price Waterhouse, Intradoss, Ukrainian Center for Certificate Auctions, IRIS and Financial Service Volunteer Corps.

Major Results Indicators\*:

Amount of investment, from both domestic and foreign sources

Number of licensed viable private commercial banks

Amount of funds for equity/credit provided to small and medium-sized businesses from private commercial banks

Percent of credit for housing construction and purchase available at reasonable interest rates from private commercial institutions.

Functioning pilot and, then, central collateral registries

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** UKRAINE

**TITLE:** Energy, 110-S001.5

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$11,000,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: A more economically sustainable and environmentally sound energy sector

Background: Ukraine inherited inefficient industries from the former Soviet Union that require enormous energy consumption; fully 60% of all energy produced is consumed by industry. Ukraine depends heavily on foreign sources, particularly Russia, for fuel, importing more than 80% of its gas and more than 95% of its oil. Nuclear energy plays an important role in Ukraine electricity systems and the G-7 and Ukraine have signed a Memorandum of Understanding for a program to close Chernobyl by 2000 and develop new nuclear and thermal electricity production facilities. Ukraine's Ministry for Environmental Protection and Nuclear Safety needs to revise environmental regulations and standards to those of a free market economy. Ukraine's power sector is rapidly transforming from a State-owned and operated regionalized monopoly system into a reconfiguration of privately-owned and operated companies, reorganized to maximize the play of free market forces.

USAID Role and Achievements to date: Ukraine's eight former vertically-integrated regional monopolies, which had combined the basic utility functions of power generation, transmission and distribution, have been reconfigured into over thirty-three companies with the aim of pulling out the naturally competitive elements of the industry into separate competing companies, while retaining and corporatizing the system's natural monopolies. With the break up the monopolies, four new power generating companies (GENCOs) have been structured to compete in a wholesale market leading to increased operating efficiencies and lower electricity costs for the country. A new company, Energomarket, has been created to operate the wholesale competitive market and serve as a national financial clearing house/electricity dispatch center for the reconfigured system. A National Electricity Regulatory Commission (NERC), the first of its kind in the NIS, has been created to oversee fair competition in the GENCOs and to ensure an equitable system of retail tariffs.

Description: In concert with the Ministry of Power and Electrification, the World Bank and other donors, USAID developed a multifaceted energy program for Ukraine which focuses on (1) Power Sector Restructuring, which has helped transform the power sector from a vertically integrated monopoly to a market system, with separate, competing components, a national regulatory body to set tariffs and grant licenses in response to market costs and efficiencies, and a national dispatch center to oversee power distribution based upon financial bids, and (2) Improving Energy Production and Efficiency through the introduction of new practices and technologies and assistance in applying market principles.

Host Country and Other Donors: USAID works with the Ministry of Power and Electrification of Ukraine, and coordinates with the activities of the British Know How Fund, the EU, and the EC/TACIS. The governments of Switzerland, the Netherlands, Canada and Japan also provide energy assistance.

Beneficiaries: USAID energy reform assistance benefits newly corporatized electric generating and distribution companies, the NERC, industrial energy users and the coal industry.

Principal Contractors, Grantees, or Agencies: Hagler-Bailly and Partners in Economic Reform (PIER) are USAID's energy activities implementors, with support from USAID-funded advisors from the US Department of Energy.

**Major Results Indicators\*:**

Number of improved environmentally-friendly energy technologies

Percent of private enterprises using environmentally-friendly energy technologies

Percent of heat and power plants with energy-conservation measures

Percent of cost savings of selected heat and power plants due to improved environmental technologies

Percent of industries with energy efficiency programs which focus on demand-side management

Amount of electricity provided through competitive market

Percent change in pollution due to the application of environmentally-sound technologies at selected sites

Payment for electricity

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** UKRAINE

**TITLE:** Citizens' Participation, 110-S002.1

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$10,300,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: Increased, better-informed citizens' participation in political and economic decision-making.

Background: During 1994, free and fair elections were held for the Presidency, the Parliament, and councils at the oblast and local level. However, new legislation governing elections and political parties is needed to improve the political process and the public's trust in it. Independent media initially began to thrive following Ukraine's independence and scores of independent newspapers, radio stations, and local TV stations now exist. Furthermore, advertising revenues are increasing to the extent that it will soon be possible for independent media to be profitable. However, the government still exerts considerable influence over the media through ownership of the two national TV channels, legal regulation, licensing oversight, and distribution of vital resources. Non-Government Organizations (NGOs) are forming rapidly in Ukraine and the sector is developing with associations of NGOs forming in some cities and with foundations being established to allow businesses to support charitable activities. However, the lack of legislation concerning taxation and registration of NGOs, as well as the citizens' lack of experience with a civil society, continue to hinder the development of NGOs.

USAID Role and Achievements to date: Comprehensive USAID support in 1994 contributed to the fact that democratically-elected officials hold office in all branches of government throughout Ukraine. Public-policy and human rights NGOs are being strengthened through training and small grants. Their activities include investigating human rights violations, conducting regular and well-publicized opinion polls, publishing a public-policy journal and a popular political TV program. Women's NGOs are being fostered and assisted to address key issues involving women such as domestic violence, legal inequality and women's entrepreneurship. A daily television news program, free-market economics program, and other informational programs are being produced independently and broadcast nationwide. Independent local TV and radio stations are being supplied with high-quality programs and staff training, while a USAID-funded press center provides journalists with access to a wide range of resources.

Description: USAID is promoting the active participation of citizens in political and economic decision-making through support to civic action groups, public-policy NGOs, political parties, and democratic free trade unions. USAID assists government entities with improving election administration, drafting electoral legislation, and educating the public of the democratic process. USAID supports the production of non-state daily and weekly news programs which are broadcast nation-wide. With the support of a USAID grantee, Ukrainian independent TV stations are in the process of forming the country's first independent television network.

Host Country and Other Donors: USAID works in concert with the Central Election Commission, committees of the Rada, the Eurasia Foundation, EU/TACIS, UNDP and the Canadian International Development Association. The Renaissance Foundation is also active in citizen participation activities.

Beneficiaries: The Central Election Commission, Ukrainian NGO's, political parties, independent media and trade unions all benefit from USAID support for and promotion of citizen participation and education activities.

Principal Contractors, Grantees, or Agencies: USAID programs in this area are implemented by Freedom House, Internews, the Free Trade Union Institute, NDI, IRI, and the International Foundation for Electoral Systems.

Major Results Indicators\*:

Number of changes made to government policy as a result of citizen participation  
Number of draft legislative initiatives introduced by legislative branch in which there was citizen participation in the deliberative process  
Number of draft legislative initiatives voted on by legislative branch in which there was citizen participation in the deliberative process  
Number of new federations, organizations, coalitions, etc. formed to promote/oppose specific policies/legislation  
Number of NGOs brought into the legislative process (e.g., testifying before Congressional committees)  
Number and types of fora in which NGOs engage state institutions in policy debate  
Number of NGOs representing women's issues  
Number of NGOs representing ethnic and other minorities  
Percent of citizens who believe they are being represented by their legislators  
Number of public hearings held  
Existence of laws protecting freedom of association, assembly and speech  
Percent of news coverage expressing opposing views  
Percent of public with opinion that elections are free, fair and transparent  
Rating of elections as free and fair by local and international monitors

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** UKRAINE

**TITLE:** Legal Systems, 110-S002.2

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$5,700,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: Legal systems that better support democratic processes and market reforms.

Background: Ukraine has yet to pass a post-Soviet constitution and is currently being governed by a temporary constitutional agreement designed to break the deadlock between the executive and legislative branches. Although progress has been made to improve the legal system, further significant reform will depend on the adoption of the new constitution. A Constitutional Commission is working to submit a final draft of a new constitution to the parliament in the next few months, but it is unclear how long the draft will be debated or by what means it will be adopted. A civil code is being drafted and should be introduced to the Parliament in the next few months. But much work needs to be done to draft, revise and pass laws dealing with every aspect of Ukrainian life, including the criminal justice system, the economy, and civil society. The Parliament is still passing laws without adequate analysis and research, although the quality of debate and of new laws continually improves. It is generally agreed that the leaders of the court systems and the new Minister of Justice are committed to the independence of the judiciary, upholding new laws and protecting individual rights. But due to antiquated technology, poor training and resistance to change in the regional and local courts outside of Kiev, Ukrainian citizens still do not think of the courts as the venue to redress grievances or press for respect for their rights. On the human rights front, Ukraine is considered partly free.

USAID Role and Achievements to date: The term "the rule of law" was difficult to translate 3 years ago; now it is a basic tenet, enshrined in the 1995 Law on Power. USAID-supported activities have provided Rada members with research and analysis on draft laws, and an information system was designed for and delivered to the Rada to increase access by lawmakers and the public to information, connect Ukraine with the Internet, and improve research and analysis of information. The five largest law schools, representing 80% of law students, have each received in-house publishing equipment so that their curricula can be revamped and so that students will have post-Soviet material to study. The Supreme Court and Supreme Arbitration Court have established in-house continuing education for all judges. USAID programs have helped to initiate court cases to protect the environment and the rights of workers, and have supported the work of human rights groups that collect thousands of complaints of human rights violations every year.

Description: USAID programs provide technical assistance, training and access to information, and to a lesser extent commodities, to counterparts in the Ministry of Justice, the courts, Ukraine's top law schools, the Rada, including key committees and political factions, the presidential administration, legal associations, and municipal governments.

Host Country and Other Donors: The Ministry of Justice, Presidential Administration, the Council of Advisors Rada and the court system are all actively engaged in the reform process. USAID coordinates its activities with those of EU/TACIS, the Government of the Netherlands, and CIDA.

Beneficiaries: The Ministry of Justice, the court system, Law schools and the Rada all directly benefit from USAID's activities in legal system reform. The common citizen when dealing with the legal system also benefits from system improvements and more knowledgeable jurists and lawyers.

Principal Contractors, Grantees, or Agencies: USAID's legal system reform activities are implemented by three organizations; ARD/Checchi, ABA/CEELI and the US - Ukraine Foundation/Indiana University.

**Major Results Indicators\***:

**Percent of population knowing/understanding specific rights**

**Targeted laws are:**

- up-to-date
- published in a timely manner
- available to all judges and court officials organized in a manner that expedites research

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** UKRAINE

**TITLE:** Local Government, 110-S002.3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$5,000,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: More effective, responsive, and accountable local government.

Background: Ukraine still needs to clarify the role of local and regional government. The law on Local Self Government and State Power and Local Administrations needs to be re-written and passed by parliament in order to define the jurisdiction and powers of local government. Currently, municipal governments consist of an elected Council of People's Deputies acting as the legislature and having general oversight of the management of city affairs; a city administration headed by an elected Head of City Council ("mayor") in which executive powers are vested; and a Presidential appointee, Head of Oblast State Administration which transfers the state executive power. Nearly all local government officials lack knowledge and experience in public administration, e.g. human resource management and finance management. All staffing, office and administrative expenses of the finance departments in cities are financed directly by the Federal Government, under the budget of the Federal Ministry of Finance. Thus, municipal finance systems lack incentives for effective, cost sensitive program budgeting and monitoring. However, local governments are responsible for many municipal services, such as transportation, health, education, and housing. This highlights the need for developing a transparent, consensus-based intergovernmental system that ensures revenue-expenditure balance and an independent revenue privilege. There are therefore two considerations to address: the need for local governments to be autonomous in order to decentralize power, and the need for new local government laws to be passed and enforced in order to reinforce democratic practices at the level most accessible to citizens.

USAID Role and Achievements to date: Local governments are becoming the venue for the development of democratic leaders and governance, through the introduction of a variety of mechanisms such as more open budgeting, town meetings, citizen task forces, constituency outreach and local government watchdog groups. The Ukraine Association of Cities, modeled after the U.S. National League of Cities, is composed of mayors lobbying the central government for greater decentralization with an agenda covering local level policy, intergovernmental relations and municipal service. Municipal governments are improving their financial management while becoming more transparent and accountable to their citizens. In Kharkiv, the municipal budget for 1995 was printed in the local newspaper. In Ternopil, an Economic Development Office was established and instituted as a structural sub-committee in the city's administration. In Lviv, an estimated \$50,000 USD will be saved by the city per year in phone charges due to operation of the city phone branch exchange (PBX) system. In addition, the Ternopil municipal government restructured its aging and insufficient fleet of buses and improved public transportation management, increasing capacity by 40%.

Description: USAID developed pilot projects in three Ukrainian cities: Lviv, Kharkiv, and Ternopil which focus on municipal finance management, improving municipal administration and increasing transparency. Our program also supports the Ukraine Association of Cities, which advocates on behalf of cities, especially with regard to the development of the draft Constitution regarding local government and new local government legislation being considered by parliament. Finally, we support training of local politicians so that once elected to office, they are aware of the need to respond to constituents' problems and learn techniques for doing so.

Host Country and Other Donors: EU/TACIS has a technical assistance project in the area of Self Government and a city training program focusing on cooperation between cities and the EU; the UN

Habitat II program conducts training courses for self-governance leaders in management; World Bank reviews intergovernmental finances and sector loans; The Canadian International Development Agency assists the Ukrainian Academy of Public Administration in becoming a self-sustaining institution; USIS conducts a Community Connections exchange program; AED conducts training under the NET program for local government officials; IREX has a partnership program between the University of Georgia and Uzhorod State University and created a center for Public Administration Reform and Assistance; ACCELS conducts a Muskie fellowship program including public administration; Pylyp Orlyk Institute for Democracy supports local government officials in Ukraine under a Pew grant; and the British Know How Fund (KHF) is planning in 1996 to strengthen regional government focusing on Crimea.

Beneficiaries: Mayors, city administrators, local government officials and policy makers are the primary beneficiaries of these programs, and the public are the secondary beneficiaries through improved services and more responsive government.

Principal Contractors, Grantees, or Agencies: USAID's activities in local government reform are implemented by the Research Triangle Institute.

Major Results Indicators\*:

Percent of communities where X percent of resources are being efficiently used for projects by voting citizens

Number/percent of local governments that have active systems in place for publishing/disseminating information

Number of karbovanets saved from corruption or because of improved efficiency as a result of oversight and audits

Percent of national revenue flowing to local government

Passage of legal, fiscal and procurement reforms that empower local governments

Percent of local population that believes management and delivery of services at municipal level:

- improved,
  - more cost effective,
  - responsive
- to their needs and desires (desegregate by subgroups of population, regions of country and other relevant/important categories)

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** UKRAINE

**TITLE:** Crises, 110-S003.1

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,000,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: Human suffering and negative consequences of crises are reduced.

Background: Upon Ukraine's independence from the Soviet Union in 1991, the government was no longer able to provide adequate social services for the population and an emergency situation ensued. The international community, including USAID, responded by providing critical humanitarian assistance to temporarily sustain the population. A nationwide diphtheria epidemic and seasonal outbreaks of cholera are a continuing threat to the nation's health. Flooding in Kharkiv in July, 1995 resulted in a breakdown in sewage and water treatment systems. An unusually heavy snow fall this past winter has raised the possibility of floods in many parts of the country this spring.

USAID Role and Achievements to date: The number of NGOs in Ukraine has increased from roughly 40 in 1990 to at least 800 in 1995, many of which are providing urgently needed social services. USAID has provided over \$23 million worth of DOD excess property and in-kind donations as humanitarian assistance through local NGOs and social service providers to meet the critical needs of vulnerable populations. Critical supplies provided include medical supplies, basic living supplies and capital goods. In response to the floods in Kharkiv last summer, chloride disinfectant was provided to render household water potable and 5 cargo planes of U.S. excess military supplies were distributed as emergency relief through local NGOs. In order to maximize emergency preparedness, USAID has trained government officials and NGO staff members in the U.S. working in this area and created a stockpile of emergency supplies. The Ukrainian National Emergency Medical and Disaster Medicine Training Center, supported by the hospital partnership program, opened in December, 1995. A total of 770 budding NGO leaders have received training in basic NGO management and sustainability. The Ukrainian campaign against diphtheria has been supported through Feb. 1996 by 26 million doses of U.S. vaccine, enough to vaccinate about 19 million adults.

Description: In order to help make social services work for the people during the country's very difficult economic and political reform and after, USAID supports the institutional development of local non-governmental organizations (NGOs) whose efforts are critical as part of the private sector network of organizations providing social protection services. Furthermore, in order to alleviate to the extent possible the hardships imposed on the most vulnerable populations during the country's difficult transition, USAID has continued to provide humanitarian assistance through local NGOs and social services to meet the critical needs of these groups.

Host Country and Other Donors: The SOROS Foundation works with USAID and often provides funding for activities which USAID is unable to support. The British Know How Fund and EU/TACIS are also active, and USAID is instituting a coordination system with representatives of both organizations.

Beneficiaries: Ukrainian NGOs and charity organizations throughout the country, hospitals and orphanages, invalids, the elderly, and most other vulnerable groups benefit in some way from USAID activities in this area.

Principal Contractors, Grantees, or Agencies: USAID activities in helping to prevent and manage crises are implemented by Counterpart, World Learning, Eurasia Foundation, Program for Appropriate Technology in Health (PATH), American International Health Alliance (AIHA).

**Major Results Indicators\***:

Amount of temporary assistance appropriately targeted

Alternative conflict resolution mechanism in place

Restoration/reconstruction of basic infrastructure that can provide basis on which future economic development depends

Number/kind of man-made disaster prevention actions

Numbers of people with reduced suffering because of access to

- food
- shelter
- clean water, etc.
- immunization, vital pharmaceuticals (insulin)

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** UKRAINE

**TITLE:** Social Benefits, 110-S003.2

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$4,500,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: Improved sustainability of social benefits and services.

Background: President Kuchma and Prime Minister Yevhen Marchuk have set reform of the social protection system in the country as a major goal for 1995-96. General price subsidies to the population are to be replaced in large part by targeted, means-tested subsidies for the poor. Price increases for government services and utilities are being phased in. The government has also set a goal of reforming the system of social insurance; in September it submitted a fundamental law on social insurance to the parliament. The government has also decided to establish a regulatory system for private pension funds. While a planned law on health insurance is stalled, health insurance demonstration projects are underway, and the government is moving to make its health care system more efficient.

USAID Role and Achievements to date: In May, 1995, an income-based housing subsidy program was implemented and 716 housing subsidy offices opened around Ukraine. By February 1, 1996, 1.65 million Ukrainian families had received subsidies for part of the cost of their housing and utility bills. On October 1, 1995, Lviv Oblast issued a decree restructuring financing for its health care system and providing for use of paid services. The Kiev partnership hospital, the Center for Maternal and Child Care, has reduced the mortality rate for newborn babies by 62% between 1993 and 1995. The cost of health care has been reduced at partnership hospitals through 45-65% reductions in the number of days patients stay in the hospital. Demonstration sites for training and delivery of family planning services were established in Odessa and Donetsk.

Description: USAID is providing technical assistance to help refine and build support for the new income-based subsidy program on housing and utilities, and to help develop a broader program of means-tested subsidies for the needy. Our health financing reform project is working to reduce the cost of health care by supporting reorientation of health care delivery away from long hospital stays and toward clinic visits, and by introducing market incentives. Reducing health care costs is also one goal of the reproductive health project, which aims to reduce the rate of abortion through physician training in modern family planning methods. In 1991, the Ministry of Health estimated that the cost of treating abortion complications was four times that of supplying the population with contraceptives. Partnerships between US hospitals and hospitals in Kiev, Lviv, Donetsk and Odessa are focusing on improving the prevention and treatment of disease, and on cost containment.

Host Country and Other Donors: Price increases for housing and communal services are a requirement of Ukraine's agreement with the IMF; EU/TACIS has an assistance project in the area of labor and social insurance; the Government of Germany is working in Ukraine on pension reform.

Beneficiaries: Low-income Ukrainians, children and adults, notably pensioners, at selected sites in Lviv, Odessa, Donetsk, Kiev.

Principal Contractors, Grantees, or Agencies: USAID social protection activities are implemented through Chemonics/PADCO, Smith-McCabe, Abt Associates, American International Health Alliance (AIHA), AVSC International, Johns Hopkins Population Communication Services, JHPIEGO.

**Major Results Indicators\*:**

Number of services privatized (e.g., pharmacies, hospitals)

Incentives for private (profit and non-profit) exist for quality service delivery

Percent of public with confidence in private service delivery

Change in numbers of public/private partnerships

Market reforms in place and introduced to various sub-sector service deliverers

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** UKRAINE

**TITLE:** Environmental Health, 110-S003.3

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,700,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1994; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Reduced environmental risks to public health.

Background: A legacy of the Former Soviet Union was complete disregard for the environment, a lack of social awareness of the costs of natural resources, and an inability to manage natural resources as the foundation for economic development. Chernobyl is a prime example of resource mismanagement that has resulted in environmental degradation and significant economic costs. One of the major environmental risks to public health is unsafe water.

USAID Role and Achievements to date: Pipe was delivered to local authorities in Crimea for completion of a new pipeline, doubling the previous delivery capacity and now providing water to some 82,000 residents. Equipment is being provided to test and address priority repair and upgrading of the Vodokanal in Lviv, which provides potable water to residents, services and industry. This activity provides a model for roll out to other areas. During the Kharkiv sewage emergency, a USAID/Kiev team assessed public health needs and made recommendations for the national and international response. The Pest and Pesticide Management Project was launched, which includes training for Ukrainian agricultural chemical distributors, farmers and extension workers in integrated pest management and safe use of pesticides.

Description: USAID is strengthening environmental institutions within government, the private sector, and the NGO community to create an institutional framework that will support Ukraine's transition to a market-economy. Activities include environmental assessments for heavy industry in Donetsk to identify opportunities to reduce waste and improve efficiency, and eco-efficient business development in the Carpathian region focusing on sound resource management for sustainable economic development. In addition, USAID is helping with the re-engineering of the City of Lviv's water utility, including focusing on consumption-based billing and cost-recovery to enable long-term system maintenance. USAID is also assisting Ukraine to effectively manage the closure of Chernobyl as outlined in the G-7 comprehensive program.

Host Country and Other Donors: USAID coordinates with the Ukrainian/American National Policy Workgroups to promote sustainable development for Ukraine. USAID cooperates with The World Bank on the upgrade of Lviv's water supply and industrial waste management in Donetsk. EU/TACIS is a partner on the Chernobyl Social Impact Study.

Beneficiaries: In this phase, the citizens of Lviv, Donetsk, Kiev, Crimea, and Chernobyl are the primary beneficiaries.

Principal Contractors, Grantees, or Agencies: CH2M HILL is USAID's principal implementor, with assistance from USAID funded advisors from the USEPA working on water quality pest and pesticide management and a mobile radiation laboratory. Other activity implementors include PADCO, WEC, CUNY and ISAR.

Major Results Indicators\*:

Number of uncertified nuclear plants closed

Number of industrial plants modified to reduce emissions to acceptable levels

Percent of hazardous wastes destroyed in environmentally sound fashion, recycled into harmless wastes and economically reusable by-products, or reconstituted into usable hazardous products under proper control and management  
Number of people with access to potable water  
Percent change in absenteeism due to work-related illness

\* These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## UZBEKISTAN

FY 1997 Assistance to the NIS Request ..... \$20,000,000

### Introduction

Uzbekistan is situated in the geographical heart of Central Asia, and is the only country that borders on all four other Central Asian republics. It boasts a proud history and lays claim to representing the historical, cultural, and even political core of post-Soviet Central Asia. It has 22 million inhabitants and is the largest of the Central Asian republics (and the third most populous of the former Soviet republics). Over the last four years, the Uzbek leadership has actively sought to assert and strengthen its sovereignty and independence. It also clearly aspires to play a regional leadership role. As for the economic reform process, Uzbekistan has adopted a program of gradual, step-by-step reform in which the state remains dominant. Political power rests almost exclusively with the president and an active opposition is not tolerated. At the same time, the government is sensitive to international perceptions about human rights and other issues and, with growing frequency, responds positively to outside pressures for improvements.

United States interests reflect a combination of commercial and strategic concerns. Uzbekistan remains the largest single market in Central Asia. Its economic base is relatively diverse, reflecting a combination of agricultural, industrial and energy resources. Uzbekistan has emerged as the world's fourth largest producer of cotton (it is also the world's second largest exporter of cotton, trailing only the U.S.). It ranks seventh internationally in terms of gold production, attracting the attention of foreign investors. It is already a significant regional gas exporter, and expects to become self sufficient in crude oil in 1996. It has an extensive, if outmoded industrial sector, based chiefly on the processing of minerals and agricultural commodities. Improving and expanding domestic processing of these commodities, particularly cotton, is a key to economic prosperity. Uzbekistan's regional importance and strategic location will also play an important role in determine regional stability in the years ahead. It has significant interests of its own, has played a role in shaping events and responding to crises in both Afghanistan and Tajikistan, and has an obvious interest in what happens in Iran to the south and Russia to the north. From a U.S. perspective, a democratic and economically sound Uzbekistan that plays a positive and constructive role in world affairs is desirable, both for the well-being of the people of Uzbekistan and for maintaining stability in Central Asia.

### The Development Challenge.

Higher cotton prices combined with growth in the oil and gas industry have to some extent cushioned Uzbekistan from the most severe impacts of the breakup of the Soviet Union and the economic dislocations that followed. The country was slow to undertake economic reform in 1992-1994, but the pace has quickened since mid 1994, particularly on the macroeconomic policy front. Inflation, the budget deficit, and consumer subsidies have been cut sharply. The government signed a Transformation Facility with the IMF in January 1995 and a Standby Agreement in December 1995. Progress in privatization has been slower. Housing and small retail shops were almost completely privatized in 1993-1994, but true medium and large-scale privatization has barely begun.

As for the country's debt, Uzbekistan has benefitted from the "zero option" agreement whereby Russia assumes both the debt liabilities and certain assets of the former Soviet Union. Uzbekistan's debt service burden is expected to rise modestly over the medium term because of the short-term nature of its initial financing. Total external debt is projected to rise from about 14% of GDP in 1994 to about 25% of GDP in 1998.

Agriculture accounts for about 35 percent of Uzbekistan's GDP, employs 40 percent of the labor force, and accounts for nearly 75 percent of its foreign exchange earnings, mainly from cotton. Scarce water

and land resources make further expansion in cropping acreage difficult, but market-based approaches to pricing and marketing would go a long way toward increasing productivity. 1995 was an exceptional year in terms of both wheat and cotton harvests. Cotton production has stabilized at around 3.9-4.0 million metric tons a year and remains an important source of foreign exchange. Wheat production has increased sharply in recent years, as Uzbekistan shifted irrigated land out of other crops in a drive to reach self-sufficiency by 1997.

Energy represents a second significant sector for future growth. Natural gas provides two-thirds of the country's primary energy supply, and Uzbekistan is the third largest producer of natural gas in the former Soviet Union after Russia and Turkmenistan. Oil reserves are also believed to be considerable. At this point, energy production is geared mainly toward making Uzbekistan self sufficient. Regional gas sales within Central Asia represent a potential source for energy export growth, but are stymied to some extent by the inability of some potential buyers such as Tajikistan and Ukraine to meet market prices or pay in hard currency. The decision in 1995 to sell off 158 state-owned petrol stations had a positive impact, at least in terms of enhancing efficiency and introducing the concept of private marketing and distribution channels within the energy sector.

Social policies developed during the Soviet era are unsustainable and increase the need for a more targeted social safety net and an expansion of market-based approaches to social service delivery. Currently, social expenditures account for around 40 percent of government expenditure. The health system is inefficient and highly centralized. The tightening of monetary and fiscal policy means that wage rates have not kept pace with inflation, while progress in economic restructuring is bound to increase unemployment rates, at least over the short term. The Aral Sea and related environmental disasters such as the excessive use of pesticides in cotton production have a large and adverse effect on Uzbekistan. There is a serious lack of potable water in some regions and health indicators point to serious health problems in some of the worst affected areas.

Uzbekistan's relatively large domestic market, combined with its potential in the agricultural and energy sectors, offers a number of attractive opportunities to potential foreign investors. Turkey, South Korea, Germany, Japan and the U.S., along with Russia, are the largest foreign economic players. The South Korea firm DAEWOO has invested several hundred million dollars in an automobile production plant in the Fergana valley and an electronics plant in Tashkent. Total direct foreign investment is probably on the order of \$1.5-\$2 billion. U.S. direct investment is estimated at \$150-\$200 million, with the Newmont Mining Joint Venture (\$120 million invested) representing the single biggest investment so far. Other U.S. companies are negotiating joint ventures in such areas as oil and gas, agricultural machinery, aerospace, and so forth. The U.S. has also been a major seller of wheat, agricultural machinery and aircraft to Uzbekistan.

From a USAID perspective, the main goal is to engage reform-minded elements in the Uzbekistan government and assist where possible in putting in place the basic building blocks of a market-oriented economic system. Establishment of these basic structures should in turn facilitate the private trade and investment needed for Uzbekistan to reach its considerable economic potential. Engagement at an international level also means adherence to internationally accepted norms and practices in key areas related to human rights and a civil society. Here too, USAID can play an important role in exposing Uzbek policymakers to a wider world and in suggesting alternative approaches as they shape their own economic and political future.

USAID expects that Uzbekistan will have the institutional and other resources to continue its own transition. Current plans are to phaseout Freedom Support Act (FSA) assistance within the next few years.

#### **Other Donors.**

The IMF and the World Bank are both heavily engaged in Uzbekistan on key reform issues. As noted, as a result of progress on the reform front the IMF signed a Standby Agreement with Uzbekistan in

December 1995. The World Bank signed a rehabilitation agreement with Uzbekistan in March 1995 and is considering a follow-on enterprise reform credit. It has also signed a cotton sector project loan and a technical assistance loan, and is considering further loans for the agriculture and banking sectors. EU-TACIS has the largest country program after the World Bank, focusing on technical assistance in agriculture, private business development, and energy. The European Bank for Reconstruction and Development (EBRD) portfolio includes loans for textile plants and energy, as well as a small enterprise credit loan.

#### **FY 1997 Program.**

USAID programs in Uzbekistan have concentrated in several areas, including the Aral Sea initiative; study tours and technical training in the United States; health and family planning; and a low key but important democratization effort emphasizing the importance of non-governmental organizations (NGOs) in building and sustaining a civil society. As resources are reduced, focus and concentration will become even more important. The 1997 program will likely include a special emphasis on fiscal reform, financial sector restructuring and training. Modest programs in democratization and social sector reform are also envisaged.

#### **Strategic Goal: Economic Restructuring**

Although the government's own economic assessment is relatively upbeat, Uzbekistan has still not taken some of the most decisive measures needed to open up the economy and allow a strong private sector to flourish. The IMF and the World Bank have taken a major role in acquainting Uzbek officials with some of the main elements required for such change take place. While USAID has engaged with counterparts on these same issues, it has been reluctant to invest resources without indications from them of a clear commitment to transparency and meaningful reform. In some areas, such as fiscal reform, Uzbek counterparts have expressed a strong interest in using technical advisors to effect needed change.

- **Strategic Objective:** Increased soundness of fiscal policies and fiscal management practices

Fiscal policy is one area in which Uzbek policymakers have demonstrated a commitment to reform. In particular, tight budgetary controls have reduced deficits and helped meet IMF targets. Revenue generation represents the other side of the fiscal coin, and in this area USAID is working closely with counterparts in the Ministry of Finance to draft a new tax code and implement modernized taxation administration systems. Additional technical advice is being provided to draft a new budget law, reorganize budgetary classification systems and to strengthen the budgetary planning and execution process. As new policies are adopted, further hands-on training is needed to ensure that the policies are properly implemented. Sound fiscal management should in turn help maintain macroeconomic stability, an essential precondition for sustained economic growth.

- **Strategic Objective:** A more competitive and market-responsive private financial sector

New banking decrees have been issued, but real banking and broader financial sector reform continues to lag. Uzbekistan has yet to establish even the most rudimentary kind of private sector stock exchange and the development of an effective securities market still seems like a long way off. The fact that the government tends to stifle private sector initiative when it appears to undermine or conflict with a state-owned enterprise causes special concern. For example, the country's largest privately owned bank, Uzinbank, was recently closed, by some accounts because of the lead role it was playing in foreign exchange dealings. If the situation allows, USAID anticipates offering technical advice and training aimed at modernizing banking structures in Uzbekistan and paving the way for an efficient, private financial sector.

#### **Strategic Goal: Democratic Transition**

Political control in Uzbekistan rests almost exclusively with the president. Media outlets are controlled by the government and open dissent is forbidden. Nonetheless, opportunities do exist to address human rights concerns, to engage NGOs to promote grassroots organizational skills, to promote new views about what it means to adhere to the rule of law, and to expose a potential future generation of Uzbek policymakers to more democratic modes of governance.

- **Strategic Objective:** Increased, better-informed citizens' participation in political and economic decision-making

Activities aimed at introducing new notions of civil society and democratization will continue in a low key but unmistakable way. For example, the program of grants and technical support to local NGOs will continue, as part of an effort to enhance their management capacity and make their own programs more sustainable. Similarly, programs on building relationships with local lawyers represent an important part of a broader effort to introduce new ideas about how legislation is vetted, how laws are introduced, and how a strong judiciary contributes to a functioning democracy. As Uzbekistan prepares for its next elections, similar advice can be offered to show counterparts what is needed to make an electoral process internationally credible.

#### **Strategic Goal: Social Transition**

Uzbek counterparts have expressed an interest in new approaches to health care. Some of these have been introduced through the medical partnership programs, others through family planning efforts which make use of market-based marketing and distribution channels. The government on its own has made progress in privatizing some pharmacies, and USAID programs aimed at improving their effectiveness have also met with some success. Work in other areas that relate to both social transition and economic restructuring is planned. For example, advice on pension reform--an area that has huge financial implications for the government--is planned, with a view toward ensuring both more targeted social sector programs and to introduce great fiscal control.

- **Strategic Objective:** Improved sustainability of social benefits and services

USAID efforts focus on health, and special emphasis is placed on introducing market-based approaches that increase individual choice and rely when possible on the private sector. Decentralization and a reduced emphasis on curative measures also offers some prospects for change in the area of health care.

#### **Cross-Cutting/Special Initiatives**

A high degree of isolation during the Soviet era means that most Uzbek counterparts have not yet been exposed to international ways of conducting business and organizing an economy. The view that the government must play a central role in all aspects of national life is still widely held. Private sector initiative is often viewed with suspicion or mistrust. Uzbekistan's own interest in asserting its independence means it welcomes opportunities to directly observe developments in other countries and is very concerned about how Uzbekistan is perceived outside the former Soviet Union. This in turn enhances the value of training efforts aimed at exposing Uzbeks to the experience of other countries and teaching them technical skills which can be usefully applied on their return.

In Uzbekistan, "special initiatives" refers mainly to Congressional earmarks in the areas of medical partnerships and family planning. There is substantial interest among health professionals in Uzbekistan in participating in such programs. USAID also attempts where possible to ensure that these earmarks are closely integrated with other activities and that they address broader strategic and programming concerns, including in health reform.

The medical partnership between the University of Illinois at Chicago and Tashkent State Medical

Institute was established in 1993. Tangible achievements include establishment of a high risk pregnancy center to which the Ministry of Health is contributing \$200,000. A new medical journal, "Pathology," is being published, and staff members at the University of Illinois serve on the editorial board. The Ministry of Health regards Tashkent State Medical Institute as a "demonstration site" for new management approaches. Many economies have been achieved, including an increase in out patient services from 0 in 1991 to 143,000 in 1994; the introduction of fee-for-service in some areas; a significant reduction in the average length of hospital stay, from 16 days in 1991 to 11 days in 1994; and reductions in post operative infection rates. Training programs, conferences and seminars offer opportunities to re-enforce and amplify these lessons. In the family planning area, advertising programs have been developed for the commercial sale of contraceptives and more than 200 pharmacist have been trained in modern customer service techniques. Five international pharmaceutical manufacturers have entered the Uzbekistan market, and the number of pharmacies carrying modern, commercial brands of contraceptives has greatly increased. Uzbekistan is also participating in the USAID-funded reproductive program resulting in three training sites, one each in Tashkent, Samarkand and Adizhan. All three are staffed with qualified trainers and service providers.

The medical partnership involves training and people-to-people exchanges between medical staff at the University of Illinois and in Tashkent. As in other areas of the former Soviet Union, the medical partnership also serves as a vehicle for raising additional private American funds and establishing broader networks involving private citizens in both countries. Family planning programs are a combination of advisory services and training which help introduce new approaches and technologies. The contraceptive social marketing program represents an especially innovative effort, one that is based on the power of commercial marketing networks to ensure better service delivery.

Participant training is also part of Cross-Cutting Programs and cuts across all areas of the project portfolio. It offers important opportunities to strengthen ongoing technical assistance programs and allow Uzbek counterparts to directly observe the situation and experience of other countries. These programs will likely continue, though they will be reshaped over time to respond to the changing situation in Uzbekistan.

NET provided U.S. short-term training for 292 officials in 1994 and 1995, with an additional 130 participants scheduled for 1996. USAID-funded participants have been instrumental in bringing about changes in tax policy and administration, national budgeting and health reform. This effort benefits Uzbeks at all levels by providing training qualified public officials who are able to establish laws and regulations that are transparent and foster the growth of markets and democratic governance. New entrepreneurs will benefit as they establish links with potential future U.S. commercial partners.

NET resources provide for both U.S. short-term training as well as in country follow-on programs. The in-country program revolves around the establishment of an Alumni Center where returning participants can utilize e-mail and fax facilities to keep in touch with U.S. trainers and contacts, as well as duplicating equipment to reproduce reports and other materials. The in-country follow-on program also provides for additional training through seminars and conferences, principally conducted by technical expertise located in Central Asia. The NET program will continue with greater emphasis put on in-country training.

NET has been instrumental in assisting the Government of Uzbekistan in moving ahead in areas related to the reform process. NET is coordinated closely with the program of other donors in Uzbekistan, a number of which also support various kinds of training.

**UZBEKISTAN  
FY 1997 PROGRAM SUMMARY\***

Strategic Objectives	Economic Restructuring	Democratic Transition	Social Stabilization	Cross-cutting and Special Initiatives	Total
Privatization					
Fiscal Reform	2,200,000				2,200,000
Private Enterprise					
Financial Reform	2,200,000				2,200,000
Energy					
Citizens' Participation		1,700,000			1,700,000
Legal Systems					
Local Government					
Crises					
Social Benefits			1,200,000		1,200,000
Environmental Health					
Cross-cutting / Special Initiatives				12,700,000	12,700,000
<b>TOTAL</b>	<b>4,400,000</b>	<b>1,700,000</b>	<b>1,200,000</b>	<b>12,700,000</b>	<b>20,000,000</b>

\* Freedom Support Act (FSA) funds

USAID Mission Director, Acting: Patricia K. Buckles

## ACTIVITY DATA SHEET

**PROGRAM:** UZBEKISTAN

**TITLE:** Fiscal Reform, 110-S001.2

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,200,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Increased soundness of fiscal policies and fiscal management practices.

Background: As in all former Soviet republics, Uzbekistan upon independence lacked the systems, procedures and technical know-how needed to formulate and manage a coherent national budget and tax collection policy. However, considerable progress has been achieved. As a result of dramatic reductions in production and consumption subsidies and effective short-term cash management measures, the budget has been reduced to around 3 percent of GDP. Similarly, inflation was reduced from over 1,300 percent in 1994 to approximately 130 percent in 1995, a huge improvement. Also, Uzbekistan has been flexible in considering fiscal policy and administrative reforms designed to bring social safety net expenditures under firmer control. However, much work still remains to be done in terms of establishing a modern budget classification, planning and implementation system. Serious work is also now underway on developing a modern tax code.

USAID Role and Achievements to Date: A USAID-funded advisory team is providing significant support to the Ministry of Finance in formulating improved fiscal policies. USAID advisors also played a lead role in drafting a new tax code which should significantly improve the current highly distortive and inequitable tax system. Additional support is helping to modernize both the indirect and direct tax administration system. Counterparts welcome this assistance, and the Ministry of Finance has proven to be one of the most reform-minded segments of the Uzbek government.

Description: USAID advisors are working with Uzbek counterparts to prepare a new tax code and implement administrative measures to ensure its effectiveness. Additional technical guidance is being provided to help draft a new budget law, modernize the budgetary classification system and strengthen the budgetary planning and execution process. Both overseas and in-country training supports this effort.

Host Country and Other Donors: Ongoing work in the fiscal area is closely coordinated with other donors as part of an effort to amplify impact and stretch scarce aid resources further. For example, the British intend to provide training for Uzbek tax officials in the United Kingdom. The Danes are also considering providing training and equipment as part of an effort to improve tax administration.

Beneficiaries: This effort seeks to benefit tax-paying Uzbeks at all levels by ensuring greater transparency and a more rational revenue collection and budgetary expenditure process. Potential entrepreneurs and foreign investors will benefit as more comprehensible and transparent fiscal systems are adopted. Increased government revenues and a more rational system for allocating their use should also lead to more effective governance and greater macro economic stability.

Principal Contractors, Grantees, or Agencies: USAID activities are implemented through KPMG, a contractor working closely with the Ministry of Finance in Tashkent.

### Major Results Indicators\*:

New fiscal policies implemented  
Budget deficit as percent of GDP

**Revenue collection system in place that is considered equitable and transparent**

\*These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** UZBEKISTAN

**TITLE:** Financial Reform, 110-S001.4

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,200,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: A more competitive and market-responsive private financial sector.

Background: Banking systems in Uzbekistan are extremely weak, limiting opportunities for entrepreneurs to borrow capital to finance their investments. Potential foreign firms interested in expanding trade and investment relationships with Uzbekistan also have great difficulty conducting transactions using existing financial networks. The country lags behind its neighbors in establishing a basic legal and institutional framework for market-based capital market development and considerable work is needed to modernize the banking infrastructure. In the absence of such activity, investment opportunities will be limited and prospects for future economic growth will be severely constrained.

USAID Role and Achievements to Date: USAID activities in this area have been modest thus far, including some U.S.-based, short-term training programs for Uzbek bankers and other financial sector officials as well as technical assistance through the International Executive Service Corps and farmer-to-farmer volunteers. Some bankers from Uzbekistan have also participated in regional training programs within Central Asia.

Description: FY1997 funding would be used to launch a modest technical assistance effort aimed at improving the banking infrastructure and developing new laws, guidelines and procedures for ensuring more effective financial market development. Limited training for Uzbek counterparts is also envisaged as part of this initiative. Banking supervision and possibly accounting infrastructure is also anticipated, building in part on work previously conducted in Kazakstan and Kyrgyzstan.

Host Country and Other Donors: USAID work in this area would be closely coordinated with that of other donors. EU-Tacis has developed a banking training facility in Tashkent, an activity with which EBRD and the Turkish government are also involved. The World Bank has identified the financial sector as a key area and has provided some technical assistance to both the Central Bank and commercial banks.

Beneficiaries: Immediate beneficiaries would include professionals involved in financial development, including private bankers and government officials. Newly emerging entrepreneurs as well as a broad range of Uzbek citizens should benefit from a more effective and efficient banking system.

Principal Contractors, Grantees, or Agencies: USAID activities would likely be implemented through a U.S. commercial contractor working closely with local counterparts at the National Bank and the Ministry of Finance.

Major Results Indicators\*:

New laws/guidelines/procedures developed for financial market development  
Number/percent of banking sector professionals who support banking sector reform  
Level of investment, both domestic and foreign

Purpose: To assist in the economic, political and social transition in Turkmenistan.

Background: In Turkmenistan, "special initiatives" refers mainly to a medical partnership and family

planning. Both are part of Congressionally-mandated funding earmarks which are being used to promote broader programming and strategic concerns in Turkmenistan. There is substantial interest in the Turkmen health community in collaborating with U.S. experts, although the emphasis so far has been more on "high tech" curative practices than on basic health care approaches that would make most sense in Turkmenistan. Although the emphasis now is on health earmarks, limited training and technical assistance related to the political and economic transition is possible if funding and the situation in Turkmenistan permits.

**USAID Role and Achievements to Date:** The medical partnership between the Cleveland Clinic and the Niyazov Medical Consultative Center in Ashgabat was established in 1993 and is now entering its "graduation" phase. Through June 1995, some 35 short-term exchange trips had been conducted involving individuals from both institutions. Turkmen health staff from thirty other medical institutions have received management training at a number of regional seminars and workshops. Improvements that result from the partnership are designed to provide a good precedent for other hospitals to follow. For example, an examination of cost factors led to the establishment of a cost accounting department that in turn led to a marked reduction in the average length of patient stays. This review also led to the introduction of a number of fee-for-service activities which now account for 10 percent of the Niyazov hospital budget. New infection control procedures resulted in lowered morbidity and mortality rates. Turkmenistan is also participating in a USAID-funded regional family planning program that resulted in the first international meeting to address reproductive health issues in Turkmenistan. The country also participated in the USAID-funded reproductive health program, resulting in two fully equipped service delivery/clinical sites in Ashgabat staffed with qualified trainers and service providers.

**Description:** The medical partnership involves training and people-to-people exchanges between medical staffs in Cleveland and Ashgabat. Often, the partnership becomes a vehicle for raising additional private American funds and for providing badly needed medical supplies and equipment to Turkmenistan. Family planning programs combine advisory services and training that introduces new approaches and technologies into Turkmenistan. The focus now is on health, but developments in Turkmenistan could also permit additional training and technical assistance in support of the economic and political transition in Turkmenistan.

**Host Country and Other Donors:** Other donor activity in Turkmenistan is limited, but USAID programs are coordinated with those organizations. For example, USAID-funded advisors participated in planning for a World Bank health sector loan. Coordination also takes place with WHO and UNICEF.

**Beneficiaries:** Immediate beneficiaries include professional medical staff involved in partnership hospitals and in the family planning field as well as their clients. As relationships strengthen and expand, the wider Turkmen public should benefit as new approaches to health care management and service delivery are tested and introduced.

**Principal Contractors, Grantees, or Agencies:** Private U.S. firms provide technical assistance and training to Turkmen counterparts under the health earmark. The medical partnership is a cooperative effort involving the American International Health Alliance and the Cleveland Clinic in Cleveland, Ohio.

**Major Results Indicators\*:**

Number/kind of management systems and practices strengthened  
Percent of medical staff providing services and counseling based on modern family planning approaches and technologies

\*These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** UZBEKISTAN

**TITLE:** Citizens' Participation, 110-S002.1

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,700,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Increased citizens' participation in political and economic decision-making.

Background: Government control in Uzbekistan remains very much centered in the office of the president. Meaningful opposition is not tolerated, the press is closely controlled, and completely free and fair elections have yet to be held. President Karimov was confirmed in office through 2000 following a referendum. A new parliament was elected in a process that allowed voters to choose among officially sanctioned candidates. Despite these developments, the government appears to welcome the emergence of a non-governmental sector as well as input from foreign legal experts in developing and analyzing potential new laws and legislation.

USAID Role and Achievements to Date: Several USAID-funded small grants programs are available to directly fund the NGO sector in Uzbekistan. Through December 1995, 62 such grants had been provided, covering areas including human rights, environmental issues, women's rights, agricultural development, civic education, rule of law and market transition. This support has also invigorated the formation of NGOs and prompted them to seek ways to improve the legal environment in which they operate. The presence of an American Bar Association (ABA) advisor in Tashkent has also proven to be very effective. The advisor works closely with local lawyers, gives them updates on developments elsewhere, and has been requested by the government to comment on and in some cases help shape future laws and legislation. Finally, modest election assistance in 1994 provided some measure of voter education and ensured that foreign observers were informed about specific laws and procedures so that they could provide a more accurate and useful assessment of electoral deficiencies; similar assistance is planned in anticipation of future elections.

Description: USAID's current program focuses on introducing rudimentary concepts of civil society and democratization to Uzbekistan. Technical advisors, training, and grants to local organizations are all used in this effort to disseminate information and energize local counterparts about the role and potential of non-governmental players in contributing to the economic, political and social development of the country. The Counterpart Consortium focuses on NGO training and provides small support grants to local NGOs. The Eurasia Foundation, whose regional office is located in Tashkent, has also been very active. Although not all their grants are targeted at NGOs, many do involve information and education activities which help inform the public and provide opportunities to engage in broader policy issues. One grant is specifically aimed at assisting NGOs in dealing with legal issues and meeting registration requirements and in drafting NGO legislation. A USAID grantee has begun working with local broadcasters to improve the professionalism and viability of independent media outlets.

Host Country and Other Donors: The United States is the major foreign donor in the area of democratization in Uzbekistan. Other donors have sponsored parliamentary exchanges and the Adenauer Foundation from Germany is especially active. NGO activity has also received support from several donors, including the United Nations agencies. USAID coordinates with these groups in carrying out its own activities.

Beneficiaries: Immediate beneficiaries include individuals directly associated with the Uzbekistan NGO sector and legal profession. Many more should benefit through the public interest advocacy and social services provided as the NGO sector grows and expands. More broadly, all citizens stand to benefit from strengthened civil society and the introduction of more democratic norms and practices.

**Principal Contractors, Grantees, or Agencies:** USAID activity in democratization in Uzbekistan is largely carried out through the work of various American PVOs. Those involved include ABA/CEELI, Internews and the International Foundation for Election Systems (IFES). American groups such as Goodwill Industries, Aid to Artisans, and the Citizens Network for Foreign Affairs all participate in local NGO development as part of the Counterpart Consortium.

**Major Results Indicators\*:**

Number/percent of citizens who believe they can influence political and economic decision making  
NGO legislation implemented

Number/types of NGOs

**Purpose:** To assist in the economic, political and social transition in Turkmenistan.

**Background:** In Turkmenistan, "special initiatives" refers mainly to a medical partnership and family planning. Both are part of Congressionally-mandated funding earmarks which are being used to promote broader programming and strategic concerns in Turkmenistan. There is substantial interest in the Turkmen health community in collaborating with U.S. experts, although the emphasis so far has been more on "high tech" curative practices than on basic health care approaches that would make most sense in Turkmenistan. Although the emphasis now is on health earmarks, limited training and technical assistance related to the political and economic transition is possible if funding and the situation in Turkmenistan permits.

**USAID Role and Achievements to Date:** The medical partnership between the Cleveland Clinic and the Niyazov Medical Consultative Center in Ashgabat was established in 1993 and is now entering its "graduation" phase. Through June 1995, some 35 short-term exchange trips had been conducted involving individuals from both institutions. Turkmen health staff from thirty other medical institutions have received management training at a number of regional seminars and workshops. Improvements that result from the partnership are designed to provide a good precedent for other hospitals to follow. For example, an examination of cost factors led to the establishment of a cost accounting department that in turn led to a marked reduction in the average length of patient stays. This review also led to the introduction of a number of fee-for-service activities which now account for 10 percent of the Niyazov hospital budget. New infection control procedures resulted in lowered morbidity and mortality rates. Turkmenistan is also participating in a USAID-funded regional family planning program that resulted in the first international meeting to address reproductive health issues in Turkmenistan. The country also participated in the USAID-funded reproductive health program, resulting in two fully equipped service delivery/clinical sites in Ashgabat staffed with qualified trainers and service providers.

**Description:** The medical partnership involves training and people-to-people exchanges between medical staffs in Cleveland and Ashgabat. Often, the partnership becomes a vehicle for raising additional private American funds and for providing badly needed medical supplies and equipment to Turkmenistan. Family planning programs combine advisory services and training that introduces new approaches and technologies into Turkmenistan. The focus now is on health, but developments in Turkmenistan could also permit additional training and technical assistance in support of the economic and political transition in Turkmenistan.

**Host Country and Other Donors:** Other donor activity in Turkmenistan is limited, but USAID programs are coordinated with those organizations. For example, USAID-funded advisors participated in planning for a World Bank health sector loan. Coordination also takes place with WHO and UNICEF.

**Beneficiaries:** Immediate beneficiaries include professional medical staff involved in partnership hospitals and in the family planning field as well as their clients. As relationships strengthen and expand, the wider Turkmen public should benefit as new approaches to health care management and service delivery are tested and introduced.

Principal Contractors, Grantees, or Agencies: Private U.S. firms provide technical assistance and training to Turkmen counterparts under the health earmark. The medical partnership is a cooperative effort involving the American International Health Alliance and the Cleveland Clinic in Cleveland, Ohio.

Major Results Indicators\*:

Number/kind of management systems and practices strengthened  
Percent of medical staff providing services and counseling based on modern family planning approaches and technologies

\*These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## ACTIVITY DATA SHEET

**PROGRAM:** UZBEKISTAN

**TITLE:** Social Benefits, 110-S003.2

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,200,000 Freedom Support Act

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: Improved sustainability of social benefits and services.

Background: The transition to a market economy places severe strains on the social sectors, which were previously funded and managed entirely by the government. Without subsidies from Moscow, old patterns of social service planning and delivery have disintegrated. Old age pensioners and large families headed by single mothers have been especially hard hit. What is needed is a combination of fee-based services (for those able to afford it) to ensure sustainability, and targeted assistance to the most vulnerable populations. Little progress has been made in these areas so far, though the government has expressed an interest in better targeting of social services and more cost-effective approaches to health care.

USAID Role and Achievements to Date: USAID advisors worked with a World Bank team to advance health reform and leverage World Bank funds to address them. Advisors from the Centers for Disease Control (CDC) in Atlanta have reviewed existing health surveillance systems and made recommendations to improve their effectiveness. USAID-funded advice to the Ministry of Health resulted in revised immunization schedules more consistent with world standards. This will reduce the number of vaccines requires for children less than 17, reduce current expenditures on commodities by 6.7 percent, and result in annual savings of \$700,000.

Description: USAID provides training and technical advisory services to key Uzbek counterparts. Funding shortfalls preclude a large, permanent in-country presence, but short-term advisors work closely with Uzbek counterparts to organize and implement training and advisory services. An active training program is underway to introduce new approaches to family planning into Uzbekistan.

Host Country and Other Donors: Other donors involved in the health and social sectors include the World Bank and various European donors. Immunization programs are implemented in coordination with WHO and UNICEF.

Beneficiaries: Immediate beneficiaries include those directly involved in the medical institutions and pharmaceutical marketing networks which work directly with USAID advisors and participate in training programs. Clients of these facilities should benefit as service and the range of choice improves. Over the long term, Uzbek citizens will benefit as these pilot efforts are extended.

Principal Contractors, Grantees, or Agencies: Several USAID-funded groups are involved in the area of social transition, including commercial contractors and the Centers for Disease Control (CDC) in Atlanta.

Major Results Indicators\*:

Number/types (percent) of social services provided on fee-for-service basis  
Percent Public Social services benefits targeted

Purpose: To assist in the economic, political and social transition in Turkmenistan.

Background: In Turkmenistan, "special initiatives" refers mainly to a medical partnership and family

planning. Both are part of Congressionally-mandated funding earmarks which are being used to promote broader programming and strategic concerns in Turkmenistan. There is substantial interest in the Turkmen health community in collaborating with U.S. experts, although the emphasis so far has been more on "high tech" curative practices than on basic health care approaches that would make most sense in Turkmenistan. Although the emphasis now is on health earmarks, limited training and technical assistance related to the political and economic transition is possible if funding and the situation in Turkmenistan permits.

**USAID Role and Achievements to Date:** The medical partnership between the Cleveland Clinic and the Niyazov Medical Consultative Center in Ashgabat was established in 1993 and is now entering its "graduation" phase. Through June 1995, some 35 short-term exchange trips had been conducted involving individuals from both institutions. Turkmen health staff from thirty other medical institutions have received management training at a number of regional seminars and workshops. Improvements that result from the partnership are designed to provide a good precedent for other hospitals to follow. For example, an examination of cost factors led to the establishment of a cost accounting department that in turn led to a marked reduction in the average length of patient stays. This review also led to the introduction of a number of fee-for-service activities which now account for 10 percent of the Niyazov hospital budget. New infection control procedures resulted in lowered morbidity and mortality rates. Turkmenistan is also participating in a USAID-funded regional family planning program that resulted in the first international meeting to address reproductive health issues in Turkmenistan. The country also participated in the USAID-funded reproductive health program, resulting in two fully equipped service delivery/clinical sites in Ashgabat staffed with qualified trainers and service providers.

**Description:** The medical partnership involves training and people-to-people exchanges between medical staffs in Cleveland and Ashgabat. Often, the partnership becomes a vehicle for raising additional private American funds and for providing badly needed medical supplies and equipment to Turkmenistan. Family planning programs combine advisory services and training that introduces new approaches and technologies into Turkmenistan. The focus now is on health, but developments in Turkmenistan could also permit additional training and technical assistance in support of the economic and political transition in Turkmenistan.

**Host Country and Other Donors:** Other donor activity in Turkmenistan is limited, but USAID programs are coordinated with those organizations. For example, USAID-funded advisors participated in planning for a World Bank health sector loan. Coordination also takes place with WHO and UNICEF.

**Beneficiaries:** Immediate beneficiaries include professional medical staff involved in partnership hospitals and in the family planning field as well as their clients. As relationships strengthen and expand, the wider Turkmen public should benefit as new approaches to health care management and service delivery are tested and introduced.

**Principal Contractors, Grantees, or Agencies:** Private U.S. firms provide technical assistance and training to Turkmen counterparts under the health earmark. The medical partnership is a cooperative effort involving the American International Health Alliance and the Cleveland Clinic in Cleveland, Ohio.

**Major Results Indicators\*:**

Number/kind of management systems and practices strengthened  
Percent of medical staff providing services and counseling based on modern family planning approaches and technologies

\*These are illustrative indicators. ENI Missions are in the midst of the complex process of developing measurable country-specific indicators and targets, which will be completed by June 1996.

## REGIONAL ACTIVITIES IN CENTRAL EUROPE

**FY 1997 Assistance to Central Europe Request . . . . . \$79,000,000**

### **Introduction.**

Since its inception in 1989, USAID assistance to Central Europe has evolved from a regional program to a country-specific one. Initially the regional approach gave the United States the flexibility to respond quickly to varying needs across countries in a rapidly transforming environment. The program has matured. USAID now has more field staff which has provided improved knowledge of a country's transition environment and enabled country-specific strategy development. The allocation of regional funds within the countries of Central Europe is described earlier in this presentation.

Described below are activities that still operate regionally, across countries, such as: the South Balkan Development Initiative; Enterprise Funds; anti-crime and corruption programs, regional energy and environmental programs, contract personnel who provide technical services to more than one country; and regional working groups and courses that benefit participants from a number of countries.

### **FY 1997 Program.**

USAID is pursuing the following strategic goals with regionally designated funds in Central Europe:

#### **Strategic Goal: Economic Restructuring**

USAID seeks to foster the emergence of a competitive, market-oriented economy in which the majority of economic resources is privately owned and managed.

Enterprise Funds: The Baltic-American Enterprise Fund budget remains regional, since it is not yet known where the funds will ultimately be invested. Another set of funds are reserved for the fastest performing Enterprise Funds throughout the region. Once performance is determined during the fiscal year, the funds will be transferred to the appropriate country Enterprise Fund.

Energy: By encouraging regional integration, our regional energy programs in the Baltics conserve energy resources. Another continuing activity is the U.S./Central Europe Energy Partnerships which support regional workshops.

Privatization and financial sector reform: Contract personnel who service the region are funded, and funds are available for Treasury and Security and Exchange Commission technical advisors who work in more than one country.

#### **Strategic Goal: Democratic Transition**

Under this goal, USAID funds support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes.

Rule of Law: Funds are provided for regional training, exchanges and technical assistance programs of the American Bar Association - Central and Eastern European Legal Initiative for key legal reformers and members of the judiciary.

Public Administration: Regional funding provides the opportunity for training and the sharing of experience in addressing basic public administration problems, such as decentralizing power, accountability, transparency and responsiveness.

**Independent Media:** Exchanges and regional training will be funded to encourage regional media linkages.

**Political and Social Process:** Funds will be set aside for unanticipated requests for election assistance, training of labor leaders, and possible assistance in conflict resolution.

**Non-Government Organization (NGO) Development:** Inter-country cooperation and training of newly developed, NGO advocacy groups is encouraged under "Democracy Networks," a regional program which came out of a Presidential Initiative.

### **Strategic Goal: Social Stabilization**

USAID assistance responds to humanitarian crises and strengthens the capacity to manage the human dimension of the transition to democracy.

**Humanitarian Assistance:** Funds are reserved for emergency humanitarian assistance needs in the region.

**Labor Market Transition:** The Department of Labor maintains regional training programs for all countries in the region.

**Environment:** The Danube River Basin clean-up program focuses on reducing the emission of toxic compounds and pathogens to international waters in selected areas where potential pathways of human exposure cross national boundaries between Slovakia/Hungary and Hungary/Romania. The activity, which involves technical assistance as well as equipment provision and construction, uses the "polluter pays" principle to accomplish these reductions. The assistance focuses on transferring technology and speeding the adoption of new techniques of pollution prevention and waste minimization. The Regional Environmental Center in Budapest, with outreach offices in thirteen countries, promotes regional cooperation and helps build environmental skills and capacity among governments, NGOs, businesses, academic institutions, and the media. It also administers a competitive grant program which increases the capacity of NGOs to improve public awareness of and participation in environmental issues.

### **Cross-cutting/Special Initiatives**

**South Balkan Development Initiative:** This program will help Albania, FYRMacedonia and Bulgaria, countries most severely affected by the conflict in the former Yugoslavia. With normal trade routes to Serbia cut off, the resultant economic setback has threatened the survival of these nascent democracies. In coordination with and with funds leveraged from other donors, the initiative will improve links among the South Balkan nations, encourage regional integration and promote cooperation.

**Rule of Law:** Funds are provided for an enhanced anti-crime and corruption program being implemented by various U.S. government law enforcement agencies, including the FBI, Treasury and the Criminal Justice Division of the Department of Justice.

**Health:** The health partnership program holds regional conferences and workshops for management development and nursing reform.

**Training:** Funds are set aside for regional participant training and the Georgetown University program.

Evaluation and project development and support also are funded here.

**CEE REGIONAL  
FY 1997 PROGRAM SUMMARY\***

Strategic Objectives	Economic Restructuring	Democratic Transition	Social Stabilization	Cross-cutting / Special Initiatives	Total
Privatization					
Fiscal Reform	1,400,000				1,400,000
Private Enterprise	17,000,000				17,000,000
Financial Reform	700,000				700,000
Energy	2,400,000				2,400,000
Citizens' Participation		2,800,000			2,800,000
Legal Systems		2,600,000			2,600,000
Local Government		900,000			900,000
Crises			1,650,000		1,650,000
Social Benefits			2,200,000		2,200,000
Environmental Health			2,500,000		2,500,000
Cross-cutting / Special Initiatives				44,850,000	44,850,000
<b>TOTAL</b>	<b>21,500,000</b>	<b>6,300,000</b>	<b>6,350,000</b>	<b>44,850,000</b>	<b>79,000,000</b>

\* Support for East European Democracy (SEED) Act funds

Director, Office of European Country Affairs: David Cowles

## REGIONAL ACTIVITIES IN THE NEW INDEPENDENT STATES

**FY 1997 Assistance to the NIS Request . . . . . \$48,000,000**

### **Introduction**

Since its inception in 1992, USAID assistance to the NIS has progressed from a regional program to a country-specific one. While initially the regional approach gave the United States the flexibility to respond quickly to varying needs across countries in a rapidly transforming environment, the program has matured. USAID now has more field representation which has provided improved knowledge of a country's transition environment and enabled development of country-specific strategies. Nevertheless, some activities are appropriately funded regionally because several countries are benefitted.

Described below are activities that still operate regionally, across countries, including: regional enterprise funds; performance funds; contract personnel who provide technical services to more than one country; and regional conferences, working groups and courses that benefit participants from a number of countries. Activities of some other USG agencies which receive funds through transfers from FSA accounts are in some cases applied regionally.

### **FY 1997 Program**

USAID is pursuing the following strategic goals with regionally designated funds in the NIS:

#### **Strategic Goal: Economic Restructuring**

USAID seeks to foster the emergence of a competitive, market-oriented economy in which the majority of economic resources is privately owned and managed.

Enterprise Funds: The Central Asian Republics and West NIS Enterprise funds continue to foster private sector development by providing investment capital to small and medium-scale businesses in Kazakstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan and in Ukraine, Belarus and Moldova, respectively. A new Caucasus Enterprise Fund is expected to begin doing the same using funds appropriated for FY 1996. The demand-driven funds are most successful in entrepreneur-friendly business climates. The Defense Enterprise Fund in the NIS, previously funded by the Department of Defense, will receive FREEDOM Support Act funds in FY 1997.

Private Sector: Regional funds cover Washington-based technical advisors who support multiple field missions in project design and implementation, and service contracts that assist USAID with a variety of non-technical support functions. Interagency service agreements, such as that with the Securities and Exchange Commission, help in performance monitoring and assessment across the region.

#### **Strategic Goal: Democratic Transition**

Under this goal, USAID funds support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes.

Political Process: Funds will be reserved for unanticipated requests for election assistance, including training and advisory services provided by the International Foundation for Electoral Support.

Rule of Law: Funds are provided for technical assistance programs and seminars addressing topics such as Civil Code drafting which are common to multiple countries, and expanding activities of the Sakharov Center Human Rights Institute. Funds are also provided for regional anti-crime and corruption

programs being implemented by various U.S. government law enforcement agencies, including the FBI, Treasury and the Criminal Justice Division of the Department of Justice.

**Strategic Goal: Social Stabilization**

Humanitarian: USAID assistance responds to humanitarian crises and strengthens the capacity to manage the human dimension of the transition to democracy.

Health: USAID uses regional health funds to provide technical assistance for: vaccine and pharmaceutical delivery, hospital partnerships, and women's health programs not clearly attributable to individual country programs.

**Strategic Goal: Cross-cutting/Special Initiatives**

Funds for programs which cut across a number of strategic objectives or which are not directly related to the achievement of USAID objectives.

Performance Funds: In a changing political environment, U.S. interests are best served by having a modest level of Performance Funds available for support of new or accelerating macroeconomic reform or superior performance in key economic sectors. Should a peace agreement emerge resolving the status of Ngorno Karabakh and ending the embargo of Armenia, performance funds would provide initial support for peace initiatives.

Regional Training: USAID supports the New Independent States Training and Exchanges Project. Training programs funded under this project are directly linked to the USAID strategic objectives for each country. In order to maintain the project, there are functions which are carried out regionally because of the economies of scale inherent in combining process functions. For example, regional training funds support maintenance of health coverage, tax assistance for trainees, and data collection. In addition, regional funds are used for impact analysis, project monitoring and report preparation. Since there is a substantial amount of training that is done in the U.S., there is more U.S. based monitoring in this project than in most USAID financed activities.

Other Agencies: Similarly funds are provided to the Peace Corps, the Trade and Development Agency, and the State Department for Science Centers.

**NIS REGIONAL  
FY 1997 PROGRAM SUMMARY\***

Strategic Objectives	Economic Restructuring	Democratic Transition	Social Stabilization	Cross-cutting and Special Initiatives	Total
Privatization	300,000				300,000
Fiscal Reform					
Private Enterprise	9,700,000				9,700,000
Financial Reform					
Energy	200,000				200,000
Citizens' Participation		500,000			500,000
Legal Systems		2,600,000			2,600,000
Local Government		700,000			700,000
Crises			14,600,000		14,600,000
Social Benefits			350,000		350,000
Environmental Health			800,000		800,000
Cross-cutting / Special Initiatives				18,250,000	18,250,000
<b>TOTAL</b>	<b>10,200,000</b>	<b>3,800,000</b>	<b>15,750,000</b>	<b>18,250,000</b>	<b>48,000,000</b>

\* Freedom Support Act (FSA) funds

Director, Office of New and Independent States Affairs: Brian Kline

## 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	\$ 30,000,000
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 taken 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 the 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.

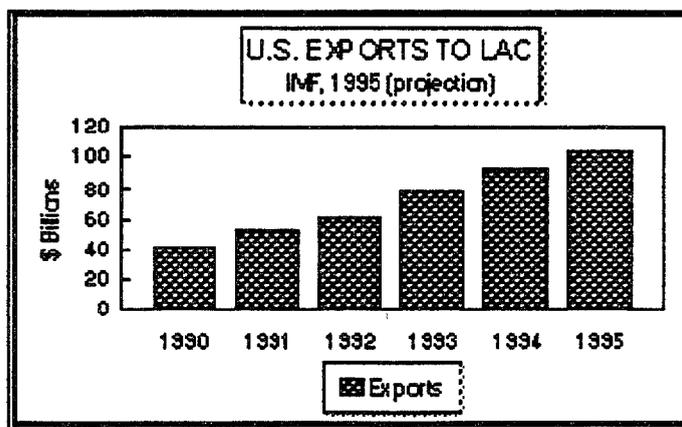
Within the economic growth area, USAID is helping to reduce the spread of the AIDS epidemic, particularly in Central America. Child survival and health programs aim to insure sustainable and quality primary health coverage. Basic education programs emphasize girls education and basic literacy skills 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

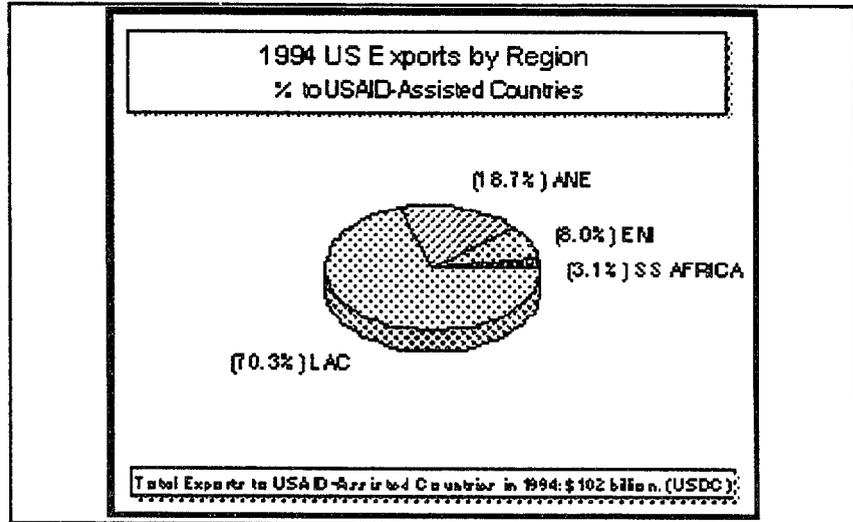
LAC region has gone from a deficit of \$8 billion in 1990 to an estimated surplus of \$5 billion in 1994.



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.

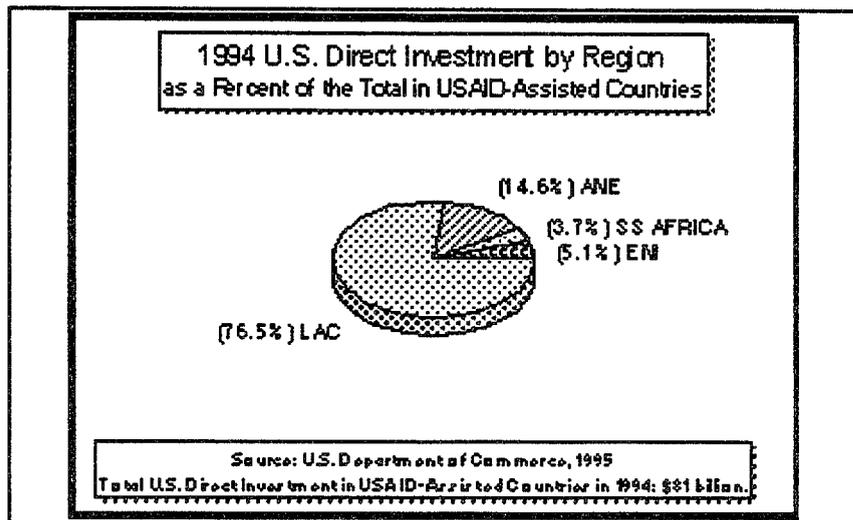
In 1994, U.S. exports to the seven Central American countries which have USAID programs (\$6.7 billion) exceeded the combined U.S. exports to the 13 Eastern Europe countries (\$2 billion) and the 16 New Independent States (NIS) of the former Soviet Union (\$3.6 billion).

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,

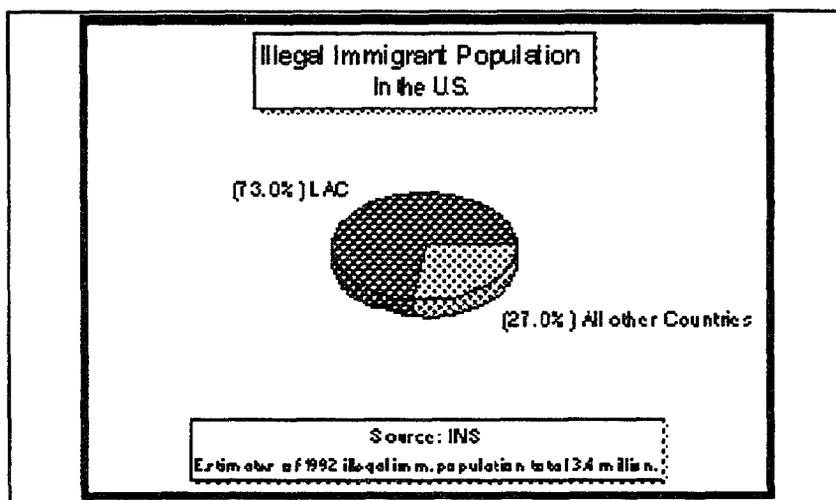


but the Summit declaration committed the countries of the hemisphere to conclude negotiations for a Free Trade Area of the Americas (FTAA) by 2005. The FTAA will produce a vastly expanded market for U.S. products. It will encompass 34 countries with a current total population of about 750 million and 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 the 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 USAID 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 the 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 the 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 FY 1997. We also plan to terminate our country presence in both Ecuador and Panama within five to ten years.

## **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 will:

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.

**LATIN AMERICA AND THE CARIBBEAN  
PROGRAM SUMMARY  
FY 1997 Funding Request (in Thousands of Dollars)**

COUNTRY	ENCOURAGING ECONOMIC GROWTH	STABILIZING POPULATION GROWTH	PROTECTING THE ENVIRONMENT	BUILDING DEMOCRACY	PROVIDING HUMANITARIAN ASSIST.	TOTAL
BOLIVIA DA	2,850	19,800	4,950	5,000		32,600
INCF PL 480 TITLE II	7,000			3,000	21,563	10,000 21,563
BRAZIL DA		7,265	5,000	250		12,515
DOM. REPUBLIC DA	1,780	7,172		1,300		10,252
ECUADOR DA	2,580	6,032	2,970	1,950		13,532
EL SALVADOR DA	10,844	12,796	7,068	4,839		35,547
GUATEMALA DA PL 480 Title II	6,235	14,230	3,500	2,000	10,927	25,965 10,927
GUYANA DA	900			2,150		3,050
HAITI ESF PL 480 TITLE II PL 480 TITLE III	28,370	28,610	7,220	15,800	18,621 10,000	80,000 18,621 10,000
HONDURAS DA PL 480 TITLE II	5,000	9,649	4,000	2,500	4,611	21,149 4,611
JAMAICA DA	4,525	4,505	3,770			12,800
MEXICO DA	150	13,350	4,000	300		17,800
NICARAGUA DA PL 480 TITLE II	12,040	8,400	3,500	4,000	2,319	27,940 2,319
PANAMA DA			3,032	468		3,500
PARAGUAY DA		1,100	1,000	1,500		3,600
PERU DA INCF PL 480 TITLE II	5,946 9,000	19,651 3,000	4,010	2,043 8,000	55,600	31,650 20,000 55,600
CEN Regional DA	2,500	6,750	6,000			15,250

COUNTRY	ENCOURAGING ECONOMIC GROWTH	STABILIZING POPULATION GROWTH	PROTECTING THE ENVIRONMENT	BUILDING DEMOCRACY	PROVIDING HUMANITARIAN ASSIST	TOTAL
LAC Regional						
DA	16,850	4,800	5,300	5,400		32,350
ESF				35,000		35,000
TOTAL						
DA	72,200	135,500	58,100	33,700		299,500
ESF	28,370	28,610	7,220	50,800		115,000
INCF	16,000	3,000		11,000		30,000
PL 480 TITLE II					113,640	113,640
PL 480 TITLE III					10,000	10,000

Mark Schneider  
Assistant Administrator  
Bureau for Latin America and the Caribbean

## BOLIVIA

FY 1997 Development Assistance:.....	\$32,600,000
FY 1997 P.L. 480:.....	\$21,563,000
FY 1997 International Narcotics Control Fund:.....	\$10,000,000

### Introduction.

Bolivia is important to the national interest of the United States because: (1) Bolivia is the world's second largest illegal coca and cocaine producer, damaging to both countries; (2) both countries share a common interest in the democratic process and the promotion of good governance, in popular participation, and in the fair administration of justice; (3) the United States is Bolivia's major trading partner, accounting for approximately 27% of all trade in 1995; (4) Bolivia maintains a relatively open foreign trade regime with low tariffs, free movement of capital, and the absence of trade restrictions found attractive to U.S. investors; and (5) Bolivia, which has unusually rich forest and biological resources, is a leader in Latin America in demonstrating concern for the environment and protection of biodiversity.

The principal foreign policy goals of the United States in Bolivia are to eliminate the illegal coca and cocaine industry, to encourage economic growth and stability, and to nurture Bolivian democracy. The Government of Bolivia (GOB) met its coca eradication goals of 5,400 hectares in 1995 and USAID-supported alternative development programs succeeded in promoting licit economic opportunities and employment in the Chapare coca-growing region. Whereas 10 years ago coca was the only crop found in the Chapare, today the majority of the arable land in the Chapare is cultivated with licit crops. The United States is also helping Bolivia make significant strides in promoting financial services to the poor and increase nontraditional export earnings.

Free and fair municipal elections in December 1995 brought to life the new Popular Participation Law, viewed as the most important redistribution of political and economic power since Bolivia's 1952 revolution. This bodes well for the continuation of Bolivia's fragile democracy, now in its 14th year. Presidential elections are scheduled for June 1997. Through innovative family health programs and food assistance, the United States is combating unacceptably high infant, child, and maternal mortality rates that impede development progress. The United States is helping Bolivia develop sound environmental regulations and bring increased areas of forests under responsible environmental management. Bolivia holds high hopes for a Hemispheric Summit on Sustainable Development and the Environment which it plans to host in late 1996.

### The Development Challenge.

Landlocked and rugged, Bolivia is one of the poorest countries in the hemisphere with a per capita gross national product (GNP) of \$800 in 1995. One of the clearest manifestations of that poverty is the extensive prevalence of malnutrition: 38% of Bolivian children under five suffer from some degree of malnutrition which is associated with four out of every five deaths of children under five. About 70% of all Bolivian households and approximately 94% of rural households live in absolute poverty. Poverty is a leading cause of a high infant mortality rate, which at 75 per 1,000 births in 1994 remains unacceptably high. Bolivia's young population of 7.2 million is growing at the rate of 2.4% a year.

In spite of its poverty and fragile democratic and economic institutions that are endangered by the illegal coca and cocaine industry, Bolivia is working -- with assistance from the United States and other donors -- to meet its development challenges. Since the mid-1980s, a series of democratically elected Bolivian governments have established and maintained a base of solid macroeconomic policies; have moved to deepen stabilization measures; have increasingly addressed the social needs of the poor, predominantly indigenous people; and have taken steps to confront the dangers of narcotrafficking.

The current GOB administration is actively pursuing an ambitious and innovative economic reform program aimed at reducing poverty by accelerating economic growth, developing human capital, and implementing a national policy for sustainable development. The program includes five key reforms: capitalization (privatization), education reform, popular participation and decentralization, reform of the state, and judicial reform. As the current administration enters its final years, progress has already been apparent. While inflation rose to over 12% in 1995, its 10.1% average over the last three years (1993-1995) is among the lowest in Latin America; and gross domestic product (GDP) growth, averaging around 4%, is among the highest.

In 1995, Bolivia attracted a record level of foreign private investment, largely through its privatization program. In little more than a year after passage of the Capitalization Law in March 1994, three U.S. companies won bids for the capitalization of the three generating plants of the state power company. Nineteen U.S. companies are interested in the capitalization of the state oil company.

An anticipated 30% of the total proposed 1996 national budget will be transferred directly to regional and municipal governments in compliance with the popular participation and decentralization laws. These reforms will provide an unprecedented level of resources for local and regional authorities. The GOB hopes these reforms will promote greater accountability and more necessity-based investment, largely in the social sectors. Already, resources flowing to the over 300 municipalities nationwide are estimated to have increased to three times the 1993 level. There has been a significant shift of national resources from the major urban centers to the poor rural communities.

The judicial system continues the reform process initiated in 1992. Concrete results include: drafting of the new code of criminal procedures; promulgation of the Judicial Organization and the Public Ministry laws; and creation of the Judicial Council, the Constitutional Tribunal, and the Office of the Ombudsman. Efforts continue to strengthen court administration, case tracking and management-support systems, and training to increase the efficiency of justice sector institutions.

To protect its vast forest cover and abundant biodiversity, the GOB has made a strong commitment to the environment as evidenced by the creation of the Ministry of Sustainable Development and the decision to host a Hemispheric Summit on Sustainable Development and the Environment in 1996. Protecting these natural resources is important because of the concern for global warming and conservation of biological diversity. Bolivia stands a real chance of making a sustainable difference in this area, if correctly managed, due to promising opportunities for development investments, a growing community of nongovernmental organizations, an increase in resources managed at the local level, and low population pressures.

Bolivia is not an early candidate for rapid graduation from traditional development assistance. While measurable progress has been achieved in a number of areas, Bolivia's economy is extremely fragile and heavily dependent on outside assistance, which has averaged around 10% of GDP in recent years. Major systemic constraints continue to impede necessary economic growth. These include inadequate institutions, poor technological capability, limited financial services, poor infrastructure, and a shortage of human capital and experience. For the foreseeable future, USAID programs must play an important role in providing licit economic opportunities and jobs to combat the illicit coca and cocaine industry, while offering innovative programs to improve family health and nutrition, to build democratic institutions, and to sustainably manage forest resources and protect biodiversity.

#### **Other Donors.**

USAID and the donor community pledged over \$1 billion for 1995, with actual bilateral and multilateral loans and donations coming to \$525 million, complemented by \$140 million in direct foreign investment. In FY 1995, the United States was the largest bilateral donor followed by Japan, Germany and the Netherlands. The Inter-American Development Bank, World Bank, Andean Development Corporation, United Nations, and the European Community are major multilateral donors.

## **FY 1997 Program.**

USAID supports sustainable development in Bolivia under all four Agency goals: encouraging broad based economic growth; building democracy; stabilizing world population growth and protecting human health; and protecting the environment. In FY 1997, U.S. national interest will continue to be defined by the facts that Bolivia is the world's second largest producer of coca and cocaine; is struggling to develop its democratic institutions consistently threatened by the illegal and corruptive drug trade; is one of the poorest countries in the hemisphere with unacceptably high mortality rates and debilitating malnutrition; and is home to some of the most important and biologically diverse natural resources on earth.

In support of these goals, USAID has adopted four interrelated strategic objectives. USAID's support for improved effectiveness and accessibility of democratic institutions and practices helps the GOB modernize and democratize key public sector institutions and make them more accessible to all citizens, while combatting the corrupting nature of the drug trade on the economy and political system. Expanding economic opportunities and access through licit agricultural production, infrastructure investments and market development activities, the expansion of microfinancial services, and the promotion of nontraditional exports helps generate employment and legal income for poor Bolivians. To improve family health USAID targets mothers and children and supports efforts to lower fertility and space births, provides access to quality primary health care, and promotes maternal and child survival critical to the development of productive human capital. By focusing on protecting forests and their vital ecological functions, USAID directly addresses biological diversity and global warming, helping Bolivia to wisely manage its natural resource base that is critical to long-term sustainable development.

Support for these strategic objectives is enhanced by a progressive food aid program, focused on supporting economic growth and family health. Economic Support Funds concentrate on the development of licit productive economic activities and democracy. Nearly one-half of the requested Development Assistance funds in FY 1997 along with about 40% of the P.L. 480 Title II food program will support the family health strategic objective. About 80% of the Economic Support Fund request, 60% of P.L. 480 Title II, and part of the remaining Development Assistance funds will support the economic growth objective. The balance of ESF and DA funds requested will be divided between the democracy and environment strategic objectives.

### **Agency Goal: Building Democracy**

The first municipal elections conducted under the new Popular Participation Law took place on December 1995. USAID provided assistance to the National Electoral Court, which contributed to the success and transparency of these elections, by the training of over 100,000 election officials. The legislative support services center established with USAID assistance took major steps toward sustainability through GOB congressional action and its partial inclusion in the 1996 Bolivian National Budget. Nine Congressional committees currently use the center's services.

Judicial reform was supported through USAID assistance to the Ministry of Justice. This included assistance in the drafting of the new code of criminal procedures, which provides mechanisms to better ensure the protection of human rights and due process of law, and the drafting of the recently approved Assets Forfeiture regulatory decree, which streamlines procedures for the seizure of assets. A judicial training school was inaugurated under Supreme Court auspices for which USAID provided assistance on the teaching methodologies, course content, and student selection process. USAID will continue to promote reform by training key justice officials and supporting the drafting and promulgation of a regulatory framework. At least 80 courts are presided over by judges trained under USAID assistance programs.

- **Strategic Objective 1: Improved Effectiveness and Accessibility of Democratic Institutions and Practices**

**Agency Goal: Encouraging Broad-based Economic Growth**

In 1997, USAID will continue to help Bolivia confront critical development challenges caused by severe poverty and exacerbated by the production of coca and cocaine. Approximately 70% of Bolivian households and 94% of rural households are classified as poor. Income earning opportunities and financial services for the poor are deficient. USAID is supporting expanded economic opportunity and access through national programs to expand microfinancial services, to promote nontraditional exports, expand the domestic markets, to strengthen the financial sector, and to assist in policy reform. The alternative development program which supports licit agricultural production and investments in infrastructure and marketing activities in coca growing areas is key to the containment and eventual elimination of the illicit coca and cocaine industry in Bolivia.

In 1995, over 140,000 households received financial services through USAID-supported microfinancial institutions; over 13,500 permanent jobs were created under microcredit and export promotion activities; over \$32.5 million in nontraditional exports were generated. As a result of the USAID-supported Bolivian Banking Law in 1993, twelve credit unions are now reporting to the Superintendency of Banks and three credit unions have obtained licenses. In coca-growing areas, satellite imagery show increases in licit crops amounting to over 60% of the total land under cultivation, with twice as much area dedicated to alternative crops as to coca.

The P.L. 480 Title II program used for humanitarian and developmental purposes. It provides local currency funds and food for work to improve market access roads, recover eroded land through reforestation, and irrigate and improve water resource management in 500 rural communities, directly benefitting 50,000 poor farm families and indirectly benefitting 60,000 additional families. The food for work program provides temporary employment to approximately 21,000 poor heads of household in the poorest small rural towns and peri-urban areas of the country. Over 5,000 farm families in food insecure regions of the highlands and valleys receive agricultural extension and marketing services and training to increase production of staple crops and introduce vegetable and other high value crops. This agricultural program increases income and home consumption, improving food security of families. Title II food also reaches 116,000 rural primary school students, in school feeding programs helping to reduce drop out rates and improve learning.

- Strategic Objective 2: Expanded Economic Opportunity and Access

**Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

Bolivia is one of the most impoverished countries in the hemisphere. Poverty affects, among other factors, high infant, child and maternal mortality rates, and the ability to acquire and assimilate food. Malnutrition is associated with four out of every five deaths of children under five years of age. To improve family health, USAID targets mothers and children and supports Bolivian efforts to lower fertility and space births since these affect the health status of mothers and children and lower population growth rate.

A 6% increase in contraceptive prevalence between 1989 and 1994, and a 24% reduction of infant mortality during the same period demonstrate significant improvement in the health of Bolivian women and children. Important policy changes, especially the Popular Participation and Decentralization laws, have provided authority and financing to Bolivia's over 300 newly created municipalities enabling them to contract with private sector nongovernmental organizations (NGOs) for high quality health care and family planning services. To take advantage of the health improvement momentum and the opportunities for health sector privatization created by popular participation, USAID expanded its support to NGO service providers in FY 1995. Because of budget reductions and legislatively mandated reductions in the rate of population funding obligations in FY 1996, the implementation of these important activities will have to be slowed markedly. Full FY 1997 funding is essential to get these programs, which provide family planning services and contraceptives to Bolivia's neediest and

most fertile groups (the urban poor and rural families), back on track.

In support of the family health strategic objective, the P.L. 480 Title II maternal and child health program provides supplementary feeding, oral rehydration therapy, nutrition education and other services to approximately 17,000 lactating and pregnant mothers and 36,000 pre-school age children in the most food insecure areas of the country. This program has been successful in reducing infant mortality and morbidity of children under five. Water and sanitation services provided to over 500 rural and peri-urban populations help reduce the incidence of water-borne diseases among poor people.

- Strategic Objective 3: Improved Family Health Throughout Bolivia

**Agency Goal: Protecting the Environment**

Bolivia's immense natural resource endowment, very low population density, growing commitment to sustainable resource use, and demonstrated achievements to date give it a clear and impressive global comparative advantage for USAID investments in conserving biodiversity and reducing global warming.

Key results in 1995 include more than 1 million hectares, an area larger than the state of Connecticut, of national parks under sustainable management with biodiversity protection. The passage of comprehensive regulations to the General Environmental Law, which for the first time establish specific limits for air and water pollution and provide an institutional framework for enforcement, and the development of national guidelines for sustainable forest management were major steps forward. A challenge will be to support the GOB's efforts to continue to include environmental concerns in its new programs for economic growth (e.g., capitalization, popular participation). Additional USAID funding to assist with the wise stewardship of forests and their biodiversity will be critical. Another challenge will be for the GOB to successfully host the planned Hemispheric Summit on Sustainable Development and the Environment, a follow-on to the Miami Summit of the Americas, and, in 1997, to secure the donor support necessary to help implement the actions recommended in this forum.

- Strategic Objective 4: Reduced degradation of forest, soil and water resources and biodiversity protected.

**Agency Goal: Providing Humanitarian Assistance**

The P.L. 480 Title II program is integrated into the Mission's program. P.L. 480 resources serve a dual function as humanitarian assistance and support for USAID's expanded economic opportunity and improved family health strategic objectives.

**BOLIVIA  
FY 1997 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
<b>USAID Strategic Objectives</b>						
<b>1. Improved effectiveness and accessibility of key democratic institutions and practices</b> Dev. Assistance INCF				\$5,000,000 \$3,000,000		\$5,000,000 \$3,000,000
<b>2. Expanded economic opportunity and access</b> Dev. Assistance INCF P.L. 480 Title II	\$2,500,000 \$7,000,000				\$12,700,000	\$2,500,000 \$7,000,000 \$12,700,000
<b>3. Improved family health throughout Bolivia</b> Dev. Assistance P.L. 480 Title II		\$19,800,000			\$8,863,000	\$19,800,000 \$8,863,000
<b>4. Reduced degradation of forest, soil and water resources and biological diversity protected</b> Dev. Assistance	\$350,000		\$4,950,000			\$5,300,000
<b>Total</b> Dev. Assistance P.L. 480 Title II INCF	\$2,850,000 \$7,000,000	\$19,800,000	\$4,950,000	\$5,000,000 \$3,000,000	\$21,563,000	\$32,600,000 \$21,563,000 \$10,000,000

USAID Mission Director: Lewis Lucke

## ACTIVITY DATA SHEET

**PROGRAM:** BOLIVIA

**TITLE AND NUMBER:** Improved Effectiveness and Accessibility of Democratic Institutions and Practices, 511-SO01

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$5,000,000 DA; \$3,000,000 INC

**INITIAL OBLIGATION:** FY 1995 **ESTIMATED COMPLETION DATE:** FY 2001

**Purpose:** To improve the effectiveness, accessibility, and accountability of key democratic institutions -- Congress, the justice sector and local government institutions -- and to allow Bolivians to participate more fully in the political and economic decisions that affect their lives.

**Background:** Democracy is ultimately based on transparent and accountable public institutions, achieved through widespread open debate, decision-making and compromise, and effective participation of active grass-roots organizations in government. USAID's focus on democracy is particularly timely given Bolivia's commitment to strengthen democracy as evidenced by the implementation of the recently approved Popular Participation Law -- viewed as the most important redistribution of political and economic power since Bolivia's 1952 revolution -- and other important laws.

**USAID Role and Achievements to Date:** The first municipal elections conducted under the new Popular Participation Law took place in December 1995. USAID provided assistance to the National Electoral Court, contributing greatly to the success and transparency of these elections through the training of over 100,000 election officials. USAID support of the bill drafting and fiscal oversight technical capacity of the Bolivian Congress has resulted in a progressively stronger non-partisan legislative support services center (CICON). Established with USAID assistance, the center took major steps toward sustainability as Congress granted the center permanent status and provided partial funding for its operations in the 1996 National Budget. USAID's Democratic Development and Citizen Participation project, directly supportive of the Popular Participation Law, began implementation in January 1996. USAID's Special Development Activities program assisted 40 isolated rural communities in the design and implementation of self-help activities, benefiting approximately 8,893 women and men in poor areas throughout the country. Policy dialogue with local counterparts and technical assistance under the Administration of Justice project resulted in the drafting of laws to improve the fairness and efficiency of the justice system. The Ministry of Justice, assisted by USAID-financed experts, drafted a new code of criminal procedures, which incorporates oral procedures in the criminal process and establishes mechanisms to better ensure the protection of human rights and due process of law, and the regulatory decree on asset forfeiture, which is an important step in combatting narcotraffickers. The new judicial training School, inaugurated under the auspices of the Supreme Court, benefitted greatly from USAID assistance in curriculum design, teaching methodologies, and student selection. Human capacity development activities trained 135 individuals in technical and leadership skills in 1994-95. Returned participants under USAID's follow-on program have shared the benefits of their training with over 20,000 Bolivian men and women and 360,000 children. Fifty-five men and women holding leadership positions in public institutions are currently benefiting from two USAID-supported masters degree programs at the Catholic University of Bolivia in auditing and financial Controls and public policy and management.

**Description:** USAID's democracy strategic objective supports activities that promote improved municipal governance, effective citizenship, and a representative Congress. USAID will help municipal governments and civil society representatives work together to implement the Popular Participation law; promote minimal local citizen education and preconditions for voter participation; help grass-roots organizations and municipal governments gain effective access to the Bolivian Congress; and support the institutionalization of management systems in municipal governments to achieve greater

transparency. By 1997, qualified nongovernmental organizations (NGOs) working at the municipal level will become eligible to tap into a development fund to further spread the benefits of successful popular participation activities. Human resource development will continue to directly reinforce the popular participation programs through the training of mayors and community leaders. Activities in the justice sector will focus on: (1) judicial system efficiency and accountability; (2) effective criminal prosecution and investigation; and (3) access to justice. Technical assistance will be provided to the Ministry of Justice for the drafting of the bill on money laundering, the design of a reorganized Office of Asset Forfeiture, the production of an organization and operations manual, and the establishment of a computerized inventory system. USAID will proceed with the implementation of the judicial training pilot project; finish setting up the criminal case tracking and judicial statistics system in all criminal courts of the Santa Cruz Department, and begin its installation in the La Paz criminal courts. Management information systems and case tracking systems also will be designed and installed in the central office of the attorney general, in a departmental level model prosecutor's office, in a departmental level public defender's office, and in two departmental-level technical judicial police offices.

**Host Country and Other Donors:** The World Bank has recently approved a loan for judicial reform, focusing on civil and commercial matters. In some cases, Bolivian counterparts have agreed to replicate USAID-backed pilot projects in other departments with World Bank financing. The Inter-American Development Bank (IDB) is considering a loan to support the GOB's popular participation and decentralization initiatives and a program to continue the congressional modernization effort begun by USAID. USAID has actively assisted the IDB in planning and design. The estimated host country contribution for this strategic objective in FY 1997 is \$3,000,000.

**Beneficiaries:** Human capacity development plays a fundamental role in all aspects of USAID's democracy strategic objective. Over 500 judges, prosecutors, public defenders and police investigators will benefit from specialized training. Hundreds of civil society representatives as well as municipal authorities will receive technical training related to civic participation, municipal governance and financial accountability.

**Principal Contractors, Grantees, or Agencies:** USAID's partners in implementing activities under the democracy strategic objective include Chemonics International Inc., the State University of New York, the Center for Promotion and Electoral Assistance/ (CAPEL),; Management Sciences for Development, the Inter-American Bar Foundation, and Harvard Institute for International Development. The U.S. Department of Justice Office of Professional Development and Training (OPDAT) and the International Criminal Investigative Training Assistance Program (ICITAP) also are involved.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Number of district court case-tracking and judicial planning statistical systems	0 (1993)	7 (1998)
Number of courts presided by judges (J) and managed by court administrators(A)	J:0 (1993)	160 (1997)
(A) trained under project-assisted training program	A:0 (1993)	10 (1997)
Congressional Committees using new legislative support services	0 (1993)	10 (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** BOLIVIA

**TITLE AND NUMBER:** Expanded Economic Opportunity and Access, 511-SO02

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,500,000 DA; \$7,000,000 INC; \$12,700,000 P.L. 480 Title II

**INITIAL OBLIGATION:** FY 1995 **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To increase broad-based licit employment and income through expanding income-earning opportunities and broadening financial services to the poor.

**Background:** Seventy percent of all Bolivian households and approximately 94% of rural households are classified as poor, and only the upper classes of Bolivian society have access to financial services, technical assistance and training. USAID activities in this area provide productive and secure employment opportunities to the poor and expand access to training programs, technical assistance and financial services.

**USAID Role and Achievements to Date:** USAID assistance accelerates private investment and appropriate agricultural technology, improves entrepreneurial and labor skills, supports rural infrastructure, and facilitates economic activities of the poor by providing access to financial service for the financing of operating and investment capital. USAID activities during the past several years have generated \$139.7 million in nontraditional exports, created 89,211 permanent jobs, and, in 1995 alone, provided financial services to tens of thousands of poor Bolivians.

**Description:** USAID focuses on increasing domestic and export sales, increasing private investment, investing in human capital, developing strong and viable local institutions, strengthening rural infrastructure, expanding and strengthening non-bank financial institutions, and supporting appropriate policy and regulatory frameworks. Funding is channeled through U.S. and local NGOs which provide technical assistance for production and marketing, facilitate exports, promote investment, provide agricultural extension, and business skill training to the poor. USAID supports several private non-profit and for-profit institutions which have proven track records of self-sufficiency in providing financial services to the poor. USAID resources are used to further expand outreach of these sustainable programs.

**Host Country and Other Donors:** In export promotion, the World Bank and Dutch Government support an export-oriented venture capital program. Sweden and the United Nations Development Program also have supported exports of alpaca wool and sweaters. The World Bank, the Inter-American Development Bank (IDB), and the Andean Development Corporation are supporting financial market strengthening and stabilization and expansion of microfinancial services. German assistance supports both urban and rural microfinancial service providers and the credit union system. The United Nations Drug Control Program, using resources from the Governments of Italy, Great Britain, Sweden and Germany, has been promoting alternative development in the Chapare coca-growing region. IDB improvement of major roads and export corridors provides crucial support for the marketing of licit products from the Chapare. The estimated host country contribution in FY 1997 for this strategic objective is \$5,700,000.

**Beneficiaries:** Over four million Bolivians live in poverty and earn their meager incomes in the informal sector. USAID-supported programs designed to generate employment, increase income and expand access to financial services to reach about 140,000 poor households, with plans to reach 325,000 households per year by the year 2000.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities through U.S. organizations (e.g., World Council of Credit Unions, Agriculture Cooperative Development Incorporated, Accion International, Carana Corporation, Planning Assistance, and Development Alternatives) and 29 local institutions.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Annual non-traditional export sales (\$million)*	\$11.5 (1991)	\$50 (1998)
Hectares of additional non-coca crops in the Chapare	917 (19901)	25,500 (1997)
Number of permanent jobs created	3,422 (1991)	32,000 (1994)
Number of households receiving non-bank financial services (annual)	62,433 (1993)	220,000 (1999)

\* This indicator only considers exports directly attributable to USAID's projects.

## ACTIVITY DATA SHEET

**PROGRAM:** BOLIVIA

**TITLE AND NUMBER:** Improved Family Health throughout Bolivia, 511-SO03

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$19,800,000 DA, \$8,863,000 P.L. 480 Title II

**INITIAL OBLIGATION:** FY 1995

**ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To improve family health throughout Bolivia by improving child survival and reproductive and sexual health practices, improving quality and increasing coverage of community health care, and providing timely and sustained support for the implementation of relevant elements of the Popular Participation and Decentralization laws.

**Background:** The health of Bolivians is among the worst in Latin America. Maternal mortality in the Altiplano averages 591 deaths per 100,000 live births, in some areas reaching 900, comparable to some of the poorest countries in Africa. Infant mortality remains at 75 deaths per 1,000 births, with deaths often occurring in the first hours after birth.

The majority of these deaths are preventable. By taking proper measures, Bolivia could greatly improve its health sector performance. Family planning has been shown to be one of the most important interventions in saving the lives of mothers and infants. Family planning clearly contributes to USAID's economic growth and environmental objectives as well.

The Popular Participation and Decentralization Laws have contributed significantly to this objective by providing authority and financing local governments. Already, a movement has begun among the over 300 newly created municipalities to contract with private sector nongovernmental organizations (NGOs) for the provision of high quality health care and family planning services. This privatization has improved the quality of care, increased financial sustainability, and released GOB Secretary of Health resources for deployment in the most rural and needy areas. Because USAID had its four major private sector activities in place in FY 1995 vigorously seeking expansion opportunities, it has been able to respond to the new demand for high quality health care created by the municipalities.

Opportunities for high-impact health care interventions have never been greater in Bolivia. Now is the time and USAID is seizing the unprecedented opportunity to provide improved maternal child health care and family planning services to Bolivia's neediest people. The incidence of sexually transmitted diseases (STDs) has been reduced through the AIDS/STD prevention project.

**USAID Role and Achievements to Date:** USAID's child survival efforts over the last five years have contributed to the decline in infant and child mortality by providing support to the GOB's immunization, diarrheal prevention, and water supply and sanitation program. Recent activities have included development of social marketing projects for oral rehydration salts (ORS) and vitamin A fortified sugar. Incidence of STDs has been reduced by up to 35% for some groups at high risk for AIDS.

Modern contraceptive use among women has increased from 12% to 18% between 1989 and 1994. During the same period total fertility rate decreased from 5.6 to 4.8. In 1995, the major public and private sector providers of family planning services supported by USAID have doubled the number of new users from 40,515 in 1994 to 98,655 in 1995, an increase of 144% in only one year under an aggressive new USAID-supported campaign. The Contraceptive Social Marketing Program tripled average monthly condom sales from 48,324 in 1994 to 129,780 in 1995.

**Description:** Of the total funding requested for population and health, \$12,803,000 is planned for population activities and \$6,842,000 is planned for health activities. The family health strategic objective has three clear sub-objectives: (1) the program attempts to improve child survival and

reproductive and sexual health practices by Bolivian women, men, adolescents, and children; (2) it aims to improve quality and increased coverage of community health care services established by local governments and nongovernmental organizations (NGOs); and (3) it provides timely and sustained support for the implementation of relevant elements of the Popular Participation and Decentralization laws.

**Host Country and Other Donors:** USAID works closely with other donors in Bolivia and complements the United Nations Population Fund (UNFPA) and the PanAmerican Health Organization (PAHO) reproductive health services efforts with the GOB's National Secretariat of Health. USAID finances the project director and eight national clinical family planning training centers, and provides technical assistance in management, natural family planning, and information, education, communication, and counselling activities. The UNFPA and PAHO finance the regional program supervisors, contraceptives, and other program costs. The National Secretariat provides salaries, clinic facilities, and most other recurrent program costs. In child survival, USAID collaborates with the United Nations Children's Fund (UNICEF) in the social marketing of ORS and vitamin A fortified sugar. USAID also supports the Secretariat's immunization and diarrheal prevention programs. The World Bank and the Inter-American Development Bank support the Secretariat with major health center construction projects. The estimated host country contribution for this strategic objective in FY 1997 is \$10,800,000.

**Beneficiaries:** Children under five and women of child-bearing age are the major beneficiaries of USAID's family health strategic objective.

**Principal Contractors, Grantees, or Agencies:** USAID implements its health activities through at least four GOB agencies and five NGO/NGO networks. U.S. and Bolivian commercial sector companies collaborate in the social marketing efforts. Significant technical assistance is provided through over twenty Cooperating Agencies.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Infant mortality per 1,000 live births:	75 (1994)	47 (2000)
Child mortality per 1,000 live births:	116 (1994)	74 (2000)
Maternal mortality per 100,000 live births:	390 (1994)	160 (2000)
Contraceptive prevalence (% modern methods):	18 (1994)	28 (2000)
Total Fertility Rate (# of children)	4.8 (1994)	3.8 (2000)

## ACTIVITY DATA SHEET

**PROGRAM:** BOLIVIA

**TITLE AND NUMBER:** Reduced degradation of forest, soil and water resources and biodiversity protected, 511-S004

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$5,300,000 DA

**INITIAL OBLIGATION:** 1995 **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To reduce degradation of forest, soil and water resources and protect Bolivia's globally important biodiversity by discouraging forest conversion, reducing pollution, and sustainably managing

improved environmental management; and by management of selected wildlife populations. Pollution is being reduced by demonstrating to factory owners how they can comply with Bolivia's new environmental regulations and improve their rates of return; and by encouraging adoption of cheap sources of renewable energy for those far removed from the national grid.

**Host Country and Other Donors:** Collaboration with other donors continues to be excellent. For example, the new Chaco activity was developed to complement the World Bank's Global Environmental Facility, the Switzerland and GOB-funded National System of Protected Areas, and in particular the new National Chaco Park (an area larger than Costa Rica, with perhaps more mammal diversity than any other park in the hemisphere). USAID's work in sustainable forestry management is coordinated closely with Netherlands-funded programs, and the planned disbursements of \$5 million in host-country contributions are proceeding on schedule (as are the disbursements of \$2.2 million each year to the EAI, with more than \$6 million in GOB funds received to date). The strongest example of donor coordination, however, is the recent evaluation of Bolivia's National Environmental Fund. Here USAID took the lead in bringing together Canada, Germany, Switzerland, the Netherlands, Great Britain, the World Bank, and the P.L. 480 Executive Secretariat to draft terms of reference for the evaluation; to select consultants; to review the report's recommendations; and to plan a concerted response, all in close consultation with the GOB.

The estimated host country contribution for this strategic objective in FY 1997 is \$1,800,000.

**Beneficiaries:** The number of direct beneficiaries of USAID's environmental program is hard to calculate, as it includes many residents of Bolivia's three most important cities (through pollution reduction and environmental education activities), more than 15,000 lowland Indians (with improved forest management and wildlife conservation), and scores of NGO initiatives with community groups (directly improving the lives of more than 50,000 people). Indirect beneficiaries include the global community, through protection of Bolivia's forests and their carbon-sequestration capabilities (reducing global warming), and their wealth of still largely untapped biological resources.

**Principal Contractors, Grantees, or Agencies:** USAID-financed environmental activities are implemented by Chemonics International, Wildlife Conservation Society, Conservation International, the Nature Conservancy, World Resources Institute, Tropical Research and Development, RCG/Hagler-Bailly, the U.S. Environmental Protection Agency, and the National Rural Electrical Cooperative Association. Key counterpart institutions include the Ministry of Sustainable Development and Environment, National Environmental Fund, National Chamber of Industries, National Forestry Chamber, the Capitancy of the Upper and Lower Izozog, Confederation of Chiquitanos Indians; and several local environmental NGOs.

**Major Results Indicators:** (cumulative)

	<u>Baseline</u>	<u>Target</u>
Increased hectares under improved management	50,000 (1994)	2,200,000 (2000)
Bolivian institutions trained to support the strategic objective	4 (1995)	15 (2000)
Total value of target products substantially harvested	0 (1993)	\$1,000,000 (2000)
Factories adopting pollution prevention	0 (1995)	20 (2000)

## BRAZIL

FY 1997 Development Assistance :.....\$12,515,000

### Introduction.

Brazil is critically important to the U.S. national interest because of its vast size, a population of 150 million persons, and an economy of \$500 billion. These attributes make Brazil the predominant power in Latin America, a strategic ally of the United States, and a valuable trading partner with over \$20 billion in bilateral trade. The U.S. interest in long-term, sustainable development in Brazil is hampered by Brazil's past performance of poor economic management, an extremely uneven distribution of income, and serious problems in issues of global importance such as the environment, population, and health care. In 1995, the Government of Brazil (GOB) continued its commitment to resolve long-standing constraints to development, such as hyper-inflation, weak democratic institutions, and social inequality. The economic reform program reduced inflation to slightly over 20% and the gross domestic product (GDP) grew at just over 4%. In this reform context, modest U.S. assistance can play a catalytic role in Brazil's economic and social transformation.

### The Development Challenge.

USAID assistance to Brazil is carefully targeted to areas of critical need for the Brazilian development process where the United States has a comparative advantage in technical assistance: environmental protection, women's health, and acquired immunodeficiency syndrome (AIDS) prevention. USAID assistance has been instrumental in developing pilot projects which the multilateral banks and other donors have then replicated on a larger scale. Deforestation in the Amazon is a problem which is of global concern. Environmentally sound land use and systems for sustainable management of cleared and forested areas in the Amazon are critical in order to stop destruction of the Amazon rain forest, reduce greenhouse gases, preserve biodiversity, and provide economically viable alternatives for inhabitants of the area. Population growth in Brazil has slowed substantially, reflecting the rapid fertility decline that occurred between 1965 and 1990. However, the high aggregate contraceptive prevalence rate masks significant regional variations and serious distortions in the family planning sector that have important implications for reproductive health. In Northeast Brazil, there is a great need to improve quality and sustainability of family planning programs because of the region's poverty, population pressures, and poor reproductive health indicators. Brazil has the second highest number of reported AIDS cases in the world, and it is estimated that 500,000 Brazilians are infected with human immunodeficiency virus (HIV).

To address these challenges the USAID program currently has three strategic objectives in the areas of environment, family planning, and AIDS prevention. Over 80% of the USAID program is implemented by U.S. private voluntary organizations (PVOs) and Brazilian nongovernmental organizations (NGOs) carrying out programs in poor communities in the rural Amazon, the impoverished Northeast with a population of 40 million, and the slums of Sao Paulo and Rio de Janeiro. Over the next several years USAID will continue to focus on vital environmental concerns but plans to phase out its support for the reproductive health services program by 1999 and for the HIV/AIDS program.

### Other Donors.

USAID has collaborated with the United Nations Population Fund (UNFPA), United Nations Children's Fund (UNICEF), the World Bank, the Inter-American Development Bank (IDB) and Germany, Japan and Canada. In FY 1994, the United States is the sixth largest provider of development assistance, providing \$14.7 million, which is about 16% of the amount provided by Japan.

## **FY 1997 Program.**

In 1997, the USAID program will focus on continuing the phase-down of our Reproductive Health strategic objective, scheduled for completion in 1999, with the provision of modest additional resources to guarantee sustainability and integration of AIDS prevention; initiation of the second phase of our global climate change and biodiversity program; and modification of the current AIDS strategic objective to include at-risk youth. Special objectives in the area of at-risk youth and energy efficiency will be completed in 1997. Finally, a special objective will be initiated in strengthening civil society and administration of justice, with a focused approach and a modest level of resources will be initiated.

**Global Climate Change and Biodiversity:** The 1997 program will focus on activities in the Amazon, Atlantic rain forest, and Pantanal and Cerrado. Within this context, programs will be initiated which fund applied research and extend already-tested research in sustainable forestry to additional areas of the central and lower Amazon by Woods Hole Research Institute, World Wildlife Fund, Tropical Forestry Foundation, and other NGOs. A new Parks-in-Peril project will be initiated by The Nature Conservancy in an area of southern Atlantic rain forest, and additional sustainable forestry activities in Atlantic rainforest in Bahia state will be carried out by Conservation International. The Nature Conservancy will continue its upper Amazon and Pantanal conservation activities. Finally, a new "Next Generation of Amazon" scientists applied research project will be initiated.

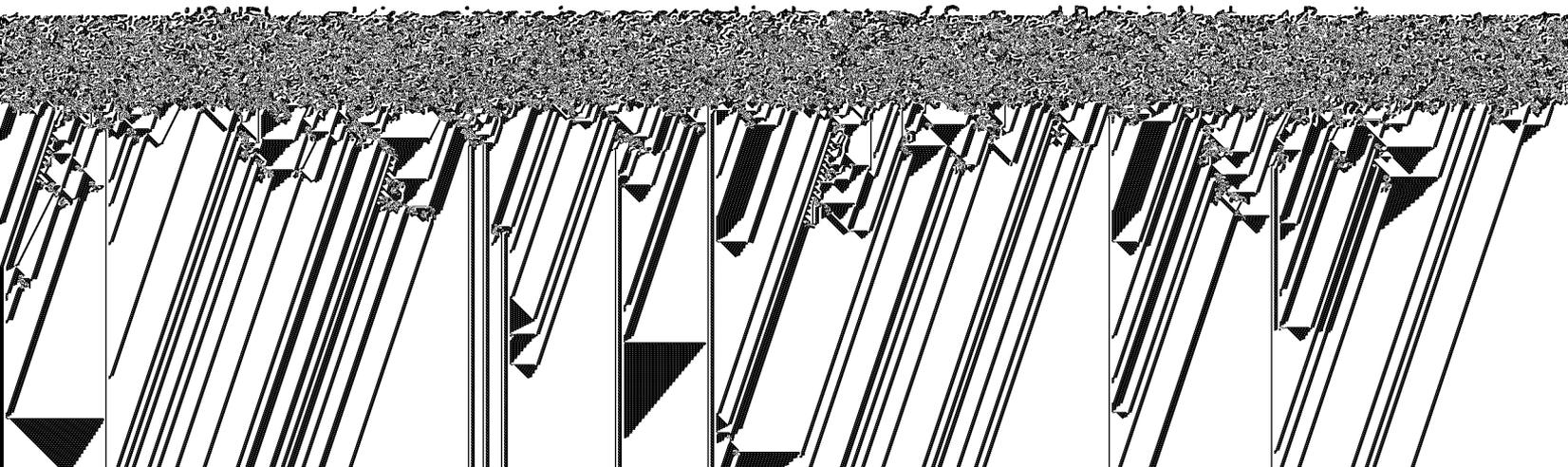
**Reproductive Health:** USAID will continue to implement its reproductive health strategy in 1997. Special emphasis will be spent on activities to phase over USAID provision of contraceptive commodities to other sources, to institutionalize the program in the two target states, and to collect impact evaluation data.

**HIV/AIDS:** In 1997, the program will focus on sustaining programs which have made an impact in the southeast target areas, while exploring the potential integration of the future AIDS prevention program with other USAID activities in Northeast Brazil that are targeted at women and adolescents.

In addition to USAID's three strategic objectives there are four special objectives which are also being implemented in FY 1997: At-Risk Youth; Energy Efficiency and Renewable Energy; and Administration of Justice.

### **Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

Population growth in Brazil has slowed substantially, reflecting the rapid fertility decline that occurred between 1965 and 1990. Total fertility is now estimated to be about 2.8 children per reproductive-aged woman. Contraceptive prevalence is close to 70%. However, the high aggregate contraceptive prevalence rate masks significant regional variations and serious distortions in the family planning sector that have important implications for reproductive health. Northeastern Brazil, with a population of over 40 million (about 30% of the national total), lags behind the rest of the country in terms of social indicators, including infant mortality, total fertility, and contraceptive prevalence rates.



resulted in increased contraceptive prevalence. The Government of Bahia has demonstrated strong support and is assuming most of the local costs of the family planning services, including paying for commodities previously donated by USAID. A demographic and health survey, was carried out. The survey results, which will be available in 1996, will provide the information on the impact of USAID's assistance and the remaining work to be done by the 1999 program completion date.

Brazil has the second largest number of AIDS cases in the world. Over 75,000 cases of AIDS were reported by the Brazilian Ministry of Health between 1980 and 1995, and more than 500,000 Brazilians are estimated to be infected with HIV. In São Paulo, AIDS is now the leading cause of death among reproductive-aged women, reflecting a shift in the epidemic to heterosexual transmission. Since 1992, USAID has implanted its AIDS prevention program through the AIDS Control and Prevention Project (AIDSCAP). The program is focused primarily in the states of São Paulo and Rio de Janeiro, the most affected areas (where 69% of the AIDS cases are reported) and is designed to develop and support local capacity to prevent and control HIV/AIDS. The program seeks to reach individuals at risk of HIV infection by improving the treatment and control of STDs, minimizing high-risk behavior, and increasing access to and use of condoms. AIDSCAP has developed 13 subprojects with NGOs, state and municipal-level governments, and state universities to carry out HIV/AIDS prevention activities, behavioral research, logistics management, condom social marketing, and policy reform. Other HIV/AIDS prevention activities in Brazil include counseling and services offered by the International Planned Parenthood Federation affiliate in a program to integrate HIV/AIDS with reproductive health care, and to provide awareness and prevention activities for adolescents. New referral systems have been put in place to ensure that high risk groups have access to and are utilizing the STD clinical services. Social marketing of condoms intervention is expanding. The total market for condoms grew to nearly 100 million units, more than doubling in size since 1989. Almost 75,000 persons were counseled or participated in educational sessions designed to promote the adoption of safe sexual behavior. Technical assistance has been provided to Brazilian NGOs to improve management, financial administration, and evaluation capabilities.

- Strategic Objective 1: Increase access to contraceptive methods and integrated family planning services in order to improve women's reproductive health.
- Strategic Objective 2: Reduced rates of sexually transmitted HIV infection in target populations in two geographic regions.

#### **Agency Goal: Protecting the Environment**

Brazil is considered a major contributor to greenhouse gas emissions because of deforestation and burning that take place extensively in the Amazon as well as the savanna (cerrado) zone. By disseminating environmentally sustainable development alternatives throughout the Amazon region and reducing the frequency of burning in the savannas, CO<sub>2</sub> emissions are reduced and biodiversity is conserved. In the Atlantic forest region of Brazil and, to a lesser extent, in the Amazon, severe forest fragmentation threatens the viability of tropical forest biodiversity. Through innovative partnerships between U.S. environmental PVOs and Brazilian NGOs, and training of key individuals, the USAID Global Climate Change (GCC) program has made a major difference on the course of development in these areas in the first five years of the program. During 1995 grantees supported under the Program engaged in major outreach efforts in the Brazilian Amazon and Atlantic forest. Geographical data bases established by the local NGOs that document local community experiences in forest management in light of local infrastructure and environmental conditions have been used to guide community forest management plans for a new settlement project, to define an environmental buffer for a major mining project, to orient a strategy for ecotourism development in a forested coastal area, and to design a new World Bank project in forest resource management.

The participatory nature of the USAID environmental program, its relatively low cost, and its focus on flexible NGO mechanisms for implementation has become its prime defining characteristic and a major

factor in its success. The USAID partnership approach lends credibility to field-oriented NGOs that are working to find viable solutions to resource use issues in forested regions. U.S. NGOs are important for technical backstopping and guidance for local NGO partners. The local NGOs themselves have grown and are taking even broader leadership roles at the state and federal level. The local head of World Wildlife Foundation (WWF) recently became the Secretary for Integrated Development in the Brazilian Ministry of Environment. The USAID-trained (environmental public policy) head of the Brazilian Socio-Environmental Institute, an NGO concerned with indigenous rights, is now head of the federal Indian Protection Agency. A change in attitude is slowly taking place in the most conservative ranks of the Brazilian government, recognizing the effectiveness of the USAID participative partnership approach to environmental issues. The greatest advance has been getting the World Bank to adopt the USAID approach in design of new projects. The World Bank has turned to USAID for assistance in designing components of a pilot program to conserve the Brazilian Rain Forest. Just those components redefined under the pilot program in 1995 amount to over ten times the dollar value of the first five-year cost of the GCC Program. This leveraging effect and the swift turn around in World Bank practices will have a lasting effect in the Amazon.

- Strategic Objective 3: Environmentally and socio-economically sustainable alternatives for sound land use adopted beyond target areas.

### Special Objectives

USAID has three areas of interest for which there are special objectives. These are at risk youth, administration of justice, and energy.

**At Risk Youth:** This program will continue to initiate and implement activities for at-risk youth with Brazilian NGOs in the Northeast, with special emphasis on specific needs of at-risk girls and families. New funds are being requested in 1997 to continue the expansion of this successful program in conjunction with the AIDS prevention program. There is a strong association between youth living in poverty and living on the street. Over 45 million Brazilians live below the poverty line. Of these, 30 million are children under the age of 18. Since October 1994, USAID has been implementing an At-Risk Youth project to support organizations assisting youth in the three largest cities in northeast Brazil: Recife, Salvador and Fortaleza which have a combined population of about 9,000,000. UNICEF estimates that 1,355,000 children are at risk of illiteracy, disease, delinquency, drug abuse, prostitution, and human rights violations in these three Northeastern capitals. The project has the following four components: (1) protection of children's rights and improvement of juvenile justice; (2) preventive youth development projects in low-income urban areas; (3) support for young women at-risk of sexual abuse or exploitation; and (4) support for at-risk families. The project addresses the issues of human rights and justice. Street children, particularly girls, are often victims of violence and abuse perpetrated by other citizens and by police. The project assists organizations to define and publicize children's rights, to offer recourse when those rights are violated, and to address population and health issues. The IDB, UNICEF, the International Labor Organization, and the European Union are among USAID's partners in ongoing projects. In its first 15 months of operation, the project has provided direct and indirect services to over 3,000 children and youth. The number of beneficiaries is expected to reach 10,000 by 1997. Other donor and GOB-funded activities will reach an additional 48,300 youth in the three target areas. This project has assumed increasing political importance in the Brazil scenario, as at-risk youth is increasingly recognized as one of the country's major social problems.

**Administration of Justice:** USAID will focus on the role of the prosecutor and police in criminal investigations. As a collaborative effort between the Department of Justice and the National Center for State Courts, training will involve criminal investigative techniques and forensics, case management, and the interaction between police, prosecutors, and judges. As the government moves to modernize and open Brazil's economy and political system, one of the most important areas for reform and of U.S. strategic interest is the justice sector. Money laundering, narcotics processing and distribution, precursors, and narcotics-related urban violence are all growing concerns. At the same

time, Brazil is a major U.S. trading partner, with approximately \$20 billion of bilateral trade in 1995. The legal rules for the private sector are unclear, corruption is a major concern of the government, legal remedies are ineffectual for the average citizen, and human rights violations are a major problem. The government has clearly indicated its commitment to judicial reform and wants the United States as a partner to develop more effective, efficient, and coordinated investigative procedures and to improve coordination between the police, prosecutors, and judges in carrying out investigations. The assessment will focus on issues of organized crime, narcotics, and white-collar crime. Brazil's new constitution established an independent judiciary, and this technical team also will also explore criminal code and criminal procedural code revisions which continue the reform process, modernize judicial administration, improve investigation and prosecution of narcotics-related crimes, provide measures to decongest the courts, and improve investigative systems.

**Energy:** Activities under this special objective will be concluded in 1997. Efforts will continue to foster and deepen the regulatory reform efforts of the government. Support will be provided to the energy efficiency efforts of the utilities and renewable energy activities in the northeast will be expanded. Major sectors of Brazil's \$500 billion economy are soon to be privatized and are of great investment interest to U.S. firms. The energy sector in Brazil is undergoing a dramatic transformation resulting from Brazil's these massive privatization efforts. The estimated energy needs to sustain the impressive economic growth are immense and generation capacity is below requirements, with brown-outs already occurring in major industrial areas of São Paulo. At the same time, public sector investment is not only failing to meet current and projected demand levels, but estimates are that investments on the order of \$10 to \$15 billion will be required by the year 2000 to meet rising demand. USAID assistance is being provided to influence the system changes to help address these energy needs in a sustainable manner in order to assure that traditional, unsustainable methods, which generate considerable amounts of green house gases are not used. Since August 1995, USAID has been implementing the Brazil Energy Program (BEP) as part of its global climate change portfolio of activities. The BEP focuses on promoting energy efficiency, promoting the use of renewable energy sources (wind, solar, biomass), and influencing the ongoing energy sector reforms that will increase private sector participation and increase efficiency in the electricity sub-sector. All these activities contribute to the mitigation of global climate change by eliminating or reducing green house gas emissions from fossil and other fuels. The BEP is part of the U.S. response to the presidential agreements of the December 1994 Summit of the Americas. Additionally, the BEP helps identify and open business opportunities for the U.S. energy industry in the multi-billion energy market in Brazil.

**BRAZIL  
FY 1997 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
<b>USAID Strategic Objectives</b>						
1. Increase access to contraceptive methods and integrated family planning services to improve women's reproductive health Dev. Assistance		\$4,600,000				\$4,600,000
2. Reduce rates of sexually transmitted HIV infection in target population in two geographic regions. Dev. Assistance		\$2,665,000				\$2,665,000
3. Environmentally and socio-economically sustainable alternatives for sound land use adopted beyond target areas. Dev. Assistance			\$5,000,000			\$5,000,000
<b>Special Objectives</b>						
1. At-risk Youth Dev. Assistance						
2. Administration of Justice Dev. Assistance				\$250,000		\$250,000
3. Renewable energy and energy efficiency Dev. Assistance						
<b>Total Dev. Assistance</b>		<b>\$7,265,000</b>	<b>5,000,000</b>	<b>\$250,000</b>		<b>\$12,515,000</b>

Mission Director: Edward L. Kadunc

## ACTIVITY DATA SHEET

**PROGRAM:** BRAZIL

**TITLE AND NUMBER:** Increase access to contraceptive methods and integrated family planning services in order to improve women's reproductive health, 512-SO01

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$4,600,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To improve quality of family planning services, increase access to reproductive health, and improve sustainability of family planning delivery systems.

**Background:** Brazil has a population of 150 million persons, the largest in Latin America. Maternal mortality is excessively high for Latin America, at 200 deaths per 100,000 births. Family planning use, while estimated at over 70% for the country as a whole, shows regional disparities and is heavily concentrated on female sterilization and oral contraceptives. In the Northeast, a heavily populated and extremely poor region of 40 million people, where USAID assistance is targeted, health services for women and children are disorganized, underfunded, and of very poor quality. Health care in Brazil is characterized by a weak service delivery system that neglects preventive care and concentrates resources on expensive curative care for select populations. USAID is assisting the development and implementation of service delivery systems, public and private, for low-income people, that emphasize preventive services, especially in maternal and child health. Improving the provision of family planning services is a priority.

**USAID Role and Achievements to Date:** USAID assistance is channelled through U.S. nongovernmental organizations (NGOs) which work in conjunction with the state health departments in the Northeast states of Ceará and Bahia. With USAID assistance, health care workers have been trained, commodities have been purchased, and quality services provided to improve the reproductive health offered to low-income women. In the three years that USAID has been supporting public sector health care in the Northeast, the contraceptive method mix has become more diversified, including an increase in condom use. A demographic and health survey to be completed in FY 1996, will provide the data to evaluate the impact to date of the USAID Brazil program and other contributing donor agencies such as the United Nations Children's Fund (UNICEF) and the United Nations Fund for Population Activities (UNFPA). USAID's assistance, which up to 1992 was channeled primarily through Brazilian NGOs, has helped to generate an increased demand for reproductive health services within the country.

**Description:** The total amount of funding requested for population and health is planned for population activities. The focus of USAID's family planning assistance is improving the quality of women's reproductive health services, and ensuring that a balanced, high-quality, and sustainable program exists in target areas by the end of this final assistance period, 1993-2000. The USAID strategy, carefully developed with U.S.-based PVOs and local NGOs, concentrates on expanding the limited range of family planning methods, increasing information available in Brazil about reproductive health care, and integrating family planning with viable service delivery systems in the public and private sectors. Family planning assistance has been concentrated increasingly in two target states in Northeast Brazil, Bahia and Ceará, which have a combined population of over 20 million persons. In both states, long-range strategic plans have been developed by the states' health services and detailed implementation plans are produced and updated for each year of operation. A further goal of the program is to develop and institutionalize the program at the state level, and efforts to mobilize high-level political support for family planning and reproductive health are proving successful. In other Northeast states, USAID continued to provide minor support through the Brazilian International Planned Parenthood Federation affiliate (BEMFAM). In these states, BEMFAM focused on improving the quality of family planning services by providing a wider range of method choice. BEMFAM also continued to implement the elements of its sustainability plan, in particular the commercial marketing venture.

**Host Country and Other Donors:** USAID and UNFPA have collaborated closely on assistance to the state of Ceará. USAID, UNFPA, and UNICEF are funding the demographic and health survey. The Japanese International Cooperation Agency will assist the Health Secretariat in Ceará in the area of maternal and child health. The German government will assist the Health Secretariats in Northeast with infrastructure expansion. Also in the planning stage is a joint project between the World Bank, the Inter-American Development Bank, and the Government of Brazil to develop a 10-year health sector rehabilitation and reform project estimated to cost about \$1.2 billion. The Canadian International Development Agency anticipates increased resources for public health activities in Brazil.

**Beneficiaries:** USAID-supported activities are targeted to low-income women in the areas of Bahia and Ceará, which have an estimated population of 20 million persons.

**Principal Contractors, Grantees, or Agencies:** USAID implements its activities through U.S. private voluntary organizations and U.S. firms which have been awarded contracts and grants from the Global Bureau's Population Office. This includes Pathfinder Fund, International Planned Parenthood Federation, Deloitte Touche Tohmatsu, Futures Group, Population Council, Johns Hopkins University, and Georgetown University, among others.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Unwanted fertility rate	1992 - 1.6	1997 - 1.0
Contraceptive Prevalence rate	1991 - 37%	1997 - 50%
Access and availability of family planning services	1992 - 20%	1997 - 70%
Couple years of protection provided by the public sector in Bahia	1993 - 18,188	1997 - 150,000

## ACTIVITY DATA SHEET

**PROGRAM:** BRAZIL

**TITLE AND NUMBER:** Reduced Rates of HIV in Two Geographic Regions, 512-SO02

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,665,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1997

Purpose: Reduced rates of sexually transmitted human immunodeficiency virus (HIV) in target populations in two geographic regions of Brazil.

Background: Brazil ranks second among countries reporting acquired immunodeficiency syndrome (AIDS) cases (76,396 reported AIDS cases as of November 1995). It is estimated that over 500,000 Brazilians are currently infected with HIV. The majority of new AIDS cases result from heterosexual transmission of HIV. Today the male/female ratio is 4:1; in São Paulo state, AIDS is now reported as the number one cause of death for women between the ages of 20 and 34. USAID-supported projects are being implemented in regions where 69% of the cases nationally occur.

USAID Role and Achievements to Date: The major interventions of USAID's six-year (1992-1997) strategy for AIDS prevention are:

- STD prevention and control, by strengthening local capacity to provide treatment and prevention services. In 1995, over 464 health providers were trained and 34,880 STD patients were assisted by USAID interventions.
- Behavior change communication, including the use of media and the development and distribution of information, education and communication (IEC) materials regarding STDs and HIV/AIDS. The behavior change communication strategy reached 74,873 individuals through a multifaceted and integrated approach. Free condoms (1,533,854) and IEC materials (1,171,533) were distributed.
- Condom distribution, in collaboration with state local governments and through social marketing, to increase the availability and reduce the price of condoms, and to encourage regular and correct condom use. During 1995, a total of 18,195,175 condoms were sold through the social marketing program, representing a 61% increase in sales over 1994.

Overall, the AIDSCAP Brazil office developed 13 subprojects with nongovernmental organizations (NGOs) and local governments to carry out HIV/AIDS prevention and intervention activities.

Description: The total amount of funding requested for population and health is planned for population activities. USAID's STD/AIDS prevention activities in Brazil focus on groups with high-risk behavior in the states of São Paulo and Rio de Janeiro. In addition, low-income adolescents are being reached through two intervention projects and women through a small grants component. The program supports the three major program areas of STDs, behavior change communication, and condom distribution among the target populations, as well as supporting interventions such as logistics management to improve condom and STD drug supply, private sector leveraging, and behavioral research grants.

Host Country and Other Donors: The five-year (1994-1998), \$250 million, World Bank loan to the Ministry of Health is currently the major national AIDS and STD control project being implemented.

**Beneficiaries:** STD/AIDS high-risk population including low-income adolescents. Since AIDS control and prevention project implementation began in FY 1994, 114,629 people have been reached by intervention and education activities.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities through the U.S. private voluntary organization, Family Health International, and local NGOs.

**Major Results Indicators:**

	Males	<u>Baseline (1992-1994)</u>		<u>Target (1997)</u>		
		High-risk Females	Low-risk Males	Females	H.R.	L.R.
Condom use	88%	83%	9%	19-35%	100%	80%
Knowledge of two methods of prevention	55-81%	29-79%	33%	33%	100%	80%

## ACTIVITY DATA SHEET

**PROGRAM:** BRAZIL

**TITLE AND NUMBER:** Environmentally and socio-economically sustainable alternatives for sound land use adopted beyond target areas, 512-SO03

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$5,000,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1999

**Purpose:** To reduce deforestation in the Brazilian Amazon and the Atlantic forest through environmentally and socio-economically sustainable alternatives for sound land use in these regions.

**Background:** Brazil is considered a major contributor to greenhouse gas emissions because of deforestation and burning that take place extensively in the Amazon as well as the savanna zone. By disseminating sustainable development alternatives throughout the Amazon region and reducing the frequency of burning in the savannas, CO<sub>2</sub> emissions are reduced and biodiversity is conserved, while encouraging stable economic growth through a participative, democratic, local-level approach. In the Atlantic Forest region of Brazil and to a lesser extent in the Amazon, severe forest fragmentation threatens the viability of tropical forest biodiversity. USAID has taken the lead in Brazil in attacking these problems through innovative partnerships between U.S. environmental private voluntary organizations (PVOs) and Brazilian nongovernmental organizations (NGOs).

**USAID Role and Achievements to Date:** USAID, through support to local NGO efforts and training of key individuals, has made a major difference in the course of development in the Amazon in the first five years of the program. Grantee Woods Hole Research Center and its local NGO affiliate were responsible for the first series of public hearings on a major new mining project in the Amazon and succeeded in having mine installation permits tied to environmental safeguards. The first full demonstration of low-impact timber harvest in the Amazon was sponsored by USAID and has already served as a model for adoption by private timber association members and was key to the design of a new \$18.1 million World Bank activity in forest resource management through the Group of Seven pilot program to conserve the Brazilian rain forest. The first and only training to date for staff of state environmental protection agencies in environmental impact assessment was delivered by individuals trained through a USAID initiative. Also, Jaú National Park, the largest in Brazil (the size of the state of Massachusetts), became the first Brazilian Park for which a co-management agreement was accepted between a Brazilian NGO (supported by USAID through World Wildlife Foundation and Brazil's Environmental Resource Institute (IBAMA)).

**Description:** USAID's global climate change program is entering its sixth year with activities continuing to focus on reducing deforestation in the Brazilian Amazon, although new activities were added this year in biodiversity conservation in the Atlantic Coastal Forest of Southern Bahia. The environmental program is implemented by a number of U.S. agencies and NGOs through agreements with in-country partners. The program focuses on: (1) protected area management in two major national parks, two extractive reserves, one national forest, and the buffer zone surrounding one biological reserve, (2) forest management alternatives for low-impact harvest of upland timber in the largest timber harvesting region in the Eastern Amazon, (3) agroforestry alternatives for restoring productivity to degraded cleared areas, developed in a participatory approach with small holders, and (4) natural resource policy and environmental education, with federal, state, and local officials and land managers.

**Host Country and Other Donors:** USAID has actively participated in the G-7 pilot program to conserve the Brazilian rain forest, managed by the World Bank. All of the pilot program components designed in the past year have had critical input from global climate change program participants, and one of these, the Forest Resource Management project, was completely redesigned around the participatory approach recommended by USAID.

**Beneficiaries:** Rural communities and especially small holders who frequently have only traditional rights to their land are the focus of USAID activities. USAID-supported actions benefit Brazilian society at large by assuring that the resource base is maintained for future generations.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities through U.S. PVOs (World Wildlife Fund, The Nature Conservancy, Conservation International, and the Woods Hole Research Center), U.S. government agencies (the Forest Service and the Smithsonian Institution), and several U.S. academic institutions (University of Florida, and State University of New York).

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Families adopting agroforestry systems	0 (1991)	134 (1996)
Hectares in improved management systems	0 (1991)	3,722,000 (1996)
Logging companies adopting sustainable logging plan	0 (1991)	1 (1996)
Trained environmental professionals	0 (1991)	963 (1966)

## DOMINICAN REPUBLIC

FY 1997 Development Assistance: . . . . . \$ 10,252,000

### Introduction.

The United States has multiple interests in the Dominican Republic, including enhancing market access for U.S. exporters, combatting the smuggling of aliens and other contraband, controlling the spread of AIDS, combatting drug trafficking and money laundering, strengthening democratic institutions, promoting stability in the region, and reducing environmental degradation. In 1995, the country was the United States' seventh largest export market in Latin America. The proximity of the Dominican Republic means that its problems often have a direct spillover effect on the United States. For example, the high incidence of poverty, lack of economic opportunity, and social injustice have resulted in sizable emigration. The U.S. Embassy in Santo Domingo issues the world's third highest number of immigrant visas to the United States. Roughly one out of seven Dominicans is now thought to live, legally or illegally, in the United States. Promoting democracy and sustainable economic development are essential to addressing these conditions and protecting core U.S. interests in the Dominican Republic.

### The Development Challenge.

The Dominican Republic has a population of some 7.3 million people, growing at 2% per annum. Although the country has made economic progress following an initial round of economic reforms in 1989-90, it still remains the second poorest country in the Caribbean and the sixth poorest in the Hemisphere. Flawed governance and macroeconomic policy have added disproportionately to the burden of the poor. Per capita gross national product (GNP) of approximately \$1,420 in 1994 masks a pronounced inequity in income distribution -- the poorest 50% of the population receives less than 20% of total income, while the richest 10% receives about 42%. The level of social sector spending is one of the lowest in the Hemisphere. Weak government institutions are plagued by constantly changing officials, patronage, and corruption. The energy sector crisis continues, and reform measures languish in a Congress unable to pass critical reform legislation. Serious flaws in the judicial system act as a considerable constraint on economic development and limit individual rights. Expectations for improved social justice will not be realized unless the political structure becomes more responsive, more democratic, and less corrupt.

These severe constraints contrast sharply with the country's economic potential and industrious population. In spite of these constraints, the rate of economic growth has remained positive throughout the 1990s, reaching almost 5% in 1995, according to the Central Bank. Reasonable monetary management since August 1994 kept inflation below 10%. Tourism and the free trade zones continue to be the driving forces of the economy, although the latter are experiencing strong competition from Mexico since the creation of the North American Free Trade Agreement. With a total foreign exchange income of nearly \$2 billion in 1995, these two sectors were the principal contributors to the country's positive current account balance. Other non-traditional products have displayed an upward trend in export earnings, as opposed to traditional exports (sugar, coffee and ferronickel), which have suffered world market declines. The nongovernmental organization (NGO) sector is active, filling many gaps in public services such as health, family planning, microenterprise credit and support, environmental management, and women's issues such as legal aid.

The Dominican Republic is facing a transitional period of historical proportions. Presidential elections are scheduled for May 1996. For the first time in more than 30 years, Joaquin Balaguer will not be a candidate. His term was limited to two years, with no reelection under the constitutional changes prescribed by the Pact for Democracy, which ended the political crisis that began with the seriously flawed 1994 elections. A competent, impartial electoral commission and growing involvement of civil society to assure an honest and legitimate election are increasing prospects that the country can

inaugurate a credible new government on August 16, 1996. Those elected will face tremendous challenges -- a Congress lacking institutional strength to enact critically-needed reforms; enormous debts owed by the government for a massive infrastructure building program, bankrupt state industries, weak government ministries and agencies, and a revenue structure reliant on custom duties that will be shrinking as World Trade Organization (WTO) implementation proceeds. Many segments of society want and are ready for change. If credible elections can be held, the Dominican Republic can advance towards a more participatory democracy. Until a reform-minded and participatory political system is firmly in place, sustainable development with equity will remain a distant goal. Given the time needed to consolidate political reform and to adopt sustainable growth-oriented economic and social policies, the country optimally would no longer need the already modest reliance on U.S. assistance within ten years or so.

#### **Other Donors.**

The Dominican Republic receives relatively little development aid compared to most other Latin American and Caribbean countries. In 1994, total official development assistance (ODA) net of interest repayments was \$69 million, or less than \$9.50 per capita, compared with \$113 million (\$47 per capita) for Jamaica, and \$217 million (about \$20 per capita) for Ecuador. The United States provides almost 9% of all donor assistance and is the largest bilateral donor after Japan. Italy, Spain and Germany are other important bilateral donors. The European Union (EU) and the United Nations Development Program contributed almost 40% of total net ODA in 1994. The World Bank and Inter-American Development Bank (IDB) also provide sizable resource flows .

#### **FY 1997 Program.**

USAID's strategy to help the Dominican Republic achieve broad-based, sustainable economic growth within a democratic environment has been to work primarily with the NGO community until a reform-oriented government comes to power. The underlying theme has been to foster and strengthen community empowerment and capacity to deal with development issues in the absence of a service-oriented government. In view of prospects for a new government in August 1996, USAID is positioning itself to respond rapidly, if requested by the new administration, to assist in areas such as rule of law, poverty-oriented economic policy, and health sector reform. USAID's experience in working with and strengthening the NGO community will prove valuable in fostering efficient linkages between this community and the state institutions, especially in targeting the poor for delivery of social services to maximize the impact of scarce resources.

In FY 1995, the Dominican Republic served as one of USAID's ten country experimental laboratories for reengineering. As a result of this experience, has enhanced its working relationships with a multiplicity of development partners, adopted a greater customer service focus, and put in place a flexible, responsive, team-based and results-oriented management system.

The principal areas of activity are increased popular participation in democratic processes, improved economic education and debate on key policy issues, greater access to small and microenterprise credit and skills development, strengthened quality of primary education, improved access to effective primary health care, including HIV/AIDS prevention and family planning services, and environmentally-sound energy use and natural resource conservation.

Moving the Dominican Republic onto a sustainable, more equitable growth path requires a multi-pronged approach, combining consolidation of democracy and improved governance with broad-based economic growth and enhanced investment in human capital. The USAID program provides such an approach.

### **Agency Goal: Encouraging Broad-based Economic Growth**

Recent Dominican experience demonstrates strong linkages between macroeconomic performance and living standards of the poor. Targeted activities to improve these standards and alleviate or reduce poverty must complement long overdue policy reform measures. In addition, income inequality and an unusually high desire to emigrate make this objective highly relevant to addressing U.S. interests. The program emphasizes human capital development of the poor through primary education, skills development, and small and microenterprise credit and technical assistance. The microenterprise sector accounts for about 23% of gross domestic product (GDP), and provides employment for almost 30% of the economically active population. In FY 1997, USAID's standard-setting primary education project will close, with major follow-on activities to be carried out through a \$50 million project funded by the World Bank and the IDB. The Fondomicro project also will close, leaving the legacy of an independent small business bank to work alongside NGOs to service the small and microenterprise sector. A USAID-sponsored small business institute will begin operations, and USAID expects to undertake a poverty-focused economic policy dialogue directly with the new government.

In the event of a funding shortfall, the ability to pursue a pro-active, poverty-focused policy dialogue with the new government, supported by technical assistance, would be undercut. The scope of efforts to support small and microbusiness also would be reduced.

- Strategic Objective 1: Increased Economic Opportunities and Benefits for the Dominican Majority

### **Agency Goal: Stabilizing Population Growth and Protecting Human Health**

The GODR spends only 1.7% of GNP (or 14% of its budget) on health, well below world and Latin American and Caribbean regional averages. Approximately 70,000 illegal abortions take place each year, testifying to the inadequacy of family planning services. High rates of unintended pregnancy, especially among adolescents, and lack of accessible primary health and family planning services compound the problems of lower-income groups, since scarce resources are devoted to additional children or to curing family members from preventable diseases. For FY 1997, USAID support will continue to accelerate fertility decline in the Dominican Republic. Reproductive health information and services are targeted at the male population and adolescents, as well as at women of reproductive age in general, and are closely integrated with the rest of the primary health care program.

Access to and use of maternal care services, preventive health and hygiene, and human immunodeficiency virus and acquired immunodeficiency syndrome (HIV/AIDS) prevention is an essential complement to USAID's emphasis on economic opportunities and poverty alleviation. Because of relatively good child survival indicators for the country, strong coverage by other donors, and the capability of the USAID-assisted NGO consortium to continue providing such services, USAID will no longer work directly in child survival in FY 1997. As a result of customer demand in target communities, however, and acting as a catalyst for mobilizing private, other donor, and Government of the Dominican Republic (GODR) funding, USAID intends to work with NGOs in developing community-managed potable water and sanitation systems, establishing "challenge targets" (or matching grant standards) for their increased financial participation. USAID also will continue to reinforce an incipient and highly innovative government and nongovernmental organization partnership to ensure the sustainability of such systems.

The Dominican Republic is a USAID AIDS-priority country. Approximately 250,000 Dominicans (3.5% of the population) were expected to be HIV positive by the end of 1995, according to epidemiological projections, justifying USAID's overarching priority to build national institutional and technical capacity to address AIDS issues, including substantial support by the private sector. Although HIV/AIDS is found throughout the social spectrum in the Dominican Republic, the poor and socially disadvantaged are being infected at high rates. To address this growing problem, USAID will: (1) expand its already

successful program to conduct an effective public information campaign, especially targeting adolescents, (2) educate and mobilize the private sector through workplace programs, (3) strengthen and expand the participation of both public and private sector organizations in HIV/AIDS and sexually transmitted disease (STD) prevention, and (4) develop the infrastructure for greatly expanded diagnosis and treatment.

- **Strategic Objective 2:** Increased Use of Effective Primary Health Care Services by Underserved Populations

**Agency Goal: Building Democracy**

Establishing an effective, functioning democracy is critical to the future development of the Dominican Republic. Civil society organizations and a public better informed of, and skilled in, the nature and practice of democratic values are the mainstay of such a system. Notable grass roots success has occurred in Salcedo Province, a small but densely populated region in the fertile Cibao valley, where public and private sector organizations have joined together to identify and implement their development priorities in a non-partisan setting. However, such examples are extremely rare. The medium-term thrust of USAID activities under this strategic objective is to enhance broad-based, active participation of civil society, including Dominican NGOs, public interest groups, labor unions, foundations, community organizations, and the general public in various aspects of political life, at the local and national level. To ensure a sustainable national framework for participatory democracy, however, reform of key political institutions is essential. In FY 1997, USAID intends to support public demand for enactment of judicial reform measures stipulated by 1994 constitutional amendments. Such reforms would lessen corruption, protect civil rights, and improve the functioning of the market economy. Another priority is to consolidate the network of democracy action groups created for the 1996 presidential election to prepare for the 1998 legislative and municipal elections -- another step in this historic democratic transition.

In the event of a funding shortfall, efforts to promote truly broad-based participation in building democracy would suffer from the reduction in activities sponsored by NGOs which play a major role in strengthening democratic values and practices at the community level.

- **Strategic Objective 3:** Increased Participation in Democratization

**Agency Goal: Environment Managed for Long-Term Sustainability**

The Dominican Republic is over-dependent on inefficient and unreliable energy sources that pollute the environment and deplete the natural resource base. Up to 50% of government-owned and contracted electric power production is often unavailable due to equipment failure or water shortages. An estimated two million rural residents live beyond the reach of the power grid. Firewood and charcoal still constitute the principal cooking fuel in most rural households. Cutting firewood is now considered the principal cause of deforestation, which causes siltation of hydropower reservoirs.

By demonstrating how known technologies can exploit untapped alternative energy resources in a cost effective and commercially viable way, NGOs, cooperatives, community groups, and private businesses can help dramatically to improve power availability for the rural poor. Better living standards will help to limit urban migration. Solar power for community potable water and domestic lighting systems; solar cooking, heating and drying ventures; pilot conservation projects in critical watersheds, one of which is already being replicated by the World Bank; and wind energy and mini-hydro pilot demonstrations for community electrification, are among the activities receiving support under this strategic objective. In FY 1995, \$500,000 in Environmental Initiative for the Americas financing was made available to support the expansion nationwide of a U.S. private voluntary organization's (PVO's) solar energy program among rural households. In addition to drawing on the capability of U.S. firms in the alternative energy field, this strategic objective can have a marked impact on the use of fossil

fuels. USAID technical assistance has also been instrumental in developing a new energy law proposal and will assist in preparing internationally accepted standards and norms to regulate the conventional energy sector.

The environmentally-sound energy strategic objective is due to terminate in FY 1998 and requires only minimal funding to complete. A funding shortfall at this point would require early termination of eight NGO sub-grants, jeopardizing USAID's credibility in the sector and undermining the opportunity to demonstrate the feasibility of alternative energy options for large segments of the rural population beyond the reach of the formal energy grid. The impact would fall disproportionately on the poor. Grants for conservation activities such as community management of national parks, sponsored by The Nature Conservancy, also would have to be cut short.

- Strategic Objective 4:      Increased Availability and Use of Environmentally-Sound Energy Sources

**DOMINICAN REPUBLIC  
FY 1997 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
<b>USAID Strategic Objectives</b>						
1. Increased Economic Opportunities and Benefits for the Dominican Majority Dev. Assistance	\$1,280,000					\$1,280,000
2. Increased Use of Primary Health Care Services by Underserved Populations Dev. Assistance		\$6,872,000				\$6,872,000
3. Increased Participation in Democratization Dev. Assistance		\$300,000		\$1,300,000		\$1,600,000
4. Increased Availability and Use of Environmentally-sound Energy Sources Dev. Assistance	\$500,000					\$500,000
<b>Total Dev. Assistance</b>	<b>\$1,780,000</b>	<b>\$7,172,000</b>		<b>\$1,300,000</b>		<b>\$10,252,000</b>

USAID Mission Director: Marilyn A. Zak

## ACTIVITY DATA SHEET

**PROGRAM:** DOMINICAN REPUBLIC

**TITLE AND NUMBER:** Increased Economic Opportunities and Benefits for the Dominican Majority, 517-SO01

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997; \$1,280,000 DA

**INITIAL OBLIGATION:** FY 1995 **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To augment the human capital of the poor and to facilitate their integration into the economy.

Background: Poverty in the Dominican Republic is the driving force behind one of the highest emigration rates in Latin America. Flawed governance, economic policies, and social injustice are the primary factors that exacerbate Dominican poverty. Coupled with chronic low and inefficient government social spending, these factors result in large numbers of Dominican poor without the requisite skills and capacity to seek and hold gainful employment.

USAID Role and Achievements to Date: USAID support includes microenterprise credit and training, primary education curriculum development and teacher training, and grants to local nongovernmental organizations (NGOs) for policy analysis, debate and consensus building. Since 1990, microenterprise loans have resulted in the creation of over 40,000 new jobs with an additional 97,000 jobs strengthened. Some 9,700 microentrepreneurs received skills training which enabled 94% of them to find new employment, to create their own businesses, or to improve their income. A landmark ten-year plan for education reform was developed by a local NGO, with country-wide consensus. Primary school desertion rates declined almost 20% for USAID- assisted schools, while the rate for other schools stagnated. Using local NGOs, USAID provoked an almost daily debate in the media on economic and poverty alleviation issues. Over the past two years, USAID support to 20 local NGOs for economic policy analysis and consensus building resulted in over 600 newspaper articles, 208 television and radio programs, and the participation of 5,550 people in training events.

Description: USAID focuses on achieving results in three key areas: (1) human capital development, through targeted business and vocational training and increased quality primary education for the poor, (2) financial services for small and microenterprises, and (3) NGO-led economic policy analysis and public debate on a favorable environment for broad-based economic growth and poverty alleviation. Funding for the first two areas is channeled through local NGOs. Emphasis is placed on the provision of services that improve the productivity of the poor, at the same time allowing for cost-recovery mechanisms to enable continued service delivery after USAID financial support ceases. Funding for the third area is channeled through a U.S. firm that works with a large number of local NGOs. FY 1997 funds will be used to expand several microentrepreneur skills training initiatives through local NGOs. A particularly innovative effort will be through a new small and microentrepreneur business support center located in a local premier business administration and engineering university. Funds also will be used to further a poverty-alleviation, policy-reform effort that will support alliances between local NGO think-tanks and specific government ministries involved with poverty alleviation.

Host Country and Other Donors: Several major donors assist the microenterprise sector, including the Inter-American Development Bank (IDB). The World Bank and IDB are collaborating on an \$80 million primary education project which will pick up and expand where USAID leaves off, incorporating new curricula and testing materials in a much broader range of schools.

Beneficiaries: The focus on the Dominican majority reflects the fact that the poorest half of the Dominican population earns only 18% of the national income. While USAID policy and basic education activities are designed to impact on as many of this majority as possible, USAID training and financial

services activities focus on the small and microenterprise sector which employs almost 30% of the economically active population.

Principal Contractors, Grantees, or Agencies: USAID implements activities through a U.S. firm, Stanford Research International; The American Institute for Free Labor Development; and local NGOs including the Microenterprise Fund (FONDOMICRO), the Basic Education Association (EDUCA), and the National Council of Private Business (CONEP).

Major Result Indicators:

	<u>Baseline</u>	<u>Target</u>
Reduction in national poverty level	20% (1992)	18% (1997)
Reduction in unemployment and under-employment rates	20%/30% (1995)	15%/25% (2000)
Reduction in school desertion rates	20% (1994)	16% (1999)

## ACTIVITY DATA SHEET

**PROGRAM: DOMINICAN REPUBLIC**

**TITLE AND NUMBER:** Increased Use of Effective Primary Health Care Services by Underserved Populations, 517-SO02

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$6,872,000 DA

**INITIAL OBLIGATION:** FY 1995 **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To improve access to and quality of family planning services, selected maternal and child health (MCH) interventions, including potable water and sanitation systems, and acquires immunodeficiency syndrome (AIDS) prevention practices.

**Background:** A May 1995 World Bank report estimates that one in five Dominicans live in poverty and one in ten in extreme poverty. Data from 1992 indicates that half the families living below the poverty line consume less than 75% of required protein and 61% consume less than 75% of the required calories. Twenty-five percent of the households are headed by women. Broad-based participation, innovative nongovernmental organization NGO service delivery methods, and expanded social marketing have made a positive impact on the Dominican Republic's health status. Infant mortality has been cut almost in half over the past seven years, with the current rate at 43 per thousand. Diarrheal diseases and acute respiratory infections, aggravated by poverty and low birth weight, are among the main causes of under-five deaths. A new growing threat to child survival is human immunodeficiency virus (HIV) and AIDS, especially for 26,000 children and women engaged in prostitution. Twenty-five percent of AIDS cases are people under 25 years of age. Fertility rates among the rural population remain high at over four births per woman. On average, only 65% of the population has access to potable water, with much lower coverage in rural and marginal urban barrios.

**USAID Role and Achievements to Date:** USAID resources are channeled primarily through NGOs for service delivery and U.S. private voluntary organizations (PVOs) for technical assistance in such areas as training, supervision, sustainability, information and financial systems management, and quality of care. Over one million couple years protection (CYPs) have been achieved by USAID-supported agencies during the past five years. Annual targets have more than doubled since 1989 (139,000), and nearly 60% of married women use contraceptives. The program is increasing its focus on rural women, as well as on adolescents and men. Behavioral change communication is a major component of the HIV/AIDS strategy which targets specific high-risk and at-risk audiences. Recent data show significant HIV seroprevalence decrease among high risk groups from 13% to 8% between 1991 and 1994. Between 1993 and 1995, rates of breastfeeding in project areas more than doubled, from 12.7% to 26.1%. During the same time period, oral rehydration therapy use in project areas increased from 40% to almost 60%. Water and sanitation projects are focusing increasingly on promoting community-based ownership and management of water and sanitation systems. Fifty-six community water organizations have been formed.

**Description:** Of the total funding requested for population and health, \$4,735,000 is planned for population activities and \$2,137,000 is planned for health activities. USAID works in four major areas: family planning, including maternal health and breastfeeding; reducing the risk of sexually transmitted diseases (STD) and HIV infection; increasing access to potable water and sanitation systems; and policy dialogue for health sector reform. Interventions in STD and HIV prevention target both the general population and core populations at increased risk of transmission and infection. Both urban and rural low-income populations are reached through family planning and water and sanitation activities. USAID seeks an increasing involvement from the private sector in AIDS prevention. USAID also supports health policy reform to improve access and the utilization of services and to modernize the health sector. During FY 1997, USAID will continue to play a catalytic role in the health sector. USAID is actively building partnerships with other donors and fostering such liaisons between NGOs

and the government. Support for community-managed water and sanitation projects will incorporate "challenge targets" to secure increased investments from the NGOs, the government, and the communities themselves. Maternal health issues will continue to be addressed through the reproductive health component of the family planning project. All of USAID's health and population interventions will reflect the cross-cutting concerns of health sector reform, donor coordination, and NGO organizational strengthening, service delivery capacity building, and financial sustainability. USAID's termination of support for direct child survival interventions comes at a time when immunization coverage rates are high, infant mortality has steadily declined, other donors are providing technical and financial resources to the neediest areas, and the capacity of NGOs to work in this sector has been substantially strengthened.

**Host Country and Other Donors:** The United Nations Children's Fund provides assistance to the GODR and a limited number of NGOs to control diarrheal diseases and acute respiratory infections. Primary emphasis continues to be the promotion of breastfeeding through certification of baby friendly hospitals. The rights of children in especially difficult circumstances also will be a major initiative. The European Union supports maternal and child health activities in an underserved region of the west and medical curriculum assistance, medicines and AIDS interventions. Japanese assistance consists of construction of and equipping a gastrointestinal facility and water/sanitation infrastructure. Spanish International Cooperation sponsors training and an epidemiology program. The Pan American Health Organization has a range of activities in water and sanitation, integrated community development, food and nutrition, epidemiological programs, diarrheal control, acute respiratory infections medicines and health sector reform. The World Bank and the Inter-American Development Bank are joint partners in the design of a health care reform blueprint.

**Beneficiaries:** Children under five years and women of reproductive age; high-risk groups and youth at-risk for HIV and sexually transmitted diseases; and families in the areas of project water and sanitation provision will benefit from these activities.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities through Development Associates, a U.S. firm; U.S. PVOS such as Catholic Relief Services and Food for the Hungry; and local NGOs including the Dominican Association for Family Well-being (PROFAMILIA), the Dominican Family Planning Association (ADOPLAFAM), Women in Development (MUDE), the Basic Education Association (EDUCA), and the National Health Institute (INSALUD).

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Women 15-49 using a contraceptive method	36.8% (1991)	46% (2000)
Target high-risk population using a condom		
High-risk population	51.5%	77.0%
Adolescents -- male	29.0%	40.0%
-- female	6.0%	15.0%
Hotel/tourism workers	18.0%	25.0%
	(1990/93)	(1998)
Target population with appropriate waste water systems	4% (1994)	30% (1998)
Target population served with potable water systems	8% (1994)	50% (1998)

## ACTIVITY DATA SHEET

**PROGRAM:** DOMINICAN REPUBLIC

**TITLE AND NUMBER:** Increased Participation in Democratization, 517-SO03

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,600,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To enhance broad-based, active participation of Dominican nongovernmental organizations (NGOs), public interest groups, foundations, labor unions, community organizations, and the general public in building true democracy in the Dominican Republic.

Background: Clientelism, combined with weak democracy, has constrained the country's political development for decades. Corruption within the public sector is widespread. An independent, effective judiciary is almost non-existent. Vigorous, broad-based, non-partisan pressure by Dominican civil society institutions and groups is needed if democratic development, political reform, and modernization of the state is to be achieved.

USAID Role and Achievements to Date: In implementing the USAID democracy strategy, USAID works in close partnership with its Dominican civil society counterparts. This close consultative and collaborative relationship with its partners starts at the design stage of each of the activities and is maintained through their implementation. USAID's consistent efforts during the last year and a half in inducing Dominican civil society to play an active role in favor of a free and fair electoral process in 1996 is paying off. Observers of the local political scene are starting to recognize a new and totally different attitude by civil society organizations and groups regarding their participation in electoral processes. Breaking away from the traditional concentration of NGO and private voluntary organization (PVO) activities in the capital city, 24 out of 33 subgrants active during the period under the Democratic Initiatives project either have a nationwide outreach or their activities take place totally or partially outside Santo Domingo. The beneficiaries of 23 of these subgrants are barrio or rural community groups. Also under the Democratic Initiatives project, Fundación Siglo 21 provided technical assistance to a majority of political parties, the Central Electoral Board, and the Association of Dominican Municipalities in reaching consensus on two important political reform measures: a new electoral reform bill (subsequently enacted into law by Congress) and a municipal reform agenda. The Action Group for Democracy, formed in early 1995, is spearheading efforts to mobilize citizen participation in upcoming elections, including the creation of a nationwide network of local election observers.

Description: In response to the transitional nature of the current Dominican political scene, USAID has adapted its approach to both the near- and long-term priorities agreed upon between USAID and its civil society partners. The near-term emphasis is to support strong civil society pressure for a free and fair electoral process in 1996. However, USAID intends to build on the momentum gained in this process, following the inauguration of a new government in August 1996, to continue strengthening civil society's capacity for active participation with a view toward the legislative and municipal elections scheduled for 1998. The longer-term emphasis is to support efforts to more actively engage the government and the public in promoting and shaping various democratic reforms and in practicing democratic values. A new activity in 1997 will respond to strong public demand within Dominican society for the establishment of an independent, well-trained, merit-based judiciary. Current efforts to establish a nationwide public defense system to increase access to the judicial system by the disadvantaged will continue.

Other Donors: USAID includes working with other donors as an important component of its democracy strategy. Other international donor support has been unrelentingly solicited in favor of the democratic initiatives undertaken by Dominican civil society, as well as political reforms mainly in the fields of rule

of law and modernization of the state. The Inter-American Development Bank (IDB) and the European Union (EU), Canada, and Spain have responded by funding program areas related to democracy, such as the 1996 election, administration of justice, modernization of the state, and decentralization.

Beneficiaries While many activities under this strategic objective target the poor, their reach is truly nationwide. The overall aim of consolidating democracy in the Dominican Republic benefits all citizens and furthers the global interests of the United States.

Principal Contractors, Grantees, Agencies: USAID implements the programs through the local Pontifical Catholic University, the Costa Rica-based Inter-American Institute for Human Rights (IIDH), and the National Democratic Institute.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Eligible voters who voted (male and female)	66% (1990) M = 71 % F = 62%	80% (2000)
Eligible voters intending to vote (male and female)	88% (1994) M = 91 % F = 85%	85% (2000)
Citizens involved in lobbying for democratic reforms	N/A (1994)	25% (2001)
Citizens active in NGOs and community groups (male and female)	16% (1994) M = 21 % F = 11%	25% (2001)

## ACTIVITY DATA SHEET

**PROGRAM:** DOMINICAN REPUBLIC

**TITLE AND NUMBER:** Increased Availability and Use of Environmentally Sound Energy Sources, 517-SO04

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$ 500,000 DA

**INITIAL OBLIGATION:** FY; 1995 **ESTIMATED COMPLETION DATE:** FY 1999

**Purpose:** To ensure that environmental concerns are given full consideration in the restructuring of the energy sector, to improve conservation in critical watersheds, and to develop and disseminate innovative renewable energy alternatives in rural areas.

**Background:** The Dominican Republic is over-dependent on inefficient and unreliable energy sources that pollute the environment and deplete the natural resource base. Power shortages are frequent, and an estimated two million rural residents live beyond the reach of the power grid. Firewood and charcoal still constitute the principal cooking fuel in the majority of rural homes. Cutting firewood is now considered the principal cause of deforestation, which causes siltation of hydropower reservoirs.

**USAID Role and Achievements to Date:** USAID financed a baseline environmental assessment for the Dominican power sector that provided the initial guidelines for siting, design and management requirements for two proposed new plants to be financed by the World Bank. USAID also supports nongovernmental organization (NGO) renewable energy initiatives and associated conservation activities that protect key watersheds to demonstrate how the lives of the rural poor can be dramatically improved. Active community involvement is the hallmark of this approach. By demonstrating how known technologies can exploit untapped alternative energy resources in a cost-effective and commercially viable way, USAID assists NGOs, cooperatives, community groups and private businesses to address the power needs of the rural poor. In FY 1995, \$500,000 in Environmental Initiative for the Americas financing was made available to support the expansion nationwide of a U.S. private voluntary organization's (PVO's) solar energy program among rural households. Environmental guidelines were developed for minihydro activities, and a local NGO has designed the first community-based minihydroelectric plant in the country. An innovative, community-managed, water and soil management program was chosen for replication by the World Bank in a key watershed, leveraging an additional \$ 2.5 million. The Parks in Peril project is protecting two major national parks, using volunteer guards from surrounding communities and building a partnership among national and international organizations.

**Description:** In FY 1997, USAID will assist the government in setting standards for new investments and establishing a regulatory unit for the power sector, to help direct power development along environmentally sound paths. The final tranche of grants to eight NGOs will support ongoing development of solar power for community potable water and domestic lighting systems, solar cooking heating and drying ventures, wind energy and minihydro pilot demonstrations for community electrification, and conservation projects in critical watersheds.

**Host Country and Other Donors:** Modest USAID assistance has had a catalytic effect on the design of a coordinated overall donor-government effort to restructure, rehabilitate and expand the electric power sector. USAID's environmental assessment was integral to the joint World Bank and the Inter-American Development Bank energy sector restructuring loan proposal. The standards and norms work has been carefully integrated into their larger efforts. Unfortunately, legislation required to meet key conditionality has been stalled in the Congress. The donors remain in agreement on the need to privatize the sector, even though USAID's assistance has shifted to emphasize alternative renewable energy.

**Beneficiaries:** Off-grid, rural communities without energy or water, and the rural poor in watersheds with hydroelectric power potential are the direct beneficiaries.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities the Pan American Development Foundation, the Nature Conservancy, the Center for Marine Conservation, and several local NGOs including the Association for the Development of San Jose do Ocoa, the Association for the development of Espaillat Province, Foundation for the Development of the Southwest, and the Center for the Ecological Development of the Samana Bay. .

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Project rural households using solar energy	0 (1995)	1,200 (1998)
Viable rural community-based electrification and water systems with alternative energy	0 (1995)	9 (1998)
Area under sound soil management practices in project areas (hectares)	100 (1994)	2,000 (1998)

## ECUADOR

**FY 1997 Development Assistance: . . . . . \$13,532,000**

### **Introduction.**

The U.S. national interests in Ecuador are centered around the following themes: a mutual interest of both countries to preserve political stability and peace in the region, in view of the stepped-up armed confrontations between Ecuador and Peru in 1995; the strengthening of democratic institutions and the streamlining of procedures for the administration of justice; the enhancement of broad-based economic growth opportunities that bolster Ecuador's trade relations with the United States and the strengthening of environmental institutions to improve the protection and conservation of biodiversity, such as that found in the Galapagos Islands.

The United States is Ecuador's largest trading partner, and an increase of per capita income in Ecuador will expand markets for U.S. goods, services and technology. Continued support for family planning and maternal and child health programs will consolidate the advances made over the past decade in the improved health and productivity of the population and provide a firm foundation for economic growth. Ecuador possesses one of the highest rates of biodiversity in the world. Given the impact that the destruction of biodiversity has on global warming, it is in the interest of the United States to help Ecuador expand its economy to provide low-income groups with income generation alternatives that protect its natural resources.

### **The Development Challenge.**

Ecuador remains one of the least developed countries in South America. Despite the modest economic growth during the 1990-95 period after a decade-long recession, Ecuador needs to make greater progress in modernizing and opening-up its economy to improve the quality of life for its population. Per capita gross domestic product growth has averaged about 1% since 1990; real wages are still 23% below 1986; and income distribution is one of the worst in the Andean region. These problems are compounded by a high population growth rate of 2.3%, poor health conditions, and large-scale rural and urban poverty. Democratic and judicial institutions remain fragile and need to become more effective. Ecuador's growing environmental degradation has attracted international attention and points to the need for a coherent strategy to deal effectively with this problem.

On the positive side, Ecuador democracy, however fragile, managed to survive a series of crises in 1995. The preparations for presidential and national elections in May 1996 continue without any significant setbacks. In addition, the country has implemented major stabilization and initial structural reforms, reached agreements on an International Monetary Fund stand-by and monitoring accords, and completed historic debt renegotiations. These reforms are gradually establishing the foundation for a market-based economy, improving the investment climate, increasing exports and overall economic growth, and expanding trade opportunities with the United States. The United States is Ecuador's major trading partner, with about 46% (or \$1.2 billion) of total Ecuadorian imports coming from the United States in 1993. U.S. assistance to Ecuador strongly supports economic, social and environmental reforms that will further expand U.S. markets and ultimately facilitate Ecuador's entry into free trade agreements. U.S. assistance also promotes the key objective of strengthening Ecuadorian democracy by promoting judicial reforms and by helping modernize and reform the social sectors. Modest U.S. assistance has played a catalytic role in leveraging large financial support for Ecuador from the World Bank and the Inter-American Development Bank, and in enabling the civil society, as represented by selected nongovernmental organizations (NGOs), to implement programs in strengthening democracy and in pursuing sound economic, social and environmental reforms.

The challenge for Ecuador for the remainder of this decade is to alleviate the pervasive poverty which affects approximately four million Ecuadorians, about 35% of the population. Despite the Government

of Ecuador's (GOE) inability to meet donor expectations regarding structural adjustment, the current GOE administration has lowered inflation through tight fiscal and monetary policies from the annual rate of 55% in 1992 to 22% at the end of 1995. However, high real interest rates, which turned the tide of capital outflows, led to a decrease in private sector investment. Real economic growth per capita slowed to 1% in 1995 as a result of the border conflict with Peru, a severe energy crisis, and political uncertainties related to allegations of widespread corruption in the GOE. These crises were aggravated by the marked weakness of public institutions in providing basic social services to the poor. These institutional weaknesses and high levels of poverty in Ecuador also contribute to high rates of deforestation which put the country's biodiversity at risk. Ecuador has the highest concentration of biodiversity in Latin America, while suffering the third highest rate of loss of forests in the world. U.S. assistance during the remaining years of the decade has a key role in helping Ecuador to overcome these structural constraints which prevent sustained economic growth and the reduction in the levels of poverty. It is anticipated that the USAID country program will terminate within the next five to ten years as the objectives of USAID assistance are achieved; however, USAID may continue to support critical environmental efforts in Ecuador which are of global concern through programs administered from USAID/Washington.

#### **Other Donors.**

USAID provides a small portion (ranging from 5% to 7%) of donor assistance (grant and loan) which is provided mostly by the Inter-American Development Bank (IDB) and the World Bank. USAID assistance comprises the largest portion of grant assistance (20% of total grants). The grants have been effectively directed at policy activities and support for NGOs that have served to facilitate removal of constraints to the delivery of other donor assistance. USAID assistance plays a catalytic role in helping other donors to design and implement their substantial assistance to Ecuador.

#### **FY 1997 Program.**

The USAID program in Ecuador supports U.S. foreign policy objectives through an integrated approach to help Ecuador achieve sustainable development. Accordingly, activities which encourage broad-based economic growth also include major emphasis on social and democratic policy reforms, microenterprise development, and productive activities for low-income groups. Activities with NGOs focus on basic health, environmental protection, and support sustainable economic growth through greater economic opportunities to the poor. There is a strong inter-relationship between family planning and health activities and USAID's economic growth and democracy objectives. Activities to increase access to the justice system for groups concerned with the long-term sustainability of their environment (including the training of paralegals and introducing alternative dispute-resolution mechanisms) are essential to achieve the results related to protecting the environment.

#### **Agency Goal: Encouraging Broad-Based Economic Growth**

A high proportion of the population (35%) falls below the poverty line. Of those living in poverty, 15% are in "extreme poverty" without enough income to purchase even a minimally nutritious diet. USAID assistance is being provided to expand opportunities and participation by low-income groups in a growing market economy by increasing access to financial services by microentrepreneurs, increasing access by low-income groups to housing solutions, and increasing opportunities for low-income groups to receive donor financing for productive activities and social infrastructure. USAID efforts also are directed toward promoting policies which will increase the efficiency and competitiveness of the economy. Specifically, these reforms should lead to more efficient investment in people and accession to free trade areas in the Americas, while supporting the macroeconomic and structural adjustment programs of the IDB and the World Bank. USAID's policy dialogue support and technical assistance are helping Ecuador to initiate social reforms in education, social security, health, and decentralization and to deepen economic reforms, such as trade liberalization, privatization, and legal and regulatory measures that strengthen micro and small enterprises.

In 1995, USAID-supported NGOs assisted the GOE to formulate a coherent social policy reform agenda with a focus on economic stability and growth, unemployment and poverty reduction, modernization of the state, and more efficient delivery of basic social services. They also conducted workshops with Ecuadorian presidential candidates to build consensus and continuity for recommended social and economic reforms. With USAID support, Ecuador is now a member of the World Trade Organization and is undertaking steps to attain access to intermediate trade pacts. USAID has initiated a series of activities in support of the microenterprise development objectives in the Summit of the Americas' plan of action: the capabilities of partner NGOs have been strengthened in preparation for expanding their microenterprise client base and geographical coverage. A system of housing incentives proposed by USAID will play a major role in increasing domestic savings for housing and in improving low-income families' access to affordable shelter. In addition, USAID continues to help the GOE organize and finance its emergency social investment fund (FISE) to cushion the immediate impact of stabilization and economic reforms on the poorest and most vulnerable groups.

Nevertheless, economic stabilization, modernization, and constitutional reform continue to be major political issues. Although social and economic reform should improve the quality of life and income per capita in coming years, reform has come with near-term political costs. Fiscal austerity temporarily slowed growth and increased unemployment, while the rapid decreases in inflation obtained in 1994 seemed to have leveled off between 22% and 27% in 1995. Payment of Ecuador's debt comprises 35% of the GOE's 1996 budget. Public sector unions oppose privatization of state-owned enterprises. Strong opposition to modernization of the state within the Ecuadorian Congress is evident. At this critical point in the reform process, partner NGOs are working on building consensus for reform by educating Ecuador's leaders through studies, seminars, and conferences, and through advocacy of reform legislation. At this juncture, a broad-based consensus for reform is critical. Without it, the prospect for attaining the necessary changes in Ecuador's social and economic policy framework will be severely circumscribed, and Ecuador's prospects for attaining sustainable economic growth limited.

- Strategic Objective 1: Increase sustainable economic growth for a broad base of the population.

#### **Agency Goal: Stabilizing Population Growth and Protecting Human Health**

One of Ecuador's major challenges is to reduce rates of population growth, fertility and mortality. Significant numbers of women, particularly in rural areas, do not have adequate information concerning contraceptive methods, or they currently use inefficient contraception methods. USAID activities increase the quality, access, and sustainability of family planning services in Ecuador, through: (1) research and training; (2) social marketing, communications, and awareness building to expand service delivery of specific target groups which have high levels of unmet demand or are at high health risk; and (3) introduction of alternative approaches to increase cost recovery and financial sustainability.

A 1994 national survey indicates that overall contraceptive prevalence increased from 53% in 1989 to 57% in 1994. USAID was a major player in attaining these achievements, which have contributed to an impressive, overall reduction in the population growth rate of around 3.5% in the late 1970s to 2.3% today. During 1995 USAID's Ecuadorian partner NGOs significantly increased their coverage of family planning users. They also provided new, improved contraceptive methods which increased the range of choice for women. Progress toward sustainability continued and the family planning NGOs increased their level of cost recovery to nearly two-thirds of their costs. However, a recent evaluation has indicated that these strides towards sustainability could have come at the cost of restricting expansion of services to lower income users.

Two specific areas will continue to need assistance over the medium term. The first is the expansion of family planning services to the underserved poor women. The second relates to the need to extend the period of time for attaining full self-reliance by partner NGOs in order for them to identify additional means to generate income while maintaining the top priority of serving the needy target population.

Ecuador's health statistics are worse than those of most Latin American countries. Lack of safe water and sanitation, the prevalence of infectious and communicable diseases, and malnutrition are the most common causes of child death. The prevalence of chronic malnutrition among children under five is 55%. Large numbers of women still do not have access to adequate pre- and post-natal care.

USAID is directing its efforts toward improving the policy climate for health reform and increasing the provision of primary health care services by NGOs. It is also facilitating other donor support for policy reforms such as decentralization, targeting of benefits, and increasing private sector provision of services. USAID has successfully influenced the direction of the World Bank's \$70 million Health sector loan to focus on policy reforms relating to cost recovery, targeting of services, and decentralization. During the last year, the Minister of Health campaigned for sector reform with an unprecedented sense of purpose and urgency mobilized donors to join forces in a coordinated effort, and initiated contractual negotiations with major U.S. universities to provide massive technical assistance to the effort. USAID also succeeded in integrating the planned activities of NGOs directly into the GOE's sector reform plans for the coming years. In so doing, USAID has continued to work in coordination with the World Bank, the Inter-American Development Bank, and the Pan-American Health Organization (PAHO) to bring on stream major additional technical and financial resources to the sector reform effort.

The major constraints to achieving these reforms would be the failure to sustain a political consensus for health policy. The challenge to USAID, other donors, and the NGO community will be to convince the new GOE administration to maintain its commitment to reform after the elections in May 1996.

- **Strategic Objective 2:** Reduce mortality and fertility to levels which are commensurate with sustainable development.

**Agency Goal: Building Democracy**

Ecuador has a highly fragmented justice sector, with judicial responsibilities divided among many entities. Inadequate human resources, and weak institutions. These factors have resulted in a seriously inefficient and delayed administration of justice. Nevertheless, the justice sector is one in which democratic institutions can be strengthened and where limited resources can make a difference and lead to major reform while increasing other donor assistance. Since 1993, when USAID began working through private and public sector groups and an effective Ecuadorian NGO, USAID has had a major impact on the passage of laws, in leveraging the contributions of other major donors, and in extending reforms beyond the justice sector to progress in the area of anti-corruption.

During 1995, the USAID-financed action plan for the justice sector was completed and officially presented by the President of the Supreme Court to other donors, including the World Bank, the IDB, and the European Community. As a result, the donors have agreed with the GOE on which of the reform areas each will support. USAID activities also have led to the creation of the Coordination Unit for Ecuadorian Judicial Reform, the Ecuadorian official entity charged with coordinating and implementing reform efforts for the justice sector as a whole. This unit will be the national counterpart all international institutions working in the sector. USAID's Ecuadorian partner NGO has continued to actively promote public understanding of and support for judicial reform in Ecuador. Given the pressing need for anti-corruption activities, USAID has decided to widen the scope of its democracy program to include better governance and transparency in government under this activity.

- **Strategic Objective 3:** Improved responsiveness of selected democratic institutions with greater citizen participation.

## **Agency Goal: Protecting the Environment**

Ecuador faces an urgent challenge in protecting the environment. It has one of the world's richest sources of biodiversity; it also has one of the highest urban growth rates in Latin America. For too long, the country's economic growth and development strategies have been based on activities that are highly extractive in nature. Unfortunately, current policies and related consumption patterns are threatening these resources, human health, and economic sustainability. Activities under this strategic objective are focused on changing such policies and consumption patterns. USAID's activities to protect the environment are concentrated on improving natural resource management, conserving biodiversity, and reducing pollution. In policy reform, USAID assistance has led to the establishment of a Presidential environmental advisory commission, which is defining Ecuador's strategy for protecting the environment. In 1995, the commission completed Ecuador's first national environmental action plan, which provides a blueprint to define the environmental problems, concerns, and agreed-upon actions.

USAID also has supported implementation of innovative environmental management strategies with four indigenous groups in the Amazonian and coastal regions of Ecuador. Elements of these strategies include development of ecotourism activities to provide employment, training of parabiologists in ethnobotany to preserve indigenous knowledge and empowerment of the indigenous groups to address legal issues through paralegal training. In a ground-breaking legal decision, the indigenous communities' property rights to their ancestral lands (including the 400-year-old Afro-Ecuadorian communities) were recognized by the GOE, thus paving the way for finalizing natural resource and forestry management plans. The role of the community paralegals was essential to sustaining a strong community voice throughout the process and in resolving historic conflicts among competing interests. Satellite imagery has been used to complete the delimitation of communal lands and reserve boundaries in order to complete and implement the area's land-use management plans.

The Charles Darwin Foundation, with support from USAID, has now completed all of the programmed research studies, surveys, reports, scientific publications and training programs related to the Galápagos archipelago. The analyses were essential to adoption of a plant and animal quarantine system for the Galápagos. OIKOS, a local environmental NGO, completed 22 pre-diagnostic assessments for reducing urban pollution in textiles, sugar, vegetable oil, dairy product, dry cleaning, and plastic industries. USAID technical assistance supported initiation of an innovative waste-collection system (currently serving over 25,000 inhabitants), employing the use of low-cost bicycle and push carts for waste collection.

The primary constraint to achieving results in this sector is the magnitude of the problem of environmental degradation and the complexity of interests which involve rural and poor indigenous groups; industries such as petroleum, tourism, transportation, and logging; and urban residents. The GOE's weak implementation of policy reforms and laws already approved is also a significant constraint. Ecuador's important position with regard to conservation of biological diversity and the preservation of natural resources argues strongly for continued support over the longer term.

- **Strategic Objective 4:** Promote the sustainable use of natural resources, the conservation of biological biodiversity, and the control of pollution.

**ECUADOR  
FY 1997 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
<b>USAID Strategic Objectives</b>						
<b>1. Increase Sustainable Economic Growth Dev. Assistance</b>	<b>\$2,580,000</b>					<b>\$2,580,000</b>
<b>2. Increase Use, Effectiveness, and Sustainability of Family Planning and Health Services Dev. Assistance</b>		<b>\$6,032,000</b>				<b>\$6,032,000</b>
<b>3. Improve Responsiveness of Selected Democratic Institutions Dev. Assistance</b>				<b>\$1,950,000</b>		<b>\$1,950,000</b>
<b>4. Promote Sustainable Use of the Natural Resources Base Dev. Assistance</b>			<b>\$2,970,000</b>			<b>\$2,970,000</b>
<b>Total Dev. Assistance</b>	<b>\$2,580,000</b>	<b>\$6,032,000</b>	<b>\$2,970,000</b>	<b>\$1,950,000</b>		<b>\$13,532,000</b>

USAID Mission Director: Thomas L. Geiger

## ACTIVITY DATA SHEET

**PROGRAM:** ECUADOR

**TITLE AND NUMBER:** Increase sustainable economic growth for a broad base of the population, 518-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,580,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To increase sustainable economic growth for a broad base of the population by increasing efficiency and competitiveness of the economy and by expanding opportunities and participation by low-income groups in a growing market economy. Emphasis is placed upon low-income groups in rural areas, with a focus upon women.

**Background:** Ecuador is an extremely poor country. The World Bank's Ecuador poverty report concludes that 35% of its population, close to four million people, live in poverty, and an additional 17% are highly vulnerable to poverty. Unemployment affects 11% of Ecuador's economically active population; underemployment affects another 53%. Ecuador's persistent economic and social problems have led the government to undertake vital economic stabilization and structuring measures to lay the groundwork for the long-term economic and social health of the country. Yet the worsening situation of the poor poses serious concerns for Ecuadorian society. This strategic objective includes USAID's Policy Dialogue and Implementation, Microenterprise Assistance and Strengthening, and National Shelter Delivery System Projects.

**USAID Role and Achievements to Date:** USAID supports policy reform leading to more efficient investment in people, accession to free trade areas in the Americas, and macroeconomic and structural adjustment. USAID increases access to financial services by microentrepreneurs with emphasis upon women, access for low-income groups to housing solutions, and opportunities for low-income groups to receive donor financing for productive activities and social infrastructure. In 1995 USAID activities contributed to 1.3% real growth in gross domestic product (GDP) per-capita and a 4.3% increase in the ratio of non-traditional exports to GDP. USAID also helped move the government toward adoption of specific reforms related to education, financial and capital markets, privatization, intellectual property rights, and land tenancy. With USAID support, Ecuador is now a member of the World Trade Organization and Andean Trade Pact. USAID's housing shelter sector program eliminates indirect subsidies while supporting the establishment of a private sector-led housing financing corporation and the issuance of mortgage-backed securities. USAID provided direct assistance to the establishment of Ecuador's Social Emergency Investment Fund (FISE) which provides financing for basic infrastructure and some productive activities directly to poor communities and selected NGOs. As a result, USAID assistance leveraged more than \$100 million in 1994 and 1995 from the World Bank, Inter-American Development Bank (IDB), and the Andean Development Corporation (CAF).

**Description:** USAID's strategic objective is aimed at producing two major results: (1) increased efficiency and competitiveness of the economy; and (2) expanded opportunities and participation by low-income groups in a growing market economy. Activities that contribute to the first result include support toward attainment of specific demand-driven objectives, including: (1) improved quality of education, (2) broader participation of low-income groups in social security coverage and pensions, (3) reduced constraints to labor market entry, (4) strengthening of collective bargaining and dispute mediation, and (5) environmental reforms that will assist Ecuador in accessing free trade areas in the Americas.

To achieve the second result, USAID activities include: (1) upgrading microcredit delivery systems and quality of financial services; (2) establishing licensed, financial institutions delivering microcredit; (3) increasing equity investment in financial service institutions serving microentrepreneurs; (4) increasing

the volume and total value of shelter loans to below-median-income families; and (5) supporting short-term poverty amelioration by increasing access of low-income groups to productive activities and social services.

**Host Country and Other Donors:** USAID's partner NGOs are attracting other sources of funding while advocating major social and economic policy reforms and greater access by low-income groups to housing solutions and microcredit. The World Bank, IDB, and CAF are Ecuador's major donors, providing nearly \$500 million annually in support of this USAID strategic objective, while restructuring their programs to focus on low-income groups to address the serious poverty situation in Ecuador. INCAE will be providing in-kind contributions of staff and logistical support valued at \$900,000. The GOE is contributing \$800,000 in economic support fund local currency to support the Ecuador Foundation's policy reform efforts. USAID's partner NGOs, including Solidaria, Finaciera Uno, Enlace, and Accisolsa, will contribute over \$2.9 million to cover operational expenses, and to provide equity investment to establish licensed, leveraged financial institutions which deliver quality financial services to microentrepreneurs. In addition, communities receiving SDAA support contribute labor and materials.

**Beneficiaries:** USAID beneficiaries are low-income Ecuadorians who have reached a degree of community-level organization. These disadvantaged groups are located in urban and rural areas and have little or no access to income opportunities and social services. The benefits of the activities are reaching this segment of Ecuador's population and are achieving a multiplier effect. Special emphasis is placed upon microentrepreneurs in both urban and rural areas. Microenterprises owned by women represent 50% of the total number of microentrepreneurs (approximately 1.2 million) in Ecuador.

**Principal Contractors, Grantees, or Agencies:** The principal implementors of the program are Ecuadorian NGOs and the Central American Institute of Business Administration (INCAE, based in Costa Rica with an office in Ecuador), with technical assistance and training provided by U.S.-based consulting firms (e.g., Coopers and Lybrand, Development Alternatives Inc., Eccles and Associates, Price Waterhouse, Chemonics), and grantees (including U.S.-based Accion International). In 1996, additional grants will be provided to U.S.-based private voluntary organizations to facilitate equity investments in local licensed financial institutions delivering quality financial services to microentrepreneurs.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Real growth in GDP per capita	1.8% (1995)	3.0% (2000)
No. of state-owned enterprises sold (cumulative)	1 (1995)	19 (2000)
No. of concessions granted to provide social services	3 (1995)	15 (2000)
No. of microentrepreneur borrowers (served by USAID-assisted NGOs)	13,250 (1995)	110,380 (2000)
Volume of housing incentives issued	0 (1995)	15 (2000)

## ACTIVITY DATA SHEET

**PROGRAM:** ECUADOR

**TITLE AND NUMBER:** Reduce levels of mortality and fertility to levels which are commensurate with sustainable development, 518-S002

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997; \$6,032,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: To improve the effectiveness, use and quality of child survival, primary health care and family planning services in Ecuador.

Background: Both infant and maternal mortality are high in Ecuador, especially among the rural and peri-urban poor and indigenous groups. The quality, effectiveness and use of health and family planning services in the public sector remain poor. Constraints to the improvement of these problems include: declining financial resources of the Government of Ecuador (GOE) devoted to health; a fragmented, uncoordinated, and duplicative health care system, with more than four major institutions providing medical care; lack of targeting and efficient allocation of these scarce resources; and the need for decentralization of management and delivery of health services. The GOE is now embarking on a major health sector reform program to address these constraints, and USAID is contributing significantly to the reform effort. The USAID-financed activities have a strong focus on addressing the needs of the underserved, on supporting private sector alternatives to delivery of services, and on developing models of sustainable child and reproductive health services.

USAID Role and Achievements to Date: In the family planning and population field, USAID continues to be the major donor and therefore a critical actor in achieving reduced fertility, increased contraceptive use to prevent unwanted pregnancies, and improved women's health. USAID interventions in provision of contraceptives and financial sustainability to private sector family planning nongovernmental organizations (NGOs) have been and will continue to be a major part of this strategic objective through the 1999. These NGOs have achieved 60% to 65% self-sufficiency through cost recovery, while their targets for contraceptive use and fertility reduction have been surpassed over the past five years. The total fertility rate fell from 3.8% in 1989 to an estimated 3.5 in 1995, while contraceptive prevalence increased from 52.9 to approximately 56.8 during this period. Infant mortality decreased from 53 in 1989 to 40 per 1,000 in 1995 while immunization and rural water supply coverage increased to planned levels. Policy analysis and reform efforts have already resulted in innovative financing and delivery schemes with NGOs and municipalities.

Description: Of the total funding requested for population and health, \$3,950,000 is planned for population activities and \$2,082,000 is planned for health activities. This strategic objective includes three major components which address the primary constraints to improving child and maternal health and reducing fertility: (1) Ministry of Health policy support for health sector reform; (2) policy promotion, analysis and dissemination activities; and (3) private sector service delivery and organizational strengthening. The first component will provide assistance for Ministry of Health policy development to improve resource use, strengthen the production and distribution of primary health care services in specific health areas, support coordination of sector resources; and coordination of Ministry of Health and NGO efforts to develop models of decentralization of child survival and primary health care services which are sustainable. The second component will develop an independent private sector think tank, Center for Studies of Population and Responsible Parenthood (CEPAR), capability for policy analysis, formulation, dissemination, consensus building and advocacy. The third component will assist the private sector NGOs to develop sustainable, quality health and family planning services for underserved populations.

**Host Country and Other Donors:** The major donor is the World Bank, with its \$70 million loan for strengthening the Ministry of Health as well as a national micronutrient fortification program. Substantial financial resources also come from the Inter-American Development Bank, especially for the social security hospital system. USAID is among the leading sources of technical assistance along with the Pan American Health Organization and the World Bank. USAID technical assistance and pilot interventions have served as catalysts for leveraging large inputs of World Bank funds. The host country contribution to this strategic objective is \$18.6 million from the GOE (including up to \$2.5 million for non-project assistance), and \$10.45 million from USAID's partner NGOs (Center for Studies of Population and Responsible Parenthood, Ecuadorian Pro Family Association, and the Medical Center for Family Planning).

**Beneficiaries:** Children under five and women of child-bearing age in Ecuador represent 25% to 30% of the population, which totals 11.2 million people. USAID-supported programs have reached about 165,000 women with reproductive health and family planning services. In addition, the children of Ecuador have benefited from improved child survival and primary health care services. Beginning with phase II of the Child Survival project in 1995, direct beneficiaries will include demonstration health clinic users, approximately 500,000 women and children.

**Principal Contractors, Grantees, or Agencies:** USAID implements most of its activities through private sector NGOs. In health, these include an Ecuadorian NGO, CEPAR, for policy formulation, analysis, promotion and dissemination activities; and CARE, for efforts to develop the capacity of Ecuadorian NGOs and municipalities to implement primary health care demonstration projects with cost recovery). USAID contractors providing technical assistance for this strategic objective include: Abt Associates, The Partnership for Child Health Care Inc. (BASICS), John Snow Inc., Management Sciences for Health, University Research Corp., and the Center for Development and Population Activities. In family planning, our major partners are Ecuadorian family planning NGOs (Ecuadorian Pro Family Association and the Medical Center for Family Planning) with some critical inputs on social marketing, operations research and logistics management from USAID contracts with The Futures Group, Johns Hopkins University, The Population Council, and the Centers for Disease Control.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Infant mortality rate	40 (1994)	32 (2000)
Contraceptive prevalence rate	52.9 (1989)	60 (2000)
Percentage of births attended by a health professional	30 (1989)	90 (2000)
Percentage of cost recovery of family planning NGOs	63 (1994)	90 (2000)

will provide \$180,000. In addition, CLD is expected to contribute \$228,000 and other partner NGOs, including The Center for Studies and Research on Ecuadorian Women-CEIME, the Center on Law and Society-CIDES, and the Ecuadorian Council for Support of Women-CEPAM, are expected to contribute \$140,000.

**Beneficiaries:** Ecuador's population as a whole will benefit from this activity. However, much of the activity is intended to directly benefit large segments of the population which traditionally have not had access to the justice system or have not benefited from the application of existing law. These groups include women, minors, indigenous populations, and the poor.

**Principal Contractors, Grantees, or Agencies:** Virtually all assistance provided under this Strategic Objective will be channeled through Ecuadorian NGOs. A very limited amount of assistance will be made available to the GOE's recently created Justice Sector Coordinating Unit.

<u>Major Results Indicators:</u>	<u>Baseline</u>	<u>Target</u>
Reduction in the number of violations (e.g., abuse of women and minors, unsentenced prisoners)	* (1996)	* (2000)
Percentage increase in the number of disadvantaged persons using legal services	* % (1996)	* % (2000)
Reduction in pretrial detention time	* days (1996)	* days(2000)
An enhanced perception by at least six key groups of customers (judges at various levels, lawyers, judicial sector personnel, opinion leaders and NGOs involved in the sector) of the need for judicial reform	* (1996)	* (2000)
Increased public awareness on the use of public resources	* (1996)	* (2000)

\* Since this strategic objective has just recently been defined, the baseline and target indicators are still being developed.

## ACTIVITY DATA SHEET

**PROGRAM:** ECUADOR

**TITLE AND NUMBER:** Promote Sustainable Use of Natural Resource Base, 518-S004

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,970,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2005

**Purpose:** To promote the sustainable use of natural resources, the conservation of biological diversity, and the control of pollution.

**Background:** Ecuador has been described as containing the highest concentration of biodiversity in Latin America. Approximately 45% of the mainland is located in the Amazonian watershed. Although 17% of the country's Amazonian watershed has been designated "protected areas," fewer than 75 persons are assigned to manage the area. Ecuador suffers the highest rate of deforestation among the Amazonian countries. The Galápagos Marine Resource Reserve, 1,000 kilometers west of Ecuador's mainland, encompasses 70,000 square kilometers of open water and shoreline, making it the second largest marine park in the world. Ecuador's urban growth rate is placing increased demands on the national and municipal governments for critical environmental sanitation services and improved pollution prevention. Pollution and the lack of these sanitation services have immediate, direct, and measurable impacts on the health, productivity, and quality of life of Ecuador's urban poor. Uncontrolled vehicular and industrial pollution compound these risks by increasing toxicity levels found in urban slums. Poor water and sanitation systems in urban areas and lack of any potable water in rural areas are main causes of water borne diseases.

USAID's environmental portfolio is structured to achieve tangible, measurable results to conserve biological diversity, to sustainably manage natural resources, to reduce pollution, and to promote sustainable urbanization. Currently funded activities contributing to the achievement of program outcomes include: Sustainable Uses for Biological Resources, Environmental Education and Technology Transfer, the Conservation of Biological Resources in Galapagos, and the Sustainable Uses of Galapagos Marine Resources.

**USAID Role and Achievements to Date:** USAID's support is directed towards: (1) improved environmental policies and their implementation; (2) improved management of natural resources and biodiversity conservation activities; and (3) improved practices for pollution control and urban environmental management. Every Ecuadorian partner (ministries, private voluntary and nongovernmental organizations, municipal and private sector groups) has approved the national environmental action plan to serve as a blueprint, defining problems, concerns, and agreed-upon required actions to be undertaken by each and every player. An environmental trust fund has been established (financed by a percentage of the sale of state-owned enterprises). The Constitution has been amended to ensure each citizen's right to a clean environment, and an environmental and natural resources law has been submitted to Congress. Thirty-one community paralegals trained under USAID and NGO auspices have obtained legal recognition of 13 homelands and resolved 9 communal land ownership conflicts. This paved the way for finalizing natural resource, land-use and forestry management plans in the 50,000 hectare, buffer zone containing the country's last remaining stand of humid tropical forest in the Pacific lowlands. A plant and animal quarantine system for the Galapagos Islands has been designed. Over 200 export-flower producers have adopted improved pesticide management policies and practices.

**Description:** USAID focuses activities on three major results: conservation of biological diversity, sustainable management of natural resources, and reduction of pollution and promotion of sustainable urbanization. USAID works through U.S. and Ecuadorian NGOs, under local agreements with national, municipal, community and private sector organizations. Activities will support the implementation of

the national environmental action plan, an environmental support trust fund, a standard environmental impact assessment methodology, improved management of selected protected areas and their buffer zones, improved urban management for increased access to water and sanitation services, and pollution prevention and control practices.

**Host Country and Other Donors:** Host country and NGO contributions to achieve the strategic objective results total over \$2 million. Parallel contributions include World Bank, Inter-American Development Bank (IDB) and Global Environment Fund (GEF) funds exceeding \$28 million. Although USAID provides only a small portion (ranging from 5% to 7%) of total donor assistance (grant and loan) provided mostly by the World Bank, IDB and GEF, USAID's environmental strategic objective framework is crafted to assist Ecuador in meeting the policy reforms which are conditions to the continued disbursement of IDB, World Bank and other donor funds. The ease of access to a broad array of technical assistance through USAID's Global Bureau immensely facilitates USAID's achievement of the intermediate strategic results and enables Ecuador to meet its long-term environmental goals.

**Beneficiaries:** Ultimate beneficiaries are the majority of the nation's poor, who live in rural areas, especially women, children and Ecuador's indigenous communities (estimated at 60% of the population). They directly depend on sustainable use of natural resources (forests, land, soil, water and wildlife). Ecuador's increasing urban and peri-urban residents who lack access to potable water, sanitary systems and a pollution-free, residential and work environment also benefit.

**Principal Contractors, Grantees, or Agencies:** USAID implements environmental activities principally through U.S. and Ecuadorian NGOs, including: CARE, The Nature Conservancy, The Wildlife Conservation Society, Ecociencia, Jatun Sacha, the Charles Darwin Foundation, and OIKOS. USAID also has agreements with the Presidential Environmental Advisory Commission, the Ministry of Agriculture, the National Forestry and Wildlife Institute. Additional USAID assistance also is provided through the Academy for Educational Development, the International Center for Self-Governance, the U.S. Environmental Protection Agency, the Department of the Interior, and the Peace Corps.

**Major Results/Indicators:**

	<u>Baseline</u>	<u>Target</u>
Completion and Implementation of Environmental Law	Begun (1995)	Fully Implemented (1999)
Establishment of Environmental Trust Fund	Begun (1995)	Completed (1996)
Industrial pollution prevention models adopted	1 (1994)	15 (2000)
Cities with improved solid waste collection systems	1 (1994)	3 (1997)

## EL SALVADOR

FY 1997 Development Assistance: . . . . . \$35,547,000

### Introduction.

After emerging from a prolonged civil war, El Salvador has successfully forged a democratic nation. El Salvador has established a solid foundation of sustainable economic policies, free-market principles and practices, and demonstrates a growing attention to the equitable distribution of the benefits of economic growth. The U.S. Government's substantial assistance has played an important role in these achievements. Beyond the desire to protect the U.S. Government's large investment in this small Central American country, the United States has strong interests in the successful consolidation of these recent gains. Among these interests are regional and political stability and increased regional and hemispheric trade. Salvadorans are the second largest group of illegal aliens in the United States, further entwining the foreign and domestic policies of both countries.

### The Development Challenge.

El Salvador has now benefitted from four years of peace, and political leaders continue to work collaboratively to seek common ground. Peace and economic reforms spurred economic growth (6% increase in gross domestic product in 1995), lower inflation, improved fiscal performance, major gains in investment, substantially higher employment, and increases in non-traditional exports. Nonetheless, the underlying causes of the civil war -- poverty, compounded by political disenfranchisement -- persist. In 1995, 52.4% of the population lived in poverty -- 23.9% in extreme poverty -- predominately in rural areas. Although improving, access to social services is greatly inequitable and attention to environmental factors affecting health is inadequate, still overshadowed by short-term economic goals. The foundations of democracy -- protection of human and civil rights, the supremacy of civilian authority, and accountable, transparent government -- are in the early stages of taking root.

The challenge for the U.S. Government, the donor community, and especially the Salvadorans, is to consolidate the peace, fulfilling the 1992 peace accords and putting El Salvador on the road toward equitable and sustainable development. This is a lengthy and difficult process, requiring commitment by all to achieving long-term goals. Failure to see this process through is to risk a return to the crises and instability which characterize recent Salvadoran history.

### Other Donors.

Despite a sharp decline in USAID assistance in the last two years, USAID continues to be the largest bilateral donor in El Salvador. The other major donors include the World Bank, the European Economic Community, Japan, France, Spain, Germany, and the Inter-American Development Bank (IDB). The World Bank and the IDB are the major players in the economic arena, with plans for large programs to modernize the state, implement privatization activities, and encourage reforms. USAID is the primary donor in the democracy sector, although several other donors are increasingly involved in supporting elections and strengthening grassroots, participatory organizations. The IDB has pledged to play a strong role in this area, particularly in judicial reform and legislative strengthening. Bilateral and multilateral donor organizations are increasingly active in the social sectors. The World Bank and the IDB are the largest donors involved in health and education, while the United Nations Population Fund and the Pan American Health Organization are the primary sources of technical cooperation in the population field. Finally, other bilateral donors, principally Canada and Germany, have recently expressed interest in the environment and are contributing small amounts of funding to various facets of protecting El Salvador's environment and natural resources.

## **FY 1997 Program.**

In FY 1997, USAID will begin to implement a new assistance strategy to El Salvador. The new strategy builds on the successes of the past four years to promote sustainable peace and development. Where the current strategy has achieved significant results by focusing at the macro-level, e.g., implementing the peace accords, establishing sound macroeconomic policy and strengthening democracy at the national level, the new strategy will deepen and consolidate those achievements through a focus on alleviating rural poverty. Four interrelated strategic approaches will address the multi-dimensional aspects of poverty. First, access to productive resources must be broadened to enable the rural poor to fully participate in the economy, thereby increasing their economic opportunities and income. Second, participation in democratic governing processes must expand to ensure that the rural poor have a voice in decision making. Third, improvements in access by the rural poor to quality basic health and education services must continue. Fourth, improvements in the management of the environment and natural resources must be made to safeguard the health of the rural poor and the productive resources of the country.

Many of the activities envisioned for FY 1997 will be carried forward with little change from prior years, reflecting the continuity between the old and new strategies. Among these will be selected activities currently funded under USAID's war-to-peace strategic objective. Others include: (1) policy reform and curriculum development for the basic education system (grades K-6), (2) provision of basic health services, (3) credit and technical assistance to mobilize savings, support to microenterprise, and assistance to small farmers and cooperatives to produce and market high-value crops, and (4) strengthening municipal government and implementation of national legislative elections in April 1997. New activities to be funded in FY 1997 are expected to support land tenure security for small holders, to reduce the incidence of environmentally related diseases, and to further strengthen the judicial system. USAID's portfolio will also change because many activities under the war-to-peace strategic objective will be completed by the end of FY 1997.

USAID is currently in the design process of its 1997-2002 strategic plan for El Salvador. The following discussion of USAID's strategic objectives is based on the FY 1996 El Salvador portfolio.

### **Agency Goal: Encouraging Broad-based Economic Growth**

The commitments assumed by the USG under the peace accords signed in 1991, which include supporting government and nongovernmental organization (NGO) programs to reestablish access to basic social services and infrastructure, as well as reintegration of ex-combatants into the social and economic fabric of the country, have made a substantial contribution to achieving broad-based economic growth. A wide array of services has been provided to ex-combatants in order to ease their re-entry into productive society, including agricultural and small enterprise credit and technical assistance, financing for transferring land to many people affected by the war, and construction of schools, clinics, roads and bridges in the ex-conflictive zones.

There continues to be a great national will for peace, as well as a reasonably successful collaboration by the Government of El Salvador (GOES) and the Farabundo Marti National Liberation Front (FMLN) on the implementation of the accords. The investment on the part of the USG in this program has contributed to four years of peace, continued economic growth, and an expansion of social and infrastructure services available to the 1.4 million residents of the ex-conflictive zones. The land transfer component facilitated the purchase of 215,000 acres of land for more than 31,000 beneficiaries. By September 1995, over 19,000 ex-combatants from both sides received vocational, agricultural or microenterprise training. More than 11,000 received microenterprise or agricultural credit, and thousands of individuals wounded in the war have received surgery and specialized treatment, prosthetic devices, if necessary, and rehabilitation. About 130 NGOs have been involved in the program, and approximately \$77 million has been channeled through them in order to provide vital services which strengthen these essential elements of civil society. In FY 1997 \$9 million of ESF

will be provided through the LAC regional program to assist in the transition from war to peace.

Other USAID assistance to encourage broad-based economic growth involves efforts to modernize the state and maintain overall economic growth. Assistance focuses on combating poverty through appropriate social and economic policies and increased private investment, exports, and employment. New economic policies are creating an environment with better incentives and income opportunities for El Salvador's poor, the majority of whom are employed in the agriculture sector.

The significant macroeconomic reforms and successes in El Salvador and the gradually improving equity in the society attest to the importance of activities being implemented. The far-ranging programs that make these improvements possible are vitally important in order to achieve changes throughout society. Progress toward achievement is reflected by an increase in real gross domestic product per capita and a steady decrease in the percentage of households with one of four basic needs unmet. Additionally, the Government of El Salvador (GOES) has increased the quality and coverage of government services such as education, health, and economic infrastructure, and has increased the share of social spending in its 1996 budget, at the same time reducing the share of military expenditures. Inflation, most harmful to the poor, has been held to less than 12%.

- Strategic Objective 1: Assist El Salvador make the transition from war to peace
- Strategic Objective 2: Broad-based economic growth increased

**Agency Goal: Building Democracies**

Democratic institutions and practices are taking hold in El Salvador. The objectives are to sustain peace and strengthen democracy; to improve citizen participation in the public policy and decision-making process, providing a better framework for effective protection for human and citizen rights; to improve mechanisms to ensure public accountability; and to increase the devolution of power to the local level.

A milestone in the establishment of democracy in El Salvador was the 1994 national election which produced a more representative legislative assembly. Legislative reforms enacted by the new assembly, with USAID assistance, have strengthened the judicial system and improved laws and legal procedures affecting Salvadoran society. According to a 1995 survey of democratic values, Salvadorans have developed an increased tolerance for political differences. Meanwhile, the central government is slowly devolving authority to the local level. Legal implementation of the User Fee Law, which allows municipalities to collect user fees, has resulted in an average increase of 70% in locally-generated revenues. In the area of administration of justice, the Family Code and the Law for Juvenile Offenders were passed. The Criminal Code, Criminal Procedures Code, and Penitentiary Law have been discussed and debated in the public fora, press, and legislative assembly. All are encouraging signs that a political and popular will for democracy exists and will continue to strengthen.

While conditions are changing, the country's long history of limited participation, reinforced by a political system which favors the elite, could undermine achievement of this objective. The recent surge of crime has caused citizens to be more concerned about public security. Further, the failure to respond to the concern of making ends meet economically inevitably will weaken pressures for further democratic reform. The achievement of this objective may be further constrained by the government's own limited institutional capacity to implement the many legal reforms that have recently been enacted.

- Strategic Objective No. 3: Strengthened democratic institutions and practices.

## **Agency Goal: Stabilizing Population and Protecting Human Health**

Health and education are fundamental elements in poverty reduction in El Salvador. Diarrhea, acute respiratory infections and vaccine-preventable diseases and malnutrition continue to be major health problems. Similarly, a significant portion of the population lacks basic literacy and numeric skills. These problems severely limit the opportunity to become economically productive and retard active participation in democratic processes.

USAID activities implemented under this objective strive to increase access to and improve the quality of primary education, to promote increased contraceptive prevalence, and to increase coverage for reproductive health care and child survival programs. Major basic education and health portfolio components provide a broad range of educational materials, contraceptives, training for teachers and health providers and institutional strengthening for both public and private sector entities. To increase nationwide accessibility to modern contraceptive methods, USAID emphasizes the rural poor, who have participated far less than the urban population in family planning and child survival programs. The number of children under five receiving complete vaccination series in four diseases increased from 47% in 1988 to 53% in 1995. Enrollment in the first through sixth grades continues to rise. The target of 70.2% (from 65.2% in 1993) children enrolled is expected to be met.

Major constraints, however, continue to exist in the health and education sectors. A lack of trained personnel (particularly in the most poor rural areas), lack of supplies and materials, and centralized decision-making continue to hamper modernization efforts. Cultural beliefs and practices constrain expansion in the use of contraceptives, but a larger constraint is the lack of resources and trained providers to meet the ever-increasing demand for services.

**Strategic Objective 4: Increased quality with equity in health and education**

## **Agency Goal: Protecting the Environment**

El Salvador is a country once rich in natural resources, and much of the country's economic activity is still directly or indirectly dependent upon what remains of those seriously mismanaged resources. The resources are largely finite, non-renewable, and are being depleted at an astonishing rate. El Salvador's biological diversity is disappearing, its natural forests have all but been destroyed, and soil, air, and water resources are being degraded. Pressures from overcrowding, a growing population, and an expanding economy are the principal reasons for the over-exploitation of natural resources. This depletion and degradation of renewable and non-renewable resources are impediments to long-term, sustainable development and improvements in the quality of life.

The USAID program will assist in the development of a legal and policy framework for improved natural resource use, increase public awareness of environmental problems, and implement demonstrations of the positive impacts that appropriate sector policies and higher levels of awareness will have on resource management. Results to date include completion of a wide-reaching national environmental strategy, with environmental protection laws and regulations now being enforced. Greater awareness of environmental problems within all sectors of Salvadoran society has already been realized. For example, in 1993, only slightly more than 15% of men and 12% of women interviewed were able to name three environmental problems. The 1997 target level of 25% of respondents for this same question was attained and exceeded just one year later when almost 43% of men and 31% of women in 1994 could name environmental problems. USAID activities being implemented under the strategic objective also have supported improved land-use systems for agricultural production by focusing on soil, water and forest management to attain sustainable increases in production.

However, the GOES' capacity to strengthen environmental protection and sustainable natural resource management is weak. The GOES has failed to provide broad support for environmental actions, and a fragile institutional base puts at risk many natural resource and environmental activities financed by

USAID and other international donors. Efforts to strengthen local institutions to augment environmental awareness will continue to be a major component of all USAID activities.

- Strategic Objective 5: Improved environmental and natural resource management

**EL SALVADOR  
FY 1997 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
USAID Strategic Objective						
1. Assist El Salvador to make the transition from war to peace ESF *						
2. Broad-based economic growth increased Dev. Assistance	\$5,334,000		\$1,016,000			\$6,350,000
3. Strengthened democratic institutions and practices Dev. Assistance	\$906,000		\$225,000	\$4,839,000		\$5,970,000
4. Improved quality with equity in health and education Dev. Assistance	\$4,604,000	\$12,771,000				\$17,375,000
5. Improved environmental and natural resource management Dev. Assistance		\$25,000	\$5,827,000			\$5,852,000
<b>Total Dev. Assistance</b>	<b>\$10,844,000</b>	<b>\$12,796,000</b>	<b>\$7,068,000</b>	<b>\$4,839,000</b>		<b>\$35,547,000</b>

\* LAC Regional request includes \$9,000,000 attributed to El Salvador transition from war to peace objectives.

USAID Mission Director: Carl H. Leonard

## ACTIVITY DATA SHEET

**PROGRAM:** EL SALVADOR

**TITLE AND NUMBER:** Transition from War to Peace Achieved, 519-SO01

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997 \$9,000,000 ESF (attributed under LAC Regional Request)

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1997

Purpose: To assist El Salvador make the transition from war to peace.

Background: The formal signing of the peace accords on January 16, 1992, marked an historic turning point for El Salvador and an end to nearly 12 years of armed conflict. Immediately following the signing of the peace accords, the U. S. Government pre-positioned host country-owned local currency to begin reconstruction and reconciliation activities and concluded the design of a five-year \$300 million Peace and National Recovery (NRP) activity. Most activities under this strategic objective will be completed by 1997. However, several components of this strategic objective will be subsumed into other strategic objectives.

USAID Role and Achievements to Date: USAID's contribution to the fulfillment of the peace accords has been substantial. The Government of El Salvador (GOES) and the United Nations have referred to the national reconstruction plan as a model program in assisting a country make the difficult transition from war to peace. USAID is the largest contributor to the plan. USAID's support includes training of 60,000 beneficiaries, titling of land to more than 31,000 ex-combatants, implementation of more than 2,000 small infrastructure projects and a wide selection of projects benefiting more than 20,000 ex-combatants, e.g. counseling, training, scholarships and agricultural credit. Levels of "poverty" and "extreme poverty" have decreased in the ex-conflictive zones.

Description: This strategic objective addresses four areas: (1) reactivation of factors of production (land, labor and capital), (2) re-establishment of basic services and infrastructure, (3) strengthened local-level democratic institutions and civic participation, and 4) reintegration of ex-combatants. The program is implemented through the Secretariat for National Reconstruction (SRN), the principal GOES institution for post-war reconstruction. The first two years of the program focused on the reintegration of combatants from the Farabundo Marti National Liberation Front and government personnel into civilian life. Since 1994, the reconstruction plan has concentrated efforts on the long-term social and economic needs of the 115 municipalities located in the ex-conflictive zone. More than 130 nongovernmental organizations (NGOs) have assisted in the implementation of 84 separate activities benefiting the 1.4 million people located in the ex-conflictive areas.

Host Country and Other Donors: Host country-owned local currency contributions for the National Reconstruction Program amount to \$66.5 million. The World Bank provided support to improving El Salvador's agricultural extension system. The United Nations Development Program implemented agricultural technical assistance activities, small-scale infrastructure building, and low-cost housing solutions for ex-combatants. The European Union financed land titles and complementary services for ex-combatants and the World Bank has a planned loan to finance land titling. Bilateral donors include Japan and Germany, and the host country estimated host country counterpart contribution for FY 1997 is \$2,370,000 .

Beneficiaries: USAID's national reconstruction plan reaches approximately the 1.4 million inhabitants living in 115 ex-conflictive municipalities.

Principal Contractors, Grantees, or Agencies: USAID implements activities under the strategic objective through the Secretariat for National Reconstruction, which in turn channels funds through U.S. and

Salvadoran NGOs and government institutions, including the Cooperative League of the U.S., Catholic Relief Services, Foundation for International Community Assistance, and Cooperative for Assistance and Relief Everywhere, Inc.

Major Results Indicators

	<u>Baseline</u>	<u>Target</u>
People trained under national reconstruction plan	4,560 (1992)	54,115 (1997)
Clients receiving credit	12,850 (1991)	58,123 (1996)

## ACTIVITY DATA SHEET

**PROGRAM:** EL SALVADOR

**TITLE AND NUMBER:** Broad-based Economic Growth Increased, 519-SO02

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997 \$6,350,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1997

**Purpose:** To achieve sustained strong rates of economic growth that raise standards of living among El Salvador's low-income groups.

**Background:** The long years of conflict and economic stagnation that El Salvador experienced in the late 1970s and 1980s led to a severe deterioration of living standards for El Salvador's rural and urban poor. With the adoption of sound market-oriented economic policies and the achievement of peace, El Salvador's economy has grown at rates above 6% in real terms in recent years. USAID has supported economic policy reforms leading to broad-based growth and project activities helping poor households participate in that growth.

**USAID Role and Achievements to Date:** USAID support includes policy-based cash transfers focusing on steps to modernize the Salvadoran state, privatize inefficient public enterprises, reform the tax system, and streamline the public sector bureaucracy. USAID has provided technical assistance and training to support the privatization of the power and telephone sectors. Cash transfer assistance has supported Government of El Salvador reforms in management and resource allocation in social sector programs, privatization, implementation of the peace accords, tax reform and civil service reform. In addition, USAID provides technical assistance to the GOES to assist in the implementation of reforms leading to sustained equitable growth. USAID's portfolio also contains activities that help alleviate constraints to income growth among El Salvador's poor. USAID activities contributed to a rate of overall real economic growth of 6% in 1995. Real per capita income increased by 24% between 1990 and 1995. Nontraditional exports increased from \$244.1 million in 1989 to \$579 million in 1995.

**Description:** USAID promotes policy reform leading to higher rates of equitable economic growth through its cash transfer program and through technical assistance activities. In addition, direct support to raise incomes of poor Salvadoran households is extended through activities such as microenterprise credit, technical assistance to cooperatives producing non-traditional crops, promotion of savings mobilization among the rural poor. The Microenterprise Support Center (CAM) works with more than 28,000 individuals to mobilize savings and it has established 950 villages banks in some of the poorest areas of the country. The microenterprise program provides credit and/or technical assistance to more than 8000 small firms. Productive skills training is provided to managers and workers. To date, 90,000 beneficiaries have received vocational training.

**Host Country and Other Donors:** The GOES has a commendable track record in pursuing economic reforms and is increasingly concerned about the equitable distribution of these benefits. The international financial institutions are supporting continued economic reform through program and technical assistance. A multi-donor study of rural poverty to be undertaken this year, led by the World Bank and supported by USAID, is expected to influence a national effort to raise rural incomes. The estimated host country counterpart contribution for FY 1997 is \$2,369,000.

**Beneficiaries:** All Salvadorans benefit when the local economy prospers. USAID has strongly supported adoption of policies and activities that lead to patterns of growth beneficial to poverty reduction.

**Principal Contractors, Grantees or Agencies:** USAID undertakes its activities through U.S. firms including Chemonics; through GOES entities, including the Ministry of Economy and the Ministry of Finance; and through U.S. and local nongovernmental organizations including Catholic Relief Services, International Center for Economic Growth, Foundation for International Community Assistance, Salvadoran Producers and Exporters Federation, Microenterprise Support Center, Foundation of Entrepreneurs for Educational Development, and the Ungo Foundation.

**Major Results Indicators**

	<u>Baseline</u>	<u>Target</u>
Non-financial Public Sector Deficit as % of gross domestic product	9.9 (1991)	0.8 (1997)
National Savings as % of GDP	9.6 (1990)	13.5 (1997)
Increase of Real GDP per capita	100 (1990)	126.4 (1997)
Value of Nontraditional exports	\$244 million (1989)	\$694.1 million (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** EL SALVADOR

**TITLE AND NUMBER:** Strengthened democratic institutions and practices, 519-SO03

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997 \$5,970,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1998

**Purpose:** To support Salvadoran efforts to strengthen democratic institutions and practices.

**Background:** This objective, supported by USAID since the mid-1980s, began largely as an effort to assist reforms in a judicial system rife with impunity and corruption. These activities have continued, joined by efforts to strengthen the legislature, electoral administration, and labor organizations and labor-management relations, as well as to foster national reconciliation and a vibrant civil society. While conditions are changing, the country's long history and culture of limited participation, along with its resultant political system which favors elites, are deeply rooted problems this objective will need to address. This cultural legacy has resulted in a strongly centralized government comprised of weak institutions and insufficient controls to ensure that public officials are accountable to citizens. The government's weak institutions, particularly in the judicial and electoral administration sectors, must be strengthened in order to allow effective implementation of the many legal reforms that have recently been approved or will soon be approved by the Legislative Assembly. Constraints to achievement of this objective include the tremendous post-war crime surge, which is causing citizens to be more concerned about public security than expansion of their democratic liberties, and continued unemployment and underemployment, which similarly causes Salvadorans to be more concerned about making ends meet than pressing for further democratic reforms.

**USAID Role and Achievements to Date:** USAID has been closely involved in each of the above-mentioned areas of democratic reform, and in some for well over a decade. USAID has worked with its partners in both the public and private sectors to further these much-needed democratic reforms. Among the most important achievements toward which USAID assistance has contributed are legal reforms passed (Family Code, Juvenile Offenders' Law) or under review in the Assembly (Criminal and Criminal Procedures Codes, Penitentiary Law, National Citizens' Registry Law, Electoral Code Amendment); trained judges, prosecutors, defenders and police; elimination of pre-expenditure financial controls on public funds; free and fair elections in 1991 and 1994; a legislature significantly more independent and capable of informed debate; more timely municipal service providing broader coverage; and an increasingly vigorous and engaged civil society. Under the Central American Peace Scholarship program, 1,633 people have been trained since late 1990. The follow-up program estimates that each of these scholars passes on their experiences to 100-140 people, extending the program reach up to 228,000 people.

**Description:** USAID democratic-strengthening assistance focuses on the following areas: (1) improving participation of citizens in the public policy and decision making process by enhancing citizen's knowledge of, and participation in, the elections process and in the decision making of local governments; support in this initiative is supported through voter and civic education programs carried out by NGOs, (2) improving legal and institutional frameworks for effective protection of human and citizen rights by strengthening the leadership of the legal reform movement and improving the capability of justice sector institutions to implement reforms, (3) improving mechanisms to ensure public sector accountability and oversight by revising and integrating GOES financial management and auditing systems to increase and enhance people's confidence in their government, thus promoting consolidation of democratic institutions, and (4) fostering devolution of power to the local level by improving the capacity of municipalities to respond to the needs of their constituents.

**Host Country and Other Donors:** The Government of El Salvador, in fulfillment of its peace accords commitments, is sponsoring programs of judicial and electoral reform. USAID has been and continues to be the principal donor in these areas. Multilateral donors include the World Bank, and The Inter-American Development Bank is embarking shortly on major efforts in the areas of judicial reform and legislative strengthening. Various European donors and the United Nations Development Program are discussing support to electoral reforms. European donors, Canada, and Scandinavia donors support civic education activities through nongovernmental organizations (NGOs). Other bilateral donors include France, Spain, and Japan. The estimated host country counterpart contribution for FY 1997 is \$1,960,800.

**Beneficiaries:** The beneficiaries of our programs are Salvadorans, with emphasis on women, youth and low-income communities, who do not: (1) participate in the formulation of public policies and decision-making; (2) have adequate access to services; (3) have adequate protection under the law; or (4) have adequate experience with democratic practices or education.

**Principal Contractors, Grantees or Agencies:** The principal government agencies serving as counterparts for USAID's democratic strengthening efforts are the Supreme Court, the Ministry of Justice, the Public Ministry, the Legislative Assembly and the Supreme Electoral Tribunal. In addition, various Salvadoran NGOs are grantees under our program, including the Center for the Study of Democracy. Private voluntary organizations contributing to this initiative include the American Institute for Free Labor Development, Creative Associates International, and Cooperative for Assistance and Relief Everywhere, Inc. Two institutional contractors work in partnership with USAID on our judicial reform, electoral assistance, and NGO civic education programs.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Free and fair elections	yes (1991)	yes (1997)
Citizen support for selected democratic institutions	54% (1992)	57% (1997)
Citizen tolerance for political differences	45% (1992)	58% (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** EL SALVADOR

**TITLE AND NUMBER:** Improved Quality With Equity in Health and Education, 519-SO04

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997 \$17,375,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1998

**Purpose:** To increase access to, and improve the quality of, primary education, and to promote increased coverage for reproductive health care and child survival programs.

**Background:** Health and education are fundamental building blocks in the economic and democratic development of El Salvador. Diarrhea, acute respiratory infections and vaccine-preventive diseases and malnutrition continue to be major health problems. Incomplete health outreach to pregnant women contributes to maternal and infant mortality. Similarly, a significant portion of the population lacks the basic literacy and numeric skills. Major constraints in the health and education sector are the lack of trained personnel (particularly in the rural areas), lack of supplies and materials, centralized decision making and a lack of community involvement. In the population sector, religious, cultural, and folk beliefs and practices constrain growth in the use of contraceptives, but a larger constraint is the lack of resources and trained providers to meet the ever-increasing demand for services.

**USAID Role and Achievements to Date:** USAID activities implemented under this objective strive to: (1) increase access to, and improve the quality of, primary education, (2) promote increased contraceptive prevalence, and (3) increase coverage for reproductive health care and child survival programs. Major basic education, health, and population activities provide a broad range of educational materials, contraceptives, training for teachers and health providers, and institutional strengthening for both public and private sector entities.

The number of children graduating from sixth grade increased from 70,000 in 1992 to 112,000 in 1995. All 4,500 public primary schools have textbooks. More than 7,000 teachers were trained in the use of new curricula in 1993, with an additional 6,700 trained in 1994. Maternal and child health services have been extended to high-risk populations in 1,500 of the country's poorest and smallest communities. Some 350 health promoters and more than 2,200 physicians and nurses received training in 1993. Progress brought about by population program activities also has been dramatic. A national health survey conducted in 1993 shows that the average national contraceptive prevalence rate reached 53.3% in 1993 (from 47.1% in 1988), and the total fertility rate in El Salvador has decreased from 4.6 children per woman in 1988 to 3.85 children per woman in 1993. Numerous studies have shown that health, population and education dollars have significant people-oriented impact and long-term nation-building benefits.

**Description:** Of the total funding requested for this objective, \$6,206,000 is planned for population activities, \$6,269,000 is planned for health activities, and \$4,900,000 for basic education activities. USAID programs emphasize rural areas, which in the past have participated far less than urban areas in all types of population, family planning, and child survival programs. Training is provided for health promoters, contraceptives are offered, demographic surveys and information campaigns are carried out, and grass-roots involvement of local private voluntary organizations (PVOs) and nongovernmental organizations (NGOs) is financed. In addition, USAID technical assistance efforts are being linked to proposed policy and budgetary reforms under Modernization of the State programs and to increased social sector budget allocations by the government. Numerous studies have shown that health, population and education dollars have significant people-oriented impact and long-term nation-building benefits.

**Host country and other donors:** Bilateral and multilateral donor organizations are increasingly active in this area. The Government of El Salvador (GOES) successfully negotiated a major educational reform loan with the World Bank and the Inter-American Development Bank, which is now underway. Discussions continue with the banks on funding for health reform. Bilateral donors include France, Germany, Japan, and Canada. Multilateral donors include the United Nations Development Program, the Pan American Health Organization, and the European Union. The GOES continues to devote substantially more national budget resources to health and education, with participation from the Central American Bank for Economic Integration. The Ministry of Education expanded the EDUCO (community involvement) school system and, as of last year, this GOES project provided education to 53% of the rural educational population; enrollment in the basic education system was increased by 2.9% in 1995. The estimated host country counterpart contribution for FY 1997 is \$3,328,186.

**Beneficiaries:** Beneficiaries are the poor and socially disadvantaged Salvadorans without adequate access to health and education services.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities through U.S. firms, private non-profit companies, local NGOs, and U.S. PVOs, including Save the Children, Medical Services Corporation International, Academy for Educational Development, Share Foundation, and Project Concern International.

**Major results Indicators:**

	<u>Baseline</u>	<u>Target</u>
6th graders graduating in 6 years	29% (1992)	41% 1997
Deaths per 1,000 births (under 1 yr.)	55 (1988)	38 (1999)
Deaths per 1,000 births (age 1-5)	15 (1988)	10 (1999)
Infant Mortality Rate (under 1 yr.)	51 (1993); 40 (1996)	38 (1999)
Total Fertility Rate	4.6 (1988)	3.0 (1999)
Promotion rate, 1st grade	62% (1992)*	68% (1997)

\*Intermediate data for 1996 is 65/68 (M/F)

## ACTIVITY DATA SHEET

**PROGRAM:** EL SALVADOR

**TITLE AND NUMBER:** Improve Environmental and Natural Resource Management, 519-S005

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$5,852,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1997

**Purpose:** To reverse the degradation of renewable and non-renewable resources as the foundation for long-term, sustainable development.

**Background:** Population pressures in the most densely populated country in the continental western hemisphere, uneven distribution of wealth, and a rapidly expanding economy are all factors placing increasing pressure on El Salvador's natural resources.

**USAID Role and Achievements to Date:** USAID played a leading role in assisting the Government of El Salvador set up an environmental secretariat upon the conclusion of the war in 1992. Another activity strengthened 16 environmental nongovernmental organizations (NGOs) who have now banded together into a federation, COAMBIENTE. The country's first environmental law is under consideration by the national assembly. Nearly 2,000 hectares have been reforested or put into agroforestry systems. Another 28,000 hectares are now under improved natural resource management or sustainable agriculture systems. The percent of survey respondents who can specify three environmental problems has risen steadily from less than 40% in 1993 to 61.3% in 1996. Over 100 conservation and child survival projects have been carried out by NGOs funded by the Initiative for the Americas Debt Reduction Fund, which is monitored by USAID. Activities have been implemented by international contractors and local NGOs.

USAID has served as a catalyst and coordinator of other donors in the sector.

**Description:** USAID focuses on four activity areas: (1) improved environmental and natural resource policy, (2) environmental education, (3) on-the-ground activities to demonstrate the benefits of sound natural resource management, and (4) strengthening NGOs to become effective advocates for the environment, and sustainable use of natural resources.

**Host Country and Other Donors:** The Food and Agriculture Organization of the United Nations, Inter-American Development Bank, World Bank, United Nations Development Program, Pan American Health Organization, and the Pan American Development Foundation are all active participants in environment and natural resources projects for sustainable development in El Salvador. The estimated host country counterpart contribution for FY 1997 is \$1,840,700.

**Beneficiaries:** Primarily residents of environmentally fragile areas (hillsides, flood plains, marginal neighborhoods) with limited access to potable water, sanitation, education, and arable land.

**Principle Contractors, Grantees, or Agencies:** USAID implements activities in this sector through a U.S. firm, a private non-profit company, local NGOs (including Fundacion Salvadorena para el Desarrollo Economica y Social), a U.S. PVO (Technoserve) and several local NGOs, and the Central American Bank for Economic Integration..

**Major Results Indicators:**

	<b><u>Baseline</u></b>	<b><u>Target</u></b>
Percentage of implementation of national resource management strategy recommendations	0% (1995)	82% (1997)
Hectares of non-forested land improved under natural resource management	10,000 (1993)	37,610 (1997)
Suspended solids in Ahuachapio River	4.0 (1991)	3.3 (1997)

## GUATEMALA

**FY 1997 Development Assistance: . . . . . \$25,965,000**  
**FY 1997 P.L. 480 Title II: . . . . . \$10,927,000**

### **Introduction.**

Guatemala's largely rural, Indian population lives under some of the most difficult conditions found in the region. Located less than 1,000 miles from our border, U.S. interests continue to be focused on supporting the peace process and strengthening the country's fledgling democracy, both of which require alleviating the gross inequities in income distribution and government services. Guatemala also offers significant untapped economic opportunity for U.S. businesses. Two-way trade between the United States and Guatemala increased to just over \$3 billion in 1995 (up from \$2.6 billion in 1994), directly benefiting numerous U.S. firms. By encouraging sustainable economic growth with equity, USAID programs help to create viable livelihood options for Guatemala's poor majority and thus help to reduce the flow of economic refugees to the United States. They also encourage expanded two-way trade.

### **The Development Challenge.**

Guatemala is the largest Central American country in terms of both population (10 million) and economic activity (1995 gross domestic product GDP, of \$14.3 billion in current dollars). However, distribution of land, income, and other assets is highly skewed toward a small share of the Spanish-speaking population. An estimated 75% of Guatemalans live in poverty. Guatemala's Indian populace (of roughly 5 million) are isolated socially, economically, and politically, due to geographic, language and discriminatory barriers. The country's social indicators are among the worst in the Hemisphere, and the national averages mask even sharper inequalities between social groups and regions. For example, overall adult literacy is estimated at 48%, but literacy among Mayan women in some areas is as low as 10%. Some 6.4 million Guatemalans lack access to basic health services, and 3.7 million do not have access to potable water. Infant, child, and maternal mortality rates are among the highest in all Latin America. These indicators reflect persistent underinvestment in social services and basic rural infrastructure by Guatemala's government, and past practices of political exclusion of the indigenous population.

Peace, political inclusion and poverty reduction are, as emphasized by Guatemala's new President, the three major challenges facing the nation. Though increased participation in the most recent electoral process and the beginnings of growth of a vigorous civil society are healthy signs, much work remains to achieve a lasting peace and political stability. Macroeconomic reform has led to stabilization of the economy and growth of non-traditional exports in the agricultural and light manufacturing sectors. Yet despite ten consecutive years of positive GDP growth rates, real per capita income in 1995 has yet to recoup losses sustained during the 1980s. Population growth remains very high (estimated at 2.9% annually) and the country continues to suffer a major fiscal crisis, despite efforts of two successive administrations to increase tax revenues. Further reform is urgently needed to provide the resources for basic education and skills training programs, along with other social and infrastructure investment. Sustainable improvements in income and living conditions also will depend on stemming current rates of depletion of the natural resource base and increased pollution of air and water.

The requirements for addressing these multiple challenges, in addition to financing the costs associated with implementing the U.N.-moderated peace process, far exceed Guatemala's current domestic reserves and revenue-generating capacity. The peace process, which was revived in early 1994, has resulted in the signing of four agreements on human rights, resettlement issues, the establishment of a historical clarification commission and the rights of the indigenous. There are currently two additional substantive agreements that must be negotiated and a series of operational agreements that

must be completed prior to the final peace settlement. The cost to fully implement these peace agreements is enormous. Donor funding is an essential complement to domestic financing, although it is not expected to cover even a quarter of the estimated costs of financing the peace accords already signed, let alone future accords, especially related to land. Thus, Guatemala is not considered a candidate for graduation from U.S. economic assistance in the near term.

#### **Other Donors.**

Official Development Assistance data show that in 1994, the international donor community provided almost \$225 million in economic assistance to Guatemala. The United States is the largest bilateral donor, providing approximately 24% of total official foreign aid. No other bilateral donor singly provided more than 8% of the assistance received in 1994. Economic assistance to Guatemala administered by USAID totaled \$37.3 million in FY 1994 and \$32.9 million in FY 1995. Other major contributors include Japan, Germany, the Inter-American Development Bank, the World Bank, the United Nations (UN) agencies, and the European Economic Union.

#### **FY 1997 Program.**

The range of development activities supported by USAID have been continually refined and reduced to focus on three principal areas: democratic development, broad-based economic growth and poverty reduction, and sustainable natural resource management. Geographically, programs are almost exclusively targeted on the departments comprising Guatemala's belt of extreme poverty, which is largely indigenous, and the areas most affected by the 35 year conflict. Program initiatives are structured support implementation of the Peace Accords.

A final peace accord, stronger democratic institutions, and greater equity are clearly linked to U.S. hemispheric interests. Greater economic prosperity will make the 10 million Guatemalans a stronger market for U.S. products, as well as deter illegal migration and use of Guatemala as a major transit point for narcotics trafficking. The proposed mix of Development Assistance (DA) and P.L. 480 Title II resources complemented by \$8,000,000 of Economic Support Funds provided through the LAC Regional program will enable the United States to achieve its highest priority objectives and help address the root causes of Guatemala's longstanding armed conflict, among them, the persistent and widespread poverty. Reductions in the level of DA funding would force scaling back of efforts to advance equitable economic growth. Without ESF, USAID will have to retreat on its support to the implementation of the Peace Accords in the areas of justice sector reform, displaced persons, support for the United Nations Verification Mission to Guatemala (MINUGUA), and the implementation of a final ceasefire agreement.

#### **Agency Goal: Building Democracy**

The constitutional transfer of power to a popularly elected president in early 1996 was a milestone in Guatemala's transition to a more stable democracy. The task facing the new government is that of consolidating the gains achieved to date and strengthening the institutions upon which the long term viability of democracy depends. Early actions by the Árzu government toward assuring full civilian control of government, and especially actions taken to remove corrupt officials in the security forces, bode well for the future of the fragile democratic process. USAID will actively support this process.

USAID's support during 1994 and 1995 was instrumental to the start-up of the reformed criminal judicial process. Through our funding, newly-created training schools within the Supreme Court and the National Prosecutors office provided training and technical assistance to 300 prosecutors, legal defenders, judges and magistrates. Even in the face of the historic reform's many detractors and rising levels of crime, over 100 oral trials have been held to date and improved prosecutorial skills have demonstrated that modern criminal procedures can be applied fairly and efficiently in Guatemala.

Consolidation and deepening of these gains, and combatting impunity, remain as major challenges for 1997 and the rest of the decade.

The 1995 elections were a tribute to the professionalism and impartiality that characterize Guatemala's Supreme Electoral Tribunal, a recipient of USAID training assistance focusing on enhanced civic participation nationwide. While voter turn-out was low (46% for the first round, 37% for the second round), it is doubtful that participation would have been even this high without USAID and other donor funding for get-out-the-vote campaigns in rural areas. As a result, the tribunal has now fundamentally changed the function of its 300 municipal representatives toward promoting citizen voter participation in the electoral process.

The National Congress elected in late 1994 following the "purge" of corrupt representatives, benefited from USAID-funded technical assistance for a viable committee system and a more professionally managed legislative process. That assistance is already serving the new, politically more diverse Congress elected in late 1995, as representatives face the added challenge of the multiple legislative obligations to implement the ambitious requirements of the peace accords signed to date.

- **Strategic Objective 1: More Effective and Participatory Democracy**

**Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

At the current rate of 2.9% growth per year, Guatemala's population is expected to double in about 20 years, making the task of achieving self-sustaining economic and social development even more daunting than at present. USAID's strategy for this sector emphasizes the delivery of culturally sensitive, high quality, maternal-child health (MCH) services, especially in poor and formerly conflictive areas. Working through the Ministry of Health and several U.S. and local nongovernmental organizations (NGO), the program focuses on promoting appropriate family household practices as well as improving the quality of services provided by voluntary community health workers, nurses and physicians. Our goal is to improve overall health indicators, especially infant and maternal mortality, reduce overall fertility levels and improve the quality and availability of basic services to rural populations.

Due to sustained USAID and other donor support between 1987 and 1995, the infant mortality rates have dropped from 74 to 51 (per 1,000 live births) and child mortality rates from 109 to 68 (per thousand). The total fertility rate decreased from 5.4 to 5.1, and the contraceptive prevalence rate increased from 23% to 31% during this same period. The woefully low vaccination coverage of only 5% in 1985 has now increased to 42% in 1995 -- still a far cry from the 80% target. Almost one-fourth of acute diarrheal diseases in children under five are treated with oral rehydration therapy. USAID's program to reduce maternal mortality is now fully operational in four departments (states) with critical need. This successful program is being replicated by another donor in four additional departments. The USAID program to reduce childhood deaths from pneumonia is focused on eight departments where the need is greatest.

- **Strategic Objective 2: Better Health for Rural Women and Children**

**Agency Goal: Protecting the Environment**

The number of people living in extreme poverty in Guatemala is growing, due in part to the rapid degradation of the natural resource base from which 80% of the population derive income. USAID programs are designed to promote more sustainable income-generating practices, support policy reform to provide greater incentives for sustainable land use and conservation of biodiversity, and to strengthen key institutions to play more effective and sustainable roles in support of environmentally sound management of natural resources.

USAID has been the lead donor in this field in Guatemala over the past decade and has been successful in linking conservation and development through the biosphere concept. Specifically, within the Maya Biosphere Reserve, USAID estimates that the deforestation of over 4,000 km<sup>2</sup> of natural forest cover has been saved from conversion to unsustainable uses. Additionally, throughout the country, over 12,000 families have adopted more sustainable land use practices and income strategies, including small-farmer coffee production and processing, improved hillside agriculture, agroforestry, ecotourism and environmentally-sound related enterprises. USAID activities have had a significant impact to date on increasing the understanding of the vital link between management of the natural resource base and the economic well-being of the most affected poor in Guatemala.

- **Strategic Objective 3: Sustainable Natural Resource Management and Conservation of Biodiversity**

#### **Agency Goal: Encouraging Broad-based Economic Growth**

In a country where race and gender discrimination have been endemic for centuries, promoting increased equity and broad-based economic growth is an ambitious goal. USAID's strategy is two-fold: expanding access and opportunity for the poor through basic education, and increasing trade and improving labor relations as a means for creating more job opportunities.

While USAID-supported pilot interventions in primary education are too recently initiated to show statistically significant improvement in the national rates of continuation, repetition, and enrollment for girls, there has been a 14% increase in the number of Mayan students enrolled in primary school between 1992 and 1995. Additionally, USAID-financed activities are showing a positive effect on teacher effectiveness, most notably among teachers in the one-room school program. These schools are also providing practical skills in the operation of a democracy through activities such as school government, while the Girls' Education program has had further positive impact on the participation of Mayan girls in the classroom. The use of a management information system for personnel administration by the Ministry of Education has reduced the time to complete teacher appointments from 8 months to 3 months, thereby improving the efficiency of the system. The low level of Government of Guatemala (GOG) resources invested in primary education (1.3% of GDP in 1995), relative to most of its Latin American neighbors and Guatemala's needs, is a major obstacle to expansion of the innovative pilot activities which have shown measurable impact on the quality of primary education in pilot communities in Guatemala. Deep-seated cultural biases can only be changed gradually through patient dialogue, and by the force of logic by using the continuing successes to prove that economic and social benefits result from educational equity.

As noted earlier, Guatemala's economy has stabilized and for the past four years has shown significant growth in trade and employment in the export sector. Guatemala's total merchandise trade with the United States increased 5% in 1994 to \$2.6 billion, and rose 14% to just over \$3 billion in 1995. However, serious obstacles remain to further gains in trade. High dependency on import duties for fiscal revenues impedes Guatemala's ability to pursue further trade liberalization measures and, if not resolved, will become a major obstacle to Guatemala's further integration to hemispheric and world markets. Also, further gains in assembly industry exports, which grew 22% in 1995, are seriously threatened due to the lack of U.S. legislation providing North American Free Trade Agreement (NAFTA) parity for Caribbean Basin Initiative countries. Guatemala also remains under Generalized System of Preferences (GSP) review, and the new administration is under considerable pressure to demonstrate further concrete progress on worker rights issues or face withdrawal of GSP preferences. USAID-supported measures taken by the Ministry of Labor, such as training for labor inspectors, have contributed to Guatemala's continued eligibility for GSP trade preferences. At the same time,

innovative training approaches to bargaining provided by the U.S. Department of Labor are in ever increasing demand.

- Strategic Objective 4: Increased Guatemalan Participation in Global Markets
- Strategic Objective 5: Better Educated Children in Rural Areas

**Agency Goal: Providing Humanitarian Assistance**

**P.L. 480 Title II**

By directing P.L. 480 Title II resources to the achievement of specific results under strategic objectives, USAID expects a more effective and efficient use of food aid resources to achieve improved access, utilization and availability of food for Guatemala's most needy populations. Over half of P.L. 480 Title II resources in FY 1997 will be dedicated to MCH programs impacting on some 280,000 rural poor mothers, and children under the age of three. Food assistance supports increased food production through promotion of sustainable agricultural practices and innovative, rotating, small loan funds for farmers. Food for work activities have proven to be a superb vehicle for fomenting community organizations and providing Guatemalan with an authentic democratic experience, while providing supplementary food rations to poor families in exchange for their work. In each of these areas, P.L. 480 Title II resources are integrated with Development Assistance resources to achieve greater results.

**Special Objective: Implementation of the Interim Peace Accords**

The United States has been a principal player in all donor coordination efforts surrounding the Guatemalan peace process. As a result of the signing of the human rights and uprooted populations accords in 1994, and subsequently the Indigenous Rights accord in 1995, a Peace Fund using Economic Support Funds (ESF) was created and used to initiate income generation and agricultural production in formerly conflictive areas and to support institutional strengthening by the United Nations Verification Mission for Guatemala (MINUGUA) for the judicial system and human rights ombudsman.

Given U.S. national and foreign policy interests in Guatemala, it is critical that we continue to be a major player in the peace process. We have thus requested that \$8 million in ESF be provided through the LAC Regional program in FY 1997 to support the final peace settlement. Specifically, USAID will support expanded efforts in the reform of the justice system (including professionalization of the civilian security forces) and additional assistance to displaced and returnee populations in income generation and land access, and monitoring mechanisms established in the final cease-fire agreement.

**GUATEMALA  
FY 1997 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
<b>USAID Strategic Objectives</b>						
<b>1. More Effective and Participatory Democracy Dev. Assistance P.L. 480 Title II</b>				\$2,000,000	\$1,500,000	\$2,000,000 \$1,500,000
<b>2. Better Health for Rural Women and Children Dev. Assistance P.L. 480 Title II</b>		\$14,230,000			\$5,735,000	\$14,230,000 \$5,735,000
<b>3. Sust. Natural Resource Management &amp; Conservation of Biodiversity Dev. Assistance P.L. 480 Title II</b>	\$3,440,000		\$3,500,000		\$635,000	\$6,940,000 \$635,000
<b>4. Increased Guatemalan Partici- pation in Global Markets Dev. Assistance</b>	\$200,000					\$200,000
<b>5. Better Educated Children in Rural Areas Dev. Assistance</b>	\$2,595,000					\$2,595,000
<b>Special Objective</b>						
<b>1. Implementation of Interim Peace Accords ESF* P.L. 480 Title II</b>					\$3,087,000	\$3,087,000 \$2,290,000
<b>Total Dev. Assistance P.L. 480 Title II</b>	\$6,235,000	\$14,230,000	\$3,500,000	\$2,000,000	\$10,927,000	\$25,965,000 \$10,927,000

\* Note: LAC Regional request includes \$8,000,000 attributed to Guatemala Peace Accords implementation.

USAID Mission Director: William Stacy Rhodes

## ACTIVITY DATA SHEET

**PROGRAM:** GUATEMALA

**TITLE AND NUMBER:** More Effective and Participatory Democracy, 520-SO01

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,000,000 DA; \$1,500,000 P.L. 480 Title II

**INITIAL OBLIGATION:** FY 1995 **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To strengthen democratic stability by promoting more responsive criminal justice and broader, more diverse participation in the political process.

**Background:** The constitutional transfer of power to a popularly elected president in early 1996 was a milestone in Guatemala's transition to a more stable democracy, coming in the wake of a publicly mandated purging of the Congress and changes in leadership of the judicial system. The major constraints facing the new government as it seeks to strengthen representative democracy include: weak and inefficient government institutions, particularly the judiciary; low levels of public support and tolerance for basic democratic values such as free expression and respect for human rights; and a nascent movement of civil society organizations to provide channels for citizen participation. Early actions by the current government toward consolidation of civilian control of government, specifically those oriented toward removing corrupt officials in the security forces, bode well for the future of democratic reform. This program encompasses the Judicial Sector Reform Support project, the Democratic Institutions project (supporting the Congress, Human Rights Ombudsman, and Civil Society and Civic Education activities), and the final year of the Guatemala Peace Scholarship project.

**USAID Role and Achievements to Date:** USAID continues to be the major donor in the sector of democratic development, although "leading edge" programs such as support for citizen advocacy have now been replicated by other donors. USAID's greatest emphasis continues to be on improving the fairness and responsiveness of the judicial system. U.S. support for training and technical assistance to the newly-created National Prosecutors Office and judges and public defenders has enabled the judicial system to carry out over 100 oral trials, demonstrating that modern criminal procedure can be applied in Guatemala. As a result, the debate has advanced from the issue of whether to maintain the new procedural law to how to best implement its sweeping changes over the short term.

The elections of 1995 were a tribute to the professionalism and impartiality that exist among the staff and delegates of Guatemala's Supreme Electoral Tribunal, an institution which has for many years received USAID training assistance. While voter turn-out was low (46% for the first round, 37% for the second round), it is doubtful that participation would have been even this high without USAID and other donor assistance for get-out-the-vote campaigns. The National Congress has also benefited enormously from USAID-funded technical assistance for a viable committee system and a more professionally managed legislative process.

**Description:** USAID's program will continue to focus on the complementary objectives of creating a more responsive criminal justice system, deepening the culture of respect for human rights, and broader, more diverse participation in the political process. USAID support for the implementation of the new criminal procedure code will focus increasingly on the sustainability of the training and professional development programs required to ensure application of the new procedures. Particular emphasis will be given to development of a stronger prosecutorial function and civilian-directed criminal investigation. In the area of human rights, institutional strengthening support provided to the Human Rights Ombudsman to improve investigation and follow-up will be complemented by efforts to strengthen nongovernmental organizations' (NGO's) advocacy for judicial reform. A "stocktaking" of

ongoing donor programs to strengthen civil society and create opportunities and channels for citizen participation is currently underway, and will provide the basis for future programming in this area.

**Host Country and other Donors:** The United Nations Verification Mission to Guatemala (MINUGUA) is actively engaged in institutional strengthening and human rights verification. Additionally, the Government of Guatemala invests in USAID-supported initiatives at a level of some 25%, such as through provision of key personnel and investment in computers and other infrastructure. Nonetheless, the U.S. has been and remains the single most important player in the justice sector reform effort underway in Guatemala.

**Beneficiaries:** USAID activities in the democracy sector are targeted at historically disenfranchised populations, especially the poor rural, indigenous majority. The nature of democratic development, however, yields benefits for the entire Guatemalan population as well.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities through grants to the Judicial Branch, the Public Ministry, the San Carlos University Law School, the Office of the Human Rights Ombudsman's, and the National Congress. Activities are also implemented through two private U.S. firms, Development Associates and DPK Consulting, and through a variety of U.S. PVOs, including America's Development Foundation and Covenant House International. NGO activity is through the Maternal Child Health Support Program, the Association of Social Research and Investigation, and the Interamerican Institute for Human Rights Center for Electoral Assistance and Promotion (IIDH/CAPEL).

**Major Results Indicators:<sup>1</sup>**

	<u>Baseline (1993)</u>	<u>Target (1997)</u>
Positive ratings in DIMS on the Democratic Liberties Index (gauges opposition to the suppression of democratic liberties and support for right to participate and/or dissent)	55%	59%
Public Confidence in key democratic institutions and processes	40%	42-44%

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<sup>1</sup> Unit: Percentage of favorable ratings in Democratic Indicators Monitoring System (DIMS) a biannual survey of democratic attitudes and citizens' support for the democratic system.

## ACTIVITY DATA SHEET

**PROGRAM:** GUATEMALA

**TITLE AND NUMBER:** Better Health for Rural Women and Children, 520-SO02

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$14,230,000 DA; \$5,735,000 P.L. 480 Title II

**INITIAL OBLIGATION:** FY 1995 **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To reduce high levels of infant, child and maternal mortality by increasing the access, coverage and quality of services, especially in remote rural areas, thus contributing to sustainable development.

**Background:** Mortality rates of women, infants and children in Guatemala are the highest in Central America. The fertility rate (5.1) is also the highest in the region, and for the indigenous groups, it is one of the highest rates in the world (5.9). The key constraints to reducing mortality and fertility include limited access to basic services by more than half the population, low government investment in the social sectors, and the government's lack of leadership in establishing a mandate for primary, preventive health services. This program includes the final year of the ten-year child survival and four reproductive health projects, as well as the first year of the new family and community health strategy.

**USAID Role and Achievements to Date:** USAID's support includes four key interventions to save children's lives: immunizations, promotion of oral rehydration therapy, improved management of pneumonia, and birth spacing. Between 1987 and 1995, USAID activities contributed to reducing infant mortality by 30% from 74 deaths per 1,000 live births to 51; child mortality has dropped by almost 40% from 109 deaths of children under five per 1,000 live births to 68 during this period. USAID also supports an integrated women's health program designed to reduce maternal mortality through voluntary family planning services and improved management of obstetric complications. The USAID program also has contributed to a reduction in the total fertility rate from 5.6 to 5.2 between 1987 and 1995.

**Description:** Of the total funding requested for population and health, \$6.707,000 is planned for population activities and \$7,523,000 is planned for health activities. USAID's program focuses on strengthening and linking three critical levels of care. At the household level, the program provides information and counseling to women about reproductive health and the prevention of childhood illness. This program also teaches women to recognize symptoms (such as pneumonia) that require medical attention. At the community level, the program helps traditional birth attendants and health promoters learn to provide essential services for women and children including temporary family planning methods, prenatal care, prevention of dehydration from diarrheal disease, and referring clients to formal health services. At the facility level, USAID trains health workers in the clinical management of obstetric complications and childhood illnesses as well as family planning counseling and services. USAID has supported the Government of Guatemala's (GOG's) efforts to decentralize the Ministry of Health by establishing information systems and providing management training at lower levels of the health system. USAID also has supported the development of an urban social marketing program for family planning. This program is expected to be self-financed (except for commodities) by the end of 1996.

**Host Country and Other Donors:** USAID, the United Nations Children's Fund (UNICEF), the Pan American Health Organization (PAHO) and the European Union provide coordinated support in Guatemala for the national immunization program; the GOG provides all vaccines and syringes for this program. Likewise, this same group of donors works in coordination to support the national diarrheal disease control program; the GOG procures almost all of its oral rehydration salts (ORS) from the local ORS production facility that was developed with USAID assistance. USAID and the European Union are working with the GOG to expand USAID's successful pilot program to reduce maternal mortality.

Although USAID is the lead donor in supporting reproductive health, the GOG contribution to the national program has increased steadily for the past four years.

Beneficiaries: The USAID integrated maternal child health (MCH) program focuses on children under five years and women of child-bearing age. Through 1995, USAID's programs were in national scope; however, beginning in 1996, USAID will support targets areas that have been seriously affected by civil war areas where health indicators are far worse than the national average. The majority of the USAID beneficiaries live in rural communities and speak one of Guatemala's 23 indigenous languages.

Principal Contractors, Grantees, or Agencies: USAID implements activities through private U.S. firms (Management Sciences for Health, Clapp and Mayne, The Futures Group, John Snow, and Access to Voluntary and Safe Contraception), through U.S. NGOs (The Population Council and J.H. Piego) and through a local NGO (Association for Family Welfare).

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Infant Mortality per 1,000 live births	51 (1995)	43 (2000)
Child Mortality per 1,000 live births	68 (1995)	60 (2000)
Contraceptive Prevalence Rate	31% (1995)	35% (2000)
Total Fertility Rate	5.1 (1995)	4.8 (2000)
Immunization Coverage (percent of children fully immunized by age one)	42% (1995)	80% (2000)
Use of oral rehydration therapy in project areas	22% (1995)	40% (2000)

## ACTIVITY DATA SHEET

**PROGRAM:** GUATEMALA

**TITLE AND NUMBER:** Sustainable Natural Resource Management and Conservation of Biodiversity in Priority Areas, 520-SO03

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$6,940,000 DA; \$635,000 P.L. 480 Title II

**INITIAL OBLIGATION:** FY 1995

**ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To conserve biological resources of international importance by providing sustainable income alternatives to marginalized populations and by improving the management and protection of these natural resources.

**Background:** Poverty has been identified as a root cause of Guatemala's civil unrest. The number of people living in extreme poverty is growing due to the rapid degradation of the natural resource base from which 80% of Guatemalans derive income. The cycle of poverty and resource degradation grows, feeding upon itself with the support of an inadequate policy regime, weak public and private institutions to address natural resource management issues, and weaknesses in other key sectors such as education and justice. For example, although two-thirds of Guatemala's climate, soils, and topography are best suited for forest-based production, only about one-third of the country--its most marginal lands--retain forests, and 8% of these are being cleared by landless poor for subsistence farming in a manner which is unsustainable. This program encompasses the final year of the Small Farmer Coffee and the Community Natural Resources Management projects and the continuation of the Maya Biosphere project.

**USAID Role and Achievements to Date:** USAID has been the lead donor supporting environmentally sound management in Guatemala since 1988 through activities such as small farmer production and watershed management projects, the tropical forest action plan, the establishment of a legal framework for a national system of protected areas, and support for linking conservation and development through the "biosphere" concept. Since 1989, USAID has supported the establishment of two formal biospheres in Guatemala, and the expansion of legally declared multiple-use zones from 320 km<sup>2</sup> to 8,365 km<sup>2</sup> in 1995. Over 12,000 families (72,000 people) have adopted more sustainable land-use practices and income strategies, including small-farmer coffee production and processing, improved hillside agriculture, agro-forestry, forestry and tourism-related enterprises. For the Maya Biosphere project, figures for 1995 show that 55% of the target population (13,660 individuals) have adopted more sustainable farming practices. In the Maya Biosphere Reserve alone, 1.5 million hectares have been brought under improved management and over 4,000 km<sup>2</sup> have been saved from unsustainable slash and burn agriculture or other destructive uses.

**Description:** Initiatives focus on developing a broad-based local constituency for environmentally sound management of natural resources, promoting increased local participation in management of resources, improving the policy framework and demonstrating and disseminating more sustainable income-generating practices. Public and private institutions are strengthened to improve the administration of legally established protected areas and to develop and promote environmentally sound enterprises (eco-tourism and related services, agro-forestry and forestry systems). The program is testing and demonstrating the environmental, social and financial sustainability of approaches, is extending best management practices into new areas, and continues to improve people's welfare while effectively counteracting historic deforestation trends.

**Host Country and Other Donors:** Counterpart contributions include over \$3.1 million from the host country and \$3.5 million from local and international nongovernmental organizations (NGOs). USAID urges other donors to require environmental impact analysis in all projects which they plan to fund.

USAID is working closely with the Inter-American Development Bank on its design of a \$50 million sustainable development investment project which will include a component to support law enforcement in the Peten, while the World Bank and the Germany aid agency will address policy reform issues.

USAID and the United Nations Development Program work closely on a \$7.5 million project using USAID's micro-watershed management work as a model. Similarly, coordination continues with United Nations High Commission on Refugees and several donors to encourage concentration on mid- to long-term sustainable solutions to resource management and socioeconomic issues facing resettled and displaced populations.

**Beneficiaries:** Marginalized families living in and around the Maya Biosphere (35,000 people approximately, of whom 25% are indigenous Mayan K'ekchi) are the immediate beneficiaries. However, the conservation of natural resources and biological diversity benefits the entire country.

**Principal Contractors, Grantees, or Agencies:** USAID will implement this program through U.S. NGOs (CARE, The Nature Conservancy, Conservation International, The Peregrine Fund, and Rodel Institute), and through local NGOs (ProPeten, Maya Center, Wildlife Rescue and Conservation Association, and the National Coffee Association).

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
People adopting more sustainable land use practices; % of total population (35,000) in target area	0% (1990)	558% (1999)
Km <sup>2</sup> of natural habitat saved from conversion to agriculture, compared to trends.	0 (1991)	670,000 (1997)
Selected institutions increase income from non-USAID sources (\$US).	80,000 (1990)	1,000,000 (1997)
Policy regime reflects increased incentives for sustainable development and conservation (annual assessment based on 26-point policy agenda)	No (1990)	Yes (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** GUATEMALA

**TITLE AND NUMBER:** Increased Trade and Improved Labor Relations, 520-SO04

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$ 200,000 DA

**INITIAL OBLIGATION:** FY 1995      **ESTIMATED COMPLETION DATE:** FY 1998

**Purpose:** To promote the growth of the Guatemalan economy and U.S. economy opportunity through increased two-way trade and to expand participation of the Guatemalan labor force in the benefits of growth.

**Background:** Sustained higher rates of economic growth are essential to increase employment and incomes if Guatemala's high poverty rates are to be reduced. Guatemala has made notable progress toward improving its macroeconomic policy framework. This has contributed to rates of real economic growth averaging nearly 4% since 1992. However, with Guatemala's rapid population growth, per capita income has grown by an average annual rate of only 1% over the last four years, which is far below the 3%-4% growth required to register sufficient progress toward combatting poverty.

To achieve 6%-7% annual real gross domestic product (GDP) growth rates, Guatemala must consolidate and deepen its economic policy reforms. In particular, macroeconomic stability must be maintained, and further structural adjustment measures are needed -- primarily deregulation, privatization, de-monopolization, trade liberalization, modernization of the state, and integrated financial management -- to improve economic efficiency and permit the achievement of sustained economic growth over the medium term.

To take advantage of increased trading opportunities resulting from economic globalization and recent hemispheric integration initiatives such as North American Free Trade Agreement (NAFTA) and the Free Trade Area of the Americas, Guatemala must improve its trade policies both to achieve greater access to new markets and to enhance its competitiveness once expanded access is attained. Moreover, strengthened protection of workers rights and improved labor relations also will help Guatemala maintain access to hemispheric markets while contributing toward the development of a stronger work force required to compete in the global market place. While a faster growing economy that raises the demand for the productive use of labor will result in the greatest benefits for workers, improved labor policies also will help enhance workers' participation in the benefits of economic growth. This programs include the final year of the Trade and Labor Relations Development project and support for special studies.

**USAID Role and Achievements to Date:** USAID is relying on the International Monetary Fund and the World Bank to take the leadership roles in supporting Guatemala's efforts to maintain macro stability and to pursue further structural adjustment measures. Limited USAID-funded technical assistance help Guatemala upgrade its tax system and improve its public utility regulatory framework. USAID's major emphasis is on helping Guatemala strengthen its trade policy regime and improve labor relations through grants to both public and private sector institutions. In 1995, Guatemala made further improvements in its trade policy regime, including ratification of its World Trade Organization (WTO) accession agreement. Guatemala's total merchandise trade with the United States increased 5% in 1994 to \$2.6 billion and rose 14% to just over \$3 billion in 1995 as a result of improvements in trade policy. Guatemala's exports (mostly non-traditional) to the rest of Central America also increased, at an astounding 61% growth. USAID-supported measures taken by the Ministry of Labor to improve protection of workers rights contributed to Guatemala's continued eligibility for General System of Preferences (GSP) trade preferences.

**Description:** USAID

supports Guatemalan efforts to upgrade trade policies and to improve labor relations through a number of activities with public and private sector key institutions. USAID assists the Ministry of Economy in meeting commitments made under the Summit of the Americas, including implementation of Guatemala's World Trade Organization accession agreement, strengthening of intellectual property rights protection, encouraging the de-monopolization of key public utilities, and further dismantling of tariff and non-tariff trade barriers to both intra- and extra-regional trade. Through cooperation with the Guild of Non-Traditional Product Exporters, USAID also supports increased production of non-traditional exports to extra-regional markets, including primarily agricultural products grown by tens of thousands of small farmers.

In the area of labor relations, USAID helps to strengthen the protection of workers rights and improve labor-management relations. USAID supports the Labor Ministry's modernization and decentralization program, which will extend Ministry services to the more remote areas of Guatemala. Training is also being provided to labor inspectors on Guatemala's new labor code, which will soon be available in the major Mayan languages through USAID financing for translation. USAID is also working with the Guatemalan Entrepreneurial Chamber to increase the awareness among private sector leaders of the importance of improved labor relations and to build support for better trade policies required to accelerate Guatemala's participation in the hemispheric economy.

Finally, building on the achievements of a prior USAID project, and responding to revived interest on the part of the new Guatemalan Administration, USAID is providing additional support to the Finance Ministry in implementing tax reform measures.

**Host Country and Other Donors:** In addition to coordination with the World Bank and International Monetary Fund on macroeconomic and structural adjustment issues, USAID collaborates closely with the Inter-American Development Bank (IDB) on the design of a revised investment sector loan program and a newly proposed modernization of the state program. USAID works with the United Nations Development Program (UNDP) and the IDB (through the Multilateral Investment Fund) to encourage complementary support for additional labor relations activities with the Ministry of Labor and the nongovernmental (NGO) sector. USAID is collaborating with the European Economic Community, the German aid agency, Purdue University, and several local NGOs in development of activities related to nontraditional export development and agricultural scientific research. Despite GOG fiscal problems and budget pressures, the Ministries of Labor and Economy contribute adequate resources to support program activities under this strategic objective. In addition, the private Guild of Exporters currently bears approximately 70% of costs related to programs promoting nontraditional exports.

**Beneficiaries:** Guatemala's expanding trade is contributing to greater employment opportunities and higher incomes for workers. Also, stronger protection of worker rights and improved labor-management relations enhance workers' participation in the benefits of increased trade.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities under this strategic objective primarily through two cooperative agreements with private sector organizations including the Guild of Exporters and the Guatemalan Entrepreneurial Chamber, through grants and the use of host country-owned local currency with the Ministries of Labor and Economy, and through the Bank of Guatemala.

**Major Results Indicators:**

	<b><u>Baseline</u></b>	<b><u>Target (Year 1998)</u></b>
<b>Increase in export earnings</b>	\$1,298,000 (1991)	\$1,498,000
<b>Number of Labor disputes attended by labor inspectors that are resolved through conciliation</b>	2,884 (1991)	3,500
<b>Legislative reforms required for negotiation of a free trade agreement passed</b>	0 (1991)	5
<b>Non-traditional agriculture exports increased</b>	\$97.2 M (1991)	\$197.4 M
<b>Light manufacturing exports increased</b>	\$67.6 M (1991)	\$127 M

## ACTIVITY DATA SHEET

**PROGRAM:** GUATEMALA

**TITLE AND NUMBER:** Improve Quality, Efficiency and Equity of Primary Education Services in Guatemala, 520-S005

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,595,000 DA

**INITIAL OBLIGATION:** FY 1995      **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To improve the classroom environment and efficiency in the allocation and use of resources, and to increase equity in primary education, thus contributing to the achievement of broad-based economic growth.

**Background:** The Guatemalan public education system is highly centralized and extremely inefficient, particularly at the primary school level. National enrollment deficits range from 30% to 40%, and are even higher in areas of extreme poverty. Repetition and dropout rates are very high in the first three primary grades. Only half of students enrolled in first grade eventually graduate from sixth grade at the national level. Moreover, as one of the most inefficient systems in Central America, an average of 10.6 years of instruction is required to produce one sixth grade graduate. Access and coverage are constrained by a chronic lack of resources. The Government of Guatemala's (GOG's) budget for education, as a percentage of gross domestic product, has decreased in the last two years and is the lowest in Latin America, including Haiti. As a result, the sustainability and expansion of the pilot activities which show promising signs of improving quality, efficiency and equity of primary schooling remains a major challenge. This program includes the last year of the Basic Education Strengthening project and a new rural primary education strategy.

**USAID Role and Achievements to Date:** USAID support includes several community-based, active-learning interventions, bilingual education services for Mayan students, a girl's education program, management information systems and management services and training, and achievement testing. While national repetition rates have remained unchanged over the life of the interventions, third grade completion rates have increased from 48.7% in 1992 to 57% in 1995, and in sixth grade from 28.5% in 1992 to an estimated 35% in 1995. Participating teachers understand and are applying the new active-learning, bilingual and girls' program methodologies developed with USAID support. Language achievement in the one-room, active-learning pilot schools has increased significantly, surpassing program targets. Enrollment of Mayan students increased by an estimated 14% in 1995.

**Description:** Of the total funding requested for population and health, \$xxx is planned for population activities and \$xxx is planned for health activities. USAID's program is focused on three major areas: improvements in quality, through classroom services designed to improve learning; improved efficiency through decentralized management and greater community participation in the education of their children; and increased equity of educational policies and practices. Community-level classroom interventions include an alternative curriculum for one-room and multigrade rural schools, expanded and strengthened bilingual education services and materials, and a program aimed at keeping girls in school and increasing girls' active classroom participation -- all designed to make the education system more responsive to the needs of rural, predominantly Mayan families. Educational management systems and services include a regionalized management information system (MIS) and regional- and departmental-level training and technical assistance aimed at modernizing and decentralizing educational administration and improving the effectiveness of decision-making. Program policy actions are intended to intensify awareness of the importance of education to sustainable development and to increase Guatemala's investment in education.

**Host Country and Other Donors:** Several donors have funded USAID innovations in primary education. UNICEF supports bilingual active-learning rural school programs modeled on the USAID project's one-

room schools. The German Technical Cooperation Agency provides assistance to the Ministry of Education in bilingual teacher training. The World Bank third education project (1997-2002), currently in the design stage, will expand all current USAID pilot activities on a national level. With USAID-funded technical assistance, Guatemala's Social Investment Fund currently supports community-based schools in more than 1,200 communities that lack

education services. Unfortunately, due to resource constraints, the Government of Guatemala's counterpart contributions to education remain insufficient.

**Beneficiaries:** The direct beneficiaries are children -- both boys and girls -- five to fourteen years of age living in the rural areas of Guatemala; parents; teachers; central, regional, and departmental Ministry of Education officials and personnel. USAID-funded activities currently reach about 30% of the total rural and indigenous population.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities through a contract with a U.S. firm (Academy of Educational Development), grants to a local NGO (Sugar Industry Foundation), and through the Ministry of Education.

**Major National Results Indicators:**

	<u>Baseline</u>	<u>Target<sup>2</sup></u>
Repetition Rates (grades 1-3)	20.5% (1991)	18% (1998) <sup>3</sup>
Completion Rates (3rd grade)	47.4% (1991)	58.0% (1998)
Completion Rates (6th grade)	27.8% (1991)	39.0% (1998)

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<sup>2</sup> National indicators for measuring progress were designed with the assumption that USAID and the World Bank would collaborate in a multi-million dollar major education initiative. Except for the MIS, USAID project interventions alone were never designed to impact national indicators. On the contrary, USAID successes have been providing tested innovations which are now ready to be implemented at the national level.

<sup>3</sup> A significant decrease in repetition rates will not be measured until some years beyond the timeframe of this strategic objective.

## GUYANA

**FY 1997 Development Assistance: . . . . . \$3,050,000**

### **Introduction.**

Guyana, the third poorest country in the Western Hemisphere, is emerging from over 30 years of authoritarian rule and a state controlled economy. It is now a nascent democracy with a freely-elected government which is making serious efforts to improve the economy and strengthen democratic institutions. It is in the interest of the United States to assist this process of democratization and market liberalization because: 1) investment opportunities for U.S. businesses, which are already significant, will expand as Guyana begins to more thoroughly develop its vast natural resources; 2) Guyana has been a key supporter of critical U.S. political and strategic interests, as demonstrated by its strong Caribbean leadership role in supporting democracy in Haiti and its cooperation in narcotics trafficking; and 3) a stable democracy and renewed economic growth will help prevent social and ethnic strife, thereby promoting internal and regional stability.

### **The Development Challenge.**

Guyana, a small country of 750,000 people located on the northern coast of South America, has a per capita gross domestic product of just \$680. From independence in 1966 until the mid-1980s, the State controlled essentially all aspects of economic, political, and social development. Extensive nationalizations in the 1970s were accompanied by a rapid expansion of unproductive and costly social services. By 1988, the State controlled over 70% of economic activity and employed almost one-third of all working persons. Increasingly, borrowed funds were used to support the growing number of inefficient state enterprises and capital investment almost ceased. The results were catastrophic -- deterioration and collapse of the infrastructure, widespread poverty, disintegration of basic services, and massive emigration of skilled human resources. Authoritarian rule, buttressed by racial politics, became stronger as the economy collapsed. Misguided socialist philosophy restrained free, independent thought and encouraged total reliance on the State, stunting the growth of civil society. In 1988, the Government of Guyana (GOG) had no choice but to accept the International Monetary Fund (IMF)-sponsored Economic Recovery Program (ERP). The first free and fair national elections in over three decades were held in 1992. Voting is primarily along ethnic lines, and ethnic tensions represent a very real threat to the political and economic stability of Guyana.

Although there are tremendous developmental constraints in every sector, Guyana has made remarkable progress in moving toward a democratic government and a market economy. Largely due to USAID assistance, free and fair national elections (1992) and local elections (1994) have been conducted. Through adherence to other donor reform programs, Guyana has regained international credit worthiness. It has enjoyed solid economic growth since early 1990 of between 5% and 9% per year, and the balance of payments gap has narrowed considerably. Foreign reserves have climbed to an eight-month equivalent of imports (as compared to only a few weeks' reserve in 1991), the exchange rate and inflation have been stabilized, banking laws have been liberalized, and the GOG is making steady progress in its privatization program. USAID has played an important role in this process through reinforcing IMF conditionality, promoting the reform of agricultural policies, and providing macroeconomic, trade, and private sector policy advice to the GOG. Agricultural policy reforms, for example, resulted in liberalized policies, the elimination of certain taxes, and price controls. Coupled with P.L. 480 Title III infrastructure activities, the program has been a major factor in an astounding turnaround in agricultural productivity.

While Guyana's progress in the last five years has been excellent, and there are solid indications that Guyana will continue those measures necessary to unlock its vast potential, the toll of 30 years of mismanagement has been tremendous. For example, despite very impressive gains in agriculture, the amount of land under cultivation is now only back to the same levels of the 1960s. On a per capita

basis, Guyana's current debt of \$2.3 billion is probably the highest in the world. Despite great potential, Guyana is not an early candidate for graduation from traditional development assistance. There will be an important role for USAID to play over the medium-term horizon, but that role can be effectively fulfilled with modest funding targeting economic reform and governance.

#### **Other Donors.**

Donor assistance to Guyana in FY 1994 totalled approximately \$80 million. In 1995, the United States was the second largest bilateral donor. Other major contributors include the World Bank, the European Union, the IMF, Canada, and the United Kingdom.

#### **FY 1997 Program.**

The USAID program supports Guyana's return to a market-based economy and the restoration of democracy. In both the economic and political arenas, the key focus is to broaden participation. With limited funding, USAID fills critical gaps in assistance from other donors to develop and implement economic, judicial, and governance policies which broaden participation. USAID plays a lead role in supporting economic reform and is the major donor in strengthening democracy, including the administration of justice. Given current funding constraints, further reductions in future funding would result in USAID terminating assistance in one of these two areas.

Until recently, the U.S. had limited economic or strategic interest in Guyana due to its authoritarian government and closed economic system. The return to a free market economy, however, represents an opportunity for increased investment, particularly in view of Guyana's tremendous natural resource base, its political stability, low wage structure, and strategic geographic position between the Americas and the Caribbean. U.S. investment has been steadily growing in recent years, and the prospects for future investment are excellent as economic reforms expand and deepen.

#### **Agency Goal: Encouraging Broad-based Economic Growth**

The GOG is committed to fostering private sector-led growth but it lacks the requisite policies, experience, and institutional structures. Lack of implementation capacity to most effectively use national and donor resources is also a major constraint. Although significant progress has been made, it has not been equitable; approximately 35% - 40% of the population is living below the poverty level.

The USAID program addresses the primary constraints of poor implementation capacity and an inadequate enabling environment for private sector growth. The program also seeks to ensure that the impact of an improved economy more equitably benefits all social classes. As a result of USAID assistance, bottlenecks in implementing development programs, economic reforms and creating a business environment conducive to private investment have been identified and are being addressed. The implementation ratio of the Public Sector Investment Program increased from approximately 60% to 81% between 1994 and 1995, the GOG now consults with the Private Sector Commission, a private sector umbrella body, on a monthly basis to identify and address economic policy issues, and the number of loans being made to microenterprises is growing. Residual funds from the terminated Title III program are being used to improve farm to market roads, drainage and irrigation systems, and sea wall defenses. Thousands of small farmers have benefitted from this program. USAID assistance is also enabling the GOG to formulate its first comprehensive national development strategy in over 30 years.

- **Strategic Objective 1: Expanded Economic Opportunities for the Urban and Rural Poor**

#### **Agency Goal: Building Democracy**

By conducting free and fair national and local elections, Guyana took the first steps toward democracy.

However, its socialist past, extreme poverty, and ethnic tensions threaten progress made. A severely deteriorated judicial system has also eroded confidence in the law being the basis for the resolution of disputes, the protection of personal and property rights, and protection from arbitrary acts of government.

The USAID program is intended to promote due process and the rule of law, encourage good governance through increasing transparency and accountability, and develop civil society through civic education and support for advocacy non-governmental organizations (NGOs). USAID has two activities directed toward these objectives -- a program to improve the efficiency and effectiveness of the judicial system and a democracy strengthening program to promote a more pluralistic society, and a responsive, open government.

Excellent progress is being made in justice improvement. USAID assistance targets both infrastructural needs and improved management systems. All infrastructural improvement targets were met in 1995; however, it will take years to fully rehabilitate essential facilities. The upgrading of skills of judicial personnel was initiated as scheduled through short-term, continuing education programs. Key policy advances were also made as the GOG revised fines and fees to emphasize cost recovery, and salaries were increased to help retain qualified employees. The lack of skilled human resources is a long-term problem and it has adversely affected USAID assistance specifically in court management. Improvements, however, are being made as rapidly as possible within current constraints.

USAID assistance in democracy has been primarily limited to elections support, and short-term training for locally elected representatives. Long-term assistance is just now being provided for a more comprehensive program, and a workplan is presently being developed. It is anticipated that assistance will be provided to the national assembly (library development, and establishing a committee system), training of local government officials, and promotion of civil society.

- **Strategic Objective 2: Strengthened Democratic and Legal Institutions and Processes**

**GUYANA  
FY 1997 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
<b>USAID Strategic Objectives</b>						
<b>1. Expand Economic Opportunities Dev. Assistance</b>	\$900,000			\$200,000		\$1,100,000
<b>2. Strengthen Democracy and Legal Institutions Dev. Assistance</b>				\$1,950,000		\$1,950,000
<b>Total Dev. Assistance</b>	\$900,000			\$2,150,000		\$3,050,000

USAID Mission Director: Pat McDuffy

## ACTIVITY DATA SHEET

**PROGRAM:** GUYANA

**TITLE AND NUMBER:** Expanded Economic Opportunities for the Urban and Rural Poor, 504-SO01

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,100,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1998

**Purpose:** To encourage broad-based economic growth by expanding economic access and opportunity.

**Background:** Years of mismanagement under a socialist government have left Guyana with an extremely weak private sector and a severely limited capacity to implement public sector economic development programs. Recent macroeconomic gains have not been equitable, and broad-based economic growth is the foundation of sustainable development. USAID has three activities which address this objective: a P.L. 480 Title III agricultural policy reform and infrastructure development program, a program to improve the business environment, and assistance in the formulation of a national development strategy. The GOG's commitment to these activities is amply demonstrated by its satisfaction of all Title III agricultural policy and infrastructure targets, and its adherence to a rigorous and unpopular structural adjustment program which has been an economic shock to thousands of households, particularly the poor and marginalized. Political will in economic reform is evident, although progress is slow in some areas due to lingering socialist philosophy.

**Role and Achievements to Date:** The USAID program to support this objective has focused on reinforcing the conditionalities of other donors, accelerating implementation of national and donor programs, and filling critical gaps in other assistance programs. The policy reform component of the P.L. 480 Title III Program was successfully completed in 1995. These reforms, coupled with Title III agricultural infrastructure activities, have resulted in a 250% increase in rice production since 1990. The amount of land under irrigation increased by 78,000 acres in 1995, over 15 times USAID's target. All major donors and over 200 Guyanese professionals are participating in the formulation of a national development strategy, which will be completed by June 1996. Because of USAID assistance, two key ministries now have their first coordinated plans in over 30 years to develop and implement policies to promote economic development. Additionally, mechanisms have been established to ensure regular dialogue between the public and private sectors.

**Description:** The USAID program to improve the business environment stresses increasing private sector investment in productive sectors, better macroeconomic analysis and planning, and improved public resource management. Key means of increasing private sector investment will be through the development of a policy framework conducive to trade and industrial growth, and strengthening private sector organizations to more effectively dialogue with the public sector. Improved macroeconomic management includes data compilation and analysis, and development of a framework for public sector investment programs. Maximizing revenue generation, better budget management, and privatization are targeted to improve public resource management.

**Host Country and Other Donors:** The USAID program is designed to complement or fill critical gaps in other donor programs. Key donors include the World Bank, the British, the Inter-American Development Bank, the European Union, and the Canadian International Development Agency. The GOG has met or exceeded required host country contributions.

**Beneficiaries:** The activities benefit all Guyanese but, because of the emphasis on equity, small farmers, small businesses, micro-entrepreneurs, and the lower income strata of society will be the main beneficiaries.

**Principle Contractors, Grantees, or Agencies:** USAID has contracted IGI International to assist in the implementation of the program to improve the business environment.

**Major Results Indicators**

	<b><u>Baseline</u></b>	<b><u>Targets</u></b>
<b>Share of consumption by the poorest 40%</b>	12% (1992)	16% (1997)
<b>Number of individuals benefitting by micro loans (one sentinel institution)</b>	256 (1994)	4,000 (1997)
<b>GOG expenditures on sea defenses</b>	\$4,000,000 (1994)	\$12,000,000 (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** GUYANA

**TITLE AND NUMBER:** Strengthened Democratic Institutions and Processes, 504-S002

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,950,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 1998

**Purpose:** To promote a more pluralistic, responsive, open government by removing barriers to a sustainable democracy and strengthening democratic institutions and processes.

**Background:** Guyana's economic and social development depends on sustainable institutions and processes. This objective directly responds to Guyana's social development requirements, and it also supports economic development since open, responsive government encourages economic growth. Similarly, the effectiveness of the justice system is as important to business as it is to good government. Due to 30 years of misguided socialist ideology, Guyana's democratic institutions and processes are extremely fragile, and the judicial system has severely deteriorated. USAID's justice improvement activity is designed to improve the effectiveness and efficiency of the judicial system, and its strengthening democracy activity promotes a pluralistic society and a responsive, open government. Other donors have provided short-term assistance in the electoral process, but USAID is the only donor providing long-term assistance in strengthening democratic institutions. The GOG is clearly committed to the democratic process, and it has provided outstanding support to improve the judicial system. Guyanese institutions, however, are extremely weak, skilled human resources are scarce, and ethnic politics and voting threaten progress and stability.

**USAID Role and Achievements to Date:** USAID has extensive experience in assisting judicial systems in the Caribbean, and it has been providing short-term assistance in democracy activities in Guyana for four years. USAID's two activities supporting this strategic objective build upon this experience. Judicial system assistance targets infrastructure, and efficiency and effectiveness. All targets were either achieved or exceeded in 1995. Eight magistrate courthouses were renovated, a temporary law library was established, and training programs were provided for judges, magistrates, and justices of the peace. Improvement to management systems was not planned for 1995, but the GOG implemented salary reforms and cost recovery policies which further activity objectives. Only limited, short-term assistance was planned in promotion of the democratic process, and all planned activities (training for newly elected local government officials) were completed as scheduled. A long-term activity to strengthen democracy has just started and the first annual workplan is now being developed.

**Description:** Infrastructure and training assistance will continue in the justice activity, but emphasis will shift to improving management systems and processes. Assistance will be provided to streamline the court registry system, establish improved court reporting procedures and practices, regularize the docket, revise laws, and improve records and case management. Assistance in strengthening democratic institutions will focus on registration and voter education, strengthening NGO electoral monitoring capacity, establishment of a parliamentary committee system, additional training of local government officials, and strengthening the role of civil society.

**Host Country and Other Donors:** USAID is the only donor assisting the judicial system or providing long-term assistance to strengthening democracy. Great Britain, Canada and the European Union, however, have indicated growing interest in collaborating with USAID.

**Beneficiaries:** The beneficiaries are the people of Guyana as a whole but the activities primarily benefit those who do not have access to equal justice or actively participate in the democratic process, i.e. the disadvantaged.

**Principal Contractors, Grantees, or Agencies:** The University of the West Indies, in collaboration with the University of Guyana, is assisting in the implementation of the justice improvement activity. The National Democratic Institute is the principle grantee for the strengthening democracy activity.

**Major Results Indicators:**

	<b><u>Baseline</u></b>	<b><u>Target</u></b>
Strengthening democratic institutions (Freedom House Rating)	2 (1995)	2 (1998)
Trained local Government officials	520 (1994)	750 (1998)
Court case backlog	3,506 (1995)	500 (1997)

## HAITI

**FY 1997 Economic Support Fund:.....\$80,000,000**  
**FY 1997 P.L. 480 Title II:.....\$18,621,000**  
**FY 1997 P.L. 480 Title III:.....\$10,000,000**

### Introduction.

Haiti is the most recently emerging democracy in the hemisphere, and the one facing the greatest developmental challenges. Although Haiti has managed to complete the first democratic transition in its history with the February 7, 1996, swearing-in of an elected president, democracy remains fragile, its legal system weak and its economic future is still in doubt.

U.S. interest focuses on strengthening democratic institutions to provide greater pluralism, more open, transparent and accountable government, and to expand economic opportunity. The natural result of increased opportunity and greater self-determination will be dramatically lower out-migration and thus a reduced burden on neighboring countries, including the United States. The alleviation of the pressures of political and social crises will provide Haiti with an opportunity to pursue long-term stability through expanding economic opportunity, trade, and regional security.

### The Development Challenge.

The indicators for infant mortality (74 per 1,000 live births), life expectancy (55 years), and literacy (35%) only hint at the conditions facing Haiti. With an estimated per capita income of \$250 per year, Haiti is the poorest country in the Western Hemisphere. Gross national product (GNP) growth last year was more than 3% after a decline of 30% during the three years of the coup regime. Inflation was brought down to 25%. Urgent reforms in macroeconomic, fiscal, health, population, and education and environmental policy along with meaningful civil service reform are needed to improve agricultural production, to encourage investment, and to improve social services.

Statistics, however, understate the challenges. While many poor countries have the ability to draw upon various natural and institutional resources, Haiti suffers from generations of resource mismanagement. With one of the densest populations in the region, the daily struggle for survival has resulted in irreparable damage to the Haitian ecosystem. For example, only 3% of the forest cover at the turn of the century remains, and 25 of 30 major watersheds are degraded.

**Recent Gains:** The success of *Operation Uphold Democracy* and the peaceful deployment of the United Nations Multinational Force in Haiti has made the democratic transition of power, long a dream for many Haitians, a reality for most. This peaceful transition of power has been supported by a unique, multilateral package of initiatives designed to support the process. U.S. leadership has been instrumental in giving democracy an opportunity to take root and in opening new avenues of hope. USAID, along with other USG agencies, has been responsible for the success of the following transition initiatives:

- an \$83 million arrears-clearing program (\$24.8 million provided from USAID resources) which removed the last barriers to significant flows of assistance from the international financial institutions (thus leveraging \$230 million in donor assistance);
- a customs reform and other measures have increased revenue collections from 3.3 percent of GDP to 7.8 percent, improving the GOH's ability to provide essential public services;
- temporary USAID-financed jobs for 50,000 have eased the transition to economic recovery;
- the former army has been abolished and 2,400 demobilized soldiers have been trained in civilian technical specialties;

- development of an organized civil society and democratic debate at all levels;
- widely-observed free and fair legislative, local and presidential elections;
- acceptance of election results and a peaceful transfer of power to newly elected leaders at all levels; and
- a functioning parliament capable of debating and enacting legislation.

While these initiatives have been successful in ensuring a peaceful transition to democracy and the beginning of a resumption of economic activity in record time, Haiti must now pass several critical tests over the coming months and years. These include:

- urgent macroeconomic, fiscal, health, population, and education and environmental policy reform;
- creation of a visibly functioning justice system, reorganized to assume control of police and prisons;
- ratification and implementation of enabling legislation for local government, including provisions for revenue generation;
- extension of coverage and quality of decentralized education and health services;
- a redefinition of the role of government, including privatization of public assets and civil service reform;
- a resumption of investment and permanent job creation in the private sector; and,
- maintenance of a humanitarian safety net until general economic conditions improve.

**Challenges Remain:** Even though the successes of the past 18 months have been dramatic and inspiring, the challenges of the future are demanding, and success will require a longer, more sustained effort. Yet resources are dwindling. The scheduled reduction of the United Nations Mission forces in Haiti (UNMIH), which have ensured the necessary security of the country, the decrease in international support for transitional measures, a slower than anticipated economic recovery, and other external factors combine to make this a difficult transition. It is clear that Haiti will be unable to successfully accomplish these tasks without continued access to substantial external resources.

Thus, the major tests of the transition process lie ahead. U.S. leadership and a substantial level of U.S. financial support are essential. The important investments made in *Operation Uphold Democracy*, and the initial rebuilding phase, must be allowed to bear fruit. The United States must continue to utilize its leadership to leverage the significant international resources necessary to support Haiti.

#### **Other Donors.**

USAID and other donors pledged some \$1.2 billion in January 1995 for development activities and about half that amount has been distributed to date. The United States is the largest bilateral partner, soon to be exceeded by the European Union (EU). Other major contributors include: the International Bank for Reconstruction and Development (IBRD), the Inter-American Development Bank (IDB), the International Monetary Fund (IMF), the United Nations (UN) agencies, Canada, France, and Germany. It is critical that the GOH reinstate the basic free market, fiscally responsible policies which can insure continued support from the international financial community.

#### **FY 1997 Program.**

U.S. objectives are to support development of durable democratic institutions and political stability in Haiti. USAID's program is intended to support these objectives through a short- to medium-term transitional period and to establish a framework for sustainable development. Consolidating democratic gains achieved over the last 18 months, assisting policy efforts aimed at civil service reform and economic growth, supporting the fundamental reforms required to improve education and health conditions, sustaining agricultural efforts, and continuing to address environmental degradation will help provide the necessary foundation to achieve these objectives.

### **Agency Goal: Building Democracy**

USAID's efforts focus on institutionalizing democratic structures and strengthening the responsiveness of representative government. After five, free and fair USAID-assisted national elections in 1995, Haiti has strengthened the process of democratic development. Every observer group has recognized the improvements in the openness and conduct of the Presidential elections.

In addition to free and fair elections, the deployment of the newly trained Haitian National Police, and the demobilization of Haiti's military, a number of less-dramatic, but equally essential accomplishments, illustrate USAID's emphasis on helping democratic structures serve Haiti's citizens:

- Legal services provided through nongovernmental organizations (NGOs) have ameliorated the sensitive problem of prison over-crowding.
- Training provided to election workers and political party observers has created a human resource pool for future elections.
- Local government officials have been engaged in dialogue with constituents, many for the first time, to establish and prioritize local needs.
- Support for human rights victims and support for human rights organizations.
- **Strategic Objective 1:** Foster more effective and responsive democratic institutions and empowered communities.

### **Agency Goal: Encouraging Broad-base Economic Growth**

Democratic gains cannot be sustained without demonstrable improvement in the economy and access to opportunities for Haiti's poor. USAID's objective is to assist policy reform, to expand credit availability, and to support the privatization of inefficient parastatals which will lead to enhanced employment opportunities and incomes. The loss of 50-70,000 jobs in the formal sector alone since 1991 provides perspective on the challenges the government faces in revitalizing the economy.

Notwithstanding this challenge, USAID's programs are helping to set the stage for improved economic growth. For example, efforts to increase commercial bank lending in productive activities in the agricultural sector through guarantees have already resulted in thousands of new jobs for unemployed Haitian agricultural workers. Other accomplishments to encourage economic growth include:

- A transitional program to ease rural mass unemployment, which employed as many as 50,000 workers per day. Significant repairs were accomplished on irrigation systems and rural roads. This program was subsequently funded by the World Bank.
- Assistance to the Presidential Commission on Modernization in developing policy recommendations for the executive and legislative branches dealing with commercial codes, tourism, and banking practices. This has allowed USAID to help shape the policy dialogue with the current administration.
- Diagnostic analyses that will lead to the privatization of nine government-owned parastatals. Although this process has been delayed, bids have been received on two parastatals and the new GOH President has publicly stated that privatization is necessary and will proceed.

Yet changes in policy and increased flows of credit are just the first steps in revitalizing economic growth in Haiti. Other activities underway include assistance to financial institutions providing credit to microentrepreneurs and assistance to artisans in the handicrafts sector to recapture former, and to

develop new, markets for non-traditional exports.

The GOH can now look to longer-term consolidation and revitalization of the private sector. In the words of President Preval, ". . . the responsibility of the Government of Haiti is to assure a peaceful and stable environment for business to thrive. The private sector should be seen as the source of employment, not the government."

- **Strategic Objective 2:** Facilitate increased private sector employment and income.

**Agency Goal: Protecting the Environment**

The extreme degradation of Haiti's environment is driven by three factors: poverty, population pressure, and weak governance. Environmental degradation undermines political and social stability, food security and sustainable economic growth. Deforestation in the past decade reached estimated levels of 30 million trees per year, 80% of the national watersheds are severely degraded, and the equivalent of 15,000 acres of arable land are eroded annually.

USAID has supported environmentally sound agricultural practices for the past 15 years through programs designed to improve resource management and to increase household incomes. A total of 80 million trees were planted during the 1980s by 250,000 farm families.

The USAID environmental and agricultural portfolio reaches 750,000 people with sustainable technologies, improved seed stock, and better organizational skills. USAID will build on these successes with the Agriculturally Sustainable System and Environmental Transformation 2000 (ASSET) project. The ASSET project seeks:

- to establish a framework for environmentally sound development through support of the national environmental action plan and institution building in the Ministries of Agriculture and Environment;
- to increase the use of sustainable hillside agricultural production practices ;
- to empower local communities in natural resources management and develop a community forestry corps; and
- to improve management of liquid and solid wastes to improve environmental quality.

USAID, through the ASSET project, will work through 650 farmer groups to reach 150,000 farmers with over 20% participation by women. Nearly two million people will receive environmental awareness education or will have participated in soil conservation, watershed management, and agro-forestry programs. Over 10,000 people will have access to improved sanitary waste disposal.

- **Strategic Objective 4:** Increase agricultural productivity and promote environmentally sound resource management.

**Agency Goal: Stabilizing World Population and Protecting Human Health**

It will take many years for the majority of the impoverished Haitian population to significantly improve the quality of their lives. USAID seeks to alleviate the suffering of Haiti's children and other vulnerable groups through direct feeding programs, health service delivery, including child survival, family planning services and primary education programs.

USAID programs in the health and population sector have yielded significant accomplishments. The 1994 demographic and health survey (DHS) revealed a 25% decline in infant mortality from 101 to

74 per 1,000 live births from 1987-1994. Analysis of the data revealed that this downward trend was largely due to an increase in tetanus toxoid vaccination of pregnant women partially financed by USAID's child survival assistance. USAID-supported programs have also contributed to significant reductions in fertility. The survey revealed that national fertility rates have declined from 6.3 children per woman in 1987 to 4.7 in 1994, and contraceptive prevalence has risen from 10% to 18%. During the past year, contraceptive prevalence in targeted program areas ranged between 19% in the urban slum of Cité Soleil to 35% in rural areas such as Pignon, well-above the national average of 18%. This demonstrates that further increases in contraceptive prevalence are possible on a national basis through programs which provide improved family planning information and services as well as basic education and literacy for girls.

In spite of the impressive health and demographic results, the program faced severe budget shortages, specifically with reference to child survival. This resulted in an early termination of certain activities by three months. The new Health Systems 2004 project envisions financing services to 500,000 fewer beneficiaries due to the FY 1996 budget cuts. This will also result in the project being launched in fewer decentralized health districts than planned. Another major challenge will be to adequately respond to the urgent needs for population assistance in the face of legislative restrictions on the monthly obligations of population account funds. In FY 1997, continued funding shortfalls will have a deleterious effect on beneficiary levels and will severely impede progress towards declines in infant mortality and fertility rates.

- Strategic Objective 3: Promote healthier, smaller and better-educated families.

#### **Agency Goal: Providing Humanitarian Assistance**

USAID's humanitarian feeding program will be supported by monetized P.L. 480 Title II resources, which will be used along with P.L. 480 Title III and USAID's agricultural activities to address food security problems.

During the past years, NGO partners -- Catholic Relief Services (CRS), CARE and the Adventist Development and Relief Agency (ADRA) -- continued to provide food aid to an estimated 1 million people a day through school feeding, clinic based food distributions and general relief rations. This is a decline from the 1.2 million beneficiaries served during the worst times of the economic embargo.

The food aid program has made a difference. Malnutrition rates, while still high, have been held steady nationwide and have improved significantly in the hardest hit areas of the northwest. Severe malnutrition has declined somewhat nationwide. This has been made possible by the delivery of 78,296 MT of food commodities during FY 1995.

Title III has helped enhance food security by financing the importation of \$10 million in U.S. wheat flour for sale in local markets. This helped to bring down and stabilize bread prices which had gone beyond the reach of most poor consumers. Local currency generated by the sale of Title III commodities was used to finance a number of development activities with an emphasis on employment generating activities.

The FY 1996 program will see a sizable decrease in tonnage shipped under Title II, to just over 42,000 MT, but the program will also be reoriented to enhance the development impact of food aid programs. The Mission's Enhancing Food Security II program marries Title II, Title III and development assistance resources to address constraints to food security in vulnerable communities. This will result in a shift, over time, from the current emphasis on general relief and school feeding, to a more targeted program which reaches vulnerable groups through Maternal Child Health (MCH) programs based in health clinics and school feeding.

The shift to a developmental focus is dependent upon continued availability of resources in 1997. A

**significant reduction from the request level would result in an diminution of the development impact of food activities.**

**HAITI  
FY 1997 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stablizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
<b>USAID Strategic Objectives</b>						
<b>1. Foster More Effective and Responsive Democratic Institutions and Empower Communi- ties</b> ESF	\$3,010,000			\$15,800,000		\$18,810,000
<b>2. Facilitate Increased Private Sector Employment and Income</b> ESF	\$16,050,000					\$16,050,000
<b>3. Promote Healthier, Smaller and Better-Educated Families</b> ESF P.L. 480 Title II P.L. 480 Title III	\$6,870,000	\$28,610,000			\$18,621,000 \$10,000,000	\$35,480,000 \$18,621,000 \$10,000,000
<b>4. Improve Agricul- tural Productivity and Environmental Management</b> ESF	\$2,440,000		\$7,220,000			\$9,660,000
<b>Total</b> ESF P.L. 480 Title II P.L. 480 Title III	\$28,370,000	\$28,610,000	\$7,220,000	\$15,800,000	\$18,621,000 \$10,000,000	\$80,000,000 \$18,621,000 \$10,000,000

USAID Mission Director: Lawrence Crandall

## ACTIVITY DATA SHEET

**PROGRAM:** HAITI

**TITLE AND NUMBER:** Foster more Effective and Responsive Democratic Institutions and Empowered Communities, 521-SO01

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$18,810,000 ESF

**INITIAL OBLIGATION:** FY 1995 **ESTIMATED COMPLETION DATE:** FY 1999

**Purpose:** To support the Government of Haiti's efforts to establish strong, responsive democratic institutions, both through the government's various branches, and at the local, community level.

**Background:** In October 1994, Haiti began to emerge from nearly 200 years of almost continuous dictatorship, human rights abuses, and disenfranchisement. The Haitian judicial system was ineffective, the army was to be abolished, and the penal system was incapable of meeting even the lowest international health or human rights norms. Parliament was in disarray, emerging from the military regime with only nine members holding electoral mandates, and all of the nation's other elected posts, except for that of President, were also expired. A combination of urgent, transitional interventions and a longer-term strategy were needed to address these fundamental and pressing problems.

**USAID Role and Achievements to date:** USAID's transitional assistance program has included major contributions toward this strategic objective by helping Haiti complete its local, parliamentary and presidential elections, training the new 5,000-person Haitian National Police and 400 judges and prosecutors, demobilizing the majority of the 7,000-strong Haitian Armed Forces (FADH), and executing over 1,900 community projects in 106 out of Haiti's 133 communes.

**Description:** Haiti's democracy objective now must address a variety of critical but longer-term needs, including strengthening parliament and political pluralism, local government, and civil society. The nation's newly elected parliamentarians and mayors, as well as judicial officers, require material and technical support if they are to reverse years of ineffectiveness and manipulation under the control of generals and dictators. Local authorities must learn to respond to community needs if a stable civil society is to emerge in Haiti. Parliament must pass legislation to establish constitutionally-mandated local territorial assemblies (which have the power to choose local judges and form the national electoral commission), to authorize successive national budgets, and approve difficult and controversial reforms such as privatization. The judicial, police and prisons systems must begin to function at a much higher level of efficiency and coordination to ensure basic security and justice throughout the country. Finally, the massive fiscal burden of Haiti's civil service must be reduced to avoid severe macroeconomic dislocation and a demoralized investment climate. USAID's assistance addresses judicial reform, assistance to Parliament, local government and decentralization support, community education and action, and civil service reform. Follow-on police training in specialized areas such as investigative techniques, riot control, etc., also will continue, under management of the Department of Justice's International Criminal Investigative Training and Assistance Program (ICITAP).

**Host Country and Other Donors:** Donors coordinate closely in this arena through two principal groups. Justice, police and prisons matters are addressed under the leadership of Canada, France and the United States, with particularly close collaboration in judicial and police training. International Organizations and International Financial Institutions are engaged as partners in this strategic objective, in which the U.S. has played a leadership role. In the broader area of governance, the United Nations Development Program serves the coordinating role. USAID leadership is helping to mobilize financial support from the Inter-American Development Bank and the World Bank.

This program engages both the Haitian public and private sectors on numerous levels. In addition to

involving direct partnerships with the Haitian National Parliament and Ministries of Justice, Interior, and Prime Ministry, dozens of Haitian nongovernmental organizations (NGOs), citizens' groups and popular movements, as well as thousands of rural and inner-city, low-income people are directly involved, particularly through the various small grants programs.

**Beneficiaries:** Through a combination of public sector and NGO assistance mechanisms, the various elements of this strategic initiative impact on the majority of the Haitian people who come directly into contact with the various governance institutions addressed above, and are engaging others through such activities as legal aid and community action projects.

**Principal Contractors, Grantees, or Agencies:** U.S. contractors include the associates in Rural Development, Checchi & Co., and RONCO. Two U.S. federal government agencies (Department of Justice's ICITAP and the Office of Police Development and Training programs) provide assistance. Numerous local and U.S. NGOs and PVOs including the American Development Foundation, the Parliamentary Human Rights foundation, the American Institute for Free Labor Development, the National Democratic Institute and the international Republican Institute also provide assistance

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Police force deployed nationwide	1,350 (1995)	7,5006,000 (1997)
Number of clients represented through civil society advocacy	4,800 (1995)	15,000 (1997)
Civil service structure and rules established	no (1995)	yes (1997)
Percent of Haitians who believe that the justice system is fair	28 (1995)	50 (1998)

## ACTIVITY DATA SHEET

**PROGRAM:** HAITI

**TITLE AND NUMBER:** Facilitate Increased Private Sector Employment and Income, 521-SO02

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$16,050,000 ESF

**INITIAL OBLIGATION:** FY 1995 **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To promote increased employment and income in the private sector on a sustainable basis.

**Background:** Haiti is confronted with numerous hurdles in establishing broad-based, sustainable, economic growth. Achieving this goal will require the development of an enabling environment for increasing overall economic activities and efficiencies. This will include reform of public sector institutions and enhancement of the level of financial services to small, micro and medium-sized businesses to increase incomes and to accelerate job creation. Given the precipitous decline in business activities since 1991 accompanied by the exodus of investment and management expertise, dramatic improvements in the economic climate in Haiti are necessary to restore private sector-led growth and employment. For example, Haiti has the highest level of unemployment in the western hemisphere and the lowest per capita income. Failure to achieve the restoration of sound economic growth can only exacerbate the alarming rate of natural resource depletion and the resulting regional consequences of migration and political instability. Furthermore, increased economic security through permanent job creation is the *sine qua non* of a thriving democracy.

**USAID Role and Achievements to Date:** USAID's transitional assistance program has included significant contributions to both reform of economic policies by the Government of Haiti (GOH) as well as assisting micro and small businesses recovering from the shock of the post-coup era. These initiatives have been channeled through several mechanisms: conditionality on bilateral agreements with the GOH, the Program for the Recovery of the Economy in Transition (PRET), and the Policy and Administrative Reform (PAR) project. These efforts support policy reform, privatization, and loans to small, micro and labor-intensive enterprises. For example, USAID efforts to increase commercial bank lending to productive activities in the agricultural sector have already resulted in thousands of new jobs for unemployed Haitian agricultural workers. Changing banking behavior to broaden and deepen lending activities is one key to strengthening the Haitian economy.

**Description:** The success of USAID-supported economic growth activities has set the stage for a revitalization of the Haitian economy in focused areas. Given the ultimate goal of poverty reduction, rapid revitalization of the Haitian economy is necessary to secure current gains and to provide a stable environment for further growth in income and employment levels. Support to the Presidential Commission has assisted the government in examining and revising key policies and laws constraining private sector growth. Future assistance will continue to address impediments to job creation and income growth in the private sector. The legal and regulatory environment of the private sector must be streamlined to attract new investment. For example, burdensome licensing procedures for new investments encourage capital flight within the region. USAID also must continue to build on its efforts to assist the GOH as it divests itself of inefficient parastatals. Divestiture of these enterprises will not only provide Haiti with hundreds of millions of dollars in new investment, but it is also necessary to improve the infrastructure for business in Haiti, a crucial element for increasing investor confidence. The range of financial services must be broadened and deepened to create labor-intensive economic activities for microenterprises and other businesses. For example, credit is not available for most viable microenterprises; USAID will build on its preeminent experience in this sector through assistance to several non-bank credit institutions. Technical assistance must be directed to the artisanal sector, including the well known handicrafts sector to recapture former, and identify new, export markets. Labor-intensive cropping systems aimed at exploiting comparative climatic advantage to produce products for *niche* export markets must continue to be supported and expanded.

Building on the successful experiences under PRET, the following activities are planned for FY 1997 to support micro and small businesses and accelerated reform of the enabling business environment, distributed as follows:

- financing the development of non-bank intermediaries to deliver financial services to small borrowers and savers. PRET will increase the flow of credit through non-bank intermediaries to microenterprises and to agribusiness enterprises.
- providing demand-driven, non-financial assistance to microenterprises to develop domestic and international markets for Haitian products.
- improving marketplace organization and infrastructure, PRET will improve two marketplaces and construct two new marketplaces in Port-au-Prince. PRET also will build or improve marketplaces in provincial cities.
- continuing to provide technical assistance to the GOH in reforming the enabling environment to stimulate economic activity and investment (\$3 million).

**Host Country and Other Donors:** The new government has especially singled out the labor-intensive sub-sectors of agribusiness and agricultural production as priorities. USAID will continue longstanding efforts in this area, using government commitment, supported by other donors, to leverage our own diminishing resources.

Key donors in economic growth include the Inter-American Development Bank (IDB) and the World Bank, which are assisting in the reform of financial and non-financial institutions to improve financial intermediation. USAID has been able to leverage relatively small investments in the financial sector to break ground for larger investments from these institutions. For example, USAID's creation of the Agribusiness Guarantee Fund has already leveraged \$4.5 million from the European Investment Bank. USAID's ability to break ground in assistance to the productive agricultural sector, previously perceived to be high-risk, has opened new avenues for sustainable development assistance. USAID assistance to non-bank institutions under PRET has set the stage for further leveraging of other donor's resources. The IDB and the World Bank have indicated their willingness to share responsibility for support to these institutions to deepen and broaden financial services to increase job creation and economic activity.

**Beneficiaries:** Through the combined impact of the above activities, the direct beneficiaries include the currently unemployed, microenterprises, small businesses, agricultural producers, agricultural input suppliers (US and Haitian), non-bank institutions, small agricultural transformation businesses, and the GOH.

**Principal Contractors, Grantees, or Agencies:** Development Alternatives, Inc., the Haitian Development Foundation, the Intermediate Technology Group of Haiti, the Center for management and Productivity, and the Financial Society for the Development of Haiti are among the contractors and grantees which are implementing this strategic objective.

**Major Results indicators:**

	<u>Baseline</u>	<u>Target</u>
Formal private sector jobs (thousands)	50 (1994)	118 (1998)
Loans to small/micro and women-owned enterprises (number)	240 (1994)	7,500 (1998)
Selected non-traditional and <i>niche</i> market exports (\$ millions)	31 (1994)	65 (1998)

## ACTIVITY DATA SHEET

**PROGRAM:** HAITI

**TITLE:** Promote Healthier, Smaller and Better-Educated Families, 521-SO03

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$35,480,000 ESF; \$18,621,000 P.L. 480 Title II; \$10,000,000 P.L. 480 Title III

**INITIAL OBLIGATION:** 1995 **ESTIMATED COMPLETION DATE:** FY 2001

**Purpose:** To promote healthier, smaller, better-educated families.

**Background:** Realization of the overall goals of social well-being, democracy and economic growth will not be possible if families cannot participate actively in their achievement. Healthier, smaller and better-educated families are better able to participate in civil society, in productive economic activities, and in sound management of the natural resource base. An increase in basic educational attainment is also positively correlated with decreased fertility and healthier families. This strategic objective is designed to ensure equitable access to basic health and education services to Haitian families.

**USAID Role and Achievements to Date:** USAID's support in the health, population and humanitarian assistance sectors has been concentrated in expanding access for vulnerable groups to high-quality services and emergency food rations. As a result, vaccination coverage rose from 18% to 30% in 1995, contraceptive prevalence in targeted areas rose from 18% (national average) to 30%, and infant mortality declined from 101 per 1,000 to 74 per 1,000. Malnutrition levels in the severely affected northwest also have leveled off, based on health centers' records. While Haiti has the region's most advanced HIV/AIDS epidemic, USAID-supported programs continued in 1995 to expand access to condoms, to educate the population about disease transmission and prevention and to improve the case management of sexually transmitted diseases (STDs). Major successes include the sale of 5.7 million condoms, representing a 40 percent increase over 1994 sales levels; an increase in the appropriate treatment of STDs by clinicians from 10% in 1991 to 69% in 1995; and more than a million Haitians educated between 1991 and 1995 about how to protect themselves from HIV/AIDS. In the education sector, support has been directed at two levels: educational policy reform and increasing the quality of primary education. Results have been the reduction in the repetition rates in project targeted schools and the completion of a baseline study in primary school enrollment which showed that only 25% of Haitian children completed a six-year primary education cycle. A total of 12 pilot schools participated in a state-of-the-art pilot civil distance education and 6,000 teachers, or approximately 14% of all primary school teachers, were trained in basic skills and pedagogy. Also, one million text books were distributed, resulting in greater standardization in primary school education.

**Description:** Of the total funding requested for this strategic objective, \$8,636,000 is planned for population activities, \$19,974,000 is planned for health activities, and the balance is planned for basic education activities. This strategic objective, healthier, smaller and better-educated families, remains essential to the achievement of the Mission's development assistance program. The Mission's efforts seek:

- to expand and enhance primary and reproductive health services as measured by increases in the contraceptive prevalence rate, immunization coverage, use of oral rehydration therapy, sales of condoms, and children receiving vitamin A supplements;
- to enhance household food security, as measured by decreases in malnutrition levels, number of people fed as transitional relief measure, and integration of food distribution with health care services;

- to improve national population, health, food and education policies, by the adoption and implementation of new policies, and the establishment of multisectoral commissions and policy dialogue groups; and
- to increase quality and relevance of primary education, as measured by increases in the numbers of teachers trained in basic skills and pedagogy, in the number of textbooks in public and private schools, schools participating in the pilot civic/distance education project, and schools participating in community level actions with community organizations.

**Host Country and Other Donors:** Key donors in the social sectors are the Inter-American Development Bank and the World Bank, which have loans in the public health and education sectors to strengthen public health and education programs. United Nations International Children’s Fund (UNICEF), Pan American Health Organization (PAHO), and United Nations Educational, Scientific and Cultural Organization (UNESCO) also contribute to innovative health and education programs. The World Food Program and the European Union contribute substantial food and foreign exchange resources to enhance household food security.

**Beneficiaries:** USAID programs reach two million women and children under the age of five. The population program reached 750,000 beneficiaries, while the humanitarian assistance reaches one million beneficiaries per day (one-seventh of the population). This program is expected to decrease over the next four to six months as the economy begins to recover. Nearly 1,300,000 children directly benefited from improvements in primary schools.

**Principal Contractors, Grantees or Agencies:** USAID health program is implemented by a U.S. firm, Management Sciences for Health (MSH), coordinating activities through many local NGOs. The humanitarian assistance program is implemented through U.S. private voluntary organizations (PVOs) (Cooperative for Relief Everywhere (CARE), Adventist Development and Relief Agency and Catholic Relief Services) and a local transportation contractor. The education program is implemented through a cooperative agreement through a local umbrella NGO, Fondation Haitienne de l’Enseignement Privé (FONHEP), representing all private schools, while U.S. for-profit firms (Mitchell Group Inc., Research Triangle Institute), provide technical assistance.

**Major Results Indicators**

	<u>Baseline</u> (1994)	<u>Target</u> (1998)
Infant mortality per 1,000 live births	74	65
Total fertility rates	4.7	3.8
Malnutrition rates, children 0-23 months	22%	12%
Numeracy, literacy rates	*	*

\* Indicators for the new project under design.

## ACTIVITY DATA SHEET

**PROGRAM:** HAITI

**TITLE AND NUMBER:** Improve Agricultural Productivity and Environmentally Sound Resource Management, 521-S004

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$9,660,000 ESF

**INITIAL OBLIGATION:** FY 1995 **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To improve agricultural productivity and environmental management.

**Background:** Haiti's extreme environmental problem is driven by three fundamental constraints: poverty, population pressure and weak governance. Massive environmental degradation undermines short- and long-term prospects for achieving greater political and social stability, food security and sustainable economic growth. Widespread deforestation has resulted in soil erosion, which has become one of the major constraints to agricultural production. During the past decade, approximately 30 million trees were lost each year to 180,000 charcoal makers who produce charcoal as a last alternative for income and domestic energy needs. Twenty-five of the 30 major watersheds are severely degraded with less than 3% of the forest remaining mostly in a pine forest in the southeast. Due to soil loss which follows massive deforestation, the equivalent of 15,000 acres of arable land are lost annually. Erosion loads rivers with sediments, undermining infrastructure and destroying coastal habitats which seriously threaten the environmental underpinning of economic growth.

**USAID Role and Achievements to Date:** Without interruption, USAID over the last 15 years has continued to support environmentally sound agricultural activities. Support is premised on the linkage between resource management and increasing household income for program sustainability. During the 1980s, more than 80 million trees were distributed to, and planted by, 250,000 farm families. These trees and their offspring continue to supplement the incomes of these families while protecting productive hillsides. The environmental and agricultural portfolio reaches about 750,000 rural people with sustainable technologies, improved seed and better organizational skills. USAID will build on these successes as it implements an integrated sustainable agriculture and environmental sustainable program called Agriculturally Sustainable System and Environmental Transformation 2000 (ASSET).

**Description:** The ASSET program comprises activities that contribute to four major program outcomes: (1) the establishment of a framework for environmentally, sound development through support for the development and implementation of a national environmental action plan (NEAP) and institution building in the Ministries of Agriculture and Environment; (2) support for extension services that increase the use of sustainable hillside agricultural production practices and incomes of farmers through expanded tree crops and food production linked to reliable marketing systems; (3) creation of a community forestry corps and support to local public sector institutions for empowering communities in natural resources management; and (4) interventions in liquid and solid waste management that will improve environmental quality in targeted urban locations.

**Host Country and Other Donors:** The Prime Minister's Office and other concerned Haitian ministries will coordinate the implementation of the ASSET. The United Nations Development Program, FAO, World Bank, and the Inter-American Development Bank will contribute to the development of the national environmental action plan, capacity building within the government, and efforts in the energy sector. The World Bank supports the environment and rural poverty program which involves the management of national parks, reforestation, and a communal development fund. FAO is providing technical assistance for agricultural sectoral planning and distribution of production inputs (seeds, fertilizer). USAID will continue to serve as co-leader with the UNDP in facilitating meetings of the consultative group on the environment.

**Beneficiaries:** The direct beneficiaries of USAID-funded interventions include 650 farmer groups representing 150,000 farmers supported by nongovernmental organizations (NGOs) in resource and environmental management activities (20% participation by women farmers). Over two million people will receive environmental awareness information or will participate in innovative farmer-oriented soil conservation, watershed management and agroforestry programs. Over 10,000 people will have received access to improved sanitary waste disposal facilities.

**Principal Contractors, Grantees or Agencies:** USAID implements activities through U.S. institutional contractors, CHEMONICS and the Southeast Consortium for International Development, several U.S. PVOs including the Pan American Development Foundation and CARE, the Inter-American Institute for Cooperation on Agriculture, many indigenous NGOs, and the Ministries of Agriculture and Environment.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
National Environmental Action Plan	Draft (1995)	Implemented (1998)
Increase in agricultural productivity	1.0 (1995)	1.14 (1998)
Number of trees planted (million)	4.5 (1994)	37.5 (1998)
Land under environmentally-sound cultivation (1,000 hectares)	60 (1998)	143 (1998)

## HONDURAS

**FY 1997 Development Assistance: . . . . . \$21,149,000**  
**FY 1997 P.L. 480 Title II Assistance: . . . . . \$4,611,000**

### **Introduction.**

U.S. interests in Honduras are driven by the country's proximity to the United States, a desire for a stable democratic system with protection of human rights in this close hemispheric neighbor, expanding trade and investment opportunities, high levels of illegal immigration, narcotics transit, global environmental and health threats, and strong Honduran support for U.S. foreign policy issues in international fora. Located in a recently strife-ridden region, Central America, Honduras is undertaking broad political and judicial reforms, thus rapidly deepening its democratic processes. Poverty-driven illegal migration of Hondurans to the United States is a growing problem, as is smuggling of other illegal aliens. Honduran cooperation in curtailing both alien smuggling and drug transit operations has been excellent. Recent economic and political reforms have turned Honduras into a growing market for U.S. exports and investment. As a current member of the United Nations Security Council, Honduras strongly supports U.S. foreign policy efforts, recently assisting with peace-keeping forces, Cuban refugees, Haiti, Iraq, and Kuwait. Important U.S. global interests include destruction of biodiversity and tropical rain forests, high levels of human immunodeficiency virus (HIV) and acquired immune deficiency syndrome (AIDS) infection, and high population growth rates.

### **The Development Challenge.**

Honduras, the fourth poorest country in Latin American, has a per capita gross domestic product (GDP) of \$673. Over 65% live below the poverty line, and barely half of adults have completed primary school. Roughly 4% to 5% of infants die before reaching their first birthday, while 40% of preschool children suffer chronic malnutrition. While severe poverty persists, Honduras is making solid progress, but needs continued external assistance to maintain momentum.

Honduras is a strong economic performer, showing real progress in politically difficult, market-oriented policy reforms over the past seven years. These have led to positive economic growth trends. Reforms to free the exchange rate, liberalize trade, decontrol prices and interest rates, reduce public deficit, and control inflation led to annual growth of 5% in the three years prior to 1994. Unfortunately, the GDP declined by 1.5% in 1994 due to 1993 election-year fiscal excesses, a drop in banana exports, plunging world coffee prices, and a severe 1994 drought, which damaged agriculture and created a very serious electricity shortage. Government of Honduras (GOH) efforts to maintain and deepen reforms in 1994 and 1995 were rewarded with growth of 3.6% for 1995. Inflation, which reached 30% in 1995, is a continuing problem. External debt is also a serious concern. As a result of prior forgiveness, the United States holds very little bilateral debt. Solid economic reform performance makes Honduras eligible for Paris Club bilateral debt rescheduling early in 1996, however much of the debt is owed to multilateral organizations. The basic economic framework for growth now is in place; the challenge is diligent implementation of the framework and ensuring that the poor have access to the new opportunities offered by the changing economy.

Honduras is a very strong performer in terms of democratic reforms to eliminate corruption, reduce the military's grip on society, improve the judiciary, increase public participation, and promote civil society. Fundamental, historic reforms of the justice system are under way. For the first time in history, the GOH, through its new Public Ministry, is actively investigating and prosecuting criminal cases against corrupt judges, powerful civilians, and military functionaries, some of whom have been incarcerated. Congress currently is considering landmark legislation to radically reform the criminal procedures code, move towards an accusatory system, revise the penal code, and amend the Constitution to depoliticize the selection of Supreme Court justices. The GOH recently abolished the military draft, eliminated military involvement in other ministries, civilianized the investigatory police and is in the process of civilianizing all police forces. Mayors, who in 1993 for the first time were elected separately from the national ticket, now are more responsive to constituents instead of party bosses. Efforts are under way to separate Congressional

elections from the national ticket. Rapidly increasing public confidence in democratic processes is evidenced by far greater use of the courts and by attendance in open town meetings. The GOH is actively supporting and cooperating with the programs of nongovernmental organizations (NGOs) in poverty alleviation, community development, vocational training, health care and nutrition, environmental protection, trade issues, judicial reform, governance, and protection of human rights. Honduras has embarked on a comprehensive and ambitious democratic reform program and already has made dramatic changes. The difficult challenge is maintaining the momentum needed to successfully implement the ambitious program.

Strong GOH commitment to poverty alleviation is demonstrated by allocation of over 30% of its budget to social sector investments in health, education, and social welfare. These investments are paying off: the incidence of poverty fell from 74.8% in 1991 to 67.2% in 1994. Honduras leads the region with over 94% of its children vaccinated against childhood diseases. Infant mortality per 1,000 live births decreased from 85 in 1979, to 50 in 1989, and is currently estimated at 45. Over 70% of children now graduate from sixth grade compared to only 44% in 1986. While progress is impressive, infant and maternal mortality and fertility remain unacceptably high while water and sanitation coverage reaches only 76% of the population. Secondary and vocational schools can accommodate only 30% of the children graduating from primary school. Until 50% of the Honduran work force receives at least a basic 12-year education, there is little hope for rapid economic development and poverty alleviation in the country.

Environmental exploitation has cost Honduras half of its ten million acres of broadleaf forest and 40% of its volume of commercial pine timber. Water supplies are endangered by inadequate rural watershed management and poor municipal sewerage and refuse disposal. Environmental protection, a relatively new concept for Honduras, is not a high priority for government or the public. Furthermore, while the GOH is establishing the basic legal framework, legal mechanisms to redress abuses are weak. In addition, technologies for sustainable management of natural resources currently are not well known, let alone, widely practiced. The challenge now is to adopt new reforms and incentives to strengthen the legal framework, to ensure that the framework is implemented effectively, and to continue aggressive extension of sustainable natural resources management practices.

To summarize, Honduras is making the difficult policy reforms and budget allocations needed to stimulate development. While progress is accelerating, given its low starting point, Honduras requires continued strong external assistance to achieve self-sustaining development. Discussions of graduation from traditional development assistance are at least a decade away.

#### **Other Donors.**

USAID collaborates closely with the other donors, particularly with multilateral organizations. In 1994, the United States, which provided \$42 million, or about 14% of total disbursements to Honduras, was the third leading donor behind the World Bank and Japan and ahead of the Inter-American Development Bank (IDB) and Spain. The dramatic cuts currently planned would drop the U.S. share well below 10% and would severely limit the ability of USAID to achieve its strategic objectives.

#### **FY 1997 Program.**

USAID's four strategic objectives for Honduras align with overall agency goals and directly address Honduras' main development challenges. Furthermore, they support key U.S. interests in the areas of democratization and protection of human rights; broad-based economic growth, which is reducing the stimulus for illegal migration as well as improving the climate for U.S. trade and investment; and reduction of global threats from overpopulation, spread of HIV/AIDS, and environmental destruction.

In addition to U.S. interests and agency goals, USAID's strategic priorities in Honduras are shaped by sector needs, opportunities, and potential for achieving sustainable results. Top priority is given to improved democratic processes and broad-based economic growth, two areas in which the GOH has shown deep

commitment by undertaking significant reforms. Continued budget cuts threaten cancellation of environmental strategy activities, substantial declines in support for health and family planning programs, and delay of results in other areas.

#### **Agency Goal: Encouraging Broad-based Economic Growth**

A robust economy and sound policy framework are necessary, but not sufficient, to ensure that lower-income groups will benefit from economic growth. Access to land, credit, technology, markets, basic education, and health care is essential to break the poverty cycle and enable all Hondurans to achieve their full economic potential. Widespread achievement of this potential will stimulate broad-based economic growth, a goal targeted by two of USAID's strategic objectives for Honduras. The USAID strategy to alleviate poverty, which works through partnerships with NGOs and the GOH, has four components: (1) expanding access and improving the functioning of markets through policy reforms, land titling, and privatizing state-owned enterprises; (2) empowering the poor by providing technical assistance and credit to small farmers, rural farmer-owned businesses, microenterprises, and small businesses; (3) investing in people by improving educational and training programs for low-income groups; and (4) improving delivery and increasing use of health care services and rural water and sanitation systems. With USAID assistance, in 1995 the GOH issues 9,463 land titles, a quarter to women, compared to 4,205 in 1994. The success of the more than 75,000 loans to low income groups by USAID-supported NGO programs in 1995 is evidenced by strong demand for the loans and prompt repayment by borrowers. The 30,000 graduates of USAID-assisted NGO and GOH vocational training programs, 35% women, are now employed with incomes increased by some \$1,000 annually. Though the USAID-supported AIDS prevention program is new, condom distribution increased by 154% from 1990 to 1995. While these recent results are encouraging, achievement of self-sustaining, broad-based economic growth and poverty alleviation in Honduras will require the sustained strong GOH commitment to implement reforms and programs, continued financial support for major NGO activities, strong support from USAID and other donors, and control of inflation.

- Strategic Objective 1: Enhanced Economic Participation and Increased Incomes for the Poor
- Strategic Objective 3: Improved Family Health

#### **Agency Goal: Protecting the Environment**

Exploitation of forests and soils without regard to sustainability is already affecting the lives of Hondurans, as dramatically illustrated by the 1994-95 electricity crisis. The GOH agrees that sustainable growth of agricultural and timber production and maintenance of water supplies depend on environmental protection. With USAID assistance, the GOH is establishing the basic legal framework for halting natural resources degradation. USAID's strategy for Honduras has three elements: (1) partnering with the GOH forestry agency and NGOs to implement sound forest-management policies and practices; (2) working with CARE, Peace Corps, and the GOH to encourage adoption of hillside farm practices that both increase farm incomes and better protect soil and other natural resources; and (3) assisting NGOs and the GOH with improved management of Honduras' protected areas. Results include an increase in effectively managed forest area from zero in 1989, to 573,000 acres in 1995. The number of hillside farmers using environmentally sound cultivation practices increased from 16,000 in 1993 to 25,000 in 1995. These farmers increased their annual productivity by 30% and their on-farm incomes by 50% while reducing annual soil erosion losses by 2.7 million tons. Unfortunately, continued USAID support for these programs is threatened by budget cuts.

- Strategic Objective 2: Effective Stewardship of Key Natural Resources for Sustainable Economic Growth

### **Agency Goal: Stabilizing Population Growth and Protecting Human Health**

Stabilizing population growth and protecting human health is vital to the well-being of Honduras, a poor country struggling to address the needs of a population growing at 2.7% per year. Since family planning and health care have been a major factor in reducing infant and maternal mortality in Honduras, USAID's strategic objective supporting this goal focuses on improved family health, specifically reducing fertility, infant and maternal mortality, and malnutrition, while stopping the growth of HIV seroprevalence. Thus, an integrated SO addresses both population and health objectives. Programs are aimed at improving delivery and increasing use of health care services as well as expanding and improving rural water and sanitation systems. Though the USAID-supported AIDS prevention program is new, condom distribution increased by 154% from 1990 to 1995. USAID works in partnership with both the public and private sector to extend services, particularly to rural areas and to achieve sustainability of indigenous NGOs such as the Honduras Family Planning Association which currently provides 60% of the family planning services in Honduras. Results are encouraging, total fertility declined from 5.1 children per woman in 1991 to an estimated 4.7 in 1995. However, family planning efforts are constrained by lack of an official GOH reproductive health policy, by opposition groups, and by reductions to USAID's population budget.

- Strategic Objective 3: Improved Family Health

### **Agency Goal: Building Democracy**

Honduras is not a mature democracy, though it has had four open and fair elections with peaceful transfers of power since 1981. The USAID strategy has three elements; (1) improving judicial systems; (2) developing more responsive and effective municipal government; and (3) promoting democratic values. To improve judicial systems, USAID is working in partnerships with the Attorney General and Public Ministry, the Human Rights Commission, the Court, and NGOs to gain passage and subsequent implementation of fundamental legislative reforms. The reforms will depoliticize the Court, improve the integrity and quality of Court officials, and ensure that the rule of law prevails. At the local level, USAID works with municipalities, NGOs and universities to improve local governance, increase citizen participation in decision-making, and expand coverage of basic municipal services like water, sanitation, and refuse collection. USAID promotes democratic values by enabling selected Honduran leaders to experience first hand U.S. political and economic systems, values, and cultures. USAID-assisted programs are achieving impressive results; the Honduran public rapidly is becoming empowered. In a September 1995 Gallup poll, 71% of educated adults opined that the new Public Ministry was strengthening the independence of the judiciary. Official citizen complaints filed with investigative and prosecutorial agencies increased from 1,000 in 1993 to over 20,000 in 1995. Average attendance at open town meetings increased from virtually zero in 1990 to 166 in 1996. Local government is becoming more responsive to citizens needs; for example, the proportion of municipal budgets going to potable water, sewerage and other capital projects increased from 15% in 1991 to 44% in 1995. While public enthusiasm and presidential support is strong, there is resistance to judicial reform from some privileged elites and reluctance by some elements of the central government to relinquish power to local municipalities. To maintain current momentum, continued strong U.S. political and financial support is essential.

- Strategic Objective 4: More Responsive Democratic Processes with Greater Citizen Participation

**HONDURAS  
FY 1997 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
<b>USAID Strategic Objectives</b>						
<b>1. Enhanced Economic Participation Dev. Assistance</b>	\$5,000,000			\$100,000		\$5,100,000
<b>2. Effective Stewardship of Key Natural Resources Dev. Assistance</b>			\$4,000,000	\$100,000		\$4,100,000
<b>3. Improved Family Health Dev. Assistance P.L. 480 Title II</b>		\$9,649,000		\$100,000	\$4,611,000	\$9,749,000 \$4,611,000
<b>4. Democracy Dev. Assistance</b>				\$2,200,000		\$2,200,000
<b>Total Dev. Assistance P.L. 480 Title II</b>	\$5,000,000	\$9,649,000	\$4,000,000	\$2,500,000	\$4,611,000	\$21,149,000 \$4,611,000

USAID Mission Director: Elena L. Brineman

## ACTIVITY DATA SHEET

**PROGRAM:** HONDURAS

**TITLE AND NUMBER:** Enhanced Economic Participation and Increased Incomes of the Poor, 522-SO01

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$ 5,100,000 DA

**INITIAL OBLIGATION:** FY 1995 **ESTIMATED COMPLETION DATE:** FY 1997

**Purpose:** To reduce the incidence of poverty and stimulate economic growth by opening the economy and providing opportunities to the vast majority of Hondurans who currently are living in poverty.

**Background:** Broad-based economic growth in Honduras is directly dependent on enhanced economic participation, higher productivity, and increased incomes for the over 60% of Hondurans currently living below the poverty line. Access to land, credit, technology, markets, and basic education is essential to break the poverty cycle and enable all Hondurans to achieve their full economic potential. Widespread achievement of this potential will stimulate self-sustaining growth for the economy as a whole. The Government of Haiti is committed to this objective and is removing important constraints to its achievement by undertaking reforms to liberalize markets, to provide land titles to small farmers, and to support credit programs for small farmers and entrepreneurs. Recent experience indicates that low income groups, with proper assistance programs, can take advantage of such reforms, increase incomes, and contribute to economic growth. Major projects under this objective focus on policy reform, small farmer agribusiness and export development, small and microenterprise development, and basic education and skills training. External constraints include persistent high inflation and low education levels, particularly in remote areas.

**USAID Role and Achievements to Date:** USAID provides analytical leadership to GOH policy reform efforts, technical assistance, training, and some capital assistance to nongovernmental organization (NGO) and GOH programs. The incidence of poverty declined slightly in 1994 to 67.2%. In 1995, USAID-supported NGOs made over 36,000 loans to micro and small entrepreneurs, over 70% women. Credit unions participating in USAID programs distributed an additional 40,000 loans to largely low-income members. The productivity of these loan programs is evidenced by strong demand for the loans and high repayment rates by borrowers. The GOH increased its issuance of individual land titles from 4,205 in 1994 to 9,463 in 1995; a quarter of the titles were issued to women. Since 1986, the number of primary school graduates increased 60% while the proportion of children completing primary school increased from 50% to 70%. Furthermore, standardized test scores for grades 1-6 increased by an average of nearly 40%. USAID-assisted improvements to primary education since the 1980s are increasing Honduran incomes by an estimated \$85 million annually. Over 90% of 30,000 graduates from USAID-supported vocational training programs, 35% women, are employed with annual incomes increased by about \$1,000 per graduate, for a total of \$27 million per year.

**Description:** USAID-supported programs are improving the access and opportunities of low-income Hondurans to resources that increase their productivity and income. The policy analysis and implementation program is achieving agricultural price, trade, and land-tenure policies critical to increased incomes and investment. The small farmer export development program transfers production technology and marketing skills to small farmers. Microenterprises, small farmers, and small businesses are receiving improved financial services from credit unions, agricultural cooperatives, farmer-owned enterprises, and a network of NGOs under the small farmer agribusiness and small business programs. USAID also supports alternative basic education and NGO vocational training programs which target low-income, out-of-school youth and adults. Also contributing are related USAID environmental activities promoting sustainable forestry and hillside farming.

**Host Country and Other Donors:** Through its economic reforms and ongoing education and agriculture programs, the GOH is the main contributor to this objective. USAID collaborates closely with other donors. For example, in the agricultural sector, USAID provides technical analysis and local currency

for policy reforms leveraged with funding by the International Monetary Fund, the InterAmerican Development Bank, and the World Bank. In education, USAID coordinates closely with Germany and the World Bank as they replace USAID's assistance to formal primary education while USAID moves into alternative basic and vocational education.

**Beneficiaries:** Primary beneficiaries are the more than 3.5 million Hondurans who are currently below the poverty line, the more than one million school children seeking to achieve their full economic potential as adults, and out-of-school youth and young adults needing alternative basic and vocational education.

**Principle Contractors, Grantees, or Agencies:** USAID will carry out this program through NGOs and U.S. firms, including Agricultural Cooperative Development Intl., Jose María Covelo Foundation, International Center for Economic Growth, Management Systems Intl., Latin American Scholarships Program for American Universities, National Cooperative Business Assn., Accion Intl., Finance Company for Agricultural Cooperatives, Chemonics Intl., Honduran Agricultural Research Foundation, and National Foundation for Honduran Development.

**Major Results Indicators:**

		<u>Baseline</u>	<u>Target</u>
Population living below the poverty line		74.8% (1991)	63% (1996)
Employment in Agriculture, and Services:	Total	1,094,200 (1990)	1,358,400 (1997)
	Females	262,608 (1990)	489,024 (1997)
Number of loans to small and micro-enterprises & small farmers:	Total	50,636 (1993)	81,892(1996)
	Females	27,959 (1993)	50,356 (1996)
Annual number of Land Titles Issued:	Total	1,999 (1993)	10,000 (1997)
	Females	394 (1993)	1,000 (1997)
Primary school graduates per year:	Total	61,700 (1986)	100,000(1996)
	Females	32,600 (1986)	52,000 (1996)

## ACTIVITY DATA SHEET

**PROGRAM:** HONDURAS

**TITLE AND NUMBER:** Effective Stewardship of Key Natural Resources for Sustainable Economic Growth, 522-SO02

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$ 4,100,000 DA

**INITIAL OBLIGATION:** FY 1995 **ESTIMATED COMPLETION DATE:** 1998

**Purpose:** To achieve productive and self-sustaining stewardship of Honduras' forests, water, and soils, its three key natural resources. Effective stewardship can be achieved by establishing proper incentives, empowering effective institutions, and transferring appropriate technologies.

**Background:** Exploitation of Honduras' forests and soils without regard to sustainability is a serious problem, as dramatically illustrated by the country's 1994-95 electricity crisis which clearly demonstrated the fundamental linkage between water conservation and the ability to generate hydroelectricity. Both the nation's water supplies and tourism are heavily dependent on sound management of protected areas. Proper environmental management also is essential to continued and sustainable growth of agricultural and forest production. The GOH understands the importance of environmental protection and is establishing the basic legal framework for halting natural resources degradation. USAID activities include policy assistance, forestry management, enhanced hillside land use and productivity, protected areas management, and support to environmental nongovernmental organizations (NGOs) through the Honduran Environmental Protection Fund. The main external constraints are lack of awareness and low, albeit growing, government and public priority given to environmental protection.

**USAID Role and Achievements to Date:** USAID engages in policy dialogue and provides technical assistance, training, and capital assistance. With USAID assistance, Honduras increased the area of pine forest covered by effective management plans from zero in 1989 to 573,000 acres in 1995. The number of poor hillside farm households using environmentally sound cultivation practices rose from 16,000 in 1993 to just short of 25,000 in 1995. These households increased crop yields by 30% and on-farm income by 50% while contributing to an estimated annual 2.7 million ton decrease in soil-erosion losses. The number of forest reserves and protected areas under long-term management plans increased from two in 1993 to five in 1995.

**Description:** USAID activities focus on stemming destruction of forest and soil resources and improving management of declared protected areas. The USAID policy assistance program supports improved forest, natural resources and environmental policies. The forestry development project demonstrates sound forest management policies and practices in two large model areas, extends these practices countrywide, and strengthens Honduras' system of protected areas. USAID works with a network of NGOs and the GOH Ministry of Natural Resources to promote land-use and cropping systems that are simultaneously more productive and protective of natural resources. USAID support to the Honduran Environmental Protection Fund finances a local NGO network which improves management of protected areas and encourages local environmental initiatives throughout Honduras. Related USAID activities contributing to this objective include family planning and local water, sanitation, solid waste, and watershed protection activities. USAID activities with the justice system and the Public Ministry support the efforts of a special prosecutor for environment.

**Host Country and Other Donors:** Close technical cooperation between USAID, the multilateral banks, Canada, and Germany, especially in forestry, is moving the GOH to a major redefinition of its role in the sector. However, with other crises facing the GOH, the environment is not a high priority, and progress is slowed for lack of financial resources. Concern for the environment is a relatively new concept in Honduras; public awareness of the issue is only beginning to become widespread and legal

mechanisms for redressing abuses are weak. USAID also collaborates closely with the United Nations Development Program (UNDP) under the Honduran Environmental Protection Fund in support of environmental NGOs.

**Beneficiaries:** Primary beneficiaries are Honduras' 150,000-200,000 hillside farm families; the next generation of Hondurans who must depend upon the country's natural resource base for its future economic well-being; and all Hondurans who depend upon surface water for domestic and industrial uses and electricity.

**Principle Contractors, Grantees, or Agencies:** The programs will be implemented by: U.S. Department of Agriculture Forest Service, Planning Assistance, CARE, Honduran Environmental and Development Foundation, The Nature Conservancy, Catholic Relief Service, Chemonics Intl., Global Village, Katalysis, and Tropical Forest Management Trust.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Pine forest effectively managed (hectares)	24,000 (1992)	860,000 (1998)
Hillside households practicing environmentally sound cultivation	11,000 (1989)	40,000 (1998)
Reduction in soil erosion on treated hillside farms (tons)	880,000 (1989)	4,655,000 (1997)
Number of declared protected areas under effective management	1 (1994)	33 (2000)

## ACTIVITY DATA SHEET

**PROGRAM:** HONDURAS

**TITLE AND NUMBER:** Improved Family Health, 522-SO03

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$ 9,749,000 DA; \$ 4,611,000 P.L. 480 Title II

**INITIAL OBLIGATION:** FY 1995 **ESTIMATED COMPLETION DATE:** 1997

**Purpose:** To reduce infant and maternal mortality, malnutrition, and fertility, and to halt growth of HIV seroprevalence by improving delivery and increasing use of services for reproductive health, child survival, and prevention of sexually transmitted diseases. Increased cost recovery, quality of care, and sustainability are crucial to achievement of the objective.

**Background:** Improved family health is vital to the well-being of Honduras, a poor country struggling to address the basic health needs of a population growing at 2.7% per year. Family planning has been a major factor in reducing infant and maternal mortality in Honduras. The Government of Honduras (GOH) is committed to a series of quality and efficiency improvement measures in a decentralized health care system. Family planning efforts are constrained, however, by lack of an official GOH policy on reproductive health and by negative publicity and unfounded press statements by opposition groups. Past experience of both the GOH and nongovernmental organizations (NGOs) supports the feasibility of increasing contraceptive prevalence. Another positive factor is the Catholic Church's restraint in expressing open opposition to condom usage in light of Honduras' serious AIDS pandemic, the worst in Central America. USAID activities include support to the Ministry of Health, assistance to private family planning agencies, a rural water and sanitation program, and a P.L. 480 Title II food security program.

**USAID Role and Achievements to Date:** USAID plays a lead role in the sector, engaging in policy dialogue and providing technical assistance, training, and capital assistance. Infant mortality declined from 85 per 1,000 live births in 1979 to 50 in 1989 and is currently estimated at 45. With vaccination rates for children under one year exceeding 94%, Honduras has the best record in Central America. Rural water and sanitation programs have helped shift diarrheal diseases from the first to the third cause of death among infants. Over 70% of the rural population now have access to potable water. Children aged 12-23 months, who are seriously malnourished, declined from 30% in 1987 to 24% in 1994. Although the USAID-supported AIDS prevention program is new, condom distribution increased by 154% from 1990 to 1995. The total fertility rate declined from 5.1 in 1991 to an estimated 4.7 in 1995. Total contraceptive prevalence in women increased from 47% in 1991 to an estimated 50% in 1995. The use of modern methods of contraception is estimated at 39%.

**Description:** Of the total development assistance funding requested for population and health, \$4,893,000 is planned for population activities and \$4,756,000 is planned for health activities. USAID supports a variety of interventions, including vaccination programs, oral rehydration therapy, maternal health care, construction of rural water and sanitation systems, and reform of the water and sanitation authority. Particular attention is going to achieving sustainable delivery of services. The national AIDS prevention program promotes preventive practices, including condom use. Ten USAID grants support AIDS prevention activities of Honduran NGOs, Ministry of Health entities, and the municipality of San Pedro Sula. The P.L. 480 Title II program implemented through CARE focuses on improving nutritional status and food security in the neediest regions of the country. USAID's family planning activities with the Ministry of Health and the private sector Honduran Family Planning Association are expanding access and quality of services, with the goal of increased use of modern family planning methods and greater financial self-sufficiency of the Association. Related USAID activities, which increase incomes of the poor, will contribute directly to improved family health.

**Host Country and Other Donors:** Despite its austere financial reform program, the GOH is committed to developing high-quality, health services for its citizens. Weak management systems within the Ministry of Health remain a challenge to an effective and sustainable public health system. USAID coordinates its water and sanitation activities with the Inter-American Development Bank and the World Bank. Each donor also supports social safety-net programs through contributions to the Honduran Fund for Social Investment. USAID coordinates with the IDB on AIDS prevention assistance and interventions, and with the cooperative programs of Japan, United Nations Children's Fund, the European Union, and the Spanish Technical Cooperation on child survival interventions.

**Beneficiaries:** Primary beneficiaries are women and children in low-income Honduran families, which currently lack access to quality reproductive health and family planning, and child survival services. Approximately 128,000 children and adults receive nutrition supplements. Roughly 743,000 rural residents benefit from water and sanitation activities. Beneficiaries of the AIDS prevention program are the high-risk groups, including female factory workers in major cities, the Garffuna ethnic group (of African heritage).

**Principle Contractors, Grantees, or Agencies:** The programs will be carried out through U.S. firms and private voluntary organizations (PVOs), including CARE, Management Sciences for Health, Family Health Intl., Honduran Family Planning Assn., Population Council, Intl. Planned Parenthood Federation, John Snow Inc., Futures Group, Johns Hopkins Univ., Centers for Disease Control, and Partnership for Child Health.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Infant mortality per 1,000 live births	50 (1989)	40 (1997)
Maternal mortality ratio per 100,000 live births	221 (1989)	180 (1997)
Malnutrition among children 12-23 months of age	30.2% (1987)	22.5% (1997)
Rates of HIV infection in high-risk groups	14% (1991)	13% (1997)
Total fertility rate (Average number of live births per women)	5.6 (1987)	4.6 (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** HONDURAS

**TITLE AND NUMBER:** More Responsive Democratic Processes, With Greater Citizen Participation, 522-S004

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$ 2,200,000 DA

**INITIAL OBLIGATION:** FY 1995 **ESTIMATED COMPLETED DATE:** 1997

**Purpose:** To promote the rule of law, greater citizen participation at both national and local levels, and government that is freely elected, transparent, accountable, and responsive. To achieve this objective, USAID strengthens democratic institutions, promotes citizen participation, and introduces selected Hondurans to U.S. democratic values and systems.

**Background:** In the past, corruption, nonresponsive and centralized government, weak judiciary, and lack of citizen participation plagued Honduran development efforts and discouraged investment. However, the situation in Honduras is changing rapidly, supported by the current President's demonstrated dedication to a "moral revolution." Continued strong U.S. assistance is a crucial factor to the success of this process. USAID activities include strengthening democratic institutions, municipal development, and democracy training in the United States. Principal constraints are resistance of some privileged elites to judiciary reform and reluctance by central government agencies to relinquish power to municipalities.

**USAID Role and Achievements to Date:** USAID engages in policy dialogue and provides technical assistance, training, and capital assistance. Achievements to date are impressive. The Public Ministry, established in 1993, is recognized as an effective force against corruption and impunity. Cases adjudicated by the Courts involve for the first time accusations against high-level civilian and military functionaries, some of whom have been incarcerated. In 1995, the Public Defenders program, developed with USAID assistance, gained the release of some 600 prisoners who were being held without formal charges. The Congress is currently processing legal reform bills to provide greater independence of the judiciary from vested political and economic interests, as well as a new, more transparent, adversarial criminal procedures code. Citizens are participating in the process. The public's filing of official complaints with legal authorities has reached record levels, over 20,000 in 1995 compared to less than 1,000 in 1993. While open town meetings were unheard of in 1990, average participation grew to 166 individuals per meeting by 1995. Local government is becoming more responsive to citizens needs. For example, the proportion of municipal budgets going to capital projects increased from 15% in 1991 to 44% in 1995. As a result, municipal population provided with water, sewerage and refuse collection increased from 17% in 1991 to 29% in 1995. In FY 1995, an additional 124 Hondurans received democracy training in the United States.

**Description:** The USAID-supported 1990 Municipal Law already has led to a restructuring in the relationship between the central and municipal governments. The strengthening democratic institutions program supports the Public Ministry, justice sector reforms, strengthening of Supreme Court and lower courts, and public participation in the justice system. The municipal development program is increasing citizen participation in local government decision-making and improving local governments' ability to respond to constituents. The Honduras Peace Scholarships Program continues to provide selected Honduran leaders opportunity to learn first-hand about U.S. political and economic systems, culture and values. Related USAID activities which increase income and education of the poor also enable them to participate more effectively in democratic processes. P.L. 480 Title II food-for-work activities provide roads, markets and other infrastructure as well as addressing food security constraints in the poorest municipalities in the country.

**Host Country and Other Donors:** USAID coordinates closely with the Inter-American Development Bank's administration of justice project and with the IDB and Germany in supporting municipal water and sanitation activities.

**Beneficiaries:** All Hondurans benefit, especially the politically, socially, and economically disadvantaged and those who historically have suffered from a corrupt and ineffectual justice system.

**Principle Contractors, Grantees, or Agencies:** USAID assistance will be implemented through U.S. and Honduran institutions and organizations, including the following: Florida Intl. Univ., Georgetown Univ., Association of Honduran Mayors, Honduran Foundation for Municipal Development, Central American University of Technology, University of San Pedro Sula, and a U.S. institutional contractor to be determined.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Percentage in public perception that the Judicial System is more independent of vested political and/economic interests	16% (1994)	50% (1997)
Criminal cases prosecuted by the Public Ministry and adjudicated by the Courts	0 (1993)	700 (1997)
Community attendance at town meetings	0 (1990)	200 (1997)
Percentage of municipal budgets going to capital projects	15% (1991)	60% (1997)
Number of participants who have completed the "Experience America" program	234 (1986)	2,795 (1997)

## JAMAICA

**FY 1997 Development Assistance:.....\$12,800,000**

### **Introduction.**

The United States has a strong interest in the economic health and political well-being of Jamaica based on geographic proximity and significant trade and investment relations. Located 500 miles south of Miami, Jamaica is a long-standing, multiparty democracy and a Caribbean regional leader on issues of importance to the United States. Nearly two-thirds of Jamaica's imports are from the United States. By assisting Jamaica in its development and maintenance of a strong, stable Jamaican economy, the U.S. Government protects existing U.S. investments and markets in Jamaica and fosters opportunities for expanding the already strong Jamaican market for U.S. goods and services. The U.S. interest in promoting a solid Jamaican economy and society is also based on shared regional security concerns (demonstrated by Jamaica's deployment of peacekeeping troops to Haiti), ties through immigration, and a common commitment to democracy. With more than one-third of Jamaica's population of 2.5 million living in poverty, sustainable, broad-based growth is critical to improving the standard of living of the poor to a level that can ensure long-term social and economic stability and economic growth for Jamaica.

### **The Development Challenge.**

In 1995, the Government of Jamaica (GOJ) ended its formal 15-year structural adjustment arrangement with the International Monetary Fund (IMF). Under Jamaica's structural adjustment program, the government implemented macroeconomic policy reforms that have laid the foundation for a market-oriented economy with emphasis on exports and investment. Tariff rates have been reduced, quantity restrictions eliminated, and price controls and food subsidies abandoned. These policy reforms, complemented by the liberalization of the foreign exchange regime (in September 1991), and improved monetary and fiscal policies, provide the basis for Jamaica to become a fully open, market-driven economy, supported by democratic institutions. However, the significant progress made toward Jamaica's macroeconomic health is contrasted by deteriorating living conditions for the majority of Jamaicans. While economic growth has averaged one percent since 1991, it has been stagnant in per capita terms. Additionally, the increase in the numbers of poor people corresponds with one of the most unequally distributed incomes in the world. In view of these trends, Jamaica's challenge will be to ensure sustainable growth and participation by low-income groups in the growth process. That challenge is intensified by Jamaica's large external debt (totaling about \$4 billion, including \$670 million to the United States), the servicing for which consumes greater than 40% of the GOJ's annual budget.

Jamaica's leading source of foreign exchange is tourism, and most visitors are from the United States. Other principal foreign exchange earners (bauxite, sugar, and bananas) have suffered from world market declines. However, non-traditional exports have displayed a robust, upward trend and hold promise for the future. Jamaica's economic dependence on tourism, bauxite, and agriculture has generated a wide range of negative impacts on the country's natural resource base, including deforestation, soil erosion, pollution, and dwindling marine resources which threaten the very existence of these key sectors. Although Jamaica's health statistics are relatively good, chronic diseases, AIDS, and other sexually transmitted diseases are significant problems. Of extreme concern is a continuing dramatic decline in the basic educational level of the Jamaican population which compromises the ability of the work force to build a modern growth-oriented economy. Although unemployment in Jamaica has decreased from 25% in the early 1980s to 15% in 1995, most labor is absorbed by the informal sector where wages are extremely low. Jamaica's long-term development prospects are dependent on its ability to provide equitable growth, reduce poverty, earn foreign exchange, conserve its natural resources, and generate productive employment for a healthy citizenry.

With Jamaica's solid progress in macroeconomic reform and the new priority placed by the government and donors on poverty alleviation and reduction, USAID foresees a need for a continued, traditional development assistance program in Jamaica for five to eight years.

#### **Other Donors.**

USAID and the donor community pledged over \$100 million in FY 1995 for development activities in Jamaica. The United States is the largest bilateral donor. Other major donors include: the World Bank, the Inter-American Development Bank, United Nations agencies, the European Union, Canada, Japan, Netherlands, United Kingdom, and Germany.

#### **FY 1997 Program.**

USAID's overall goal is to assist Jamaica to achieve broad-based, sustainable economic growth. USAID's program strategy is to increase participation for equitable economic growth, to improve environmental quality and natural resource protection, and to achieve smaller, better educated families. These three priority areas emerged as a result of USAID's efforts to consolidate and concentrate its portfolio in critical areas where it could make a significant impact in coordination with other donors. USAID's previous experience and technical capabilities in these areas were also important criteria for the selection of these priorities.

USAID's program is consistent with agency goals and supports U.S. interests. Increased economic growth and its equitable distribution will improve the purchasing power of Jamaican consumers in a country where demand for U.S. goods and services is already strong and has great potential for increasing. A stronger, more stable Jamaican economy also would reduce the strong trend of immigration to the United States (both legal and illegal). Implicit in improving Jamaica's environmental quality is the protection of the country's fragile land and shared Caribbean Sea resources, as well as threatened species which are important to maintaining biodiversity within the hemisphere. These benefits are shared by all who live in and visit Jamaica, including the Americans who make up the vast majority of Jamaica's visitors. Enhancing family planning and improving education will help create a productive population. Overall, USAID's program aims to help create a strong, balanced economy which in turn will protect existing U.S. investments in Jamaica and provide opportunities for a growing Jamaican market for U.S. products. If funding is reduced from planned levels, some activities would be jeopardized, including support for agricultural exports, urban pollution abatement, national park development, family planning, and AIDS and sexually transmitted disease (STD) prevention.

#### **Agency Goal: Encouraging Broad-based Economic Growth**

Jamaica has one of the most unequal patterns of income distribution in the world. Accordingly, USAID's program focuses on economic growth and equity. Activities carried out in 1995 generated significant results toward achieving broader, more efficient markets and increased economic opportunities through privatization, enhanced export production and improved services to tourism. Privatization of a construction company and vinegar plant has brought the total value of GOJ entities divested in 1995 to \$40 million, exceeding USAID's target by 110%. USAID assistance to develop agricultural exports contributed to the production of 1,300 tons of coffee valued at \$3.5 million. Supported by USAID, cocoa production in 1995 was 1,300 tons, an increase of 38% over the previous year. Under a USAID-U.S. Department of Agriculture program, 5,677 tons of produce were pre-cleaned for export to the United States, an 11% increase over the previous year. A USAID-funded activity increased water supply to the key tourist area of Negril by 3.5 million gallons of water per day to enable expansion of tourism and to meet local demand. In FY 1997, USAID priorities will be completion of the privatization component, sustainability of the USAID-USDA agricultural pre-clearance program, and completion of the USAID-Japan co-financed North Coast highway.

- **Strategic Objective 1: Increased Participation for Equitable Economic Growth**

### **Agency Goal: Protecting the Environment**

USAID's program is targeted at conserving the resources upon which Jamaica's stable and sustainable long-term development depend. USAID's emphasis is to strengthen public and private environmental management organizations in Jamaica, to help develop a sustainable national park system, to improve agricultural management, and to upgrade sanitation and water services in key tourist areas. Significant results were achieved in 1995. With USAID assistance, a management plan was completed for Jamaica's first environmental protection area, Negril's 30,000 acre watershed. Its establishment is a critical step toward limiting the spontaneous development which is encroaching upon this key tourism area's fragile ecosystem. Visitors at two national parks established with USAID assistance exceeded the projected level of 75,000 in 1995. Jamaica's Natural Resources Conservation Authority delegated the authority to the Montego Bay Marine Park Trust to manage the Montego Bay Marine Park, an important precedent for local management of national parks and protected areas. A USAID-financed policy paper, that proposes a national protected area system for 30 % of the nation's land mass, is now being formally considered by the GOJ. When enacted, the policies embodied in this paper will have far-reaching impact on the planning, protection and management of the nation's natural resources and biodiversity. In FY 1997, USAID's priorities will include establishment of parks and protected areas, sustainability of the watershed soil conservation program, and completion of a program to introduce appropriate sewage disposal solutions to low-income families.

- Strategic Objective 2: Improved Environmental Protection and Natural Resource Management

### **Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

USAID is helping Jamaica to develop sustainable health, family planning and education programs. USAID has had a critical role in Jamaica's family planning program, which has led to a decline in the total fertility rate from 5.6 live births per woman to 3.0 live births in the past 25 years. In 1995, a USAID-funded media campaign resulted in a 33% increase in oral contraceptive sales and a 13% increase in depo-provera use. To reduce the spread of AIDS and STD, condoms are distributed at 72% of retail outlets, an increase from 67% in 1993. Eighty-three individuals from two new target groups - - pastors and workplace supervisors -- received sensitization and counseling training on HIV/AIDS that will ensure a broader level of care and support for HIV/AIDS patients. USAID also supports the government's efforts to strengthen health care management and to ensure access by the poor. In 1995, with USAID support, a pilot hospital program led to cleaner pilot hospitals with more service-oriented staff and motivated managers. Recently-installed income assessors now assure that those who cannot afford to pay the new fees are not denied needed services. Hospital self-financing, a USAID measure for improved management, rose to 12% in the reporting period, up from 10% in 1993. Hospitals have improved flexibility to budget and plan following the increase in fee collections. Other reform measures are having an impact on health care sustainability, with 81% of ambulatory care now being provided by private health workers and 78% of short-term contraceptives being purchased by consumers. In FY 1997, USAID's priorities include shifting of financial costs of contraceptive prevalence from donors to the government and private sector, a further decrease in the growth of AIDS HIV transmission rates, and an improvement of literacy standards among young Jamaicans.

- Strategic Objective 3: Smaller, Better-educated Families

### **Agency Goal: Building Democracy**

The USAID program also supports judicial reform. USAID chose to limit its judicial reform support after a 1991 sector assessment rated Jamaica's democratic institutions and practices as relatively strong. Instead of pursuing a strategic objective in this area, USAID has targeted specific activities including sponsorship of a forum that addressed electoral reform, a study of electronic voter registration and voting, and a program of judicial modernization under the Sustainable Justice Reform project. The project, which ends in 1996, has successfully improved court and justice administration, including

programs for cost recovery, docket management, courthouse consolidation, administrative policy reform, public education and alternative dispute resolution. These efforts are expected to boost the level of confidence in the justice system. Other donors are assisting in the area of good governance. The IDB is financing GOJ administrative reform and United Nations Development Program (UNDP) is funding a study on improving GOJ operations.

- **Special Objective: Enhanced Democracy and Governance**

**JAMAICA  
FY 1997 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
<b>USAID Strategic Objectives</b>						
<b>1. Increased Participation for Economic Growth Dev. Assistance</b>	<b>\$3,910,000</b>		<b>\$148,000</b>			<b>\$4,068,000</b>
<b>2. Improved Environmental Protection and Natural Resource Management Dev. Assistance</b>			<b>\$3,622,000</b>			<b>\$3,622,000</b>
<b>3. Smaller, Better Educated Families Dev. Assistance</b>	<b>\$605,000</b>	<b>\$4,505,000</b>				<b>\$5,110,000</b>
<b>4. Other (Democracy and Governance)</b>						
<b>Total Dev. Assistance</b>	<b>\$4,525,000</b>	<b>\$4,505,000</b>	<b>\$3,770,000</b>			<b>\$12,800,000</b>

USAID Mission Director: Carole Henderson Tyson

## ACTIVITY DATA SHEET

**PROGRAM:** JAMAICA

**TITLE AND NUMBER:** Increased participation for equitable economic growth, 532-SO01

**STATUS:** Continuing

**PROPOSED OBLIGATION & FUNDING SOURCE:** FY1997 \$4,068,000 DA

**INITIAL OBLIGATION:** FY1995 **ESTIMATED COMPLETION DATE:** FY1998

**Purpose:** To increase exports and investment, to expand sources of foreign exchange and employment, to diversify ownership and products, to deepen linkages between exporters and local producers, and to improve productivity and competitiveness, especially among small and micro businesses.

**Background:** Jamaica's efforts to liberalize its economy and open its markets have laid the foundation for strong and vibrant growth. However, given Jamaica's heavy debt burden, coupled with its import dependency, special efforts to increase foreign exchange earnings through an export-oriented economic growth strategy will be required. Broad participation of all segments of the society in a trade-led growth strategy is required to minimize the negative social impacts of structural adjustment. This can be facilitated by emphasizing employment creation as an important element of the strategy. Despite positive policy reforms, the private sector response to date has been mixed. High interest rates, high inflation, high taxes, excessive government regulation, and low worker productivity are still inhibiting business confidence and investment.

**USAID Role and Achievements to Date:** USAID support has included provision of technical assistance and training to Jamaican public and private sectors, and nongovernmental organizations (NGOs) to promote privatization, to increase foreign exchange earnings, and to assist microentrepreneurs and farmers. Divestment proceeds from privatization of GOJ public entities total more than \$370 million since 1986. These have been used to reduce the fiscal debt significantly. Foreign exchange earnings in priority sectors supported by USAID have reached almost \$510 million. Approximately 25,000 jobs, over half of which are women, have been created through USAID assistance. About 11,000 small and microenterprises have received training and credit assistance. Over 46,000 farmers have received assistance in improved crop technology raising their production and incomes. Improved water supply, sewerage disposal and road construction now provide expansion opportunities for the key tourism sector, protect the environment, and improve the quality of life for Jamaicans. Over 500 young men and women have benefitted from higher education opportunities here and abroad.

**Description:** To achieve this strategic objective, USAID activities support broader, more efficient markets, improved export production, increased economic opportunities for low-income families, improved services for the tourism sector, and training for a modern economy. Specific activities include: strengthening the Ministry of Finance's institutional capabilities in fiscal policy management; assisting with the privatization of major public holdings; promoting pro-competition, intellectual property rights, and customs reform policies that facilitate free trade; providing institutional strengthening assistance to NGOs, e.g., private lending institutions, that support microenterprise development; supporting an NGO-led urban renewal effort in the Inner Kingston area which aims to create jobs and improve the investment climate; helping to increase productivity and market development in key export sectors such as apparel, data entry, tourism and agricultural exports; improving infrastructure essential to tourism development; and increasing access for thousands of disadvantaged Jamaicans to employment, capital, education and training, infrastructure and appropriate technologies.

**Host Country and Other Donors:** USAID, the World Bank and the Inter-American Development Bank (IDB) have complementary activities in support of the GOJ's privatization and customs reform programs. Also, donor coordination has been strong between the Netherlands, the European Union, the IDB, the Multilateral Investment Fund, Germany, Canada, and USAID in efforts to develop the

microenterprise sector. USAID and the United Nations Development Program co-financed technical assistance for a new division in the Ministry Finance, the Fiscal Policy Management Unit (FPMU), which provides institutional strengthening to improve the analysis, formulation, implementation and monitoring of fiscal policy. USAID and Japan are co-financing five major infrastructure sub-projects to increase investment in the tourism industry. Host country budgetary and in-kind contribution for the activities included in this strategic objective has been \$33 million to date.

**Beneficiaries:** Approximately one-third of the Jamaican population is at or below the poverty line. This objective targets underprivileged, low-income groups for assistance. Included in these groups are small and microenterprises, small farmers, and labor-intensive industries employing a majority of women; and policy reform in areas such as privatization, customs and fiscal management which benefit a large portion of the working-class population.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities through institutional contracts with U.S. firms including Clapp and Mayne, Harza Engineering, Coopers & Lybrand, and Peat-Marwick; GOJ project agreements with the Ministry of Finance and the National Investment Bank of Jamaica, and grant and cooperative agreements with NGOs including the Jamaica Experts Association and the Kingston Restoration Company.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Foreign exchange earnings through exports (1998) (in \$ million)	1,043 (1990)	2,222
Employment in assisted areas (in thousands)	233 (1990)	338 (1998)
Privatized GOJ enterprises (\$m cumulative)	6 (1990)	122 (1998)
Assisted small & microenterprise firms (nos.) (1997)	4,000 (1993)	5,500
Farmers adopting improved technologies (nos.) (1998)	9,200 (1992)	50,024
Trained personnel for a modernized economy (cumulative) (1997)	30 (1990)	1,099

## ACTIVITY DATA SHEET

**PROGRAM:** JAMAICA

**TITLE AND NUMBER:** Improved Environmental Quality and Natural Resource Protection, 532-SO02

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY1997 \$3,622,000 DA

**INITIAL OBLIGATION:** FY1995 **ESTIMATED COMPLETION DATE:** FY1998

**Purpose:** To improve management of economically and ecologically important natural resources, to provide for the transfer of environmentally sound cultivation practices to low-income farmers in important watershed areas, and to address problems in urban water supply and extension of sound sewage and waste water treatment.

**Background:** This strategic objective directly supports the agency's goal of protecting the environment. Jamaica is home to the richest biodiversity in the Caribbean. The large number of endemic species, over 1,000, make protecting biodiversity a high priority. USAID's environmental strategy identifies and prioritizes environmental issues that affect Jamaica's human health, economic development, monetary costs and biological systems. The most significant issues are watershed degradation (including deforestation); coastal zone degradation (including loss of reefs and destruction of wetlands), water pollution, and degradation of wildlife habitat. All issues have a direct bearing on conservation of biodiversity. The persistence of these issues is inextricably linked to institutional deficiencies.

**USAID Role and Achievements to Date:** USAID support includes provision of technical assistance and training to the Government of Jamaica (GOJ), local community groups, nongovernmental organizations (NGOs), and farmer associations to strengthen them and help develop sustainable programs. As a result of activities supported under strategic objective, more than 10,000 farmers planted over 2,400,000 trees. Approximately 300 farmers have directly benefitted from integrated pest management and proper use of agro-chemicals. USAID has assisted the GOJ to establish its first two national parks and continues to provide support to ensure the sustainability of a national parks system. A significant achievement of USAID's assistance to the Natural Resources Conservation Authority is the preparation of a national protected areas system plan, which will provide the basis for public and private initiatives to manage 30% of the nation's land mass which includes resources of significant economic and ecological value.

**Description:** USAID supports improved management of environmentally threatened growth areas, increased conservation of natural habitats, and improved public and private capacity for sustainable resource use. The principal activities focus on strengthening national and local levels of protection and enforcement of ecologically important areas, on providing for the transfer of environmentally sound cultivation practices to low-income farmers in important watersheds, and addressing problems in urban water supply and extension of sound sewage and waste water treatment. The Hillside Agriculture project worked with hillside farmers to plant trees, while conserving soil in important watersheds and increasing hillside farmers' income potential. The shelter program is using the Housing Guaranty and related grant funds to assist the GOJ and its NGO partners to develop and test on-site sewage solutions to help the urban poor squatting in environmentally fragile areas. The renovation of the Montego Bay sewerage treatment plant began in 1995, and when complete, will reduce by 20% (400,000 gallons per day) the volume of untreated waste water that now flows into Montego Bay. Approximately 30% of Jamaica's land surface, encompassing the most important biodiversity and economically valuable resources, will receive improved management by the establishment of protected areas throughout the island.

**Host Country and Other Donors:** As the lead environmental donor, USAID works and coordinates with the European Union, Canada, the Inter-American Development Bank, the World Bank, and other environmental donors. As a result, environmental activities are implemented in close collaboration with

these donors. Community-based environmental NGOs work to solve environmental problems in Negril and Montego Bay.

**Beneficiaries:** During 1995, the Hillside Agriculture project directly benefitted 3,437 small hillside farmers living in the critical watersheds of Jamaica's eight eastern parishes, promoting environmentally and economically sustainable tree crops. The Agricultural Export Services project worked directly with 289 small farmers, promoting environmentally friendly production practices and access to the high-value, nontraditional, export crop markets. To date, these two efforts have benefitted approximately 28% of Jamaica's 180,000 small farmers directly. The Development of Environmental Management Organizations is designed to strengthen public, private, and nongovernmental organizations engaged in managing key natural resources. All Jamaicans will benefit from improved management of protected areas.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities through: U.S. firms including Louis Berger and RONCO; Jamaican governmental entities including the Ministry of Agriculture, the Ministry of Environment, the Natural Resources Conservation Authority, and the Rural Agricultural Development Agency, and the National Water Commission; and local NGOs and community groups including the Jamaica Conservation Development Trust, the national Environmental Societies Trust, and the Jamaica Exporters Association..

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Untreated water from sewage system entering Montego Bay (gallons/day)	2 million (1992)	0 (1998)
Water quality in Montego Bay (coliform count/100ml- Montego River sewage outlet)	15 million (1992)	1,000 (1998)
Adoption of soil conservation practices (acres under conservation practices)	4, 000 (1991)	20,000 (1997)
Households in squatter areas with environmentally appropriate waste disposal facilities	200 (1994)	2,200 (1997)
NGO- managed environmental activities	0 (1992)	15 (1997)
Key policy reforms enacted	0 (1993)	2 (1997)
National parks and protected habitats (acres protected)	0 (1990)	289,000(1997)
Park costs covered from private sources (%)	0 (1990)	50 (1997)
National park visitors	25,000 (1993)	150,000 (1998)

## ACTIVITY DATA SHEET

**PROGRAM:** JAMAICA

**TITLE AND NUMBER:** Smaller, Better-educated Families, 532-SO03

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997 \$5,110,000 DA

**INITIAL OBLIGATION:** FY 1995 **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To improve the quality of health, family planning and education in Jamaica in order to enable economic growth and stabilize population growth.

**Background:** This strategic objective directly supports USAID's goals of stabilizing population growth and achieving broad-based economic growth through basic education. Jamaica has achieved major successes, including reducing the fertility rate from 5.6 live births per woman to 3.0 in the last two decades. It's infant and child mortality rates are comparable with those of industrialized countries. A significant cadre of talented workers has been developed. Over the last several years, Jamaica has faced political and economic dislocations associated with structural adjustment, and a transition from a centrally planned to a liberalized market economy. Jamaica's education and health systems must now respond to the need for a larger, better-educated work force that is protected from contemporary health problems. Funds for health and education resources from government and donor sources are rapidly diminishing, but the government has been slow to respond and to devise solutions. The most significant issues are: (1) the growth of a young and untrainable work force, at-risk for sexually transmitted diseases (STD), pregnancy, violence and economic marginalization; and (2) the inability to sustain government-provided health and education services in a changing economic environment.

**USAID Role and Achievements to Date:** USAID has supported the sustained development of a national family planning system, which has reduced the annual population growth rate from 3% to 1% through programs carried out by government, nongovernmental organizations (NGOs) and private entrepreneurs. USAID also has played a central role in AIDS and STD awareness programs, leading to a universal awareness in Jamaica of AIDS/HIV, and a slowing in the rate of transmission. USAID's program has also supported health sector reform, which has led to a decentralized, divested and largely privatized service. USAID assistance to the Ministry of Education has helped establish a capacity to provide automated data collection and policy analysis to open the way for educational reforms and improved management. Promoting increased community support for schools has reduced vandalism and brought computer learning opportunities to schools.

**Description** Of the total funding requested for this strategic objective, \$1,504,000 is planned for population activities, \$3,001,000 is planned for health activities, and the balance is planned for related education activities. USAID supports health sector reform for decentralization, privatization, alternative financing and delivery systems, cost recovery, cost containment and divestment of hospital support service; and family planning with policy development, advocacy, logistics, social marketing, data collection and analysis, training, privatization of services and distribution of contraceptives and problem-solving research. The control of STDs and HIV infection is supported with assistance to the national epidemiology office which is responsible for the STD control program, surveillance systems development and data analysis, behavioral change interventions, training of private providers, NGOs and advocacy groups and problem-solving research. These activities are now being extended from Kingston, their current base, into several tourist areas where high-risk behavior threatens to spread the disease rapidly. The education sector is assisted by a new effort to address the problems of teenage pregnancy, STDs, violence, school leaving, failure to handle social interactions successfully, and lack of vocational preparation which are obstacles to the transition to a socially productive adulthood.

**Host Country and Other Donors:** As lead donor in family planning, STD/HIV/AIDS control and education, USAID works with the Government of Jamaica, the Inter-American Development Bank, the World Bank, the Pan American Health Organization, United Nations Family Planning Association, United Nations Joint Program on AIDS, and bilateral donors to maintain coordination and complementary funding. Many NGOs are supported directly or through contractors to carry out USAID activities.

**Beneficiaries:** At least 50,000 women and men are helped annually by the family planning and STD/HIV/AIDS control clinics. USAID-funded education programs reach at least 870 primary schools through the school-community program, which represent 250,000 primary and secondary students.

**Principle Contractors, Grantees or Agencies:** USAID implements its activities through: U.S. private firms (the futures Group, Family Health International, Partners for International Education, the Academy for Educational Development, and the University Research Corporation); government ministries (the Ministry of Health, the Ministry of Education, the National Family Planning Board); U.S. Universities (Pennsylvania State University, the University of Florida); and local non-governmental organizations and community groups (the Women's Center, Private Sector Organization of Jamaica, and Jamaica AIDS Support).

**Major Results Indicators:**

	<u>Baseline</u> (year)	<u>Target</u> (year)
Hospital self-financing	0%(1990)	20%(1998)
Health services covered by private insurance	15%(1989)	26%(1998)
Total fertility/woman 15-44 yrs	3.0(1989)	2.6(1998)
Contraceptive prevalence	55%(1989)	66%(1998)
Longer-term contraceptive methods	40%(1989)	60%(1998)
Condom access by high risk groups through retail outlets (outlets)	0(1991)	5,000(1998)
Condom use by general population	42%(1990)	65%(1997)
Incidence of primary and secondary syphilis	2%(1991)	.5%(1998)
Illiteracy among out-of-school youth	30%(1995)	15%(2000)

**MEXICO**

**FY 1997 Development Assistance: .....\$17,800,000**

**Introduction.**

Mexico is of vital importance to the U.S. national interest. The United States and Mexico share a 2,000 mile border. Mexico's proximity and its poverty, population growth and environmental degradation make it the largest source of illegal immigration into the United States. More than 1.3 million Mexicans illegally migrated to the United States in 1992. At the same time, Mexico's proximity and population make it the largest importer of U.S. goods in the developing world and the U.S.'s third largest trading partner. U.S. exports to Mexico in 1994 exceeded \$ 50 billion. Mexico's weak judicial system and the high level of corruption as well as its border with the U.S. also mean that it is a leading source of illegal drugs., Mexico and the United States have a shared interest in addressing the problems which foment illegal immigration and drug smuggling and which constrain the growth of trade between the two countries. During 1995, Mexico has coped with its worst economic recession in the past 50 years. The economic adjustment program that began at the end of 1994 has so far succeeded in averting a sovereign default, limiting the inflationary impact of the financial crisis, and gaining access once again to international finance markets. The government's firm stabilization policies, its much improved export performance, and the liquidity provided under the U.S.-led support program are all hastening Mexico's eventual recovery. However, the economy still continues to experience high unemployment and loss of real income as a result of the deep recession. This has set back Mexico's efforts to resolve its problems of immigration, poverty, population and environmental degradation and will have a direct effect on the quality of life and growth of the U.S. economy. Fierce opposition to the political, economic and social changes will continue as the government deals with the vestiges of favoritism, corruption and lawlessness. But, there is full expectation that significant economic, social and political gains will be in place by FY 1997. U.S. interests impel us to strengthen our partnership with Mexico, as it presses forward to solve problems of common concern and to create mutually beneficial opportunities for the for economic growth and prosperity in the 21st century.

**The Development Challenge.**

The population of Mexico was approximately 91.6 million in 1995 and was projected to reach 121.8 million in 2020. Roughly 8% of the population is indigenous. Although the rate of natural population growth has slowed from over 3% in the mid-1970s to 1.9% in 1995, partly as a result of USAID family planning assistance, it is the second most populated country in Latin America and its population is relatively young: in 1994 36% of the population was under 15 years of age. These demographic characteristics it create a problem in terms of the country's capacity to generate sufficient numbers of new jobs to meets its national labor requirements. Between 800,000 and 1,000,000 new jobs are required to accommodate new entrants into the labor force each year. The quest for better living standards and employment have pushed or enticed many Mexicans to emigrate to the United States, some legally and many more illegally. This has caused serious social, economic and political problems between our countries.

Prior to the advent of the current economic crisis, Mexico's President Zedillo advanced sweeping proposals for judicial reform. Staying the course of its reform program and deepening the implementation of these proposals will be critical to restoration of investor confidence and subsequent economic revitalization. The North American Free Trade Agreement (NAFTA) also will provide opportunities for an improved quality of life. These opportunities will not come, however, without significant challenges to the environment. USAID, which assisted in garnering support for the passage of NAFTA, is now in an excellent position to act as a mentor to Mexico in helping develop better approaches in forestry, energy efficiency, industrial pollution, and biodiversity conservation.

Mexico is classified as one of the largest "mega-diversity" reserves in the world, harboring one of the greatest ranges of habitat types and natural communities. Protection of global climate change and sustainability of the country's economic growth depends on effective management of the natural resource base and strict enforcement of environmental laws and regulatory frameworks. Now that Mexico is a member of NAFTA, it is under pressure to raise environmental standards and correct mistakes made in the past.

Major U.S. foreign policy concerns as well as the magnitude of global environmental concerns imply that USAID will need to continue its program in Mexico for several more years.

#### **Other Donors.**

The U.S. Government and other international finance institutions have provided substantial support to Mexico's economic stabilization program. Direct disbursements under the USG's February 21, 1995 Agreements between the United States and the Government of Mexico (GOM) have totaled \$13.5 billion in 1995 and as much as \$11.8 could be disbursed in 1996. In providing this assistance, the USG acted to protect vital U.S. interests - American exports and jobs, the security of our common border, and the stability of other emerging market economies. In conjunction with the U.S.-led support program, the World Bank is providing \$2 billion in assistance to the country's banking system, support for the social sector, and a \$30 million technical assistance loan for infrastructure privatization. In addition, the Inter-American Development Bank (IDB) is supporting the emergency economic stabilization program with \$1.5 billion in 1995-96. Other major donor countries providing development assistance include Japan, Germany, France, Spain, and Great Britain.

#### **FY 1997 Program.**

USAID's strategy for providing development assistance to Mexico will continue to focus Mexico's needs related to stabilizing population growth, protecting the environment, and encouraging broad based economic growth. In addition, attention will also be given to special objectives that support national interests and/or address global concerns. Specifically, support for Mexico's Judicial Reform program will be expanded and activities related to the prevention of AIDS will continue. USAID will seek to leverage its investments with resources of beneficiary institutions, the GOM and those of other donors and the IFIs. USAID anticipates completing NAFTA-related activities by the end of 1997, assuming progress on key problems are successfully resolved and demand for assistance in this area is no longer warranted. Levels for support to population activities are expected to decline as public and private sector sustainability increases. To enhance the focus of its program, USAID will undertake strategy reviews in the areas of democracy, microenterprise, and the environment.

#### **Agency Goal: Encouraging Broad-Based Economic Growth**

Mexico is the third largest trading partner for the United States and is the United States' largest export market in Latin America. The Agency's broad-based economic growth goal has been pursued by USAID in the context of legal and regulatory frameworks related to helping make NAFTA work since its passage in 1994. Previous NAFTA-related USAID financed activities have achieved major results as follows:

- Elimination of 8-11 years of patent application backlog, resulting in over 10,000 patents being issued to U.S. individuals or businesses;
- 100% compliance with the use of turtle excluder devices by Mexican shrimp fleets based upon random sample inspections by Embassy Science Office and National Marine Fisheries Service staff has enabled them to ship uninterrupted their shrimp to the U.S. market whose value annually is estimated to be \$600-\$900 million, and

- Validation of GOM's 100% compliance with adherence to pollution control norms based on U.S. Environmental Protection Agency inspections have lead to greater public confidence in public reporting on Mexico City's air pollution conditions.

USAID also believes that the newest economic growth activity designed to assist in the development of a securitized secondary mortgage market in Mexico, will facilitate an expansion of residential construction and will contribute to Mexico's economic recovery.

- **Strategic Objective 1: Improved Performance of Target Institutions in the NAFTA-related Legal and Regulatory Areas**

#### **Agency Goal: Protecting the Environment**

Climate change, pollution and environmental destruction are long-term problems which respect no political boundaries and require cooperation and coordinated actions. Noxious emissions and effluent in Ciudad Juarez freely cross the border to El Paso, Texas. U.S. technologies for pollution prevention, energy efficiency and renewable energy development are badly needed in Mexico and represent both major markets and windows for global trade and development. Improper management of forests, soils and wildlands results in waste, species extinctions, and in the longer term poverty, illegal migration and global warming. Agricultural crops, forest products and genetic resources will continue to play vital roles in the U.S. economy. In all technical areas, however, laws protecting the environment are only as good as the capability and willingness of the government and private sector to enforce them.

USAID is now initiating a strategic planning process for its environmental program that will identify opportunities for consolidation and measured growth. This program will continue to focus on two global environmental problems of major bilateral importance and interest: climate change and biodiversity conservation. It is building capacity in key governmental, non-governmental and private sector entities and is creating a better understanding of the value and importance of compliance and sustainable development.

#### **On-going activities achieved significant progress in 1995:**

- The Mexico Conservation Fund to support biodiversity conservation and development was established in 1995 with an initial endowment of \$20 million from USAID and \$10 million from the GOM;
- A USAID-U.S. Department of Energy co-funded renewable energy demonstration and promotion program is running well. It is exceeding expected outputs and is making important progress in leveraging the purchase of U.S. equipment;
- A joint USAID-U.S. Environmental Protection Agency program is supporting Mexico's Global Climate Change (GCC) country studies and mitigation action plan actions, and strengthening Mexico's leadership position as a key climate change country;
- USAID's capability to provide timely and cost effective technical assistance is being recognized by various public and private Mexican entities in such areas as energy efficiency, urban and industrial pollution prevention, sanitary landfill and waste management, and training; and
- USAID-supported conservation NGOs (The Nature Conservancy, World Wildlife Fund, Conservation International) are making a major contribution in the management of Mexico's parks and reserves, protection of biodiversity, and reform of "green" policy and legislation.

#### **Strategic Objective 2: Increase environmentally sound natural resource and energy use**

## **Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

Between 1940 and 1995 Mexico experienced a population explosion. Its population grew from 20 to 91 million inhabitants. Two decades ago, the Government of Mexico approached USAID for help in moderating this skyrocketing rate of population increase. USAID population efforts before 1992 were directed to increasing contraceptive coverage and institution building, but with a limited focus on a few Mexican counterparts and in a limited number of states. Since 1992 the strategy has supported the Government of Mexico and two large Mexican nongovernmental organizations (NGOs) in a nationwide effort to achieve a sustainable increase in contraceptive prevalence. These service delivery institutions have been effectively implementing their programs as reflected by the following key indicators: contraceptive prevalence has increased by 8.3% between 1992 and 1995 and the total fertility rate has dropped from 3.5 in 1992 to 3.1 in 1995. These results were achieved through: the extension of new service delivery strategies to rural areas; analysis and design of information, education and communication (IEC) materials for users and service providers; development of new approaches to service delivery through counseling, reduction of medical barriers; training in new contraceptive technology, and development of specific service delivery and IEC strategies for special populations (adolescents, men, and indigenous people).

Challenges for FY 1997 will mostly revolve around impact of Mexico's severe economic recession on Mexican support for family planning activities. Phase-out of USAID assistance in this sector is planned for 1998 (public institutions) and 2000 (private NGOs) but careful consideration must be given to both public and private sector needs and future sustainability.

- Strategic Objective 3: Sustainable increase in contraceptive prevalence

### **Special Objectives**

- Special Objective 1: Building Democracy

Mexico's President Ernesto Zedillo assumed office in December of 1994. Almost immediately he announced serious reforms of the judicial branch, particularly the Supreme Court. Since that time, the President has continued to press forward with administration of justice reforms. The Zedillo Administration has manifested interest in reforming the Mexican judiciary, expand new Democratic Initiatives which focus on rule of law, administration of justice, civil society, participation, and human rights. This is premised upon the concept that while short term economic growth is possible absent a solid foundation of democracy, long term and sustainable economic growth will not occur. There is a clear correlation between systemic reforms such as the judicial overhaul being undertaken by the Zedillo Government, and confidence level of the investing community, both domestic and international.

The great majority of USAID's democracy activities have involved some combination of training, exchange, and/or technical assistance which has been requested by the GOM or its partners have requested assistance. Future USAID assistance will strengthen the capacity of selected GOM and NGO institutions to address democracy and human rights issues. If Mexico is to become a first world country, it can only do so with a modernized and honest judiciary and police force. It is certainly in the U.S. Government's interest to support this agenda and being responsive to requests for training and technical assistance.

- Special Objective 2: HIV/AIDS Prevention

HIV respects no boundaries, including national borders. Because of tourism, commerce, and immigration patterns, the transmission and spread of HIV/AIDS in Mexico is closely linked with the HIV/AIDS epidemic in the United States. The spread of HIV/AIDS in Mexico poses a threat not only to development gains there, but also to U.S. control efforts. The two countries must cooperate in order to combat HIV effectively. Mexico ranks third behind the United States and Brazil in number of

**AIDS cases in this Hemisphere. HIV/AIDS is currently the third leading cause of death in Mexico City men in their most economically productive years, and is increasing significantly in women and children.**

**Absent a cure or vaccine, accurate and available information is the most effective weapon against the spread of HIV. USAID will work through nongovernmental organizations to increase availability of information on modes of transmission and prevention of HIV/AIDS. These efforts will focus on the communities most vulnerable to and affected by HIV/AIDS: women, migrants, adolescents, and indigenous groups.**

**MEXICO  
FY 1997 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
<b>USAID Strategic Objectives</b>						
1. Improved performance of target institutions in selected legal/regulatory areas related to the NAFTA Dev. Assistance	\$150,000					\$150,000
2. Increase environmentally sound natural resource and energy use Dev. Assistance			\$4,000,000			\$4,000,000
3. Sustainable increase in contraceptive prevalence Dev. Assistance		\$13,000,000				\$13,000,000
4. Special Objective (to be transitional in FY 96 to SO Level): Democracy - Strengthened capacity of target institutions to deal with selected democracy/ human rights issues. Dev. Assistance				\$300,000		\$300,000
5. Special Objective: HIV/AIDS Prevention - Increased Availability of Information on modes of transmission and prevention of HIV/AIDS Dev. Assistance		\$350,000				\$350,000
<b>Total</b>	<b>\$150,000</b>	<b>\$13,350,000</b>	<b>\$4,000,000</b>	<b>\$300,000</b>		<b>\$17,800,000</b>

USAID Mission Director: Arthur Danart

**ACTIVITY DATA SHEET**

**PROGRAM: MEXICO**

**TITLE AND NUMBER: Improved Performance of Target Institutions in NAFTA-related Legal and Regulatory Areas, 523-S001**

**STATUS: Continuing**

**PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1997: \$150,000 DA**

**INITIAL OBLIGATION: 1995; ESTIMATED COMPLETION DATE: FY 1997**

**Purpose: To improve performance of target institutions in selected legal/regulatory areas related to the North American Free Trade Agreement (NAFTA).**

**Background: Although free trade will not solve all Mexico's problems, it will open up channels with immense potential to stimulate Mexico's short-term growth and to build a solid foundation for long-term economic progress. Successful implementation of the requirements of free trade will include**

an active contributor in all aspects of the economic growth objective, covering all salaries, partial expenses of training and transportation and by providing in-kind donations. Canada also has contributed to the labor and nutrition and labeling standards projects.

**Beneficiaries:** There have been multiple beneficiaries on both sides of the border. Increased efficiency in governmental operations has resulted in additional revenue to the GOM; patent ownership can create individual and corporate wealth and generate demand for labor and inputs. Workers have benefitted by requirements of free trade regarding occupational health and safety; health and conservation issues have been addressed, resulting in safer pesticide use, adequate nutrition labeling which allows consumers to make informed decisions, and protection of endangered lands and species; and very low income families have been able to obtain the basic necessities of life through micro-enterprise jobs.

**Principal Contractors, Grantees, or Agencies:** USAID implements free trade activities primarily through participating agency service agreements (PASAs) with other U.S. Government agencies, including the Environmental Protection Agency, the Office of Federal Housing Enterprise Oversight, the National Marine Fisheries Service.

<u>Major Results Indicators:</u>	<u>Baseline</u>	<u>Target</u>
Percent of GOM inspections that follow newly developed norms for industrial pollution control.	75% (1992-93)	100% (1995)
Percent of shrimp boats in compliance with required use of turtle excluder devices in the Gulf of Mexico and the Caribbean	30-50% (1993)	100% (1994)
Percent of patent applications still pending after 8-11 years.	4% (1992)	0% (1995)

## ACTIVITY DATA SHEET

**PROGRAM:** MEXICO

**TITLE AND NUMBER:** Increase Environmentally-Sound Natural Resource and Energy Use, 523-SO02

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$4,000,000 DA

**INITIAL OBLIGATION 1995; ESTIMATED COMPLETION DATE:** FY 1997

**Purpose:** To increase public awareness and actions of the Government of Mexico (GOM) and of Mexican nongovernmental organizations (NGOs) to improve the management of Mexico's natural resources for sustainable development, mitigation of global climate change, and adoption of renewable and energy efficient technologies and practices.

**Background:** Because of the key role environmental management plays in the development of Mexico, especially as a foundation for sustainability and a motor for trade and development, this strategic objective continues to grow in scope and importance. USAID focuses on three sectors of global significance: energy efficiency, forest protection and biodiversity conservation (including coastal zone management). However, the GOM and private sector interests continue to encourage USAID toward greater involvement in the direction of pollution prevention and urban and industrial development.

**USAID Role and Achievements to Date:** USAID's goal is long-term and focuses on two objectives: (1) the development of Mexican capabilities to mitigate global climate change (GCC) and to conserve and develop biological resources; and (2) the support for trade and development of environmental and energy technologies and services (on both sides of the border). By the year 2006, the GOM, in partnership with NGOs and the private sector, will have developed capabilities and expertise that will allow it to take full charge of an ongoing portfolio of GCC and biodiversity conservation activities. USAID's role in the support of bilateral cooperation for environmental trade and development, on the other hand, is potentially much larger term and integrates closely with the work of other U.S. agencies such as the U.S. Environmental Protection Agency and the Trade Development Administration of the U.S. Department of Commerce.

Despite the fact that the environmental problems being addressed are complicated and long-term, the evidence for impact of USAID assistance is clear.

**Energy.** Sixteen of 20 planned energy audits are completed or under way. They are demonstrating the potential for important energy savings, especially in the area of high-efficiency motors. Despite the economic crisis in Mexico, most participating plants are committed to the program and are implementing the efficiency measures identified in the audits. One activity to sell compact fluorescent lamps is a model energy efficiency project that has successfully reduced electricity costs and consumer power bills and reduced greenhouse gas and other pollutant emissions. This Department of Energy/USAID program is successfully accomplishing two primary purposes: (1) increased use of renewable energy technologies as a climate change mitigation strategy; and (2) expansion of both U.S. and Mexican markets for renewable energy technologies. Five model contracts have been signed with rural development agencies in northern Mexico, three more with U.S. conservation NGOs for work in southeastern Mexico, and two more are under development with state governments. Approximately 50 productive applications have been designed and implemented in support of rural development and conservation. The number of beneficiaries has increased from 100 in 1994 to over 2,000 in 1995, involving water pumping for livestock, ice-making and refrigeration, and irrigation.

**Natural Resource and Forestry.** The environment program has sensitized collaborators to the usefulness of measuring deforestation rates as a management tool, and they have begun estimating rates in 10 of the 11 project areas. In all 10 areas, best estimates indicate that annual rates of deforestation have declined to 0% (or close to 0%, indicating no net change in the extent of forest

of replication and co-funding with the Inter-American Development Bank and the World Bank can be cited that support/link with USAID activities in energy efficiency, renewable energy, protected areas/biodiversity, and the Mexico Conservation Fund.

**Beneficiaries:** A diverse range of beneficiaries are effected by environmental activities in Mexico, depending on the technical area being considered. Since both areas of focus relate to global and cross-border environmental problems, important benefits are accrued internationally, and importantly to U.S. citizens. Intermediary institutions involved in, and benefiting from, the program include environmental NGOs and the private sector.

**Principal Contractors, Grantees, or Agencies:** In the area of GCC and forestry, implementing agencies include World Wildlife Fund, The Nature Conservancy, Conservation International, PRONATURA, a Mexican NGO, and the National Biodiversity Commission. USAID's work with these groups also supports approximately 25 Mexican partner organizations. The primary Mexican collaborators in the energy portfolio are the Federal Electrical Commission, the National Commission on Energy Savings, the Department of the Federal District, and Mexican industry. In the area of biodiversity conservation, the implementor is the Mexico Conservation Fund. U. S. implementing agencies include the U.S. Forest Service, the U.S Parks Service, and the U.S. Fish and Wildlife Service.

<b><u>Major Results Indicators:</u></b>	<b><u>Baseline</u></b>	<b><u>Target</u></b>
Carbon dioxide emissions prevented through selected energy uses per year	100%	25% reduction
Average annual deforestation rate in target areas	site average 8%	site average 5%
Number of viable populations of indicator species maintained	TBD	50% or more in target areas

## ACTIVITY DATA SHEET

**PROGRAM:** MEXICO

**TITLE AND NUMBER:** Sustainable Increase in Contraceptive Prevalence, 523-SO03

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$13,000,000 DA

**INITIAL OBLIGATION 1995; ESTIMATED COMPLETION DATE:** FY 1997

**Purpose:** To increase access to and quality of family planning and reproductive health services, primarily in rural areas where unmet demand for these services is high.

**Background:** In November 1991, USAID entered into a landmark agreement with the Mexican Government and key private sector family planning organizations. A critical aspect of this agreement is the United States' plan to incrementally decrease funding for the population program through 1998, and the Mexican Government's commitment to increase its funding in comparable amounts. In 1992, project activities began within the public sector in those states defined by the GOM as priority (Chiapas, Guanajuato, Guerrero, Hidalgo, Oaxaca, Puebla, Veracruz, Estado de México, Michoacán, Jalisco, Querétaro, San Luis Potosí, Zacatecas) and in the private sector, nationwide.

**USAID Role and Achievements to Date:** The USAID goal is to ultimately phase USAID out of population activities and to have the Government of Mexico, in partnership with nongovernmental organizations (NGOs), assume complete responsibility for continuing the program. Toward this end, USAID has assumed a coordinating role, leaving direct service delivery to the Government of Mexico and the participating NGOs. USAID and its cooperating agencies have provided technical assistance, training and limited commodity costs required to establish an institutional framework for extending the family planning program to underserved areas. In exchange, the Mexican Government has agreed to assume full responsibility for recurring expenses of maintaining the program.

The hard data evidence for impact of USAID assistance is clear. From the onset of the strategy to 1995, contraceptive prevalence has increased by 8.3%. In absolutes, this represents an increase of 1,187,284 new family planning users between 1992 and 1995. The total fertility rate (TFR) has also been favorably affected by this assistance: in 1992, the rate was 3.5 and in 1995, it was 3.1. Finally, the number of births averted is impressive: with USAID's additional funds over the GOM contribution, the number of births averted from 1993 to 1995 was 19,673.

Other achievements include extension of new service-delivery strategies to rural areas, strengthening of national vasectomy and postpartum programs, analysis and design of IEC materials for users and service providers, new approaches to service delivery through counseling, reduction of medical barriers, training in new contraceptive technology, and development of specific service-delivery and IEC strategies for special populations such as adolescents, men, and indigenous people.

**Description:** Of the total funding requested for population and health, \$12,920,000 is planned for population activities and \$500,000 is planned for health activities. In FY 1997, USAID will continue to support the activities of the public and private sector institutions providing reproductive health and family planning services in Mexico. Direct funding to these institutions will be in the areas of strengthening service delivery through training, IEC, supplies, equipment, monitoring, supervision, and evaluation. Programs will be carried out in the priority states mentioned above in order to maximize impact and concentrate resources where they are most needed.

Specifically, private sector support will be for the two largest NGOs in Mexico: MEXFAM (the International Planned Parenthood Federation affiliate) and FEMAP (a Federation of private family planning organizations), so that they may expand and improve family planning services to low-income and underserved populations, while simultaneously receiving the technical assistance necessary to

make the transition to sustainable programs without USAID funding. Areas of technical assistance include logistics, management, quality control, and social marketing.

Public sector support will be provided to the participating Mexican public sector institutions (CONAPO: National Population Council, IMSS: Social Security for Private Sector Employees, SSA: Ministry of Health, and ISSSTE: Social Security for Government Employees). These institutions provide over 60% of the family planning services nationwide ensuring USAID impact in the target areas. Concrete areas of support include, among many others, training of medical and paramedical personnel in modern family planning methodology, provision of medical equipment, especially for those rural hospitals and clinics lacking such equipment, and the development and implementation of a national mass media campaign.

USAID is presently at the halfway point toward phase-out of population assistance to Mexico within both the private and public sectors, and USAID's cooperating agencies have been instrumental in helping the Mexican institutions work towards financial and technical sustainability. USAID's GOM and NGO partners have been open and forthright about the important contribution of USAID and its cooperating agencies in terms of the technical assistance provided and the transfer of technology taking place on a daily basis. This transfer assures us that quality services can continue to be provided even after termination of USAID assistance.

Host Country and Other Donors: Large donors joining USAID in supporting Mexico are the World Bank, the United Nations (UN) agencies, Japan, the United Kingdom, Canada, and Germany.

Beneficiaries: While men and women of reproductive age in the priority states of Mexico, about 25 million, directly benefit from GOM and private sector reproductive health services, this figure increases to approximately 50 million when considering the children and families who also profit.

Principal Contractors, Grantees, or Agencies: USAID implements activities through 12 U.S. cooperating agencies (The Population Council, John Snow, Inc., Contraceptive Research and Development, Population Reference Bureau, The Futures Group, Population communication Services, Management Sciences for Health, Georgetown University's Institute for Reproductive Health, Pathfinder International, AVSC International, The International Planned Parenthood Federation/Western Hemisphere Region, Program for international Training in Health, and Family Health International); two local NGOs (Mexican Family Planning Foundation and Federation of Mexican Private Family Planning Associations); and four local public sector institutions (Mexican Social Security Institute, Ministry of Health, Social Security Institute for Government Workers, and the National Population Council).

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Service delivery points	42,079 (1992)	47,775 (1997)
People trained in family planning service provision	43,813 (1992)	74,054 (1997)
New users of public sector family planning services	946,950 (1992)	1,200,000 (1997)
Couple Year Protection for key family planning NGOs	539,395 (1992)	651,495 (1997)
Total annual GOM family planning budget (\$000)	\$63,200 (1992)	\$140,000(1997)

## NICARAGUA

FY 1997 Development Assistance: . . . . . \$27,940,000  
FY 1997 P.L. 480 Title II: . . . . . \$2,319,000

### Introduction.

U.S. interests in Nicaragua lie in seeing its difficult transition to a free and open democracy and economy succeed. Success will bring stability and prosperity to Central America's poorest country, and will facilitate expanded trade between the United States and Nicaragua. Failure could again mean conflict and worsening poverty. To succeed, Nicaragua must strengthen democratic institutions, establish the rule of law, protect human rights, continue its course of economic reform, expand exports and production, reactivate the agricultural sector, promote investment, and resolve confiscated property disputes. Nicaragua must also improve its primary education system, expand primary health care, and reduce high population growth.

### The Development Challenge.

Nicaragua is five years into a historic transition, from war to peace, from dictatorship to democracy, and from a statist economy to an export-led economy based on private initiative and enterprise. The decade of the 1980's -- characterized by civil war, a socialist economy, expropriation of private property, and a decapitalized productive sector -- precipitated a 40% decline in per capita gross national product and led to hyperinflation. Although the decade brought about land reform and wider access to health and education services, much remains to be done to consolidate these gains.

Since 1990, the government has increased political stability significantly and has stabilized the economy. It has reconciled a polarized society, liberalized trade by removing tariffs and other impediments to free trade, attracted private investment, largely privatized the financial system, reduced the size of the public sector, trimmed the external debt burden, and harnessed inflation.

Nevertheless, Nicaragua remains one of the poorest countries in the region, poorer than any other country -- with the exception of Haiti. Gross Domestic Product per capita is estimated at \$450, and the World Bank estimates that 50% of the population live in poverty with 19% in extreme poverty. Unemployment estimates also range as high as 50%, with rural areas particularly hard hit. To achieve sustainable economic growth, Nicaragua must stay the course of economic reform, increase its competitiveness, expand its exports, conclude key privatizations, reactivate agriculture, reduce external debt, arrest rapid environmental destruction, create jobs for a rapidly growing labor force, and assure broad participation in the benefits of economic growth.

On the social front, Nicaragua must reduce widespread poverty, provide a relevant education to the next generation, stabilize high population growth, expand primary health care, and address malnutrition problems.

To consolidate the transition to democracy, Nicaragua must reduce polarization, carry out free, fair and transparent elections, establish the rule of law, protect human rights and private property rights, build a strong and well informed civil society, and improve government performance through leaner and better public administration.

### Other Donors.

USAID and others in the donor community have provided almost \$3.8 billion to Nicaragua since the 1990 elections. Initially, the United States and the international financial institutions (IFIs), such as the World Bank (IBRD) and the International Monetary Fund (IMF), provided primarily balance-of-payments

assistance. The donor community has now broadened considerably. Bilateral donors such as the European Union, Sweden, Netherlands, Germany and, Japan have become major donors with a broad array of projects in agriculture, credit, land titling and registry, health, education, and safety net programs for the rural poor. Today U.S. assistance represents about 5% of official development assistance to Nicaragua.

#### **FY 1997 Program**

In response to changing country conditions, refocused priorities, and reduced budgets, USAID followed a participatory process to formulate a new strategy which has broad ownership and support among our Private Voluntary Organization (PVO), Government, and donor partners. The strategy supports consolidation of the democratic and economic transitions through three strategic objectives:

(1) More political participation, compromise and transparency through programs directed at: greater protection of human rights; efficient and transparent election mechanisms; strengthened civil society; and more accountable and responsive government;

(2) Sustainable growth in employment and income through programs directed at helping small farmers market more and diverse products; making markets work better; and expanding micro-enterprise and off-farm employment. Another key facet of this objective is ensuring the sustainable and rational use of Nicaragua's natural resources; and

(3) Better educated, healthier, and smaller families through programs to ensure that children receive a higher-quality primary education in fewer years; mothers and children are better nourished and receive preventative health care; and couples can use modern family planning methods of their choice.

The LAC Regional Program request includes \$6 million in ESF that will support democracy and economic growth programs in Nicaragua.

#### **Agency Goal: Building Democracy**

Open, participatory and free elections in 1996, with broadly accepted results, are essential for a stable democracy in Nicaragua. USAID provides technical assistance and support to the Supreme Electoral Council to prepare for the upcoming elections, and support to several U.S. private organizations to observe the elections.

A government that can protect basic human rights is necessary to sustain this democracy. USAID works with international and local human rights organizations to increase the protection of human rights. USAID programs also provide civic education to thousands of young Nicaraguans to ensure widespread knowledge of individual rights and responsibilities as citizens.

Key governmental institutions, such as the legislature, the judiciary, and local governments, must function more effectively, thus becoming more responsive and accountable to the public. USAID supports programs to decentralize and strengthen local governments while promoting improved management of public finances.

Accomplishments to date include a national assembly that is now functioning as a representative body and emerging as a key institution on major democracy issues. The Organization of American States (OAS) Commission of Support and Verification (CIAV) human rights monitoring has helped identify human rights violations and the need to resolve outstanding cases. The Judicial School of the Supreme Court has trained 149 local judges, 49 district judges and 72 prosecutors. A civic education curriculum has been established in the secondary school system with 1100 teachers trained.

- USAID Strategic Objective 1: More Political Participation, Compromise and Transparency

### **Agency Goal: Encouraging Broad-based Economic Growth**

Increasing employment and income directly supports the transition to an open, free-enterprise, export-oriented economy. Markets must function without impediments; financial markets must be responsive. The continued growth of private investment and of exports are essential to this economic transformation -- as is the rapid resolution of property ownership issues, appropriate fiscal and monetary policies, and a stronger, more responsive financial system. The privatization of the Telephone Corporation (TELCOR) received legislative approval; the sale of 40% of the equity of the company will occur in 1996, representing the largest private investment ever made in Nicaragua. The proceeds of the sale will be used to provide a guarantee mechanism to back compensation bonds paid to expropriated property claimants, many of whom are U.S. citizens.

Small farmers must produce more and higher-valued crops. This requires increased access to productive technology, to inputs and to financial services. If rural markets function more efficiently, then small producers can sell their products profitably. USAID activities are contributing measurably to this process. The value of USAID-supported non-traditional agricultural exports increased by 23 %, from \$10.7 million in 1994 to \$13.2 million in 1995. The Animal Plant Health Inspection Service (APHIS) approved five new products for admission to the United States and applications have been filed for eighteen other products. This has led to creation of 2,500 new jobs, many held by women. Microenterprise activities have benefited more than 6,000 poor men and women.

Sound environmental policies, laws, regulations and enforcement leading to the sustainable use of natural resources also is essential. USAID is developing management use plans for key protected areas and strengthening the Environmental Ministry to more effectively carry out its role to manage and conserve Nicaragua's natural resources.

- USAID Strategic Objective 2: Sustainable Growth in Employment and Income

### **Agency Goal: Stabilizing World's Population and Protecting Human Health**

USAID activities improve the quality and efficiency of primary education which will reduce repetition and dropout rates and help more Nicaraguan children complete at least a primary education. Higher educational levels yield benefits for child survival, maternal health, reduced population growth and greater acceptance of democratic values. Educational level is also the single most important factor in the adoption of democratic values.

In the area of health, USAID activities encourage the use of preventative health measures and better-nourished women and children through both PVOs and the Ministry of Health. USAID also supports the ministry's innovative, integrated maternal and child health services delivery model, immunization programs, and feeding and nutrition supplement activities. Immunization coverage increased from 75% in 1992 to 88% in 1994. PVOs have reached more than 300,000 mothers and children with health, nutrition, education and expanded primary health care services.

USAID works to expand the range and access of family planning services throughout Nicaragua. The number of couples voluntarily using contraceptives provided through the Ministry of Health, and Profamilia, a local PVO, rose from 185,000 in 1994 to over 214,000 in 1995.

- USAID Strategic Objective 3: Better Educated, Healthier, and Smaller Families

**NICARAGUA  
FY 1997 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
<b>USAID Strategic Objectives</b>						
<b>1. More Political Participation, Compromise and Transparency Dev. Assistance ESF*</b>	\$2,000,000			\$4,000,000		\$6,000,000
<b>2. Sustainable Growth in Employment and Income Dev. Assistance ESF*</b>	\$6,940,000		\$3,500,000			\$10,440,000
<b>3. Better Educated, Healthier and Smaller Families Dev. Assistance PL 480 Title II</b>	\$3,100,000	\$8,400,000			\$2,319,000	\$11,500,000 \$2,319,000
<b>Total Dev. Assistance PL 480 Title II</b>	\$12,040,000	\$8,400,000	\$3,500,000	4,000,000	\$2,319,000	\$27,940,000 \$2,319,000

\* Under the LAC Regional request, \$6,000,000 ESF is attributable to Nicaragua in support of the growth and democracy program.

USAID Mission Director: George Carner

## ACTIVITY DATA SHEET

**PROGRAM:** NICARAGUA

**STRATEGIC OBJECTIVE TITLE AND NUMBER:** More Political Participation, Compromise and Transparency, 524-SO01

**STATUS:** Ongoing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY1997: \$6,000,000 DA

**INITIAL OBLIGATION:** FY 1996 **ESTIMATED COMPLETION DATE:** FY 2002

**Purpose:** To support the consolidation of democracy through credible elections, knowledge about democracy, better functioning key government institutions, and creation of a strong civic culture.

**Background:** A government that can protect basic human rights is necessary to sustain this democracy. USAID works with international and local human rights organizations to increase the protection of human rights. USAID programs provide civic education to thousands of young Nicaraguans to ensure widespread knowledge of individual rights and responsibilities as citizens. Key governmental institutions, such as the legislature, the judiciary, and local governments must function more effectively, thus becoming responsive and accountable to the public. USAID supports programs to decentralize and strengthen local governments while promoting improved management of public finances. Prior to the national election on October 20, 1996, the Supreme Electoral Council (CSE) should have an ambitious system for voter registration, education and mobilization -- along with campaign and procedural safeguards to ensure the greatest possible participation and credibility of the elections. Broad and informed political participation will counter the tendency in Nicaragua to concentrate power in the hands of a few and lead to an effective, representative government. Women are among the most active and organized groups in civil society and constitute an important force for depolarization.

**USAID Role and Achievements to Date:** Accomplishments to date include a national assembly that is now functioning as a representative body and emerging as a key institution on major democracy issues. The Organization of American States (OAS) Commission of Support and Verification (CIAV) human rights monitoring has helped identify human rights violations and the need to resolve outstanding cases. Nicaraguan and other human rights organizations, with USAID assistance, are forming municipal-based human rights committees to provide human rights education and to encourage reporting of human rights violations. Local and international civil rights organizations, through press reports, have raised public awareness of reported human rights abuses by the police. The number of new human rights violations reported has decreased since the initiation of USAID human rights activities in 1991. At the national level, USAID assists the national assembly in functioning more efficiently and transparently, and in improving its oversight capability and its constituent relationships. USAID helped establish a multi-donor program to reform governmental financial management systems to reduce fraud, waste, abuse and corruption. The Judicial School of the Supreme Court has trained 149 local judges, 49 district judges, and 72 prosecutors. A civic education curriculum has been established in the secondary school system with 1,100 teachers trained. USAID, working through the primary and secondary school systems, news media, and labor unions, assists in fostering a greater public understanding of democratic principles among the youth.

**Description:** During 1996, USAID will allocate \$6 million for elections support. The Election Promotion and Assessment Center (CAPEL) will provide technical assistance and training to improve the information management system of the Supreme Electoral Council (CSE). This will improve the registration process and produce a permanent voters' list for future elections. Civic education programs to encourage participation in the elections also will be implemented. In addition, USAID will assist the government to reform key legal codes, to strengthen the Attorney General's office to improve and facilitate prosecution of cases, to institute administrative reforms to reduce judicial delay

and ensure due process, to establish a human rights ombudsman's office approved by the National Assembly in December 1995 and, to create a public defender's office..

Host Country and Other Donors: Spain, Sweden and Norway are supporting the Supreme Electoral Council. The donor community has pledged approximately \$110 million toward reforming the state, including approximately \$32 million toward the establishment of an integrated financial management system and a comprehensive audit system.

Beneficiaries: All citizens of Nicaragua, particularly those of voting age.

Principal Contractors, Grantees, or Agencies: National Endowment for Democracy (NED), National Democratic Institute (NDI), International Republican Institute (IRI), Consortium for Legislative Development (CLD), Florida International University (FIU), CAPEL, Institute for the Promotion of Municipalities (INIFOM), Academy for Educational Development (AED), Casals and Associates, and the Pan American Development Corporation (PADCO).

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Free, fair and transparent elections (yes/no)	--	yes (national) (1996)
Human rights violations decline	TBD (1995)	TBD(1999)
Human rights Ombudsman's office established (yes/no)	--	yes (1996)
Number of cases handled by public defenders office	TBD(1995)	TBD(1999)
Integrated financial management systems established in ministries	0 (1995)	3 (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** NICARAGUA

**STRATEGIC OBJECTIVE TITLE AND NUMBER:** Sustainable Growth in Employment and Income, 524-S002

**STATUS:** Ongoing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997; \$10,440,000 DA

**INITIAL OBLIGATION:** FY 1996 **ESTIMATED COMPLETION DATE:** FY 2002

**Purpose:** To foster increased employment and income by encouraging the transition to an open, free-enterprise, export-oriented economy and the inclusion of small producers in the expanding economy.

**Background:** Jobs remain the major concern of the average Nicaraguan. Unemployment in the major urban areas is over 20%. Including low-wage underemployment, largely in agriculture, over 50% of the labor force needs more or higher-paying work. Productive jobs are the result of investments -- primarily private -- in human and financial capital, technology and marketing. Although Nicaragua has made substantial progress in re-creating an environment that encourages private investment, impediments remain, and the poorer members of society are just beginning to see economic improvements. The government must continue to encourage private investment, export expansion, and job creation. This will require a rapid resolution of property claims, clearer and simpler export regulations, appropriate fiscal and monetary policies, reduction of the external debt burden, continuing privatization of state enterprises, increasing the competitiveness of Nicaraguan products, a stronger and a, more responsive financial system.

Encouraging small farmers to produce more, and higher valued crops will improve the rural economy. Doing so will require increased access to more productive technology and to credit. Rural markets must function efficiently so small producers can sell their products profitably. Agribusiness should expand so on-farm and off-farm employment will increase. In the interim, microenterprise and temporary employment programs can provide opportunities to the poor.

Sound environmental policies, laws, regulations and enforcement are also essential for the rational and sustained use of natural resources.

**USAID Role and Achievements to Date:** The Mission is supporting policy reform, including tax incentives for exports as well as supporting rural community credit unions in mobilizing savings to provide funds for productive investments. Preliminary GON estimates indicate that Nicaragua's real GDP grew by four per cent in 1995, up from 3.3% in 1994 -- and the best performance since 1983. Exports (up 45%) fueled most of the expansion. Continued growth of about 5% appears within reach for 1996. Recent GON employment surveys indicate that the total number of persons employed climbed 10.5% from 1993 to 1994, and an additional 12.3% from 1994 to 1995.

The Mission is working through private producer associations to provide services to small farmers. In the last six months, 2,840 small cattlemen used improved technologies for genetic improvement, animal health and feeding and nutrition for their livestock. Yields of nine non-traditional export crops (including onions, melons and ginger) increased by almost 25 per cent over 1994, due to increased technical assistance provided to producers by USAID. The number of jobs fully attributable to the export program with the Nicaraguan Association of Producers and Exporters of Non-Traditional Products (APENN) rose from 1,950 in 1994 to 2,500 in 1995.

The Mission is supporting microenterprise activities lending through local organizations and communities. Over 6,000 new clients (90% women) received loans under USAID-supported microenterprise programs. The number of beneficiaries under targeted emergency employment

programs increased by 60 per cent over the last seven months, with about two-thirds concentrated in the poorest municipalities.

Finally, USAID is supporting the sustainable use of natural resources through activities with the relevant GON ministries, PVO-implemented activities in poor communities within four protected areas, and directly with agricultural producers.

**Description:** USAID will continue to support small farmers by increasing access to technology and credit, and by improving the economic policy environment encouraging the growth of exports. In the short term, the Mission will continue to provide a social safety net by supporting temporary employment programs which will generate over 60,000 person months of employment, and work in the poorest regions of the country. Over half of the benefits accrue to women.

**Host Country and Other Donors** Other major donors include the IDB, which provides credit for rural areas, funds for agricultural and livestock strengthening, a large property resolution program, and technical assistance to the government on privatization and the Superintendency of Banks. The Netherlands, Sweden, and Norway provide credit for microenterprises and small producers.

**Beneficiaries:** Small farmers, landless rural poor, small savers and micro entrepreneurs are the primary immediate beneficiaries.

**Principal Contractors, Grantees, or Agencies:** Development Associates, The Nature Conservancy (TCN), Tropical Research and Development (TR&D), National Cooperative Business Association (NCBA), Nicaraguan Association of Producers & Exporters on Non-traditional Products (APENN), Nicaraguan Union of Agricultural Producers (UPANIC), National Union of Farmers and Cattle Owners (UNAG), Cooperative League of the United States of America (CLUSA), International Executive Services Corp. (IESC), Academy for Educational Development (AED), and Developing Economies Group (DEG).

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Number of persons employed in urban private formal sector	95,000 (1993)	167,000 (1999)
Non-traditional agricultural exports	\$13,000,000 (1995)	\$30,000,000(1999)
Number of loans to microentrepreneurs	6,000 (1995)	55,000 (1998)
Number of Hectares under effective resource	500,000 (1995)	785,000 (1998)
Farmers trained in environmentally sound pesticide management	1,000 (1995)	6,000 (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** NICARAGUA

**STRATEGIC OBJECTIVE TITLE AND NUMBER:** Better Educated, Healthier, and Smaller Families, 524-S003

**STATUS:** Ongoing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$11,500,000 DA; \$2,319,000 PL 480 Title II

**INITIAL OBLIGATION:** FY 1996 **ESTIMATED COMPLETION DATE:** FY 2002

**Purpose:** To develop human capital through basic education, health, and family planning.

**Background:** Education is key to informed citizens and productive workers. Primary health is critical to mothers' and children's survival and full realization of their potential. Family planning is an important ingredient in improving maternal health and child survival. Reduced population growth is also an important factor in sustainable economic development, environmental preservation, and poverty reduction.

**USAID Role and Achievements to Date:** USAID plays a major role in support of basic education, health and family planning. Immunization coverage rates attained relatively high levels of close to 90%. In the five project health districts, Couple Years of Protection (CYP) provided by the Ministry of Health increased from 27,129 to 29,397 during the past six months. CYPs nationwide grew from 89,139 to 104,600. CYPs provided by Profamilia increased from 96,023 to 110,238. Community distribution posts increased from 730 to 848. Profamilia inaugurated new clinics in Masaya, Boaco, and Jinotega.

**Description:** Of the total funding requested for this strategic objective, \$4,170,000 is planned for population activities and \$4,230,000 is requested for health activities while \$3,000,000 is planned for basic education activities. In FY 1997 USAID will continue its current maternal and child health and family planning activities, as well as its activities to improve primary education. We will continue to support curriculum reform, training in teaching methods; and increased community participation in the school system. In health, we support an expanded program of immunizations; conduct community health education through private voluntary organizations; provide essential medicines and technical assistance for decentralized health centers and supplies; training and commodities for AIDS control programs. USAID provides micronutrient supplements to women and children under five years of age; food supplements through PVO Title II programs in geographic areas where malnutrition is most severe; and supports UNICEF's Baby Friendly Hospital and Health Center Initiative. We are financing the expansion of Profamilia, a local private voluntary organization, clinics and community distribution post network; training MINSA and Profamilia personnel in contraceptive technology and patient counseling techniques; and supporting local NGOs and US PVOs active in family planning and reproductive health services.

**Host Country and Other Donors:** Other bilateral donors and IFIs are active in the social sector. The Germans, Dutch, and Swedes also provide crucial support to the Ministries of Education and Health.

**Beneficiaries:** In the health sector, the primary beneficiaries are mothers and children under age 5. In education, the critical customer group is the primary school student population.

**Principal Contractors, Grantees, or Agencies:** Management Sciences for Health (MCH), Ministry of Health (MINSA), Academy for Educational Development (AED), Ministry of Education (MED), Family Promotion (PROFAMILIA), and Development Associates.

**Major Results Indicators:**

	<b><u>Baseline</u></b>	<b><u>Target</u></b>
Total fertility rate	4.6% (1995)	3.8% (2000)
Infant mortality rate (per thousand)	58 (1993)	55 (2000)
Maternal mortality rate (per 100,000)	150 (1995)	125 (2000)
Women breastfeeding exclusively for four months	11.5% (1993)	20% (2000)
Immunization coverage for children under 1 year of age	65% (1994)	80% (1999)
Primary school repetition rates (average of grades 1 through 4)	20% (1995)	10% (2000)

## PANAMA

**FY 1997 Development Assistance: . . . . . \$3,500,000**

### **Introduction.**

USAID's program in Panama supports U.S. foreign policy objectives aimed at successful implementation of the Panama Canal treaties. Under the treaties, Panama will assume full ownership, control and operation of the Canal on December 31, 1999. In the interim, the United States has begun transferring extensive U.S. military bases and Canal operating areas to Panamanian control.

Assistance to Panama at this critical juncture is clearly in the U.S. national interest. A substantial amount of U.S. and world trade transits the Panama Canal. A democratic, prosperous and stable Panama will help ensure a smooth transfer of Canal ownership and control, contributing to efficient Canal operations well into the 21st century. Environmental protection of the Panama Canal Watershed is vital to safeguarding the fresh water resources upon which Canal hydrology depends. Well-planned, productive use of the reverted areas can help offset the loss of income resulting from the closure of the U.S. military bases, help contribute to political stability, and help preserve the ecology of the Canal watershed.

### **The Development Challenge.**

Fresh water powers the Panama Canal. Every ship that transits the Canal requires 52 million gallons of gravity-fed fresh water which is then lost to the sea. The operation of the Panama Canal uses as much fresh water daily as a city of 11 million people. Widening of the Canal, which is now underway to permit additional transits, will further increase the demand for water. Fast-growing urban populations at each entrance to the Canal depend upon the same sources of fresh water for individual and industrial needs, and their demands are increasing.

The Panama Canal watershed is the only water source available to meet these needs. Its rivers feed two large lakes which are indispensable to Canal operations and to urban potable water supply. Over the past 30 years, the watershed has suffered massive deforestation, reducing its forest cover more than 60% and eroding its river valleys and lake shores. As a result, the fresh water supplies of the Canal watershed are increasingly vulnerable to siltation, flood and drought. Protection of existing forest cover and extensive reforestation throughout the Canal watershed is an urgent priority.

Imminent transfer of the Canal and the reverted areas presents Panama with great opportunities as well as challenges to its system of democratic governance. The extensive U.S. military bases and Canal operating areas which border the Canal from the Atlantic to the Pacific are already reverting to Panamanian control. Some of these areas retain thick forest cover, most have prime real estate potential and all have been carefully safeguarded and controlled over the years by the U.S. military and by the Panama Canal Commission. With the scheduled reversion of all properties to the Government of Panama (GOP) before the end of 1999, Panama must strengthen the central and municipal government institutions responsible for managing and protecting these areas. Mounting population pressure and encroachment from nearby urban concentrations threaten long-term protection, planning and productive use. Strong democratic governance and community participation will be required to ensure that future use of the reverted areas is compatible with environmental protection of the Canal watershed, yet also generates continuing sources of employment, income and enjoyment for future generations of Panamanian citizens.

The USAID program in Panama is scheduled to be terminated within the next five to ten years when USAID's activities associated with the transfer of the Panama Canal, i.e. protection of the Panama Canal Watershed and facilitation of productive uses of the reverted territories, have achieved their objectives.

## **Other Donors.**

The Inter-American Development Bank (IDB) is the lead donor in Panama, with a projected \$900 million loan program over the next several years. The IDB is optimally positioned to move into sectors from which USAID is withdrawing. These include financial management reform, administration of justice and economic policy development. USAID-IDB coordination efforts ensure continuity between prior accomplishments in these sectors and future plans. The IDB also provides loan funding for new initiatives in rural road construction, energy development, agriculture, secondary and technical education, health services, housing, and improved systems for urban potable water and sanitation. In addition, the IDB has played a key role in helping the GOP develop general use and regional plans for the reverted areas.

In 1995, the World Bank provided a \$25 million rural health loan and a \$40 million loan for primary and secondary education. A \$30 million economic recovery loan is pending. Germany, Spain, the European Union and Japan provide a total of approximately \$40 million annually in grant assistance. All are involved to some extent in supporting environmental protection, although none has focused its assistance upon the Panama Canal watershed. The International Monetary Fund, the World Bank and the IDB are expected to provide a \$90 million loan package to support a restructuring of Panamanian commercial debt sometime in 1996.

## **FY 1997 Program.**

Over the past five years, USAID has contributed to the restoration of Panamanian democracy and to the resumption of Panama's broad-based economic growth. USAID programs at the central level of government helped re-establish sound financial management, supported free market economic reforms, improved administration of justice, and strengthened the administrative framework for the free and fair national elections of 1994.

With earlier tasks now largely accomplished, USAID will focus its FY 1997 program on the strategic objective of protecting the Panama Canal Watershed while supporting the related special objective of facilitating efficient transfer of the Canal and sustainable productive use of the reverted areas.

### **Agency Goal: Protecting the Environment**

Panama is exceptionally rich in biodiversity. Its tropical forests, reaching from the western border with Costa Rica to the eastern border with Colombia, form a unique "biological corridor" for Central and South America. Thousands of species which exist here are found nowhere else. Unfortunately, deforestation in Panama is proceeding at the rate of 57,000 hectares a year, due to legal and illegal logging, mining operations, and the clearing of forest for cattle ranches and subsistence farming. Forest cover, estimated at 70% in 1947, will be less than 30% by the year 2000 if current trends continue.

Given USAID funding constraints, the FY 1997 program will directly focus resources on only one relatively small geographic area -- the Panama Canal watershed. Protection of the watershed is vital to the long-term operation of the Panama Canal, since the watershed supplies all of the water upon which Canal hydrology depends. In addition, one and a half-million people depend upon the watershed lakes for potable water.

The Canal watershed has seen its forest cover fall from 70% of the total area in 1947 to about 30% today. Further deforestation could pose a threat to the water supply and future operation of the Panama Canal, particularly during the dry season when the Canal must rely upon stored water. Deforestation increases erosion within the Watershed, leading to greater levels of siltation in watershed

rivers and lakes. This decreases storage capacity. With deforestation, water runoff also accelerates, and less water is retained for future use.

During the past year, USAID helped the GOP survey and demarcate boundaries for three of the five national parks within the Panama Canal watershed. This will help the GOP enforce protection for 30,000 hectares of park land. With USAID support, the GOP has begun a construction program to build ranger stations, living quarters for forest guards and administration facilities within the national parks of the Canal watershed.

USAID established with the GOP and The Nature Conservancy a \$25 million environmental trust fund, invested largely in U.S. securities. This will generate financial resources in perpetuity to fund Panamanian nongovernmental organizations (NGOs), community groups, and the GOP in reforestation and protection of the Panama Canal watershed and other important areas of Panama.

The key to providing lasting protection for the Panama Canal watershed is strengthening the responsible central government institutions so that they can work effectively with the municipalities and local communities which border the watershed and, in some cases, maintain legal rights within it.

- **Strategic Objective 1: Environmental Protection of the Panama Canal Watershed Improved**

**Agency Goal: Building Democracy**

Democratic governance in Panama will be put to the test over the next three years as Panama prepares itself for ownership, control and operation of the Panama Canal and of the extensive U.S. military bases and Canal operating areas which border the Canal from the Atlantic to the Pacific. It is essential to Panama's future political stability that this process be carried out in an open, transparent and efficient fashion, and produce results in which all Panamanians from all social classes clearly benefit.

USAID will continue to target limited resources to support the strengthening of the GOP Canal Transition Commission (PCTC) and its successor, the Panama Canal Authority (PCA) which will come into existence during FY 1997 and will assume operational control of the Panama Canal on December 31, 1999. USAID will continue to support specific objectives of the GOP Inter-Oceanic Authority (ARI), which is responsible for the planning, privatization and productive use of the reverted areas as well as for the environmental protection of the Canal watershed.

During the past year, the GOP Panama Canal Transition Commission began drafting the legislation required to create the Panama Canal Authority. It was only at the end of this period that the Transition Commission recruited a full-time executive director. He has requested USAID support for technical assistance in developing financial management systems and personnel systems for the new Canal Authority organization.

Recent U.S. Government General Accounting Office studies of base closures in the United States demonstrate the difficulties and lag times associated with transforming these properties to other productive use. Panama faces an unprecedented challenge in the reversion of ten major military installations over a five-year time period. In addition, Panama must replace the \$250 to \$370 million a year it gains at present from the salaries to Panamanian employees, local purchase of goods and services, construction and repair contracts and personal expenditures which the U.S. military currently provides. This represents 5%-13% of gross domestic product, depending on the economic multiplier used to calculate these estimates.

During the past year, the Inter-Oceanic Authority, with USAID support, developed a strategy and master plan for the development of a tourism complex at what is presently Fort Amador, at the Pacific entrance to the Canal. Private sector implementation of the plan would generate thousands of jobs

**for Panamanian citizens. USAID assisted the Inter-Oceanic Authority with the purchase and installation of computerized geographic information system (GIS) equipment to enable the Authority to catalogue, survey and control physical infrastructure within the areas reverting to the GOP.**

**During FY 1997, the Inter-Oceanic Authority faces the challenge of strengthening its financial management and control systems, marketing its newly acquired properties worldwide and working with municipal governments to ensure the protection and equitable distribution of benefits from development of reverted military bases.**

- **Special Objective: Efficient Transfer of the Panama Canal and Productive Use of the Reverted Areas Facilitated.**

**PANAMA  
FY 1997 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
<b>USAID Strategic Objective</b>						
<b>1. Improve Management and Protection of Canal Watershed Dev. Assistance</b>			<b>\$2,400,000</b>			<b>\$2,400,000</b>
<b>USAID Special Objective</b>						
<b>1. Ensure Smooth Transfer of the Panama Canal and Productive Use of the Reverted Areas Dev. Assistance</b>			<b>\$632,000</b>	<b>\$468,000</b>		<b>\$1,100,000</b>
<b>Total Dev. Assistance</b>			<b>\$3,032,000</b>	<b>\$468,000</b>		<b>\$3,500,000</b>

USAID Mission Director: David E. Mutchler

## ACTIVITY DATA SHEET

**PROGRAM:** PANAMA

**TITLE AND NUMBER:** Environmental Protection of the Panama Canal Watershed Improved, 525-SO01

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,400,000 DA

**INITIAL OBLIGATION:** FY 1995 **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To protect existing forest reserves within the Panama Canal watershed, to assist reforestation and to help prevent other environmental degradation in order to protect and preserve fresh water sources vital to the operation of the Panama Canal.

**Background:** The Panama Canal is dependent upon an abundant and continual source of fresh water for its operations. Every ship that passes through the locks requires 52 million gallons of fresh water which is then lost to the sea. In addition, over one and a half million people depend upon the Canal lakes for potable water. The five rivers which provide this water lie within a watershed whose area covers 326,000 hectares. In 1947, about 70% of the watershed was protected by thick forest cover. Today, only about 30% of the watershed is forested. Deforestation continues, due to population pressures from the nearby urban concentrations of Panama City and Colon, the spread of cattle ranching, and the persistence of slash-and-burn agriculture. If this process continues, erosion in the river valleys, siltation, and loss of storage capacity in the Canal lakes will jeopardize the future operation of the Panama Canal.

**USAID Role and Achievements to Date:** USAID has supported development of a plan for coordinated protection and sustainable development of the Panama Canal watershed. The GOP Inter-Oceanic Authority (ARI), the GOP Institute for the Management of Renewable Natural Resources (INRENARE) and the Smithsonian Tropical Research Institute (STRI) are USAID's principal partners in implementing this plan. In 1995, USAID, the GOP and The Nature Conservancy established a \$25 million environmental trust fund which generates additional financial resources each year to the Panama Canal watershed and other priority areas. In 1995, USAID worked with the principal municipalities surrounding the watershed to design a municipal development project which will provide technical assistance and training for municipal officials and local communities so they can play an active role in the protection of the watershed. In 1995, USAID developed a special program with the Smithsonian Tropical Research Institute to assist INRENARE in the design and establishment of environmental monitoring systems within the watershed which will measure, on a continuous basis, changes in forest cover, water quality, siltation, demographic pressures and biodiversity. In 1995, USAID established with INRENARE a program to survey the national parks which border the Canal and to demarcate their boundaries. Three of the five parks have now been demarcated.

**Description:** During FY 1997, USAID will work directly with key municipalities within and bordering the Canal Watershed to enlist community participation in discouraging encroachment into national parks and encouraging reforestation within the watershed. USAID will work with the private sector to reforest more than a thousand hectares of reverted lands bordering the Canal. USAID will assist more than one hundred farmers and cattle ranchers who have legal title to land within the watershed to reforest significant portions of their land holdings. USAID will support the GOP in surveys and demarcation of the remaining two national parks and in the construction of ranger and guard facilities. USAID will support environmental education programs for municipalities, schools, and communities within and bordering the watershed. USAID will work with the Controller General of Panama to establish in his office an ecological accounting unit and an ecological auditing unit to strengthen stewardship of natural resources at the cabinet level of the GOP.

**Host Country and Other Donors:** USAID is the principal donor supporting management of natural resources in Panama, although Germany, Spain, the European Union and Japan are increasingly active elsewhere in the country. USAID is the only donor supporting major conservation efforts within the Panama Canal Watershed. INRENARE has a national budget of \$20.8 million for 1996. This includes a GOP contribution of \$4.6 million, donations from the U.S. and other donors, and income from fines, fees and taxes on timber.

**Beneficiaries:** Preservation of the Panama Canal watershed will benefit the U.S. and other international users of the Panama Canal, the 7,500 permanent Canal employees, the people of Panama who derive 6% of gross domestic product from current Canal operations, and the 1.5 million population of Panama City and Colon which depends upon the Canal lakes for potable water.

**Principal Contractors, Grantees or Agencies:** USAID implements activities through a grant with Smithsonian Institution and cooperative agreements with U.S. and Panamanian NGOs such as The Nature Conservancy. The Panamanian Institute for the Management of Renewable Natural Resources also implements elements of this strategic objective.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
All waterways and forested areas in the Canal watershed declared legally protected (in hectares)	156,000(1990)	245,000 (2000)
Forest cover in the Canal watershed (in hectares)	122,575 (1992)	126,000 (2000)
Land area reforested in the Canal watershed by private sector (in hectares - cumulative)	100 (1993)	6,400 (2000)
Funding disbursed from Ecological Trust Fund to NGOs, community associations, education groups and GOP entities for conservation and environmental activities (\$000 - cumulative)	\$000 (1994)	\$6,100 (2000)

## ACTIVITY DATA SHEET

**PROGRAM:** PANAMA

**TITLE AND NUMBER:** Efficient Transfer of the Panama Canal and Productive Use of the Reverted Areas Facilitated, 525-Sp001

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997 \$1,100,000 DA

**INITIAL OBLIGATION:** FY 1995

**ESTIMATED COMPLETION DATE:** FY 1999

**Purpose:** The purpose of this special objective is to prepare for a seamless transition of the Panama Canal to Panamanian ownership, control and operation; and to offset the loss of employment and income resulting from the closure of U.S. military bases.

**Background:** The Panama Canal Treaties, signed in 1977, provide for the transfer of the Panama Canal to Panama and for the closure and transfer of all U.S. military bases by December 31, 1999. Democratic governance issues are central to this process.

The Panama Canal Commission has taken the lead in preparing a "milestone plan" for the transition of the Canal to the Government of Panama. The GOP is now organizing itself to address the governance and management issues outlined in that plan. The GOP must now further develop its own transition plan and draft basic legislation. It must develop a governance structure for the new Panama Canal Authority, establish personnel and administrative procedures, adapt labor policies to maintain sound labor and management relations, implement business-like financial systems, develop procurement policies and programs, establish a tolls policy in accordance with marketing and operating factors, and establish new authorities over Canal ports.

The GOP has created the Inter-Oceanic Authority (ARI) to carry out planning and marketing for private sector productive use of the U.S. military bases and Canal operating areas which are already being transferred to Panamanian control.

**USAID Role and Achievements to Date:** USAID actively supported the creation of ARI, providing computer equipment, technical assistance and training. USAID funded development of feasibility studies of tourism development for Fort Amador, optimal uses for Albrook Air Force Base, and privatization of Gorgas Hospital. With respect to the Canal transfer, USAID developed the terms of reference and funded development of the GOP transition plan which helps guide current planning.

**Description:** At ARI's request, USAID will work with the International Executive Service Corps to provide highly experienced U.S. technical experts on a short-term basis to address a wide range of specific base conversion issues identified by ARI. USAID will provide additional long-term technical assistance and training to help ARI and the GOP's Panama Canal Transition Commission strengthen financial management, including budgeting, accounting, procurement and auditing.

**Host Country and Other Donors:** The Inter-American Development Bank is providing ARI with loan-funded technical assistance to develop a general use and a regional plan for the reverted areas. These plans, to be completed in the next six months, will then guide more specific reconversion project planning.

**Beneficiaries:** The beneficiaries are the U.S. and other international users of the Panama Canal; the Panamanian people, who derive 8%-15 % of gross domestic product at present from U.S. military bases and the Panama Canal; and the Panamanian labor force, including 7,500 permanent Panama Canal Commission employees, 3,500 U.S. military civilian employees, and 8,000 U.S. military contract and concession employees.

**Principal Contractors, Grantees or Agencies:** The implementor will be the International Executive Service Corps.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
New jobs created replacing those lost by closure of U.S. military bases (cumulative)	0 (1995)	10,000 (1999)
New revenues generated replacing income lost by closure of U.S. military bases (\$000 - cumulative)	0 (1995)	\$125,000 (1999)

## PARAGUAY

**FY 1997 Development Assistance: . . . . . \$ 3,600,000**

### **Introduction.**

Paraguay is South America's youngest democracy, recently emerging from a 34-year military dictatorship. The consolidation and strengthening of democracy are the United States over-riding objective in Paraguay. Serious environmental and population problems are also of concern. Strategically located in the heart of South America, Paraguay has a population of 4.6 million people and is one of the poorer countries in the region. While an impressive beginning has been made in Paraguay's democratic transition, there are still many formidable obstacles to further progress. With its tradition of a strong central executive, the country's judicial, legislative and local government institutions are notably weak. Paraguay continues to look to the United States for advice and support. It is in the interest of the United States to assist Paraguay in its democratic transition, which will help preserve political and economic stability in the region. Strong and effective democratic institutions will guarantee human rights and social justice and will enhance U.S. investment.

Paraguay's mismanagement of natural resources, including rampant deforestation, and a high population growth rate are obstacles to creating employment and providing basic services. The rational use of natural resources and increasing use of voluntary family planning help advance U.S. regional and global objectives of protecting the environment and stabilizing population growth.

### **The Development Challenge.**

Paraguay has had a long history of war with its neighbors followed by subsequent extensive periods of isolation and authoritarian rule. Following the 1989 coup, which toppled its corrupt dictatorship, Paraguay began to embrace democracy and democratic principles for the first time.

Over the past seven years, the country has made progress in democratic development. Important building blocks are now in place to support continuing efforts towards strengthening Paraguay's democratic institutions. For example, democratic guarantees for human rights and basic freedoms have been installed, closed newspapers and radio stations were reopened, and the press is now able to provide independent and responsive coverage. In 1992, a new constitution was ratified which was a major step in institutionalizing Paraguay's democracy from a strong presidential model toward a balance of power between branches of government. Free and fair elections also have been held. The 1991 municipal elections enabled voters to elect their mayors for the first time. In presidential and congressional elections two years later, Paraguay elected its first civilian president in half a century. In this election, opposition parties also won a combined majority in congress. To prevent potential political deadlock, the opposition-controlled congress developed a "governability pact" with the executive branch. Major effort is now being placed on the challenge of trying to modernize the state, to reduce corruption, and to tackle serious socioeconomic and environmental problems.

While progress has been made in Paraguay's democratic transition, there are still many obstacles and constraints. These include weak institutions, lack of qualified human resources, and pervasive corruption. Very little regional or international exchange was permitted during the previous dictatorship. The renovated judiciary, legislature, executive branch, local governments, the media, and local nongovernmental organizations (NGOs) all have important new roles but lack the experience or capacity to carry them out.

Paraguay's per capita income of \$1,380 masks an extreme disparity of wealth. The top 10% of the population receive 42% of national income, while the poorest 50% receive less than 16%. The country's population growth rate is one of the highest in the region, and less than 32% of eligible couples have access to family planning services. The maternal mortality rate is the second highest in

the hemisphere. The previous government's lack of investment in health and education and opposition to family planning left Paraguay far behind other countries in the region in providing basic quality services to its population. The country is now in the process of undertaking major reforms in health, education and family planning services.

Approximately 98% of exports are agro-based, and decades of over-dependence on cotton and livestock have taken their toll on the environment. Clearing of forest for agriculture and livestock is a major threat to the survival of these ecosystems, and Paraguay has lost over 70% of its forest cover in the last 50 years. Conservation of Paraguay's unique natural resources is of regional and global importance and is critical to the country's longterm sustainable development.

Paraguay has a relatively low level of international debt and is current on debt payments. This is not a significant issue for U.S. concern.

Paraguay is not an early candidate for rapid graduation from development assistance. Substantial time and effort are required to implement assistance to the country's democratic institutions. On the other hand, it is expected that USAID's population and environmental strategic objectives will be achieved by FY 2000.

#### **Other Donors.**

The United States is one of the largest bilateral donors after Japan, Germany, the European Economic Community and Spain. Other major contributors include the Inter-American Development Bank, the World Bank and the United Nations Development Program.

#### **FY 1997 Program.**

USAID's strategy is to assist Paraguay increase its capacity for sustainable development in a participatory democracy. The program has three strategic objectives which correspond to the Agency goals of building democracy, protecting the environment and stabilizing population growth. To build democracy is the cornerstone of the USAID program and is Paraguay's highest priority. This responds directly to the U.S. interests of preserving regional stability and promoting U.S. economic interests. A stable government which protects the rights of its citizens enhances foreign and U.S. investment. Through past USAID assistance, the judiciary, congress, local governments and the NGO community have instituted important changes, but they still remain undeveloped and ill-equipped to take on their new responsibilities.

USAID support for building democracy focuses on: creation of an independent and effective judiciary and legislature, developing a competent electoral system, administrative rationalization at the central and local government levels to control corruption, increased citizen participation, and encouraging a community approach to confronting urban environmental problems.

Reproductive health and family planning services are also priorities and address U.S. worldwide interests of stabilizing population growth. Support for family planning improves maternal health and will reduce population pressures on the country's limited resources which will enhance the creation of employment and economic opportunities for its citizens. After years of neglect, Paraguay recently endorsed a strong reproductive health and family planning program and has requested USAID support. USAID assistance will provide family planning services to the two-thirds of the population which currently do not have access to these services.

Focused USAID support for sustainable management of Paraguay's natural resources will assist in the conservation of the country's fragile ecosystems. It also will contribute to a better rationalization of the country's largest resource for export and employment.

### **Agency Goal: Building Democracy**

Paraguay has made an impressive beginning in reforming the government and in adopting democratic principles since its transition to democracy in 1989. Despite important accomplishments, democratic institutions are still weak, human resources are lacking, and the continuance of civilian rule is not yet completely assured.

The legislature has only been democratically functioning since 1989 and moderate progress in modernization has taken place. However both houses still function on an ad hoc basis, and desperately need technical assistance to organize themselves to function as a legislative body. USAID support in 1995 included training legislators, media representatives, and congressional committee staff. Training has ranged from legislative bill drafting to techniques of research and investigation. Activities also included contracting advisors for key legislative committees and expert team visits from the Center for Studies and Legislative Assistance (CEAL) in Chile.

Because free and open elections are crucial to consolidate the democratic process, USAID support for election assistance is an important component of the democracy program. During the past year an assessment was carried out of the overall needs of the newly established Election Tribunal, and a donors conference was organized to solicit support for the upcoming municipal elections. The Election Tribunal needs support for organizing the municipal elections in 1996 and the general elections planned for 1998. The tribunal also needs long term assistance in human resource development, equipment and institutional support. Civic education and voter education through NGOs also are needed. This will require major support over the next 3-5 years, but especially in FY 1997 as preparations are made for general elections in early 1998.

Strengthened local governments enhance accountability and increase citizen participation in democratic decision-making. USAID assistance provides support to improve local governments in their administration of resources and programs. Accomplishments include the establishment of local and regional health commissions which will begin to manage an increased portion of local health services in FY 1997. In 1995, the Municipality of Asuncion held its first-ever public hearings on its budget. This was the first such public budget hearing at any government level in Paraguay.

- Strategic Objective 1: Strengthened democratic institutions, systems and practices

### **Agency Goal: Protecting the Environment**

Paraguay is dependant on its natural resource base, particularly agricultural resources, for virtually all of its export income. This sector produces more that one-quarter of the gross domestic product (GDP), employs half the work force, and generates 90% of registered exports. Unfortunately, the overall growth and development already achieved cannot be maintained over the long term because of Paraguay's failure to protect its resource base. Intensive, unsustainable exploitation of land, water and wildlife continues. Clearing of forest for agriculture and livestock is the major threat to the survival of these characteristic ecosystems.

Paraguay's biodiversity is at great risk. Only 4.4% of the country is under some form of environmental protection, and many habitats of ecological significance are not represented. USAID provides support to increase the local capacity in managing the country's natural resources and protecting the environment. USAID sponsored conferences and seminars over the past year to analyze the current state of Paraguay's natural resources and began development of a comprehensive environmental action plan. Assistance also has been provided to establish a national private reserve program which is now operational.

USAID also promotes environmental awareness and education, community action plans, and environmental legislation through grants to local NGOs, which conduct seminars, workshops and

education campaigns. USAID also targets local, regional governments and citizen groups to assist in determining relevant environmental problems. Based on these evaluations, additional activities are being designed to address these problems.

- **Strategic Objective 2: Increased Protection of Paraguay's National Ecosystems**

**Agency Goal: Stabilizing World Population Growth**

During the previous dictatorship, the health sector was neglected and politicized. Maternal and child health services deteriorated, particularly family planning. Paraguay has a 3.2% population growth rate. Less than one-third of eligible women of reproductive age have access to family planning services. USAID support increases the use of voluntary family planning through expanded access to services, strengthened institutional capacity to provide services, and improved capacity for sustainability of services.

A national reproductive health survey was completed in 1995. Data are now being analyzed and will be used to measure achievements. USAID also provided technical assistance to the public sector in contraceptive logistics management and support to the private sector to develop a plan to expand and diversify family planning services. Family planning administrators were trained in other countries, and plans are underway to implement an integrated young adult and adolescent program for both public and private sectors.

Nevertheless, if there are funding constraints in FY 1997, USAID will need to redefine its role and establish greater coordination within the local donor community for their increased support.

- **Strategic Objective 3: Increased Use of Voluntary Family Planning Services**

**PARAGUAY  
FY 1997 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
<b>USAID Strategic Objectives</b>						
<b>1. Strengthened Democratic Institutions Dev. Assistance</b>				\$1,500,000		\$1,500,000
<b>2. Improved Management of Natural Resources Dev. Assistance</b>			\$1,000,000			\$1,000,000
<b>3. Increased Use of Voluntary Family Planning Services Dev. Assistance</b>		\$1,100,000				\$1,100,000
<b>Total Dev. Assistance</b>		\$1,100,000	\$1,000,000	\$1,500,000		\$3,600,000

USAID Representative: Barbara C. Kennedy

## ACTIVITY DATA SHEET

**PROGRAM:** PARAGUAY

**TITLE AND NUMBER:** Strengthened democratic institutions, systems and practices, 526-S001

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCES:** FY 1997: \$ 1,500,000 DA

**INITIAL OBLIGATION:** FY 1995

**ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To support greater government responsiveness and accountability through creation of an effective judiciary and legislature, an independent functioning electoral system and local government with decentralized services based on wide citizen participation.

**Background:** Since Paraguay's transition to democracy, the country has enjoyed a free press and active media. Human rights have improved. In addition to national elections, governors and mayor have been elected for the first time in history. U.S. assistance in strengthening and developing stronger governmental institutions, and citizen participation in democratic decision-making is crucial at this early stage of democratic development.

**USAID Role and Achievements to Date:** USAID is moving from small-scale "pilot" activities to a longer-range program which features institutional strengthening and human resource development. Technical assistance has been provided to the newly established Election Tribunal to assist in carrying out an assessment of its needs. A donor roundtable also was organized to solicit support for the 1996 municipal elections. The Paraguayan Congress has expanded its budget oversight role, and with USAID support, is organizing itself to take on a complicated agenda of political, economic and social issues. At the local government level, through USAID sponsored seminars, the nation's first elected governors and mayors are lobbying for a change in the law which would give them increased authority and resources for local governance. Citizen groups are beginning to play a greater role in defining priorities. Through USAID support, the Municipality of Asuncion carried out its first-ever public hearing on their municipal budget.

**Description:** USAID will focus on: (a) election assistance to support the Election Tribunal in conducting free and fair municipal elections in 1996 and to initiate preparations for national elections in 1998; (b) judicial reform through support for establishment of a judicial training center, introduction of an alternate dispute resolution program and a civic education campaign; (c) support for local governments to better plan and manage their programs which encourage joint local government and a community approach to confronting urban environmental problems; (d) support for a pilot decentralized program for health services in selected areas; and (e) continued legislative modernization through training and technical assistance. Funding will be channeled through both local and U.S.-based NGOs working in coordination with the corresponding national or sub-national governmental agency.

**Host Country and Other Donors:** USAID has taken the lead in encouraging the donor community to support democracy, especially with the Inter-American Development Bank (IDB). Using USAID-initiated studies, the IDB is designing complementary projects to help modernize the judicial and legislative branches. The European Economic Community also is providing support to the legislative branch and the Organization of American States is working collaboratively with USAID in the area of election assistance.

**Beneficiaries:** Most segments of the population will directly benefit from increased participation and decision-making as a result of electoral support and the reforms in the judicial system. Local communities will have a greater say in the plans for their local and regional governments and will

benefit from better management of local health services. Citizen groups involved in urban environmental concerns will receive the benefits of a cleaner and safer environment.

**Principal Contractors, Grantees, or Agencies:** USAID implements activities through U.S. private non-profit companies such as Florida International University, University Research Corporation, and the International Foundation for Electoral Systems. Local NGOs and grantees include Information Resources Center for Development, the Supreme Court, and the Office of the Attorney General.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Increased percentage of citizens voting in elections	50% (1 million) (1995)	80% (1.6 million) (2000)
Local governments routinely conduct public hearings	2 (1995)	50 (2000)
Criminal cases processed before one year	18% (1995)	70% (2000)
Citizen confidence in legislative process	30% (1995)	70% (2000)

## ACTIVITY DATA SHEET

**PROGRAM:** PARAGUAY

**TITLE AND NUMBER:** Increased Protection of Paraguay's Natural Ecosystems, 526-SO02

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,000,000 DA

**INITIAL OBLIGATION:** FY 1995 **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To increase protection of Paraguay's natural resources through a strong national parks and private reserve system while promoting compatible activities in the surrounding areas.

**Background:** Paraguay's biodiversity is at great risk and the country has the highest deforestation rate in the world, relative to its size. Over 70% of its forests have been lost in less than 50 years. Paraguay is third in the world, after Brazil and China, in absolute number of hectares of land cleared per year. This trend is having a devastating affect on the economy which depends on natural resources, primarily soil and wood, for export income. Only 4.4% of the country is under some form of environmental protection. The number of critically endangered species is 25 and continues to increase. Expansion of agriculture continues with little regard for environmentally sound practices. Unless something is done, this will have drastic long-term effects on the economy which relies on the natural resource sector for half the country's employment. Increased poverty because of irrational land use has the potential to destabilize this nascent democracy.

**USAID Role and Achievements to Date:** Under the Parks in Peril program, USAID assisted a Paraguayan consortium of public and private agencies to purchase and put under long-term protection a 240 square mile reserve, one the last large continuous tracts of Interior Atlantic Rainforest in the tri-country region of Paraguay, Brazil, and Argentina. Through the current private reserve program over 198,000 acres have been established, which incorporate conservation and sustainable use of resources.

**Description:** All activities are carried out in close collaboration with the Government of Paraguay's (GOP) Directorship of National Parks and Wildlife (DNPW). Activities includes the delineation of new parks, training park guards and other park and reserve personnel, development of enforcement regulations, equipment, and organizing public awareness campaigns on conservation. Through the Moises Bertoni Foundation, a prominent local conservation NGO, a private reserve program plan is being established which will provide for an effective conservation compatible with sustainable income-generating activities. The program has targeted an additional 370,000 acres to be put under protection over the next several years. Important components of this plan include health, wildlife, and forestry projects with indigenous communities within and close to the parks. This is because of their close link to the forest and great need for these local populations to use and sustain themselves with food and cash income.

**Host Country and Other Donors:** The GOP has steadily increased funding for DNPW over the past few years and will continue to expand as the issue of environmental degradation continues to command attention nationally and internationally. Other donors include Germany, and to a lesser degree Japan. Importantly, the World Bank and Inter-American Development Bank emphasize environmental mitigation in their loan packages and have directly provided loans for resource management. USAID coordinates closely with these international financial institutions for maximum impact.

**Beneficiaries:** Beneficiaries include indigenous groups living in and close to national parks and reserves, and small farmers and rural inhabitants within buffer zones of parks, which comprise 49% of Paraguay's population.

Principal Contractors, Grantees, or Agencies: USAID implements activities through U.S.-based international firms, the Center for International Environmental Law and Hagler-Bailly, Inc. Local NGOs include the Moises Bertoni Foundation and Alter Vida.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Number and area of parks protected	13 (1994)	20 (2000)
Reserves under private sustainable management	198,000 acres (1994)	568,000 acres (2000)

## ACTIVITY DATA SHEET

**PROGRAM:** PARAGUAY

**TITLE AND NUMBER:** Increased Use of Voluntary Family Planning Services, 526-SO03

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,100,000 DA

**INITIAL OBLIGATION:** FY 1995

**ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To increase current contraceptive prevalence by expanding access and use of family planning services and strengthening capacity and sustainability of family planning programs.

**Background:** At 3.2%, Paraguay has one of the highest population growth rates in the hemisphere. This population growth rate coupled with an extremely high maternal mortality rate (386 per 100,000 births), points to the need for better reproductive health services, including the provision of family planning. Both the public and private sectors provide family planning on a small scale compared to actual need. One reason for this is the pro-natalist policies of the previous government. Since the country's transition to democracy, the climate for family planning has improved. The new constitution explicitly provides for the right of couples to receive family planning services. A national population policy is currently being discussed within the congress.

**USAID Role and Achievements to Date:** While USAID had funded population and family planning activities on a limited basis in the past, it was not until 1994 that the Government of Paraguay (GOP) made reproductive health and family planning a priority. In 1994, USAID jointly developed a population assistance program with the Ministry of Health and a local family planning NGO. This program was approved, and implementation began in 1995 and; to date, a national reproductive health survey has been completed. USAID focuses primarily on the private sector. A study to assist the private sector organize cost-effective services is being carried out.

**Description:** USAID's support for increasing use of voluntary family planning services includes expansion of community-based distribution programs to under-served rural areas, reproductive health services for adolescents, provision of contraceptive supplies, and programs targeted to special groups such as male clinics and permanent family planning methods. In addition, program efficiency and sustainability are addressed through training and technical assistance in contraceptive logistics management, specialized clinical training, financial and program management, and closer coordination between the public and private sector.

**Host Country and Other Donors:** The GOP National Reproductive Health Council includes members from the public and private sectors and the donor community. The council is active in organizing and coordinating all population and family planning activities. The United Nations Population Fund provides public sector support and the World Bank and the Inter-American Development Bank are developing a health sector loan to provide equipment and training to improve quality of public sector health services. The International Planned Parenthood Federation also provides support to its local affiliate.

**Beneficiaries:** direct beneficiaries are women of child-bearing age including approximately 1.15 million couples. Young adults and men will also be beneficiaries for information and services. USAID-supported programs are targeted toward at-risk couples not currently using family planning, which includes approximately 150,000 couples.

**Principal Contractors, Grantees, or Agencies:** USAID implements this program through a number of U.S.-based firms, such as the Association for Voluntary Surgical Contraception, the Centers for Disease Control, Family Health International, Management Sciences for Health, and an international organization, the International Planned Parenthood Federation. These organizations are coordinated through the USAID Global Bureau.

**Major Results Indicators:**

	<b><u>Baseline</u></b>	<b><u>Target</u></b>
<b>Couple-years of protection (CYP)</b>		
<b>Centro de Poblacion</b>	<b>50,000 CEPEP (1994)</b>	<b>75,000 CEPEP (2000)</b>
<b>Ministry of Health</b>	<b>70,000 MOH (1994)</b>	<b>100,000 MOH (2000)</b>
<b>Contraceptive Prevalence</b>	<b>35% (1990)</b>	<b>55% (2000)</b>

## PERU

**FY 1997 Development Assistance: . . . . . \$ 31,650,000**  
**FY 1997 International Narcotics Control Fund: . . . . . \$ 20,000,000**  
**FY 1997 P.L. 480, Title II Request: . . . . . \$ 55,600,000**

### Introduction.

Peru continues its efforts to build a modern, prosperous state within a democratic society out of the ashes of near total economic and societal collapse during the 1980s. A broad range of reforms, coupled with the successful suppression of terrorism, have made Peru more stable. Peru is beginning to address its significant social problems. However, Peru is still building individual, institutional, and societal capacity to achieve the political, social, and economic conditions to promote sustainable development over the long term.

Peru's political, economic, and social stability is important to long-term U.S. interests in the region. Fundamental U.S. foreign policy interests in Peru include support for Peru's fragile democracy and reduction of coca production and trafficking of coca-based products. USAID's development assistance to Peru directly addresses these interests through programs to strengthen Peru's democracy and an alternative development program. There also are important U.S. interests in extending the benefits of economic growth to the poor and in expanding trade and investment opportunities. USAID assistance also supports these objectives by promoting programs to reduce population growth rates, to improve health and nutrition, to improve human capacity development, and to ensure appropriate stewardship of natural resources, including biodiversity. These efforts contribute to stability in Peru and the region.

### The Development Challenge.

The Government of Peru (GOP) has made significant progress in stabilizing the economy, restoring economic growth, reducing state intervention in domestic markets, and curbing the internal security threat of political terrorism. It has begun to address the needs of those living in poverty, strengthen its democratic institutions, and address the problem of coca production and trafficking.

The GOP's adherence to economic reforms has resulted in a decline in inflation from 7,650% in 1990 to 6.8% in 1995. Despite these encouraging trends, the sustainability of Peru's economic and political recovery will depend on broadening the base of economic growth, human capital development, and new investment. GOP institutions must be modernized to improve their capacity to develop and implement reforms and programs. Political power must be decentralized to improve the responsiveness of government institutions to local development needs.

Poverty, underemployment, lack of access to quality education, malnutrition, and high levels of preventable mortality and morbidity remain serious impediments to Peru's sustainable development despite some recent progress. The number of Peruvians classified as living below the poverty threshold was 11.3 million in 1995, or 50% of the population, down from 55% in 1991. Those living in extreme poverty, whose expenditures do not reach the minimum per capita cost of food of a basic family basket, dropped from 24% to 19% during the same period. Most of the economically active population, especially women, is affected by underemployment. In 1994, only 17% were adequately employed, while 74% were classified as underemployed and 9% as unemployed. Although primary education enrollment rates are 88%, the system is plagued by very low attendance rates, especially in rural areas. The illiteracy rate in rural areas is 28%. The illiteracy rate for rural women is 46%. The national rate of chronic malnutrition among school children is 48% and, in some highland departments, is 72% with concomitant detrimental impacts on national development of the human resource base. National life expectancy is 10% lower than in neighboring middle-income countries, while infant and child mortality are twice as high. Fertility remains high in rural areas. The high

mortality and morbidity associated with the termination of unwanted pregnancies evidence a continuing unmet need for family planning services. One of the major goals of the current government is to reduce extreme poverty levels from the current 19% to 9% by the year 2000. Also, the GOP has stated its intention to increase access to quality health, education, and justice services. Recently the GOP President put all the power and support of his office behind the national family planning plan. Rehabilitation and construction of schools in the most remote areas will be a priority and, with the assistance of multilateral donors, the GOP will undertake major activities to improve the quality of, and access to, education.

Peru's future growth potential also depends greatly on its ability to manage the country's natural resources for long-term sustainable use. Peru is one of the most biodiversity-rich countries in the world. Approximately 12.7 million hectares are under some form of legal protection. The country has 679,000 square kilometers of natural forests, and the yearly deforestation rate is estimated at 4%, or 2,700 square kilometers. Additionally, more than 2.4 million hectares of agricultural land are degraded. Industrial and household wastes contaminate the main coastal rivers and the sea, and two of the four key rivers in the jungle are polluted due to oil drilling and from precursor chemicals from coca processing. Mining pollution has severely degraded the air, lakes, rivers, and streams, especially in the highlands. Solid waste treatment in urban areas is deficient, with only 32% of solid wastes being properly disposed of and the remainder being dumped into nearby rivers or the sea. The GOP has only recently begun to grapple with these major environmental issues.

Peru has made steady progress in restoring constitutional government, in reducing human rights violations, and in respecting the rule of law. Free and fair presidential, congressional, and municipal elections were held in 1995. New institutions such as the Judiciary Council, Judicial Academy, the Constitutional Guarantees Tribunal, and the Office of the Ombudsman were legally established, and Peru's human rights record improved. The GOP has demonstrated clearly a commitment to democratic electoral processes. The impressive gains of opposition candidates in the November 1995 municipal elections, and the president's public show of respect for the outcome, bode well for consolidating democracy. USAID-financed polls conducted in 1994 indicate that 83% of Peruvians prefer a democratic system and 63% participate in some type of local organization. Decentralization is seen by 46% of Peruvians as the most important factor for development. Reforms in the judicial system also are envisioned to improve efficiency and provide equal and responsive access to the poor.

Peru remains the world's leading producer of coca leaf. In 1995, potentially over 183,000 tons of coca were grown, surpassing Colombia and Bolivia, and with a gross effect on the economy of \$1 billion, or more than 2% of the Gross Domestic Product (GDP) in that year. The United Nations estimates that the drug industry, including cultivation, processing, and transportation, accounts for up to 11% of GDP. The expansion of coca production and trafficking continues to cause serious social, economic, political, and environmental harm to Peru. Domestic drug abuse is expanding at a high rate, further compounding Peru's social problems. Narco-dollar liquidity has distorted exchange rates and fed corruption. Links between narco-traffickers and terrorists have critically harmed civil governmental authority in the coca-growing areas, promoting anarchy and seriously impeding democratization and broad-based development efforts. Deforestation, erosion and disposal of toxic chemicals resulting from the processing of coca are causing ecological damage in these areas.

Major goals of the current government are to suppress terrorism, to eradicate corruption in the government, and to reduce narco-trafficking activities, one of the major causes of corruption and terrorism. However, the GOP believes that poverty reduction is the main weapon to fight terrorism and narco-trafficking. Although the GOP is committing more resources to these efforts, major reforms under this ambitious agenda are unlikely to succeed without the continued development assistance and support of donors, both bilateral and multilateral.

## **Other Donors.**

Net official development assistance (ODA) disbursements to Peru in 1994 were \$416.6 million, from which the U.S.'s contribution accounted for 20.4%. The United States was the principal non-multilateral development bank donor. The United Nations, Japan, Germany, and the European Development Fund provided almost 50% of ODA, directed principally to human resources development, health and social development, economic support, and humanitarian assistance. In addition, the Inter-American Development Bank (IDB) and the World Bank have increased their assistance to Peru, playing a major role in the country's development efforts in the areas of economic support, road rehabilitation, health and social development.

## **FY 1997 Program.**

USAID's program is focused on critical components for the United States to meet its primary foreign policy goals. To successfully accomplish these goals requires a concerted effort to promote open, transparent, and accountable political systems; a politically dynamic civil society wherein people and communities actively participate in their development and decision-making; market-driven, broad-based economic growth that provides opportunities for economic diversification, including viable alternatives for those currently dependent on the coca trade; appropriate environmental protection and pollution prevention; and a strong and healthy human resource base that can take advantage of economic opportunities and be informed, capable participants in the political life of the country.

To address Peru's evolving development needs and U.S. foreign policy objectives, USAID pursues four strategic objectives. These respond to four of the five agency goals to achieve sustainable development. They are: (1) broader citizen participation with more responsive public institutions; (2) increased incomes of the poor; (3) improved health, including family planning, of high-risk populations; and (4) improved environmental conditions in targeted areas. Additionally, a special objective related to USAID alternative development and drug-awareness efforts, which is directly and indirectly interrelated with all USAID strategic objectives, has been incorporated into the framework in recognition of the United States' overriding foreign policy objective for the Andean countries in counternarcotics, specifically coca production in Peru.

### **Agency Goal: Building Democracy**

While there have been some notable successes, such as a series of free and fair elections, Peru's democracy remains fragile and uneven. Its development is constrained by the related weaknesses of an unresponsive public sector and lack of participation by civil society groups and individuals. The public sector suffers from an imbalance of power weighted heavily toward the executive, an overly centralized system, and a lack of institutional development. Many private citizens and groups have been excluded from the process and are struggling to participate effectively. These constraints -- coinciding with a history of human rights abuses -- have inhibited Peru's broad-based development.

USAID's strategic objective of "broader citizen participation with more responsive public institutions" focuses on these concerns. Undoubtedly the major success in 1995 occurred in the electoral area. USAID was the primary donor supporting national elections in April and municipal elections in November, both of which were declared free and fair by local and international observers. This provided legitimacy to the elected government and helped Peru's reinsertion in the international community. USAID's pioneering work over the past several years in the area of decentralization and local government strengthening has resulted in GOP support for decentralization. The increasingly greater emphasis on decentralization, on strengthening underdeveloped and unresponsive institutions, and on the need for heightened civic awareness and participation will require sustained development assistance from USAID to further consolidate and strengthen democracy in Peru.

- **Strategic Object 1: Broader Citizen Participation with More Responsive Public Institutions**

## **Agency Goal: Encouraging Broad-Based Economic Growth**

The USAID strategy for Peru places great emphasis on the need to incorporate the poor into the expanding market economy in order to reduce the high rates of poverty and food insecurity. Low productivity is a major cause of poverty in Peru, which in turn is reflected in inadequate investment in human and physical capital, infrastructure, and supportive public policies and institutions. However, terrorism, social dislocation, and the neglect and abandonment of a large segment of the population by past governments have all contributed greatly to poverty in the country.

USAID's strategic objective to "improve incomes of the poor" directly addresses these root causes of poverty through four areas of concentration: making the policy framework adequate, increased production and productivity, increased market access for poor farmers, and improved human resources. Specific actions being carried out by USAID under this objective are: improved financial institutions for the poor; development and dissemination of appropriate production technologies and inputs, e.g., seeds; small farmer and microentrepreneurial organization and training; improved market knowledge and organization; nutritional improvement; small-scale infrastructure development; and improved sectoral policies, especially related to marketing, trade, finance, and public revenues and expenditures.

P.L. 480 Title II resources represent a major component of the assistance targeted to achieve this strategic objective. P.L. 480 Title II activities are used to achieve dual humanitarian and development assistance objectives. Approximately two million poor Peruvians are direct or indirect beneficiaries. In 1995 USAID's food aid program consists of four food distribution activities implemented by USAID and Peruvian PVOs. The PVOs target the food aid based on criteria of extreme poverty, high incidence of malnutrition, low agricultural output and unsatisfied basic needs. The PVOs have assistance strategies to improve the food security of extremely poor beneficiaries. One strategy is to provide temporary food support to extremely poor women while simultaneously working to educate them on nutrition, health and family planning; and assisting them with credit, tools or equipment to enhance their incomes. Another strategy is food for work whereby production or income is enhanced by the construction of community infrastructure.

Key achievements during 1995 include greater market access by small farmers and microentrepreneurs (new sales of \$11.0 million and \$1.4 million, respectively) and improved focusing of directed food assistance to reach 270,000 nutritionally at-risk children. In 1995 employment was provided to hundreds of thousands of poor beneficiaries using P.L. 480 Title II resources and hundreds of thousands of high-risk mothers and young children also benefited through direct feeding programs.

Major constraints to accomplishing the strategic objective are the lack of a GOP medium-term development plan which focuses public sector investments on poor areas and populations, continued lack of access by the poor to markets, and lack of adequate agricultural production technologies. USAID proposes to deal with these constraints through its existing activities in these areas.

In addition, USAID's Alternative Development program in Peru is an effective tool in promoting sustainable development and, at the same time, reducing coca production. Alternative Development is one part of the two-part (law enforcement is the other component) U.S. counternarcotics strategy for the Andean countries to reduce coca production. There are two activities included under this special objective: the Narcotics Education and Community Initiatives project (NECI) and the Alternative Development project. NECI has established a positive reputation in promoting drug awareness not only in Peru but throughout Latin America. Its activities have raised consciousness of the effects of illegal drug usage in Peru to over 50% of the population, and the project implementor is viewed as the major Peruvian non-governmental organization nongovernmental organization (NGO) promoting drug education. The Alternative Development project specifically addresses sustainable development interests in rural coca growing and outmigration areas. It began in 1995 and has rapidly established a presence in all five target areas. Local Government Development project activities, although under the USAID's democracy strategic objective, also support this special objective by strengthening local

governments, expanding people's participation in decision-making, and creating the public confidence needed to implement sustainable development in the same five Alternative Development project areas.

- Strategic Objective 2: Increased Incomes of the Poor
- Special Objective: Alternative Development

**Agency Goal: Stabilizing World Population Growth and Protecting Human Health**

By working to reduce unwanted fertility, 72% of married women of child-bearing age have expressed a desire for no more children. USAID assistance is key to stabilizing population growth in Peru over the medium term. USAID support to the major child-survival interventions has a direct impact on mortality and morbidity, especially on high-risk populations (children under age one and women of child-bearing age). A new activity that begins in FY 1996 will mobilize GOP and other donor support to slow the transmission of sexually transmitted infections and HIV in Peru. USAID strong family planning program both reduces unintended pregnancies and, by lowering the number of high-risk births, e.g., avoiding high-parity births and increasing the length of time between births), likewise helps combat maternal mortality. Contraceptive prevalence increased by 33% between 1986 and 1995. Any major reduction in funding for this program would pose a serious risk of negating the program's accomplishments with a likely unfortunate consequence of greater recourse to illegal, unsafe abortion by women who desire no more births.

- Strategic Objective 3: Improved Health, including Family Planning, of High-Risk Populations

**Agency Goal: Protecting the Environment Managed for Long-term Sustainability**

Peru is a country rich in natural resources, and its diversity of habitats embraces one of the greatest variations of flora and fauna on earth. Sustainable growth in Peru's economy and the welfare of its present and future generations depend directly on its environment and resources. Yet poverty, population issues, and poorly planned investment threaten Peru's environment and natural resource base. USAID's strategic objective to "improved environmental conditions in targeted sectors" directly addresses the agency's goal of managing the environment for long-term sustainability by improving the environment in discrete areas where USAID can have a significant impact. The Mission's environment strategic objective was recently approved. USAID has established a productive policy dialogue with Peru's National Environmental Council, helping the newly-created public institution establish its agenda and define its role as the country's lead environmental policy coordinator. Adequate funding for this strategic objective in FY 1997 is essential to its long-term success and, as such, is a major concern. Environmental awareness in Peru is in a nascent stage of development. Much of the success that the strategic objective will achieve over the next six to eight years is predicated on its ability to secure adequate funding from the outset. This will ensure that the many elements required to stimulate the environmental debate and resolve the country's complex environmental problems can be put into place. This will lead to informed decisions on the environment which will play a catalytic role in attracting other donor resources for this sector, further fostering Peru's sustainable growth.

- Strategic Objective 4: Improved Environmental Conditions in Targeted Sectors

**Providing Humanitarian Assistance**

The P.L. 480 Title II program in Peru fulfills both humanitarian and developmental objectives. Food aid benefits the neediest members of Peruvian society through developmental activities that: (1) stimulate income growth and employment opportunities of small farmers and microentrepreneurs, especially poor women; and (2) promote integrated interventions to improve primary health services for nutritionally at-risk families. The P.L. 480 Title II activities are fully integrated into USAID's strategic objective 2 and support achievement of strategic objective 3 as discussed above.

**PERU  
FY 1997 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
USAID Strategic Objectives						
1. Broader Citizen Participation in Democratic Processes Dev. Assistance INCF	736,000	122,000		1,693,000 8,000,000		2,551,000 8,000,000
2. Increased Incomes of the Poor Dev. Assistance P.L. 480 Title II INCF	5,027,000	463,000 3,000,000		350,000	55,600,000	5,840,000 55,600,000 3,000,000
3. Improved Health Including Family Planning of High-Risk Populations Dev. Assistance	183,000	19,066,000				19,249,000
4. Improved Environmental Conditions in Targeted Vulnerable Sectors Dev. Assistance			4,010,000			4,010,000
5. Special Objective for Alternative Development INCF	9,000,000					9,000,000
Total Dev. Assistance INCF P.L. 480 Title II	5,946,000 9,000,000	19,651,000 3,000,000	4,010,000	2,043,000 8,000,000	55,600,000	31,650,000 20,000,000 55,600,000

USAID Mission Director: George Wachtenheim

## ACTIVITY DATA SHEET

**PROGRAM:** PERU

**TITLE AND NUMBER:** Broader Citizen Participation and More Responsive Public Institutions, 527-SO01

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,551,000 (DA); \$8,000,000 (INCF)

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2002

Purpose: USAID seeks to expand the participation of citizens in the myriad events that affect their lives, while also ensuring that government is more responsive to their needs.

Background: Promoting democracy is the highest USAID priority in Peru. A significant portion of the population has been marginalized, and democratic institutions have atrophied during a decade of terrorism, narco-trafficking and economic decay. Recent successes in addressing these problems provide a foundation for greater democratic development. There have been some recent notable advances. Free and fair elections have been held. New judicial institutions have been established. The democratic development of Peru, however, has been dampened by an authoritarian (albeit democratically-elected) central government and a lack of widely held civic values by the citizenry. To address these constraints USAID will focus on promoting effective local groups and more responsive local and central governmental institutions. The USAID strategy is implemented through three projects which mobilize citizen interest and support in making public institutions more responsive. The Participatory Democracy (PARDEM) project provides assistance to the GOP electoral bodies and nongovernmental organization (NGOs) to strengthen the electoral system, to the Controller General to improve public accountability, and to local NGOs to promote civic awareness. The Justice Sector Support (JUST) project provides assistance to local human rights groups to defend those unjustly accused of terrorism, to inform citizens of their rights, and to promote the development of the Ombudsman Office. The Local Government Development (LGD) project supports the decentralization process by strengthening local governments and promoting community participation in governance.

USAID Role and Achievements to Date: Recent USAID assistance has focused on elections, human rights, decentralization, and public accountability. USAID was the primary donor supporting the national elections in April and local elections in November 1995. Both elections were declared free and fair. Almost 200 persons unjustly accused of terrorism have been released from jail, and the first comprehensive survey on Peruvians' perceptions of the human rights situation has been completed. The Controller General is now prepared to upgrade its audit capability and to train its staff. Civic awareness activities have promoted greater citizen awareness and involvement. Recently elected congressmen received training on the roles and function of congress that better prepared them for their new jobs. Recently elected mayors and other local government officials are being trained. Community participation in the development of local infrastructure projects continues to increase. A decentralization law has been drafted. The U.S. Participant Training Alumni Association (ABEUSA) has developed into an active institution, promoting civic activities and transferring the experiences its members gained from training in the United States.

Description: In FY 1997, USAID will continue to focus on four areas: greater access to justice, greater civic awareness, more accountable public institutions, and more responsive local governments. To promote greater access to justice, the USAID will continue to work with human rights groups and to provide assistance to GOP justice sector institutions. To achieve greater civic awareness, USAID will provide assistance in civic education and strengthening local NGOs. More accountable public institutions will be attained through continuing efforts to strengthen and consolidate the electoral system and key GOP electoral institutions, and by promoting the ability of congress to function as an effective and independent democratic institution. To foster more responsive local governments, activities will

continue to strengthen local governments, to promote community participation, and to assist in the development of appropriate legislation.

**Host Country and Other Donors:** For many years, USAID was the only donor providing significant assistance in the democracy sector. Recently, however, other donors have become involved in the sector. Given the immense task and limited resources, USAID has coordinated with and encouraged other donor assistance in the democracy sector. As a result, the World Bank is planning a large judicial modernization project (\$25 million). The Inter-America Development Bank (IDB) may co-sponsor the World Bank judicial modernization project. The European Union (EU) is assisting in developing the Judicial Academy (\$1 million) and is considering grants to local NGOs and human rights groups. The World Bank and the IDB are designing several local government strengthening projects for a potential total of \$240 million. The GOP is politically committed to this strategic objective. It has established and provided limited funding to certain key institutions (such as the Judicial Academy and Judiciary Council). Significant direct contributions to the Controller General and Local Government Development projects are formalized and being provided under the framework of bilateral agreements. Estimated host country contributions over the life of the strategic objective are \$10,000,000.

**Beneficiaries:** Although targeted, the impact of democracy activities tends to benefit a wide segment of the population. The most direct beneficiaries are individuals previously excluded from participating, local groups that implement activities and are strengthened, local governments (particularly in target areas), key electoral bodies, the Controller General and congressional members and their staffs.

**Principal Contractors, Grantees, or Agencies:** USAID implements democracy activities through U.S. and local NGOs, the GOP Ministry of the Presidency Institute for National Development and the Controller General.

**Major Results Indicators:**

	<b><u>Baseline</u><sup>1</sup></b>	<b><u>Target</u></b>
Freedom House Rating	Partly Free (1995)	Free (2002)
Political Rights index	5 (1995)	2 (2002)
Civil Liberties index	4 (1995)	3 (2002)

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<sup>1</sup> Indicators reflect status of the country as rated by Freedom House in its Freedom in the World Survey. The survey rates the status of the country as Free, Partly Free and Not-Free. The survey rates Political Rights and Civil Liberties separately on a seven-category scale, where 1 represents the most free and 7 the least free.

## ACTIVITY DATA SHEET

**PROGRAM:** PERU

**TITLE AND NUMBER:** Increased Incomes of the Poor, 527-SO02

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$5,840,000 (DA); \$55,600,000 (PL-480 Title II); \$3,000,000 (INCF)

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To provide access to the poor to income-generating opportunities which will result in reduced poverty and improved food security. This strategic objective will be achieved by focusing on four principal areas: adequate policy framework, increased production and productivity, increased market access, and improved human resources.

Background: Almost one-fifth of Peru's population is considered to be extremely poor (with insufficient income to provide minimum nutritional requirements), while almost one-half of the population is classified as poor (with insufficient income to provide the basic needs of clothing, shelter, and education). As a result of widespread poverty, the majority of Peruvians face serious food insecurity - especially malnutrition among children less than 5 years of age. To remedy this situation, efforts will be focused on increasing incomes of the poor population. After several years of success in macroeconomic policy adjustments, the GOP is now focusing increased efforts on poverty alleviation and incorporation of the disenfranchised into the market economy.

USAID Role and Achievements to Date: As a result of USAID assistance, channeled principally through private sector and not-for-profit organizations over 270,000 nutritionally at-risk children have received much needed food and medical attention, over 200,000 heads of household in poor areas have been employed using food for work, yields of selected small farmer crops (potatoes, onions, garlic, dried beans, and coffee) have doubled, new sales of \$1.4 million of apparel and handicrafts by microentrepreneurs and of \$11 million of targeted small farmer agricultural commodities (especially coffee and yellow onions) have been generated, and ten new markets for targeted commodities have been opened in the United States and Europe.

Description: USAID's major effort at strengthening the access of the poor to the market economy is focused on assisting microentrepreneurs and small farmers to identify market demand for their products, to utilize appropriate technology to efficiently produce these products, and to obtain financing and market links. Funding is being provided by USAID to analyze and improve the policy and regulatory framework to support increased participation by the poor in the market. Food assistance programs through nongovernmental organizations (NGOs) provide support to the poorest populations in rural areas for nutritional improvement, especially through direct feeding programs for nutritionally at-risk children under the age of five. They also support temporary employment opportunities of the poorest populations, the improvement of physical infrastructure, and the provision of inputs and credit to improve the production for on-farm household consumption. To assure the efficient utilization of these resources, NGOs are being strengthened.

Host Country and Other Donors: In 1995, the GOP allocated 42% of its total budget for social expenditures, principally through its corresponding sectoral ministries and its social investment program. Five of the largest donors to Peru (World Bank, IDB, Japan, Germany, and the European Economic Community) will provide over \$1 billion over the next five years for irrigation and transportation infrastructure, social investments in poor rural areas, basic education and microenterprise support -- all important factors in increasing access of the poor to economic opportunities. Estimated host country contributions over the life of the strategic objective are \$9,260,000

**Beneficiaries:** Beneficiaries under this objective are poor people (households, small farmers, microentrepreneurs) who are located principally, but not exclusively, in the highland area of the country where poverty is the greatest. Over the next two years, beneficiaries will include 120,000 malnourished children being fed, 240,000 heads of household with temporary employment, 65,000 small farmers with improved production practices, 5,000 microentrepreneurs with new markets, and 3,000 women with access to credit.

**Principal Contractors, Grantees, or Agencies:** Principal implementors of USAID-funded activities are public sector ministries of Agriculture, Health and the Presidency; private sector Exporters Association and Businessmen's Association; and U.S. PVOs, CARE, the Relief and Development Agency of the Adventist Church (ADRA), and Private Voluntary Agencies Collaborating Together (PACT); and local NGOs, CARITAS and the PRISMA Beneficial Association..

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Value of expenditures of the rural poor (\$ per year per capita)	194 (1991)	260 (2000)
Percentage of poor in the population	55 (1991)	46 (2000)
Per capita food availability in calories	1,883 (1992)	2,200 (2001)
Number of jobs created among the poor	----	36,500 (1999)

## ACTIVITY DATA SHEET

**PROGRAM:** PERU

**TITLE AND NUMBER:** Improved Health, including Family Planning, of High-Risk Populations, 527-SO03

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997; \$19,249,000 (DA)

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** 2001

Purpose: To help low-income Peruvians, particularly children and women, enjoy longer lives and a higher quality of life, making it easier for them to take appropriate actions to promote health, and by supporting the development of the sustainable health systems that will ensure access to services.

Background: On a national level, infant and child mortality and fertility have declined over the years of USAID assistance to Peru. Yet dramatic imbalances persist, with mortality and fertility unacceptably high among Peru's low-income populations in peri-urban and rural areas. To work toward more equitable development in Peru, improvements must be made in both the supply side of health service (access to care and quality of care) and the demand side (acceptance of services), as well as in people's own self-care in the home and the community. This program includes activities to address all four of these key factors -- access, quality, acceptance and self care.

USAID Role and Achievements to Date: USAID support includes major child survival and family planning interventions, as well as quick response to emerging diseases. As a result, immunization of infants (children under 12 months) nationwide rose during 1991-94 from 71% to 87% for the triple vaccine of diphtheria, pertussis and tetanus from 74% to 87% for polio and from 60% to 74% for measles. Additionally, a special measles campaign supported by USAID in May-June 1995 achieved a spectacular coverage of 95% of children under five. USAID activities have contributed substantially to reductions in infant deaths over recent years. United Nations Children's Fund (UNICEF) data show a long-term decline trend, with 143 infant deaths per 1,000 live births in 1960 decreasing to 43 deaths in 1993. Likewise, two USAID-supported national surveys during recent years reveal noteworthy achievements. They show infant mortality declining from 73 deaths per 1,000 during 1982-86 to 55 deaths per 1,000 during 1987-91, a reduction of one-fourth. In the same timeframe, mortality of children under five declined by approximately 26%, from 106 to 78 deaths per 1,000. UNICEF long-term trend data corroborate this accomplishment; they show under-five mortality decreasing from 236 in 1960 to 62 in 1993.

In family planning, the achievements also have been dramatic. Couple years of protection (the generic way to measure contraceptive use and distribution) in the public and nongovernmental sectors together almost doubled during 1993-95, rising from 598,673 to 1,131,981, an increase of 89%. During the last year alone (1994-95), increases have likewise been marked. Preliminary Ministry of Health data show a nationwide rise in contraceptive use of 33%, with all methods experiencing an absolute increase. While some of that increase may be due to better reporting, it is doubtless that USAID's achievement, as the major donor in family planning, has been great. Further, contraceptive sales generated through social marketing supported by USAID have risen by 52% during 1992-94. Fertility has similarly declined notably. Total fertility (average births per woman over a lifetime) went from 4.1 in 1986 to 3.5 in 1991-92, a reduction of 15%.

Description: Of the total funding requested for population and health, \$13,047,000 is planned for population activities and \$6,019,000 is planned for health activities. USAID focuses on promoting people's use of preventive actions, such as immunization and family planning, promotive actions such as prenatal care and safe childbearing, curative actions such as oral rehydration therapy for diarrhea and treatment of acute respiratory infections, and development of the sustainable systems that will make sure people can promote their own health in their homes and communities and avail themselves of quality services through the health system. Via seven mutually reinforcing activities, in FY 1997, USAID will continue to support U.S. and local NGOs and Peruvian public-sector institutions in efforts

to: (1) strengthen the quality of basic health care services, such as immunization, family planning and related maternal and child health services; (2) extend the coverage of, and increase the use of, these services by population groups in which mortality and fertility have remained high; (3) decrease dependence on donated contraceptives through social marketing programs; (4) promote long-term sustainability by strengthening local organizations that deliver health services, including their ability to report and diagnose emerging diseases; and (5) test new models of service delivery.

Host Country and Other Donors: USAID coordinates actively with other donors in Peru. The World Bank finances a health and nutrition project that operates in regions complementary to those of USAID. The IDB has a health project that strengthens national systems, while USAID investments focus on decentralized systems key to service delivery. UNICEF supports micronutrient interventions in iodine deficiency, while USAID works actively in iron deficiency and is hoping to step up its activities in vitamin A deficiency. The World Health Organization and Pan American Health Organization provide focused technical assistance in policy and service delivery. The United Nations Population Fund and the Overseas Development Administration (the United Kingdom bilateral agency) donate complementary contraceptives and fund small-scale activities in population research, management and service delivery. USAID also is engaged in dynamic discussions with additional bilateral donors, notably Japan and the Netherlands, which may yield future collaborative funding relationships. Estimated host country counterpart contributions for the life of the strategic objective are \$68,760,000.

Beneficiaries: Children under age five number 2.9 million, or 13% of the Peruvian population. Women of child-bearing age total 6.2 million and represent 27% of the national population. In sum, four of every 10 Peruvians fall in one of these two target groups. Some USAID projects have a regional focus, complementing the work of other donors. The population in these priority regions is seven million, or roughly one-third of the total population.

Principal Contractors, Grantees, or Agencies: USAID implements activities through several U.S. firms, U.S.-based private and voluntary and other not-for-profit organizations, and U.S. universities, as well as Peruvian NGOs, universities and the Peruvian Ministry of Health.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Infant mortality per 1,000 live births	73 (1986)	40(2000)
Mortality per 1,000 children under 5 years	106 (1986)	60(2000)
Percentage of infants fully vaccinated by age 1	47%(1986)	95%(2000)
Total fertility rate	4.1 (1986)	3.0 (2000)
Couple-years of protection	600,000 (1993)	1,823,000 (2000)

## ACTIVITY DATA SHEET

**PROGRAM:** PERU

**TITLE AND NUMBER:** Improved Environmental Conditions in Targeted Sectors, 527-S004

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$4,010,000 (DA)

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2001

**Purpose:** To improve protection of the natural resource base, fragile ecosystems, and biodiversity conservation, and to reduce urban and industrial pollution. This will be achieved through support for participatory policy debate, policy research and analysis, information dissemination and training, and development of innovative sustainable technologies in the green, brown and blue areas of the environment.

**Background:** Peru has 81% of the total number of life zones on earth. Its sustainable growth is hampered by widespread poverty that exerts destructive pressure over the country's resources. Lack of adequate environmental policies and environmental awareness exacerbates dealing effectively with environment problems.

USAID has developed an environmental strategy which identifies and prioritized the major environmental problems facing Peru. USAID's strategy focuses on: (1) improving the legal, policy, regulatory and normative environment and natural resource (ENR) framework, (2) pollution prevention in selected peri-urban and industrial settings, and (3) protecting natural resources including biological diversity and fragile eco-systems. USAID activities supporting this strategic objective include the Sustainable Environment and Natural Resources Management (SENREM), the Employment and Natural Resource Sustainability (ENRS), and the Integrated Pest Management (IPM) projects.

**USAID Role and Achievements to Date:** Ongoing activities contributed to improving environmental conditions in Peru. Under ENRS, 1,200 families living in the Pacaya-Samiria Reserve benefit by agroforestry and agriculture employment opportunities. Four community fishing units, ten poultry and two turtle management activities are now operating. Under IPM, 3,800 families in 114 extremely poor mountain towns, learned pest biology, field recognition, and non-chemical pest control procedures that resulted in reductions in physical losses between 5% and 18% in their recent potato harvests. USAID's support for the GOP's newly-created National Environmental Council (CONAM) has been instrumental in establishing its role as the leading environmental policy agency in Peru.

Four innovative activities, approved under the Environmental Initiative for the Americas (EIA), were launched in FY 1996. These leading-edge, pilot activities in mining and fishmeal industry pollution prevention, solid waste management in peri-urban areas, and comparative risk assessment address some of the most difficult and thorny environmental issues in Peru today. At the same time these activities have the greatest potential for replication and long-term, positive environmental impacts.

**Description:** Under this strategic objective, the institutional capabilities of the GOP and private sector organizations will be strengthened. This will result in mobilizing public support for environmental change, sound policies and effective legislation, and cost-effective practices. For example, CONAM will be provided with technical assistance to solidify Peru's environmental and natural resource legal and policy framework. GOP sectoral environmental units will be trained in the management of public participation processes and assessment methodologies. Research institutions will undertake analysis and outreach on environmental law and policy. National social and economic statistics will be published in an annual State of the Environment Report focusing on environmental trend analysis. Sector-specific (mining, fishing, and manufacturing) sustainable industry seminars will discuss pollution prevention, incentives, and how private voluntary organization (PVOs) can support private industry initiatives. Municipalities will be trained in local environmental condition monitoring, using low-cost techniques.

Building on the Environmental Initiative for the American pilot activities, private sector organizations will be supported to develop successful and innovative practices in biodiversity and natural resources conservation, the reduction of urban and industrial pollution, and improved water management. Results-oriented, sustainable activities with the strong likelihood of replication throughout Peru will receive support. This will promote increased other donor investments to support sustainable environmental programs.

Host Country and Other Donors: USAID assistance is relatively limited, but catalytic in nature, which affords an opportunity to provide enlightened leadership in the improvement of environmental conditions in targeted sectors. Other donors are investing resources mainly in environmental health, conservation and reforestation areas, which will improve environmental conditions in Peru. The World Bank is providing a \$100 million loan to rehabilitate Lima's water system, funding a wastewater treatment feasibility study which will lead to a \$100 million loan to protect Lima's coastline; and channeling \$5 million through the Global Environment Fund to the National Fund for Protected Areas. The IDB has approved a \$140 million project for the improvement of the basic sanitation services of 36 provincial water and sewerage firms, \$1.4 million to develop options for the containment of mining-related environmental damage in the Mantaro Valley, and \$1.8 million to assist CONAM in the development of a master plan for the national environmental system and a pilot environmental data system in the Grau Region. The German Cooperation Agency is helping the GOP's National Institute of Natural Resources develop a master plan for protected areas. Other donor assistance includes United Nations Development Program support of Agenda 21, Food and Agriculture Organization aid for reforestation and rural education, the European Union and the Governments of the Netherlands and Switzerland aid for forestry, protected areas, and bio-diversity and, finally, the Governments of Canada and Finland assistance for small debt swaps. The estimated host country contribution for this strategic objective is \$3,680,000.

Beneficiaries: Large segments of Peruvian population will ultimately benefit from improved environmental conditions resulting from an improved environmental and natural resource legal, regulatory and policy framework; private sector participation and validated innovative technologies. However, the pilot activities will directly benefit low-income peri-urban and rural populations where these programs will be implemented.

Principal Contractors, Grantees, or Agencies: Principal implementor of SENREM activity is the GOP's National Environmental Council. In addition, U.S. and local-based NGOs and contractors will be selected in FY 1996. Other activities are being implemented by The Nature Conservancy and the Peruvian Foundation for Nature Conservation, Conservation International, CARE, and the Potato International Center.

Major Results Indicators: (baselines and targets to be determined)

- % of public that perceives effective actions have been taken to improve ENR conditions
- % of Peru's protected areas operating under management plans
- % of peri-urban areas with solid waste collection systems with regular service
- % of industrial plants that have adopted pollution prevention measures

## ACTIVITY DATA SHEET

**PROGRAM:** PERU

**TITLE AND NUMBER:** Alternative Development, 527-Sp01

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997 : \$9,000,000 (INCF)

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To promote an adequate social and economic environment in target coca-growing and out-migration areas in order to reduce coca cultivation pursuant to the GOP National Drug Prevention and Control Plan.

Background: The Alternative Development special objective directly supports the U.S. Government counternarcotics strategy, a major U.S. foreign policy objective which aims to reduce the flow of illicit drugs into the United States. This is a specialized activity with broad-based objectives, which includes all sectors involved in sustainable development. Alternative Development is one of two major components of the U.S. counternarcotics strategy. The other component is law enforcement. Without effective law enforcement activities, alternative development activities, by themselves, cannot achieve the above purpose.

There are two major activities included under this special objective: the Alternative Development project, which started in mid-1995, and the Narcotics Education and Community Initiative project. USAID has coordinated its incomes and employment generation, health and nutrition, local government development, environment, and food aid programs, working in the same geographic areas as the Alternative Development project to build on synergies and increase their impact. The Narcotics Education and Community Initiative project promotes drug awareness in both rural and urban areas and supports community initiatives in resolving problems related to illegal drug usage. It plays an important part in helping to create receptive attitudes to the negative effects caused by the illegal drug industry. Because of the political nature of this objective, its success or failure will depend upon the continued support of both the Peruvian and U.S. governments.

USAID Role and Achievements to Date: From 1982 to 1995, USAID worked in various forms of alternative development in the Huallaga Valley. The current strategy was developed by drawing from lessons learned from previous experiences and combining this with the evolving U.S. and Peruvian counternarcotics strategies into a sustainable development activity which will help to reduce coca production in targeted areas by promoting licit economic and social development.

The strategy was pilot-tested in Ponaza Valley, and in an 18-month period (June 1992-December 1993), reduced coca production by more than 50% (1,500 hectares to 700 hectares) by providing community-level, sustainable development activities. Through drug-awareness activities under the NECI project, over 50% of the population recognizes drugs as one of Peru's major problems. USAID has consistently played a donor leadership role in alternative development, and its strategy is increasingly recognized by the GOP and other donors as a viable activity promoting development and reducing coca production.

Description: Alternative development activities are being implemented in small watersheds in five major coca-growing areas, namely Central Huallaga, Upper Huallaga, Aguaytia, Pichis Paicazu and the Apurimac River Valley. Communities sign agreements with their local governments to voluntarily reduce coca production in exchange for economic and social development activities. These agreements are monitored to ensure compliance and are expected to reduce coca production in target areas by 50% by the end of the project (FY 2000). The project has three major components: employment and income-generation; essential services and community development; and environmental protection and awareness. To ensure sustainability, the project will promote private sector investment,

local government strengthening and community participation in the planning process, and implementation and maintenance of community-level activities. The NECI project is working with rural communities where the Alternative Development project is being implemented to help educate people against the use of illegal drugs and the damage which narco-trafficking is causing to the environment. In addition, the NECI project provide drug education to urban areas and helps communities solve the problem of street children who are major users of illegal drugs.

Host Country and Other Donors: Among the GOP and other donors, the United States is regarded as the leader in alternative development, both in terms of strategy and in funding. During the past year, USAID has established relationships with the United Nations Drug Control Program and with the Governments of Japan and Germany, and is coordinating with these organizations in the planning and implementation of alternative development activities. Contact has been made with the Governments of Spain, the Netherlands and Great Britain, as well as with the World Bank and Inter-American Development Bank, with the goal of developing support and coordination of activities. To date, the GOP has identified alternative development as a high- priority activity and has given its full support, through actions and funding, to activity implementation. It is directly contributing 10% of the Alternative Development project costs and is contributing an unspecified amount in support costs, such as providing security to personnel working in the target areas. The GOP also is actively implementing the law enforcement component of the counternarcotics strategy and continues to score major successes against narco-traffickers, a key ingredient toward achieving the purpose of this special objective. The estimated host country counterpart contribution for the this strategic objective is \$14,000,000.

Beneficiaries: The direct beneficiaries of alternative development activities are those individuals who live in the project target areas. Approximately 30,000 coca farm families will benefit as well as an additional 20,000 families who live in the geographic area but are not actively involved in coca leaf production. Secondary beneficiaries will include the people who live in the larger geographic areas where the target areas are located. It is estimated that this will include at least another 50,000 families. They will benefit from improved security, better physical infrastructure and more responsive local governments.

Principal Contractors, Grantees, or Agencies: The National Development Institute, which is a part of the GOP Ministry of the Presidency, has the overall implementation responsibility of the Alternative Development project activities. Primary implementors include local governments, communities, women’s clubs, producers associations and NGOs, which will be selected during 1996. A U.S. institution, Peruvian institution, or a combination of both will be selected during the third quarter of FY 1996 and will provide training and technical assistance. A Peruvian NGO, the Center for Drug Education and Information (CEDRO) is implementing the NECI project.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Coca production in target areas (number of hectares)	To be determined (1996)	TBD (2001)
Hectares devoted to licit crops	44,064 (1993)	63,208 (2000)
Licit jobs created		9,000 (2000)

## CENTRAL AMERICAN REGIONAL

**FY 1997 Development Assistance: . . . . . \$15,250,000**

### **Introduction.**

Opening markets, expanding hemispheric economic integration, and promoting sustainable development have been enunciated as key areas of U.S. national interest in Central America. In 1994, Central American imports from the United States totaled \$6.6 billion, and are estimated to have increased another 5%-8% in 1995. With continued growth and political stability, this region presents considerable untapped opportunities for U.S. business. At the December 1994 Summit of the Americas held in Miami, the Presidents of the Central American countries and the United States signed an agreement (CONCAUSA) committing to joint efforts to increase trade and to make the Central American region a model of sustainable development. The USAID regional program provides the operational support for these Presidential commitments.

### **The Development Challenge.**

The Central American region encompasses seven countries: Belize, Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama. With over 30 million inhabitants in 1993, the population of Central America is increasing at an annual rate of 2.43% and will reach 38 million by the year 2000. However, approximately half of all Central Americans live in rural areas and some 42% live below the poverty line. Socioeconomic conditions for the majority of the population are worse now than they were 10 years ago, as reflected in the 1994 United Nations human development index which ranks Belize, Nicaragua, Guatemala, El Salvador and Honduras in the lowest third of all countries worldwide. Additionally, the countries of Central America are not prepared to face the cross-border spread of HIV/AIDS.

To effectively combat poverty and to promote sustainable development in Central America, higher economic growth rates are required on a sustained basis, that is, growth which is not at the cost of depletion or irreversible degradation of the natural resource base and which entails adequate investment in the human resources of the region. Central American commitment to action embodied in the CONCAUSA agreement is particularly focused on areas of environmental protection and natural resource management as vehicles to achieve sustainable development. However, the region's ability to move toward the objectives of more open markets, better protection of worker rights, and improved regional environmental management are limited by intra-regional trade barriers, limited technical capacity, weak and inconsistent legal frameworks, and rapid depletion of key natural resources in cross-border areas. Additionally, there is growing evidence that firms from Central America are moving to Mexico because of the lack of parity with the preferences accorded Mexico under the North America Free Trade Agreement.

### **Other Donors.**

Data on official assistance flows to the region taken as a whole are not readily available. Other major donors providing support on a regional basis to Central America are the United Nations agencies, the Pan-American Health Organization, Canada, the European Economic Union, and the Inter-American Development Bank. USAID assistance implemented under the Central American regional program totaled \$7.2 million in FY 1994 and \$8.9 million in FY 1995.

### **FY 1997 Program.**

Having recognized the critical development challenges facing the region, the Central Americans themselves established in 1994 a regional Alliance for Sustainable Development, to which the United States became a partner through the signing of the CONCAUSA agreement at the Miami Summit of

the Americas. USAID's regional program focuses on implementation of the Miami Summit and CONCAUSA commitments in the areas of hemispheric free trade and environmentally sound natural resource management necessary for sustainable economic growth. USAID's program will help increase Central America's readiness to enter into free trade agreements through work in four major areas: strengthened intellectual property rights policies and enforcement; further trade liberalization by reducing non-tariff barriers; enhanced regional and national foreign investment regimes; and better protection of internationally recognized workers rights. USAID's efforts to achieve environmentally sound natural resource management and an improved regional policy framework contribute to Central America's preparedness for hemispheric free trade agreements, as well as establishing the basis for sustainable resource use required for long-term economic growth. In the environmental area, USAID's role in the region will continue to be catalytic in nature, supporting those activities having economies of scale and cross-border impacts.

In addition, the regional program includes a special objective aimed at enhancing Central American capacity to respond to the threat of HIV/AIDS. It aims to strengthen the capabilities of local Central American organizations to deliver services and information about the prevention of HIV/AIDS to those groups and individuals who are most at risk of HIV. The spread of HIV/AIDS is not contained by borders, so a regional strategy is appropriate to address the threat of HIV/AIDS in Central America.

If resources for USAID's regional program diminish, the social marketing activities planned under the HIV/AIDS special objective will be the first to be canceled, and regional environmental activities will then be cut.

#### **Agency Goal: Encouraging Broad-based Economic Growth**

Central America is advancing in its preparation for participation in hemispheric free trade agreements. In December 1994, the Central American Presidents signed the Summit of the Americas Declaration and Action Plan calling for the establishment of the Free Trade Area of the Americas (FTAA) by the year 2005. All Central American governments have either already acceded to, or are in the final stages of joining, the World Trade Organization (WTO). Most countries in the region are continuing their negotiations with the U.S. Government on bilateral investment treaties (BITs) and bilateral intellectual property rights agreements (BIPRAs). Further reductions in external tariff rates are being implemented by most countries. Central America also has advanced on its own process of subregional economic integration, abandoning its old model based on import substitution and high rates of external protection, and pursuing a more outward orientation consistent with WTO commitments. With USAID support, the Permanent Secretariat of the General Treaty of Central America Economic Integration (SIECA) has drafted model regional agreements on rules of origin, unfair trading practices, and dispute settlement procedures and the Secretariat is now facilitating efforts of the Central American governments to ratify these agreements. Once in effect, these measures will contribute both to greater economic integration and efficiency within the region and will enhance Central America's preparedness to enter into hemispheric free trade agreements. Based on the results of a USAID-funded study on intellectual property rights, SIECA is designing a medium-term program to strengthen IPR protection in the region which will greatly enhance Central America's ability to honor its commitments.

Regarding labor relations and workers rights, USAID has completed a study on how national labor laws across the region conform to international standards and on national enforcement capabilities. The results form the basis for a USAID-sponsored program to improve labor relations and to strengthen the protection of worker rights, conducted with the Central American labor ministers.

However, despite this progress, problems still remain. There is growing evidence that with the North America Free Trade Agreement (NAFTA) in effect, Central America is losing its relative competitiveness vis-à-vis Mexico. In particular, the region's assembly industry appears to be adversely affected by Mexico's improved access to the U.S. apparel market. Also, several countries continue to be on the

General System of Preferences (GSP) watch list because of allegations of failure to provide adequate protection of internationally recognized workers rights and charges of infringement of intellectual property rights. These problems threaten future equitable economic growth in the region.

- **Strategic Objective 1: Increased Central American Participation in the Hemispheric Economy**

**Agency Goal: Protecting the Environment**

USAID's regional environmental program for Central America promotes effective regional stewardship of the region's key natural resources through the establishment of "biological corridors" throughout the isthmus. Recent achievements in this area include the establishment and progress towards effective management of major national protected areas throughout the isthmus, the development of protected areas legislation, the adoption of appropriate natural resources management practices by target populations, and improved financial sustainability of environmental institutions. A new initiative designed to support the CONCAUSA agreement commenced in FY 1996 to develop and consolidate a Central American system of cross-border parks and protected areas, and to promote a strengthened regulatory and enforcement framework for environmental protection. The political momentum generated by CONCAUSA and the influence of NAFTA in the area of harmonization of environmental legislation are among the positive factors influencing performance. However, funding uncertainties have made planning difficult, and led to a delay and ultimately a reduction in the levels of support to key program activities. Additional funding cut-backs would result in significantly reduced overall program scope and impact.

- **Strategic Objective 2: Effective Regional Stewardship of Key Natural Resources**

**Agency Goal: Stabilizing Population Growth and Protecting Human Health**

The future political, economic and social development of Central America is threatened by the HIV/AIDS epidemic. The areas most likely to be affected by HIV/AIDS include work productivity, medical care costs, and the size and health of the labor force. To maintain economic, political and social stability in Central America, HIV/AIDS prevention activities will be initiated through a strategy that considers the specific sub-regional commonalities and cross-border transmission.

USAID's five-year, region-wide program will strengthen the capabilities of local Central American organizations to deliver services and information about the prevention of HIV to target groups. USAID will support activities on three different levels. On the broadest level, the activities are designed to improve the policy environment for the promotion of HIV programs. On an institutional level, USAID supports improved institutional capacity of NGOs and local universities to deliver HIV prevention programs and to conduct research. Finally, the activities will promote the individual behavioral changes that are required to prevent the spread of HIV/AIDS.

Because USAID's regional HIV program is in the first months of start-up, progress against the target has not yet been registered.

- **Special Objective: Enhanced Central American Capacity to Respond to the HIV Crisis**

**CENTRAL AMERICAN PROGRAMS  
FY 1997 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
<b>USAID Strategic Objectives</b>						
<b>1. Increased Central A m e r i c a n Participation in the H e m i s p h e r i c Economy Dev. Assistance</b>	<b>\$2,500,000</b>					<b>\$2,500,000</b>
<b>2. Effective Regional Stewardship of Key Natural Resources Dev. Assistance</b>			<b>\$6,000,000</b>			<b>\$6,000,000</b>
<b>Special Strategic Objective</b>						
<b>Enhanced Central American Capacity to Respond to the HIV Crisis Dev. Assistance</b>		<b>\$6,750,000</b>				<b>\$6,750,000</b>
<b>Total Dev. Assistance</b>	<b>\$2,500,000</b>	<b>\$6,750,000</b>	<b>\$6,000,000</b>			<b>\$15,250,000</b>

USAID Mission Director: William Stacy Rhodes

## ACTIVITY DATA SHEET

**PROGRAM:** Central American Regional

**TITLE AND NUMBER:** Increased Central American Participation in the Hemispheric Economy, 596-SO01

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,500,000 DA

**INITIAL OBLIGATION:** FY 1995    **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To increase Central America's preparedness to enter into free trade agreements and thereby accelerate the region's integration into hemispheric markets.

**Background:** To effectively combat poverty and promote sustainable development in Central America, substantially higher economic growth rates are required on a sustained basis. Real growth of 5-6% per year is needed to provide increased demand for the productive use of labor and thereby increase incomes for working families.

At the Summit of the Americas in December 1994, the heads of state of the hemisphere's 34 democracies united in pursuing greater hemispheric prosperity through open markets, hemispheric integration and sustainable development. They signed the Summit of the Americas Declaration of Principles and Action Plan, including a pledge to establish the Free Trade Area of the Americas (FTAA) by 2005. While fully supportive of Summit objectives, Central America's ability to participate in FTAA is severely limited by its lack of depth in technical expertise in areas related to implementing existing trade agreements and commitments, dismantling trade barriers and enhancing the region's competitiveness. Reflecting this, the Summit of the Americas Action plan pledged that "technical assistance will be provided to facilitate the integration of the smaller economies and increase their level of development." USAID's program is designed to support this commitment and consists of the project in Support of Central American Participation in Free Trade Agreements.

**USAID Role and Achievements to Date:** USAID has provided technical assistance, training and research in support of Central America's efforts to reform its regional trade regime. This assistance has contributed importantly to the adoption by Central America of a more outward-oriented regional integration model characterized by lower external tariffs, accelerated implementation of the General Agreement on Tariffs and Trade (GATT) and World Trade Organization (WTO) commitments, and reductions in both intra- and extra-regional nontariff trade barriers. Central America's trade performance continues to improve. In 1994, Central America's imports from the United States increased 11% to \$6.6 billion, which supports 132,000 U.S. jobs. Imports from the U.S. are expected to have increased another 5%-8% in 1995.

**Description:** USAID is directly supporting Central American readiness for participation in hemispheric free trade agreements in four major areas:

(1) Intellectual Property Rights (IPR). USAID supports Central American efforts to strengthen IPR policies and to enhance enforcement capabilities through: (a) development of model Central American conventions on trademark, patent and copyright conventions; (b) increasing the public's awareness on the importance of adequate IPR protection to investment, technology transfer and sustainable development; (c) support for Central American efforts to build regional and national consensus on required IPR policy changes; and (d) technical training to patent, trademark and copyright registry officials.

(2) Further trade liberalization. USAID is supporting Central American measures to further liberalize both intra- and extra-regional trade. Activities focus on critical non-tariff barriers and emphasize making regional legislation consistent with standards. Technical experts also assist and enhance Central American participation in the Summit of the Americas FTAA working groups.

(3) Enhanced protection of regional and foreign investment. USAID support assists the region to improve dispute resolution procedures, eliminate policy constraints to increased regional and foreign investment, afford

national or most-favored-nation treatment to all investors, and establish international standards for expropriation which provide for prompt, adequate and effective compensation.

(4) Better protection of worker rights and improved labor relations. USAID contributes to strengthening the protection of internationally recognized workers rights through improving and simplifying labor legislation, as appropriate, and upgrading the region's enforcement capabilities. Regional workshops and national seminars emphasize: (a) the relationship between increased trade and better wages and the higher levels of competitiveness and productivity required to succeed in hemispheric markets; (b) workers rights and their relationship to trade preferences; and (c) models of labor-management cooperation that contribute to both increased productivity and higher wages.

Host Country and Other Donors: USAID is coordinating closely with the Inter-American Development Bank (IDB) which is planning activities to strengthen Central American regional trade institutions and support improved trade policies. As a result of this coordination, USAID is concentrating on areas such as intellectual property rights, labor rights and investment protection, in which the IDB does not plan major investments. USAID maintains close contact with the Central American Office of the United Nations' Economic Commission for Latin America (ECLA), which provides research and technical analysis on Central American economic integration issues.

Beneficiaries: Greater Central American integration to hemispheric markets will contribute to higher levels of production and increased employment. Beneficiaries will include those enjoying increased employment opportunities and higher incomes throughout the economy, but primarily in the export sector.

Principal Contractors, Grantees, or Agencies: USAID is working closely with the U.S. Trade Representative, the U.S. Patent and Trademark Office of the Department of Commerce, the U.S. Department of Labor, the U.S. Customs Service, and the Economic and Commercial Sections of U.S. Embassies in the region. The Permanent Secretariat for Central American Economic Integration (SIECA) is a grantee, and several contracts and grants with U.S. and local firms and NGOs are planned.

Major Results Indicators:

	<u>Baseline</u>	<u>Target</u>
Central American trade openness (total merchandise trade as a percent of GDP)	45.2% (1994)	50% (2000)
Central American readiness to enter into hemispheric free trade agreements (composite index with maximum of 5)	2.7 (1992)	3.5 (2000)

## ACTIVITY DATA SHEET

**PROGRAM:** Central American Regional

**TITLE AND NUMBER:** Effective Regional Stewardship of Key Natural Resources, 596-SO02

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$6,000,000 DA

**INITIAL OBLIGATION:** FY 1995 **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To develop and consolidate a Central American system of protected areas, by providing appropriate management models for terrestrial and coastal protected areas, and to promote a strengthened regional regulatory and enforcement framework for environmental management.

**Background:** Central America's forests, farm lands and water provide most of the employment and income that is generated in the isthmus, and feed its rapidly expanding population. The region's terrestrial and marine ecosystems have long played a critical role in the flow of genetic material between the Northern and Southern Hemispheres. In recent decades, this flow has become threatened by extensive deforestation, urbanization, and environmental contamination. These destructive environmental trends, partially a result of the lack of community empowerment to manage its own resources, in turn bring increased risks to the social and economic development and well-being of the region's inhabitants. USAID's Central American Regional Environmental project embodies this objective.

**USAID Role and Achievements to Date:** The conservation of biological diversity and promotion of environmentally sound natural resources management practices have been a major focus of USAID assistance in Central America since 1989. USAID's role has been catalytic in nature, influencing processes to create change and addressing those activities having economies of scale and cross-border impacts. Through effective institutional strengthening and technology transfer, over 70,000 Central American extensionists, trainers, health practitioners, farmers and community leaders have been trained, and sound land-use practices adopted on a large scale. More than 100,000 farmers are planting multi-purpose, fast-growing trees, with as many as 25,000 hectares and 25 million trees planted to-date.

**Description:** USAID's strategy anticipates actions in four key areas. By supporting regional networking of environmental experts and workshops for legal professionals on environmental issues, and other information exchange activities, USAID expects to achieve regional consensus and coordinated actions to reduce levels of contamination by key pollutants. A USAID-funded small grants program will allow communities and Central American counterparts to explore and adopt best-use practices, to conduct policy analysis at the local level, and to increase community and local government participation in decision-making related to natural resources use and management. USAID also supports upward harmonization of environmental laws and regulations, principally through increased region-wide access to information on the laws and regulations of individual countries. The expectation is that with full information, the establishment of common or uniform standards will follow to ensure adequate environmental protection and to deter private investment from shifting to countries with more lax standards.

**Host Country and Other Donors:** USAID has been working with other international donors, including the Inter-American Development Bank, the Global Environmental Fund, the United Nations Development Program, the European Economic Community, and Germany, to leverage funding and to develop an integrated Central American environmental strategy.

**Beneficiaries:** Poor rural families living in protected areas and surrounding agricultural areas in selected sites throughout Central America, and poor urban and semi-urban families benefiting from expanded urban services and urban pollution abatement will benefit from these activities.

**Principal Grantees, Contractors or Agencies:** USAID will implement the program through four U.S. NGOs, a U.S. Contractor to be selected, U.S. Environmental Protection Agency, Central America Commission for Environment and Development, Federation of Municipalities in the Isthmus of Central America (FEMICA), and Central America Bank for Economic Integration (CABEI).

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Increased number of protected areas under improved management	5 (1996)	17 (2000)
Number of municipalities with pollution mitigation systems in place	5 (1995)	40 (1998)

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<sup>1</sup> The above indicators have been chosen but baselines and targets are being developed for this new phase of USAID's regional environmental strategy.

## ACTIVITY DATA SHEET

**PROGRAM:** Central American Regional

**TITLE:** Enhanced Central American Capacity to Respond to the HIV Crisis, 596-SO03

**STATUS:** New

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$6,750,000 DA

**INITIAL OBLIGATION:** FY 1995

**ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To strengthen the capabilities of local Central American organizations to deliver services and information about the prevention of HIV/AIDS to target groups. This program contributes to the goal of reducing the spread of HIV and sexually transmitted diseases (STDs), thus lessening the impact of AIDS on Central American individuals and societies.

**Background:** The future political, economic and social development of Central America is threatened by the HIV/AIDS epidemic. The areas most likely to be affected by HIV/AIDS include work productivity, medical care costs, and the size of the labor force. To maintain economic, political and social stability in Central America, HIV/AIDS prevention activities will be initiated through a strategy that considers the specific sub-regional commonalities and cross-border transmission.

**USAID Role and Achievements to Date:** The efforts of this program will complement the reproductive health activities (particularly in services and information) that USAID has been supporting in the seven Central American countries.

**Description:** USAID will support activities on three different levels. On the broadest level, the activities are designed to improve the policy environment for the promotion of HIV programs. On an intermediated level, USAID supports an improved institutional capacity of NGOs and local universities to deliver HIV prevention programs and to conduct research. Lastly, the activities will promote individual behavioral changes that are required to prevent the spread of HIV/AIDS.

The Central American HIV/AIDS program has three components. The policy development and public awareness component is the vehicle through which USAID will provide assistance in support of interventions that enhance the perceived urgency for, and the effectiveness of, HIV prevention programs at the local, national, and regional levels. The three major activities which will be carried out under this component are regional policy research, leadership and policy development, and public awareness. Through the non-governmental organization (NGO) strengthening component, USAID will provide assistance to local NGOs to strengthen their capacity to provide sustainable, high-quality HIV prevention and other services. Major activities to be carried out under this component are technical assistance and training, networking and information exchange, and small grants. The condom social marketing component is in the design phase.

**Host Countries and Other Donors:** Most national governments are budgeting almost no resources to slow the epidemic, and the donor response has been mixed. The Pan-American Health Organization (PAHO) has assisted and provided essential budget support for the establishment of a National AIDS Control Program (NACP) in each country. The NACPs have little or no high level support and/or insufficient financial and human resources to be effective. Other donors in the region include the Commission of European Communities, Japan, the United Nations Children's Fund (UNICEF), the Dutch and Nordic countries. In 1996, the UNAIDS Project will begin activities; this effort will be headed in Central America by PAHO. USAID has consulted with PAHO regarding joint programming and co-sponsored activities.

**Beneficiaries:** The Central American HIV/AIDS program will strengthen the capacity of Central American organizations and leaders to deal with the HIV/AIDS crisis in Central America. The ultimate beneficiaries are those groups and individuals who are at risk of HIV.

**Principal Contractors, Grantees or Agencies:** USAID implements activities for the NGO strengthening and policy components through a consortium of three U.S. firms. An implementing agency for the social marketing component will be selected in FY 1996.

**Major Results Indicators:**<sup>2</sup> Four indicators have been selected to monitor the impact of the project: number of supportive policies enacted; number of policy barriers reduced; amount of regional resources allocated to HIV/AIDS/STD programs and number of NGOs that can independently deliver HIV prevention programs.

**Major Results Indicators:**

	<b><u>Baseline</u></b>	<b><u>Target</u></b>
Number of supportive policies enacted		
Number of policy barriers reduced		
Amount of regional resources allocated to HIV/AIDS/STD programs		
Number of NGOs that can independently deliver HIV prevention programs		

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<sup>2</sup> During the first year of project implementation (1995-96), baseline data will be gathered on each of these indicators and targets for the project will be set.

## LAC REGIONAL PROGRAM

**FY 1997 Development Assistance:.....\$32,350,000**  
**FY 1997 Economic Support Funds:.....\$35,000,000**

### **Introduction.**

The Latin America and Caribbean (LAC) region has experienced dramatic, positive changes over the past 15 years. Democracy, economic growth and regional integration, and advances in education and health, characterize the region's rapid progress. United States foreign policy is firmly committed to reinforcing and emphasizing these trends, to increasing sustainability of regional development efforts, and to helping LAC countries ensure reductions in poverty -- with special attention to the least well-off 20% of the region's population, including indigenous groups.

It is in the U.S. national interest to care about what happens in this neighboring region. Experience shows that the United States benefits from the LAC region's progress. Trade increases when populations are better able to purchase U.S. goods and services, and when new technologies are introduced to an expanding and better-educated LAC market. Migration to the United States tends to decrease if LAC populations are politically and economically more secure in their own countries. The need for U.S. peace-keeping diminishes if democracy is strengthened, and democratic institutions are created, supported until strong, and guided to involve local communities and the poor. The United States is less likely to be affected by disease outbreaks, when health services improve and sanitary practices in the LAC region become more widespread.

The primary focus of the LAC regional program is development issues that are best addressed through multi-country cooperation and mutually-beneficial collaborative relationships between the United States and subgroupings of interested LAC countries. USAID's LAC Regional program implements a carefully-designed portfolio of uniquely regional or hemispheric development initiatives. These initiative have the greatest effect when managed in close collaboration with or by regional institutions and organizations. The program also provides rigorous analytical support for USAID strategic planning, policy development, program design, implementation and evaluation concerning the LAC region, and focuses on indigenous groups and the poorest segment of the region's population.

### **The Development Challenge.**

One of the gretest challenges in the LAC region is to increase opportunities for the poor, particularly small entrepreneurs and agricultural producers, to participate in environmentally-sound economic growth. The 1994 Summit of the Americas recognized that free trade and increased economic integration are key factors in raising standards of living, improving working conditions, and protecting the environment. The LAC Regional program works with LAC countries which do not yet meet hemisphere-wide standards and conditions essential for trade, either with the United States or in subregional LAC trade groupings.

Education is a high economic-return investment, which directly enhances the productivity of individuals, and enables them to increase earnings and purchase more sophisticated goods and services within the hemisphere. Education is also the foundation of full participation in democratic, stable societies. Expanding the benefits of high-quality basic education is a major, desired, policy outcome. The LAC Regional program helps countries make better human resource investments and establishes a basis for countries to devote a larger proportion of their gross domestic product (GDP) to higher-quality basic education.

In spite of encouraging progress in the LAC region in lowering infant mortality and deaths among children under five (measles cases in 1994 were down by 99% from levels in the early 1990s; polio transmission ceased in 1991 through out the hemisphere), extending life expectancy at birth, and

decreasing fertility, the rate of preventable deaths each year is almost five times the rate in the developed world. Fertility among women under 20 has remained constant over the last 30 years, and fully one-half of all births are unwanted or mistimed. Clearly, the need for continued improvements in family planning and other basic health services is great. Equitable access to basic health services, and public and private sector reforms in health management and financing are required.

While the region is endowed with a rich natural resource base, including more than half of the globe's remaining forests and biodiversity, it is also experiencing rapid industrialization and urbanization. Therefore, USAID's LAC Regional program has expanded its traditional focus on sustainable forestry, agriculture, and biodiversity-related issues to address urban and industrial environmental and pollution prevention issues. Among countries and within subregions, there is a need for exchanges of knowledge and experience with policy reforms, strengthening of both public and private environmental institutions, and on transfer of technologies appropriate to the unique requirements of the region.

A decade ago, citizens in the LAC region had few opportunities to participate freely in elections or in decisionmaking in their municipalities and communities. National governmental institutions had little cause to seek internal reform, and dialogue between governments and non-governmental organizations (NGOs) in allocation and use of public revenues was rare. Today, democratic processes are taking hold but the institutional framework to support them remains fragile. Additional efforts are required to strengthen rule of law and judicial reform, to improve the administrative efficiency of the justice system, and to extend justice to citizens, including: (1) building institutions and mechanisms to encourage citizen participation at municipal and community levels of society, (2) opening up to public scrutiny and making more effective government institutions at all levels, and (3) promoting dialogue between government and NGOs.

#### **Other Donors.**

Following the World Bank and the Inter-American Development Bank (IDB), USAID is the third largest donor in the region. USAID is well-respected in the LAC region and exercises considerable influence with governments, the private sector, and other donors. USAID regularly coordinates specific country-level, regional-level and global assistance with other donors.

Much regional donor coordination centers around initiatives under the 1994 Summit of the Americas. Other donors, such as the multinational banks and the Ford Foundation, are keenly interested in the Summit initiative for educational policy reform in the region. The Organization of American States (OAS) works on Summit human rights initiatives. The Pan American Health Organization (PAHO) is the responsible regional institution for the Summit's "equitable access" initiative, monitoring country implementation of health reforms in response to that initiative.

Similar consultations between USAID and other donors occur regularly within all sectors. To implement environmental objectives, LAC regional program staff work with the World Bank's Global Environmental Facility, the United Nation's Development Program, the Food and Agricultural Organization, bilateral donors, and private foundations (MacArthur, Mellon). In addition to the United States, the United Nations, the Organization of American States, the Inter-American Development Bank (IDB), the World Bank, the European Union, Canada, the Netherlands and the Scandinavian countries play key leadership or funding roles in strengthening democracy. In the area of accountability of democratic institutions, limited LAC regional resources have leveraged millions of dollars of technical assistance loans to Latin American ministries of finance and national audit institutions. A donor consultative group for financial management coordinates all region-wide anti-corruption and accountability activities.

#### **FY 1997 Program.**

As one of 34 nations in the hemisphere which committed itself to achieving the 1994 Summit of the Americas' Plan of Action, the United States has made essential contributions to institutionalize

democracy and promote economic growth with equity. USAID programs, with resources available under the LAC regional program in FY 1997 will: (1) identify and reinforce region-wide or sub-regional trends, policies and strategies, (2) strengthen and institutionalize democracy and human rights, (3) encourage broad-based economic growth and expansion of trade, (4) protect the environment and natural resources, and (5) address serious health issues.

#### **Agency Goal: Encouraging Broad-based Economic Growth**

USAID's strategy for encouraging environmentally sound, broad-based economic growth focuses on strengthening markets, investing in people, and enhancing opportunity and access through support for new or significantly-strengthened, hemispheric-wide, catalytic institutions. Achieving the goal of countries in this hemisphere to promote regional prosperity through increased free trade and economic integration will depend upon technical assistance and other support from, and close collaboration among, governments, the private sector and multinational investment funds -- all partners in the international development community. This partnership aims at improving market efficiency and performance, expanding market opportunities, and expanding access to markets for all social groups. USAID's strategy for encouraging broad-based economic growth also includes strengthening of hemispheric partnerships to promote educational policy reform. Economic growth created by a better-educated and a more-productive labor force earning higher incomes, ensures that current trading partners become better customers for U.S. products and technologies.

The LAC regional program also addresses issues of food insecurity at the national and household level through economic growth and health strategic objectives, and technical assistance is provided on a regional basis to analyze and design strategic responses. The program addresses food security in the LAC region for strategic, as well as humanitarian reasons. An insecure food situation contributes to low and inequitable growth, exacerbates environmental degradation, creates disincentives for population planning, stimulates migration to neighboring countries, including the United States, and encourages political instability in the region. Food insecurity and hemispheric economic integration also are linked. If food-insecure countries use food shortages as a rationale for reimposing controls on their agricultural sectors, this could impede progress toward economic integration.

- **Strategic Objective 1: Key Market Issues Impeding Environmentally Sound and Equitable-Free Trade in the Hemisphere Resolved**

Trade-induced economic expansion is the catalyst for improved living standards, poverty reduction, and sustained growth and political stability in the LAC region. Efforts under this strategic objective pave the way for increased trade and greater economic integration in Latin America by addressing key issues regarding the creation of the Free Trade Area of Americas, and by addressing the basic social and economic adjustments associated with entrance into a free trade arrangement.

Smaller economies face substantial obstacles in joining a hemispheric free trade arrangement. USAID efforts are directed to assist target countries resolve basic trade and economic integration issues and implement legal reform measures. A few of the mechanisms that will be operational in FY 1997, as a result of assistance under the LAC Regional program, are: (1) a regional training center to train agricultural quarantine and inspection officers in Latin America, (2) a rules of origin system to simplify customs procedures in target LAC countries, and (3) food safety regulatory procedures to ensure consistent production of food products that meet regulatory requirements of importing countries, based on accepted World Health Organization standards.

Small-scale businesses and entrepreneurs are currently limited from fully participating in regional markets due to technological inefficiencies, lack of access to trade-facilitating infrastructure and high transaction costs. USAID efforts will lead to development of integrated communications network technologies and use of personal computers to globally link small- and medium-sized businesses with traders and to carry out international trade transactions.

The segments of society that are currently the most disadvantaged and marginalized in the marketplace – women, the poor, and indigenous groups – will need access to information and outreach systems to allow them to take advantage of the benefits of free trade and economic growth. USAID efforts will strengthen key regional market institutions and networks to reach the disadvantaged and provide opportunities, particularly for small-scale agricultural producers, for participation in trade expansion. These institutions and networks include private property systems, agricultural technology development systems, and links between commercial capital markets and microenterprise institutions.

As economic growth and trade expand, pressures on natural resources and the potential for increased pollution, environmental contamination, and associated health risks will mount in the region. In FY 1997, the program will assist LAC countries to modify their policies to provide incentives for more sustainable natural resource use and for industries to adopt pollution prevention practices. Programs will be launched by LAC governments and industries to reduce health risks from key environmental contaminants. Targeted industries will begin to adopt the use of industrial audits for assessing environmental management needs.

Current labor standards and practices in the region are generally not at a level that can support efficient production necessary for companies to effectively participate in an increasingly competitive and interdependent global economy. USAID efforts will support democratic free labor movements, modern labor-management relations, and worker health and safety standards to ensure efficient and stable production capabilities.

● Strategic Objective 2: Improved Human Resources Policies Adopted in Selected LAC Countries

Equally true for the United States and LAC countries, education is the foundation of democracy and the key to reducing poverty and income inequality. Education reform is a timely issue on the hemispheric agenda, illustrated by the commitment of the Summit of the Americas to an initiative to ensure universal access to high-quality basic education. With the shift in most of the LAC region to open economies, countries have come to recognize that political stability and success in world trade are dependent on increasing human capacity.

Most children in the region, male and female, attend primary school. Access to primary school increased from 60% in the 1960s to over 90% today. Participation rates in secondary and higher education also increased, although at a slower rate. While LAC countries have made good progress in providing access to basic education, the failings of existing systems to prevent students from repeating grades or dropping out, the particular issue of access by indigenous groups to basic education, and the small proportions of GDP dedicated by governments to education, point to a continuing need for deep reforms in education policies.

In an effort to increase awareness and understanding of education policy and program options, the LAC Regional program established, and will continue in FY 1997 to strengthen, a consultative forum of governments, the private sector, NGOs, and donors, to develop a broader and more active constituency for education policy reform hemisphere-wide, as well as within selected LAC countries. This sustainable, hemispheric "partnership for educational reform in the Americas" will strongly promote educational policy reform at all levels of society.

**Agency Goal: Stabilizing World Population and Protecting Human Health**

All funding requested for population and health is planned for health activities. Despite impressive gains in the hemisphere, limited access to and poor quality of health services have resulted in persistently high child and maternal mortality, particularly among rural poor and indigenous groups. The Summit of the Americas' plan of action provides that governments: (1) endorse child and maternal health

objectives, including reducing child mortality by one-third and maternal mortality by half (from 1990 levels), reflecting the objectives of the 1990 World Summit for Children, the 1994 Narino Accord, and the 1994 International Conference on Population and Development, (2) endorse a basic package of child and reproductive health interventions; and (3) develop or update country action plans or programs to focus on reforms to achieve equitable, universal access to the basic package. Health reforms, which virtually all LAC countries are to some degree in the process of undertaking, include decentralization, alternative financing schemes, quality assurance, and greater use of NGOs and community-based services for the poor. Summit governments further agreed to use a network to share expertise, information, and experience on health reform efforts in the region. In FY 1997, USAID's contribution through the LAC Regional program will continue the United State's role in the hemisphere as a leader in public health and development, by helping LAC countries design, implement, and monitor such reforms.

Support for health management and financial reforms to increase equity of access to basic health services is also in the U.S. national interest for humanitarian, political (the United States is committed to implement the plan of action of the Summit of the Americas), and developmental reasons (improved health systems will be more sustainable, and will enable countries to provide full coverage of basic health services to their populations without having to depend upon donor resources). If resources were to diminish significantly for FY 1997, regional efforts to improve care for children sick with diarrhea and acute respiratory infections (the two primary causes of mortality among infants and children), would have to be cut back.

● **Strategic Objective 3: Country Health Reform Plans and Programs that Increase Equitable Access to Basic Health Services Implemented**

Infant, child and maternal mortality remain high, especially among disadvantaged populations in the LAC region. Currently, target countries do not dedicate enough health resources to priority needs in controlling diarrheal disease and acute respiratory infections, nor to maternal mortality reduction. The quality and effectiveness of these programs need improvement. Despite the drop in infant mortality, close to 600,000 infants die each year before their first birthday, most of them from causes that could be prevented with simple, low-cost technologies. While vaccination coverage levels generally are excellent, there are pockets of low coverage and programs not yet sustainable. Furthermore, the region has recently adopted an ambitious measles-elimination goal.

The proximity of the LAC region to the United States presents special challenges, especially in view of current migration and travel patterns. Communicable diseases such as cholera, polio and measles can cause problems in our own country if they are not addressed throughout the region. U.S. interests are also served by intensifying efforts to reduce maternal mortality, not only from a humanitarian perspective, but also to reduce the uncertainties of reproduction, leading to better family planning and, ultimately, to slower population growth and reduced pressures for migration to the United States.

In FY 1997, the LAC Regional program will use the same successful approaches as those employed in accelerated immunization projects (developing regional standards for program implementation and surveillance, providing technical advisors who work with country program managers and Interagency Coordinating Committees, and creating effective surveillance systems), which resulted over the past years in a high level of political attention and emphasis on immunization programs in target<sup>1</sup> countries, and in the effective dedication of substantial national resources for this high priority program. In FY 1997, LAC regional program resources are intended to leverage other modest USAID resources to

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<sup>1</sup>The target countries will be those LAC sustainable development countries with strategic objectives relating to the specific service; for example, for child survival services, there are currently 9 priority countries: Bolivia, Ecuador, Peru, El Salvador, Guatemala, Honduras, Nicaragua, Haiti, and the Dominican Republic. Specific target countries for each health service selected for this program will be specified at the time grant funds are provided to the Pan American Health Organization.

focus the attention of LAC countries and other assistance organizations on basic health interventions that are successful. Advancing basic health in selected areas of USAID's priority health goals (those relating to child survival and maternal health, which are amenable to regional action and which need additional program resources beyond other USAID bilateral and global assistance programs), will help the hemisphere, make progress towards its ambitious population and health goals.

● **Strategic Objective 4: More Effective Delivery of Selected Health Services Achieved**

**Agency Goal: Protecting the Environment**

The LAC Region contains nearly half of the world's biodiversity. However, population pressures, rapid urbanization and industrialization, increased demands for agricultural and grazing land, and other factors, are resulting in extensive degradation of key ecosystems. Conservation of the region's biodiversity is critical in view of its long-term potential for providing significant industrial, pharmaceutical, and agricultural uses. As a result of ongoing USAID assistance under the LAC Regional Parks in Peril (PiP) program, LAC governments are now committed to taking measures to protect, conserve and utilize their resources, including maintaining a system of parks and reserves of representative ecosystems.

The PiP program, implemented by The Nature Conservancy in collaboration with national and local governments, NGOs and indigenous communities, directly supports the Summit of the Americas initiative to establish "a partnership for biodiversity" in key ecosystems in selected LAC countries. Through FY 1996, protection activities are ongoing in 28 parks covering 18 million acres in 12 countries participating in the program. The activities undertaken are against a target of 28 to 35 parks over the life of the program (subject to the availability of overall funding). Non-USAID funding was identified for 6 PiP sites, and they are well on their way to graduating from the PiP program. In FY 1997, increased emphasis will be placed on: (1) sharing lessons learned from the PiP program and on utilizing PiP sites as demonstration and training areas to advance conservation in other endangered ecosystems, (2) expanding the involvement of local communities in the conservation and management of the parks and reserves, (3) increasing scientific knowledge of the biodiversity in PiP sites and the impact of management interventions, and (4) promoting policy reform and sustainable financing for conservation of key ecosystems.

While rapid economic growth in the LAC region offers many opportunities for the United States, environmental degradation in the region contributes to global climate change, deterioration of the natural resource base, and political instability. The PiP program maximizes political, economic and social returns for the region as a whole and for all its participating countries, including the United States, when it prevents these phenomena from occurring.

● **Strategic Objective 5: Selected LAC Parks and Reserves Important to Conserve the Hemisphere's Biological Diversity Protected**

**Agency Goal: Building Democracy**

While the 1980s and early 1990s witnessed dramatic advances in Latin American efforts to establish democracy, a new democratic order has yet to be consolidated. Still fragile Latin American democracies face difficult challenges from growing crime and drug trafficking, endemic corruption, uneven access to justice, and continuing human rights abuses. Internally, many democratic institutions are weak and remain unrepresentative, and the legacy of authoritarian rule has been a highly-centralized and unresponsive government. The poor remain unrepresented and unable to participate effectively in political life.

Despite these difficulties, the democratic transition that has taken place throughout the region offers a strong foundation for further progress in building sustainable democratic systems. Over the past few

years, Latin American politics have been marked by important positive trends including: (1) growing pluralism and increasing citizen participation, (2) a rising popular demand for judicial reform, (3) a movement to decentralize political and financial decisionmaking, and (4) repeated calls for government institutions to become more accountable and responsive to citizens. Underlying each of these trends is the principle that a new democratic order in Latin America needs to promote the rights of citizens and the rule of law.

In FY 1997, the LAC Regional program will help consolidate democracy by supporting regional institutions, networks, and exchanges that serve as catalysts and innovators in the democratization effort. The program will identify broad trends that encourage or threaten democracy in the region and will work with USAID and regional institutions (both in Latin America and in the United States) to develop and disseminate new approaches which focus on these trends. The Regional program supports activities that help deepen democracy, as agreed to at the Summit of the Americas

The LAC Regional program has contributed to important achievements through promoting human rights and rule of law, promoting transparent elections, strengthening civil society, and decentralization of power to legislatures, local governments and municipalities. Nearly all countries have implemented judicial reforms and initiated human rights activities, partly as a result of technical assistance and other support provided under the regional program. The ability of election tribunals to carry out free, fair and transparent elections has improved dramatically. Civil society groups are expanding and multiplying rapidly throughout the region, helped along by U.S. assistance for an NGO network which has professionalized several organizations and which plans to assist 80 others in the region over the next five years. Accountability and anti-corruption are now the subject of public discourse in most countries of the region. USAID has been the most active donor in follow-up to the Summit of the Americas' "no to corruption" initiative. Much of the LAC Regional program's work is based upon, and strengthens, regional treaties, agreements and protocols.

The Inter-American Institute for Human Rights (IIDH) and its Center for the Promotion of Electoral Assistance (CAPEL) have received core funding through the regional program to carry out regional human rights education, and provide training, publications, and technical assistance to countries for human rights promotion and implementation of free and fair elections. The Latin American journalism project recently opened the Latin American Journalism Center in Panama. This regional center is close to becoming self-sustaining and will train media professionals in technical skills and ethical norms basic to independent media in functioning democracies.

A hallmark of the LAC Regional program is its ability to stimulate participation of other development assistance donors and numerous U.S. NGOs, institutions of higher education, other U.S. Government agencies (U.S. Departments of State and Justice, and the U.S. Information Agency), drawn into this essential work either as active collaborators with USAID or regional institutions supported by USAID, or first-time funding sources for LAC countries. For example, the Regional Financial Management Improvement project has leveraged over \$130 million in World Bank and IDB resources to promote accountability and transparency in various LAC countries.

● **Strategic Objective 6: Strengthened Regional Trends that Deepen Democracy**

**Special Objective**

**Training**

The Cooperative Association of States for Scholarships (CASS) and the National Association of the Partners of the Americas (NAPA) are U.S. NGOs that receive USAID grants to enable their existing programs to provide training for LAC participants. The training helps achieve USAID goals and strategic objectives across sectors and is useful in encouraging greater civic and voluntary participation in community-level development activities throughout the region.

While the CASS project, implemented by Georgetown University since 1989, was designed prior to the adoption of USAID's current strategic objectives, Georgetown University has redirected the training focus accordingly and continues to meet human resource development needs of LAC countries. For example, of the 283 participants entering the CASS training program in 1995, a total of 101 students began training in either agribusiness, small business management or industrial maintenance administration. Fifty participants entered ecotourism and environmental management. Forty-nine began programs of study in health care administration and food science technology. Thirty participants are enrolled in an education administration program. A growing number of participants throughout the LAC region are engaged in civic education and democratic initiatives at the grass-roots level of communities. Graduates of CASS and NAPA programs will contribute to the economic growth of their respective countries with new skills and by exercising leadership as individuals. Beneficiaries of these programs also will work to strengthen the democratic role of NGOs in community, national, and regional affairs.

**LAC REGIONAL  
FY 1997 PROGRAM SUMMARY  
(\$ Thousands)**

	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
<b>USAID Strategic Objectives</b>						
<b>1. Resolution of Key Market Issues Impeding Environmentally Sound and Equitable Free Trade in the Hemisphere</b>						
Dev. Assistance	\$1,875		\$1,000			\$2,875
<b>2. Improved Human Resource Policies Adopted in Selected LAC Countries</b>						
Dev. Assistance	\$1,225					\$1,225
<b>3. Implementation of Country Health Reform Plans/Programs that Increase Equitable Access to Basic Health Services</b>						
Dev. Assistance		\$1,000				\$1,000
<b>4. More Effective Delivery of Selected Health Services</b>						
Dev. Assistance		\$3,800				\$3,800
<b>5. Protection of Selected Parks and Reserves Important to Conserve the Hemisphere's Biological Diversity</b>						
Dev. Assistance			\$4,300			\$4,300
<b>6. Strengthened Regional Trends that Deepen Democracy in Latin America and the Caribbean</b>						
Dev. Assistance				\$5,400		\$5,400
ESF				\$35,000		\$35,000
<b>Special Objective:</b>						
<b>Training</b>						
Dev. Assistance	\$13,750					\$13,750
<b>Total</b>						
Dev. Assistance	\$16,850	\$4,800	\$5,300	\$5,400		\$32,350
ESF				\$35,000		\$35,000

Office of Regional Sustainable Development Director: Twig Johnson

## ACTIVITY DATA SHEET

**PROGRAM:** LAC REGIONAL

**TITLE AND NUMBER:** Key Market Issues Impeding Environmentally-Sound and Equitable-Free Trade in the Hemisphere Resolved, 598-SO01

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,875,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To resolve key market issues impeding environmentally-sound and equitable-free trade in the hemisphere.

**Background:** In 1994, at the Summit of the Americas, countries of the Western Hemisphere outlined the proposal for the Free Trade Agreement of the Americas (FTAA), which will increase trade and economic integration in the region. The Summit recognized that, as economic growth and trade expand, pressures on natural resources and the potential for increased pollution, environmental contamination and associated health risks mount, and require compatible trade and environment initiatives. Moreover, since education and health are essential social investments which are fundamental building blocks to produce broad-based economic growth, education and health activities, designed to expand human capacity, significantly contribute to attainment of this objective.

**USAID Role and Achievements to Date:** The LAC Regional program's Hemispheric Free Trade Expansion activity, which was implemented at the end of FY 1995, supports trade-induced economic expansion as a significant catalyst for improved living standards, reducing poverty, and sustaining growth and political stability in the developing world. USAID collaborates closely with the Office of the U.S. Trade Representative to participate in the international working groups meeting on the FTAA and works with U.S. and LAC partners to carry out trade liberalization initiatives in support of the creation of the FTAA. Major activities include: (1) establishing an electronic agribusiness network, (2) improving the response capacity of technology institutions to changes and impacts of agricultural free trade in the LAC region, (3) increasing the participation of indigenous groups in natural resource markets, (4) promoting improved occupational health and safety conditions, (5) introducing labor and management relations practices and processes in the LAC region, (6) creating a repository of spatial data to support trade expansion, and (7) developing an information database system linking partners, customers, and beneficiaries through the Internet.

**Description:** In FY 1997, USAID will continue to focus on the following five distinct areas through the Hemispheric Free Trade Expansion (HFTE) and sustainable micro-finance activities under the LAC Regional program: (1) increasing the capability of target LAC countries to implement legal reforms in tariff and non-tariff areas required for countries' entries into the World Trade Organization (WTO), and the FTAA, (2) increasing the adoption of integrated network technologies and the use of personal computers to globally link traders and carry out international trade transactions more efficiently and at a lower transaction cost; (3) assisting countries with trade-induced structural adjustments by developing and strengthening a variety of local and regional social institutions and networks through which the public and private sectors can engage in dialogue and create a catalyst for social change, (4) increasing the adoption of improved environmental and natural resource management practices related to free trade to ensure that expanded trade and hemispheric economic integration does not contribute to the degradation of the environment, and (5) increasing the adoption of improved labor and management relations and practices related to free trade through support for democratic free labor movements and for modern labor-management relations.

**Host Country and Other Donors:** The LAC Regional program is already working with the Inter-American Development Bank (IDB) to support economic growth and trade initiatives, and with the World Bank and the World Research Institute to support environmental initiatives adopted at the 1994 Summit of

the Americas. Donor coordination will expand further in FY 1997. USAID is working jointly in these activities with Ecuador, Honduras, Brazil, and El Salvador.

**Beneficiaries:** The LAC Regional program will focus economic growth and trade activities on smaller countries with less-developed economies in order to accomplish this objective. It also will focus on increasing trade opportunities for the poor, particularly small entrepreneurs and small farmers, by incorporating them in the economic process.

**Principal Contractors, Grantees or Agencies:** USAID is working closely with other U.S. government agencies and international organizations to support the initiatives adopted at the Summit of the Americas. The following U.S. organizations and agencies are some of the key partners involved in developing and implementing hemispheric free trade expansion and environment activities: the Office of the U.S. Trade Representative, Food and Drug Administration, U.S. Customs, the Inter-American Institute for Agricultural Cooperation, National Center for Food and Agricultural Policy, Geological Survey, the Environmental Protection Agency, and the Departments of Labor, Energy, Interior, and Agriculture.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Number of FTAA-related trade liberalization reforms enacted and implemented.	Baseline assessment underway	Catalytic reforms in 4-5 countries
Number of trade-facilitating systems in key countries.	0	3 systems in 9 countries
Number of market institutions strengthened and number of trade disciplines advanced.	0	5 new market institutions tested in 8 countries
Establishing enabling conditions for environmentally sustainable increased trade.	Baseline assessment underway	4 conditions in 10-12 countries
Number of new institutions established to address workers rights and labor and management relations.	0	3 institutions established

## ACTIVITY DATA SHEET

**PROGRAM:** LAC REGIONAL

**TITLE AND NUMBER:** Improved Human Resource Policies Adopted In Selected LAC Countries, 598-SO02

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,225,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To establish a sustainable hemispheric partnership to promote a better understanding of education policy issues and develop a broader and more active constituency for educational policy reform within the LAC region and selected countries.

**Background:** Education reform is a timely issue on the hemispheric agenda. With the shift toward open economies in most of the region, countries are increasingly concluding that success in world trade and political stability depends more on human resources than on natural resources. Large segments of society, particularly women, minorities and indigenous groups, have not been equipped to participate fully in economic life. Nearly one-half of the hemisphere's population lives in ignorance and poverty. The low level of primary school attainment is a major constraint to economic development. No country with low levels of human capital has developed successfully in a self-sustained manner in the latter half of the twentieth century. Considerable evidence suggests that policies change only when local policy thinkers and persuaders become intellectually convinced of the merit of an argument.

**USAID Role and Achievements to Date:** With only modest investments in educational policy reform in LAC countries, USAID can have a direct effect on developing influential constituencies to support policy reform and on the delivery of quality primary education. In FY 1996, First Lady Hillary Rodham Clinton launched USAID's Partnership for Education Revitalization in the Americas activity which, in FY 1997, will use policy dialogue to encourage selected governments in the region to make policy changes to improve the quality of primary education. While it is still too early to enumerate achievements, the partnership is off to a fast start with active participation from most LAC countries and major educational organizations in the region.

**Description:** The essence of USAID's approach in the region is to effect policy change through the development of a network of hemispheric "change agents," who will work to reform their own governments' considerable investment in education. USAID, in cooperation with other donors, will support a consultative forum for governments, nongovernmental organizations (NGOs), the business community, donors, and international organizations to review exemplary educational programs and policies and to focus resources for reform more effectively. The forum will establish the framework, process, and mechanism for identifying, showcasing and replicating best educational policies and practices in the hemisphere, leading to country-level reform in a variety of areas, including educational quality, finance, equity, and decentralization. The approach is very cost-effective because, for relatively small investments, USAID can effect large changes in manner in which national governments invest their massive expenditures in education, and because those changes will result in dramatic efficiencies and savings.

**Host Country and Other Donors:** USAID's effort to improve the quality and efficiency of education in the LAC region is a partnership between USAID, host countries, other donors, and LAC education organizations. Partners will be asked to provide financial and other support for the effort. The Inter-American Development Bank has already provided limited support for the effort, and expects to provide additional funds. The World Bank also is interested in becoming a partner in the effort. On hemispheric educational policy, the LAC Regional program works with the Inter-American Dialogue and LAC regional institutions, such as the Center for research and Development of Education. LAC regional activities also maintain contact with the U.S. Department of Education.

**Beneficiaries:** The ultimate beneficiaries of the effort will be all school-age children in the LAC region, especially those in the primary grades. Other beneficiaries will include the host country governments which will provide more cost-effective services, the private sector which will draw on a better educated, more productive labor force, and people at large who will gain more equitable and politically stable societies.

**Principal Contractor, Grantees, or Agencies:** The Partnership for Educational Revitalization in the Americas will be implemented through a cooperative agreement with a U.S.-based NGO (Inter-American Dialogue).

**Major Results Indicators:**

	<u>Baseline</u>	<u>Target</u>
Policies formulated and adopted to improve educational quality, finance, equity and governance.	5 (FY 1996)	25 (1000)
Working groups formed to showcase and replicate successful practices and policies.	0	30 (2000)
Increased percentage of primary school completers.	55%	65% <sup>2</sup> (2000)

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<sup>2</sup>The 1994 Summit of the Americas' Action Plan goal is 100% by the year 2010.

## ACTIVITY DATA SHEET

**PROGRAM:** LAC REGIONAL

**TITLE AND NUMBER:** Country Health Reform Plans and Programs that Increase Equitable Access to Basic Health Services Implemented, 598-SO03

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,000,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To assist in the development, approval and implementation of country health-reform plans and programs that increase equitable access to basic health services through supportive regional programs.

**Background:** Despite impressive gains in the hemisphere, limited access and quality of services have resulted in persistently high child and maternal mortality, particularly among the rural poor and indigenous groups. The action plan of the 1994 Summit of the Americas proposes that governments endorse child and maternal health objectives, including reducing child mortality by one-third and maternal mortality by one-half (from 1990 levels), reflecting the objectives of the 1990 World Summit for Children, the 1994 Nariño accord, and the 1994 International Conference on Population and Development, endorsing a basic package of child and reproductive health interventions and developing or updating country action plans or programs for reforms to achieve equitable, universal access to the basic package. The innovation is to support these objectives through health reforms, such as decentralization, alternative financing schemes, quality assurance, greater use of nongovernmental organizations and community-based services for the poor. It was further agreed to use a network to share expertise, information, and experience on health reform efforts in the region. Virtually all nations in the region are to some degree in the process of undertaking such health reforms.

Although reform efforts must be country-specific, there is much to be gained by LAC Regional program support for country reforms. Managers need easy access to information on those which have succeeded, and those which have not. Regional collection and dissemination of such information is needed. Countries need technical assistance from the various donors that is consistent and coordinated. Both regional and country coordination must be done. In some cases, the best way to provide such technical assistance is multi-country workshops or training programs. In addition, there is a need for operations research to try out new ideas, and for overview studies to assist countries in selecting reform efforts that they will implement. Monitoring of reform efforts in the region as a whole also is needed.

**USAID Role and Achievements to Date:** A meeting on health reform was held as part of the Pan American Health Organization's (PAHO's) governing council in September 1995. It was developed by an interagency steering committee, comprised of USAID, U.S. Department of Health and Human Services, and other donors, with PAHO as the secretariat. The intent of the meeting was to plan the strengthening of the network and to define PAHO's role in monitoring the country plans. During the meeting, which was attended by all LAC ministers of health, discussion was wide-ranging and lively, and the ministers left better-informed of the potential of health reform efforts for achieving equity of access to health services. In the declaration which resulted from this meeting, the governing council charged PAHO to do follow-up actions with other international organizations.

**Description:** To support health-reform efforts, governments agreed at the Summit to form a network that will focus on health reform through analyses, training and technical cooperation. The network will support country health reforms by means of technical assistance to foster hemisphere-wide (north-south and south-south) cooperation on reforms and support for analyses, training and other capacity-building activities. The LAC Regional program will strengthen the network and support PAHO in its role of monitoring country plans. In addition, the Partnerships for Health Reform and other USAID

activities will carry out information dissemination, training, technical assistance, focused regional studies, and operations research.

**Related Activities:** Through bilateral assistance programs in LAC countries, USAID will support country-level efforts to endorse a basic package of services and assist in developing and implementing health-reform programs to make such services universally accessible, in order to achieve maternal and child health objectives.

**Host Country and Other Donors:** LAC regional program staff have met with the World Bank and PAHO to share information on program plans and possible actions, as a prelude to joint action to fulfill the networking and monitoring functions envisioned at the Summit. Meetings with the Inter-American Development Bank (IDB) will soon take place. USAID also works at the country level with these and other donors.

**Beneficiaries:** Ultimate beneficiaries of this program are people in countries where USAID has population and health programs, such as Bolivia, Ecuador, Paraguay, Peru, El Salvador, Guatemala, Honduras, Nicaragua, Dominican Republic, Haiti, Jamaica, Brazil and Mexico. Access to basic health services will be improved by reforms in health care organization and financing.

**Principal Contractors, Grantees, or Agencies:** PAHO, Abt Associates (and subcontractors), Harvard University, Center for Development and Population Activities and Johns Hopkins University are the principal implementors.

**Major Results Indicators:**

	<u>Baseline (1994)</u>		<u>Target (2000)</u>
Target countries with reforms implemented as planned	0	the	13
Target countries with basic services packages implemented as planned	0		13
Target countries with increased use of USAID resources to support reform efforts	0		13
Target countries with approved reform plans/programs	0		13
Target countries with approved basic services packages	0		13

## ACTIVITY DATA SHEET

**PROGRAM:** LAC REGIONAL

**TITLE AND NUMBER:** More Effective Delivery of Selected Health Services Achieved, 598-SO04

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,800,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To improve the effective delivery of selected health services by strengthening quality and sustainability of services.

**Background:** Infant, child and maternal mortality remain high in the LAC region, especially among disadvantaged populations. Currently, target countries in the region do not dedicate sufficient health resources to priority needs in controlling diarrheal disease and acute respiratory infections, or reducing maternal mortality reduction. Quality and effectiveness of the programs also need improvement. Despite the drop in infant mortality in the region, close to 600,000 infants die each year before their first birthday, most of them from causes that could be prevented with simple, low-cost technologies. While vaccination coverage levels generally are excellent, there are pockets of low coverage, and programs are not yet sustainable. Furthermore, the region has recently adopted an ambitious measles-eradication goal.

In FY 1997, the LAC Regional program will use the same successful approaches as in previous accelerated immunization projects (developing regional standards for program implementation and surveillance, providing technical advisors who worked with country program managers and Interagency Coordinating Committees, and creating effective surveillance systems). These projects resulted in a much higher level of political attention and emphasis to immunization programs in target<sup>3</sup> countries, and to the effective dedication of substantial national resources for this high-priority program. It is intended to leverage the LAC Regional program's modest resources to produce focused programmatic attention on the interventions considered to be most important in affecting health status.

**USAID Role and Achievements to Date:** This objective builds on the success of two successive regional grants to the Pan American Health Organization's (PAHO's) supporting vaccination programs in the Americas. Coverage, with final doses of each vaccination by age one, has reached at least 78% of the population in all target countries. Between 1986 and 1996, USAID provided about half of donor funding for vaccination efforts in the region. As a result of USAID's country and regional efforts with PAHO and other donors, the Americas have been declared free of indigenous transmission of wildpolio virus, and measles cases decreased by 99% from levels in the early 1990s.

**Description:** In target countries, regional service delivery improvement efforts will be expanded to provide highly-focused assistance to country programs to strengthen the quality and availability of selected health interventions (diarrheal disease control, acute respiratory infection control, vaccinations and maternal mortality reduction), which are among the specific priority interventions defined in USAID's population, health, and nutrition strategy. These key health interventions will be strengthened in target countries by: (1) establishing and disseminating improved norms for service delivery and surveillance, (2) targeting resources to sub-national areas where help is needed most, and (3) increasing the sustainability of service delivery and surveillance by refining the roles for public and private actors, increasing health care financing, and increasing efficient management of services.

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<sup>3</sup>The target countries will be those LAC sustainable development countries with strategic objectives relating to the specific service; for example, for child survival services, there are currently 9 priority countries: Bolivia, Ecuador, Peru, El Salvador, Guatemala, Honduras, Nicaragua, Haiti, and the Dominican Republic. Specific target countries for each health service selected for this program will be specified at the time grant funds are provided to the Pan American Health Organization.

Health services on which the activities will focus (such as vaccinations, acute respiratory infection control, diarrheal disease control, and emergency obstetric care), were selected based on their importance to USAID's overall population and health strategy, the likelihood of positive impact through a regional mechanism, and relevance to the agenda of the First Ladies' symposium in follow-up to the Summit of the Americas.

**Host Country and Other Donors:** The objective will use PAHO's unique capabilities to influence LAC governments in setting agendas, policies and standards. Since PAHO often is the lead agency among the health donors in LAC countries, and LAC country health authorities rely heavily on PAHO's advice regarding setting priorities, such an activity could have a substantial effect in promoting the interventions and system changes which are key to improving health in the hemisphere, regardless of source of donor funding. The use of the interagency coordinating committee mechanism will foster collaboration among all health donors in each target country. For the vaccination components of this strategic objective, USAID plans to contribute up to \$8 million, the PAHO budget will provide \$7 million; and PAHO has pledges of \$1 million from Spain and \$2.2 million from the Inter-American Development Bank. Approximately \$7 million in USAID funds would support the other components, with PAHO providing a similar amount. USAID bilateral missions also funds country-specific programs which assist target countries in working toward the purpose of this strategic objective, and both USAID missions and LAC governments coordinate with other donors at the country level.

**Beneficiaries:** This objective is designed to directly benefit the service delivery and surveillance programs of the target countries in the LAC region. Ultimately, children less than five years of age and women of childbearing age in target LAC countries will be the major beneficiaries.

**Principal Contractor, Grantees, or Agencies:** The activities will be implemented, using an international organizations grant to PAHO. Inputs would include technical advisors and other regional support for national programs, such as technical materials or improved surveillance and information systems.

**Major Results Indicators:**

The number and proportion of target countries with:

	<u>Baseline</u>	<u>Target</u>
More than 80% of pneumonia in children over 5 years old treated with appropriate case management	TBD <sup>4</sup>	6 (2000)
More than 80% of diarrhea in children over 5 years old treated with oral rehydration therapy (ORT) and continued feeding	TBD	6 (2000)
Extended program immunization coverage of at least 90% among children under one year of age	3 (1995)	8 (2000)
More than 50% of deliveries with serious obstetric complications receive emergency obstetric care	TBD	6 (2000)

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<sup>4</sup> These values will be identified as part of grant planning with PAHO.

## ACTIVITY DATA SHEET

**PROGRAM:** LAC REGIONAL

**TITLE AND NUMBER:** Selected LAC Parks and Reserves Important to Conserve the Hemisphere's Biological Diversity Protected, 598-SO05

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCES:** FY 1997: \$4,300,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To ensure adequate on-site protection for 28-35 critically-threatened LAC national parks and reserves of global, biological significance.

**Background:** The LAC region contains approximately 50% of the world's biological diversity. However, extensive habitat and whole ecosystem destruction is causing the extinction of many species and with them the loss of genetic resources valuable for future advances in medicine, agriculture, and industry. To address this problem, many LAC countries have set aside parks and reserves. Unfortunately, countries often lack funds, expertise, and effective policies required to protect these areas. Since FY 1990, USAID has supported the Parks in Peril (PIP) program.

**USAID Role and Achievements to Date:** With USAID funding of approximately \$19 million to date, The Nature Conservancy (TNC), PiP's implementing organization, has improved on-site protection in 28 sites, encompassing over 18 million acres. Significant lessons learned have led to replicable management practices in the region for biodiversity conservation, including innovative financing approaches. As a result of this effort, many local conservation nongovernmental organizations (NGOs) and indigenous community groups have been strengthened.

**Description:** With USAID, TNC provides direct grant support for NGOs and agencies to assist in the management of 28-35 parks or protected areas. The parks will be protected by: (1) establishing a permanent management presence in each park through training park staff and providing basic infrastructure, (2) expanding each park's community outreach and promoting economic activities compatible with park protection in communities near the protected areas, (3) initiating on-site environmental studies and monitoring, (4) developing long-term mechanisms for financial sustainability, (5) increasing dissemination through the hemisphere of lessons learned at PiP sites, and (6) increasing the capacity of TNC to manage and implement the PiP program.

**Host Country and Other Donors:** To date, host country and NGO sources have matched USAID funds with approximately \$6 million. The PiP program complements funding from other bilateral donors (Germany), and from multilateral sources, such as the World Bank's Global Environment Facility. PiP also leverages funds from other bilateral donors (e.g., Japan, Denmark) and private foundations (MacArthur and Mellon).

**Beneficiaries:** Local communities benefit from the maintenance of the local natural resource base, and employment opportunities are created as a result of park development, maintenance and tourism. At the national and global levels, the conservation of biodiversity protects significant economic and scientific opportunities.

**Principal Contractor, Grantees, or Agencies:** USAID implements the PiP program through TNC. TNC works closely in target countries with local NGOs (including The Friends of Nature Foundation, Chile; National Association for the Conservation of Nature, Panama; Defenders of Nature, Guatemala; and Integrated Fund for Nature, Dominican Republic and Mexico), LAC governments, and communities, in program implementation.

**Major Results Indicators:**

	<b><u>Baseline</u></b>	<b><u>Target</u></b>
<b>Parks and reserves with adequate management</b>		
<b>Number:</b>	0 (1990)	28 (1999)
<b>Area (millions of hectares):</b>	0 (1990)	19 (1999)
<b>Number of parks and reserves with sufficiently trained personnel</b>	0 (1990)	28 (1999)
<b>Number of NGOs with adequate management capacity</b>	0 (1990)	19 (1999)
<b>Annual government contributions for park protection at PIP sites</b>	\$179,000 (1991)	\$2,730,000 (1998)

## ACTIVITY DATA SHEET

**PROGRAM:** LAC REGIONAL

**TITLE AND NUMBER:** Strengthened Regional Trends that Deepen Democracy, 598-SO06

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCES:** FY 1997: \$5,400,000 DA; \$35,000,000 ESF

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To help consolidate and deepen democracy in Latin America and the Caribbean by funding institutions, networks and exchanges that are essential to emerging regional democratic trends.

**Background:** In almost all countries since the mid-1980s, the LAC region has seen the transition from military dictatorships to democracies. Recently, in the areas of democracy and human rights, several dynamic, integrative trends have emerged, including growing citizen participation in nation-building, the demand for reform of judicial structures, political parties and legislatures, decentralization of political and financial decision-making, and a widespread call for improved accountability and responsiveness of public sector institutions. The protection of basic human rights is the core value of these trends. At the same time, democracies are challenged by rising crime rates, drug trafficking, and societal inequalities and poverty.

**USAID Role and Achievements to Date:** USAID works with LAC regional institutions and countries, and USAID bilateral missions and USAID offices, to: (1) promote human rights and the rule of law, (2) strengthen civil society, and (3) improve the legitimacy of key public sector institutions critical to a functioning democracy. As a result, civil society groups involved in democratic activities are growing in influence throughout the region, aided by regional funding of a nongovernmental organization (NGO) network. Accountability and anti-corruption are now the subject of public discourse in most LAC countries and judicial reforms and human rights activities are underway.

**Description:** The central focus of the program is to protect and expand human rights by using regional institutions, programs, and mechanisms to carry out activities that complement bilateral USAID programs. Consolidating democracy in Latin America requires functioning institutions that provide protection of basic rights, secure and expand opportunities to exercise those rights, and assure real potential for participation in decisionmaking. The LAC Regional program focuses on:

- **Strengthening regional mechanisms to promote human rights and rule of law.** The capability of key judicial and human rights monitoring institutions to carry out their functions is critical to assuring the protection and expansion of human rights in Latin America. Activities that support this objective focus on:

*Expansion of Inter-American Institute for Human Rights (IIDH) activities promoting human rights monitoring.* Continued core funding for IIDH will further promote human rights education and training activities, dissemination of publications, and technical assistance for high-priority LAC countries.

*Information exchanges promoting judicial reform.* To complement bilateral USAID efforts to protect human rights by improving the rule of law, the regional administration of justice project has contributed to sharing of information about ongoing judicial reform efforts throughout the region.

- **Strengthening regional mechanisms to promote pluralism and growth of civil society.** Representative institutions and civil society play an important role in consolidating democratic transitions by providing vehicles for political participation, holding government accountable, and building a civic culture. The LAC regional program contributes to their development through:

***Establishment of regional programs to share experiences and provide assistance to NGOs important to building pluralism and political participation.*** The regional civic education activity with Partners of the Americas helps dynamic Latin American civil society NGOs provide training and technical assistance to other NGOs. The regional program will also begin activities to address the critical role of competitive and representative political parties in pluralistic societies.

***Improved training opportunities for Latin American journalists.*** In Panama, the Latin American journalism activity will help build self-sufficiency in the Latin American Journalism Center, which trains media professionals in the technical skills and ethical norms required by independent media.

● **Strengthening regional mechanisms to improve public sector legitimacy.** Building legitimacy in key public institutions helps create greater potential for broader participation in decisionmaking and greater support for democratic government. The LAC regional program helps promote:

***Expansion of Center for the Promotion of Electoral Assistance (CAPEL) activities to promote free, fair, and transparent elections.*** Core funding for CAPEL in FY 1997 will allow it to continue providing technical assistance to countries in the region to carry out elections professionally and transparently.

***Expansion of opportunities to share experiences in decentralization.*** Within this program area in FY 1997, the LAC regional program will support dissemination of information and exchanges that help inform and build support for efforts to decentralize governmental power. These efforts will largely be oriented toward devolution of budget and decisionmaking authority local levels, building capacity in local governments, and enhancing public participation in local decisionmaking.

***Expansion of opportunities to share experiences in legislative strengthening.*** LAC regional activities may also include activities to broaden the locus of decisionmaking within the central government by strengthening the role of legislatures in relation to traditionally strong executives.

***Expansion of programs to promote government accountability.*** The regional accountability and financial management improvement activity funds follow-up actions to the "No to Corruption" initiative of the Summit of the Americas. With FY 1997 funding, it will continue to work closely with the World Bank, the Inter-American Development Fund (IDB), and U.S. NGOs in planning anti-corruption activities.

● **Economic Support Fund.** The regional democracy program will provide economic support funds (ESF) to those nations where it is critical to consolidate democracy, support human rights, and promote economic reform and equitable growth. ESF funds also provide support for institutional strengthening and development of various aspects of judicial and police systems in the hemisphere. In Cuba, USAID will provide assistance, through appropriate NGOs for support of individuals and organizations to promote the development of civil society and nonviolent democratic change.

**Host Country and Other Donors:** Major donors in the region finance democracy activities, which are closely coordinated with USAID democracy and human rights efforts at the field level (and in Washington, at the policy level). Other organizations that play key leadership or funding roles include the United Nations, Organization of American States, the IDB, the European Union, and World Bank, and bilateral donors (Canada, Holland, and Scandinavia).

**Beneficiaries:** As human rights practices improve and democracies are strengthened, direct beneficiaries are the citizens of LAC countries. The United States indirectly benefits as U.S. national security interests are closely tied with improved regional stability and democracy.

**Principal Contractors, Grantees, or Agencies:** Partners in USAID's regional democracy efforts include bilateral and multilateral donors (Netherlands, Canada, the European Union, the World Bank, and the IDB), IIDH, CAPEL, the Partners of the Americas, the Carter Center, a U.S. contractor (Casals & Co.),

and the LAC countries themselves. LAC NGOs participating in these activities include PARTICIPA (Chile), Conciencia (Argentina), Poder Ciudadano (Argentina), Institute for Investigation and Political Self-Formation (INIAP), and the University of the Andes (Colombia).

**Major Results Indicators:**

	<u>Baseline (1995)</u>	<u>Target (2000)</u>
Number of strengthened national and regional electoral bodies	5	11
Number of countries adopting integrated financial mgmt systems	2	6
Number of multilateral donor-supported accountability projects	0	15
Public confidence level in media in targeted LAC countries	38%	50%
Number of LAC NGOs participating in regional network	5	80

## 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 that technical support (including lessons learned) is made available 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 help other nations achieve balanced and sustainable economic growth, which contributes to economic growth in the United States by expanding 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 improve the lives of the people of these countries while providing 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 (\$206,200,000).

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 one or two 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% of which 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 the following:

- A streamlined approach for providing life-saving skills training in Indonesia was evaluated. As a result, the life-saving skills manual to decrease maternal mortality has now become a prototype and has been adapted and translated for many countries.
- 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.
- 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.
- 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 infection (ARI), malaria, and malnutrition. Over the past year, USAID efforts have led to the following achievements:

- The Vaccine Independence Initiative (VII) was expanded, 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 share that they purchase.
- USAID led a global child survival effort to increase the role of commercial organizations in providing appropriate child health products. In the Central America region, for instance, USAID worked with major multi-national and national producers of soap and chlorine to promote their products for improvement of household health.
- USAID has supported the development of new vaccines against 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.
- 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 one or two 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; 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:

- USAID has played a key role in increasing the number of countries with national treatment guidelines for sexually transmitted diseases (STDs) from seven in 1991 to 15 in 1995.
- USAID has supported a study on the role of voluntary HIV counseling and testing in prevention.
- 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.
- 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 one or two 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 (\$29,200,000).**

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.

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.

**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 and in national conservation policy. 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.**

Energy production involving 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. 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. 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-lead 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. 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.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$56,900,000).**

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 microenterprises and small businesses.**

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, 13 mission-based microenterprise initiatives were supported in 11 countries. These institutions will reach 225,406 clients during the next three to five years (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 52,000 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. U.S. agricultural expertise contributes 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. Enhance USAID effectiveness in assisting developing nations to 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) increased 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. 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. Expanded and improved Basic Education 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 school, and most children achieve well below international norms. Low participation and poor achievement for girls are of particular concern. Attainment of this objective requires focused attention on sectoral factors, such as school capacity and instructional quality; on nutrition, health and other factors which affect learning capacity; and on the communications and information technologies which affect community access to information and continued learning. Activities under this objective principally support education policy reform and the technical improvement of schooling systems. Activities also include limited technical support for USAID mission activities in community education, early childhood and adult education. USAID is drawing on decades of experience and leadership to support administrative and policy reforms in education; implement strategies to reach girls and rural and poor children; and facilitate public education and social marketing in support of improved health, civil society, and environmental protection. Central programs will provide technical leadership for

- administrative and management reforms, using improved sector assessment and performance monitoring tools. In five 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 2001, 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 five 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 five 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 Continuing and Higher Education and Training Systems in Support of Agency Strategic Objectives**

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 20 education and training systems that are successful in preparing a national work force for development. Over the next eight years, central programs will seek to achieve the following results:

- establishment of linkages and networks aimed at revitalizing higher education in at least 10 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 (\$14,500,000).**

By building on the wealth of USAID experience and expertise in dealing with U.S. democratic institutions and NGOs, 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. Particular emphasis is placed on expanding the participation of previously disempowered groups in the political process, including

women. While central programs support USAID missions and U.S. embassies, they also directly support activities 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 USAID missions in 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 already led to the adoption of policies by ten Latin American countries 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 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 achievements 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 formal and informal justice systems;
- design and testing of programs to increase quality and effectiveness of court case tracking and management systems, and to reduce pre-trial detention periods;
- 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 technical leadership for the Agency, field support to USAID missions and program implementation in selected countries in 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, West Bank/Gaza and the Dominican Republic, 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 six 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 assisted Salvadoran women in improving working conditions through more effective participation in the political process. In South Africa, the African-American Labor Center 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 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.

**Strategic Objective 5. Better technical and intellectual leadership and services in democracy and governance.**

USAID central programs provide expertise in designing, implementing and evaluating democracy and governance (DG) programs as well as methods of incorporating them throughout other sectors. USAID has developed publications and electronic mechanisms to inform the public about its programs in this area and to engage other organizations in discussions about the best way to achieve DG objectives and improve DG programs and performance. In the next four years, USAID will:

- provide better models, strategies, data, policy guidance and expertise on DG, and
- gather and share, within the U.S. Government and the donor community, statistical data and information on best practices, donor activities, research, evaluations, customer surveys, USAID activities and world events, such as upcoming elections.

**CROSS-CUTTING PROGRAMS**

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

**Women in Development (\$4,775,000)**

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 of technical assistance activities designed to improve the extent to which USAID programs address gender considerations.

**Cooperative Development Research (\$1,500,000)**

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 (\$925,000)**

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.
- **Institutions 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 (\$8,000,000)**

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.

**CENTRAL PROGRAMS  
FY 1997 PROGRAM SUMMARY**

Goals = USAID Strategic Objectives ↓	Encouraging Economic Growth	Stabilizing World Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Total by Funding Category
PHN 1. Increased use of voluntary practices that contribute to reduced fertility		100,261,000			100,261,000
PHN 2. Increased use of safe pregnancy, women's nutrition, family planning and other key reproductive health services		27,006,000			27,006,000
PHN 3. Increased use of key child health and nutrition interventions		39,343,000			39,343,000
PHN 4. Increased use of key interventions to reduce HIV/STD transmission		39,590,000			39,590,000
ENV 1. Increased and improved protection and sustainable use of natural resources			10,512,000		10,512,000
ENV 2. More sustainable cities and environmentally sound urbanization			6,089,000		6,089,000
ENV 3. Increased environmentally sound energy production and use			12,599,000		12,599,000

Goals ⇒ USAID Strategic Objectives ↓	Encouraging Economic Growth	Stabilizing World Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Total by Funding Category
EG 1. Better access to finance and information for microenterprises and small businesses	18,500,000				18,500,000
EG 2. U.S. agricultural expertise contributes to global food security	16,500,000		14,000,000		30,500,000
EG 3. Enhance USAID effectiveness in assisting developing nations to undertake appropriate economic policy and institutional reforms	1,000,000				1,000,000
EG 4. Expanded and improved basic education learning systems	4,750,000				4,750,000
EG 5. Improved continuing and higher education and training systems in support of agency strategic objectives	2,150,000				2,150,000
DG 1. Rule of Law: Strengthened legal systems which promote democratic principles and protect human rights				800,000	800,000

Goals ⇒ USAID Strategic Objectives ↓	Encouraging Economic Growth	Stabilizing World Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Total by Funding Category
DG 2. Governance: Increased efforts to make government systems more transparent and accountable				1,500,000	1,500,000
DG 3. Elections and Political Processes: Increased open and participatory elections and political process which reflect the will of the people				2,500,000	2,500,000
DG 4. Civil Society: Increased effectiveness of citizen's interest groups to promote pluralism and contribute to responsive government				8,700,000	8,700,000
DG 5. Better technical leadership and services in democracy and governance				1,000,000	1,000,000
WID 1. Improved economic status of women in Latin America and the Caribbean, Asia and the Near East, and Africa	1,388,000				1,388,000
WID 2. Improved educational opportunities for girls in South Asia and Africa	300				300

Goals ⇒ USAID Strategic Objectives ↓	Encouraging Economic Growth	Stabilizing World Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Total by Funding Category
WID 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	1,704,000				1,704,000
WID 4. Support integration of gender issues through USAID regional and country programs	1,383,000				1,383,000
BHR 1. Increased PVO capability to achieve sustainable service delivery	27,700,000	20,000,000	1,400,000	400,000	49,500,000
BHR 2. Strengthen overseas institutions which demonstrate American ideas and practices	6,500,000	3,500,000			10,000,000
PPC 1. Learning from experience	4,000,000	2,000,000	1,400,000	600,000	8,000,000
Other special objectives	3,225,000	300,000			3,525,000
<b>Total</b>	<b>89,100,000</b>	<b>232,000,000</b>	<b>46,000</b>	<b>15,500,000</b>	<b>382,600,000</b>

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Increased use of voluntary practices that contribute to reduced fertility. (New and improved technologies and approaches for contraceptive methods and family planning identified, developed, tested, evaluated and disseminated), 936-S001.1 (PHN)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$19,651,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1998

Purpose: To build the scientific and technological base for successful high quality family planning (FP) and reproductive health (RH) programs by identifying, developing, testing, evaluating and disseminating new and improved technologies and approaches for FP and RH services.

Background: Total fertility rates, maternal mortality and morbidity, and infant mortality remain high in developing countries. Family planning and RH programs contribute to improving the health of women and men, children and families and to stabilizing global population growth.

USAID Role and Achievements to Date: USAID plays a vital role in increasing the effectiveness of these programs by supporting contraceptive development, operations research (OR) and other types of demographic and social science research. USAID has successfully introduced several new/improved contraceptives into developing and developed countries' markets (e.g., low dose oral contraceptives, NORPLANT® implants, REALITY® female condoms, Depo Provera, CuT 380A) and examined the acceptability and effectiveness of these methods. USAID has also increased cost effectiveness, access and quality of service delivery programs by pioneering strategies such as community-based distribution, and work-based and postpartum programs. Innovative communication tools, techniques and strategies have been developed to reach larger audiences and increase demand, and newly-developed methodologies/indicators assist programs in monitoring and evaluating their impact.

Description: Activities focus on developing improved contraceptive methods such as barrier methods for contraception and protection against STD/HIV, long-acting hormonal preparations, systemic methods for men, and methods for breastfeeding women. To improve service delivery, OR is focused on developing new approaches to link FP and selected RH interventions and to reach underserved and hard-to-reach populations, and improving quality of care and cost effectiveness of programs. Other demographic and social science research is focused on increasing knowledge of the health status of people, improving communication/dissemination channels and policy dialogue, and evaluating for impact.

Host country and other donors: WHO, NIH, CDC and Foundations such as Mellon and Rockefeller complement the work of USAID by supporting research in USAID's priority areas. Host country partners include private and public sector research institutions and service delivery organizations.

Beneficiaries: The ultimate beneficiaries are women and men in developing countries who will have greater access to quality family planning information and services.

Principal contractors, grantees or agencies: USAID will implement activities through the Population Council, Family Health International, Eastern Virginia Medical School and other universities, research institutions, private companies, and host country organizations.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Targets (1998)</u>
Number of contraceptive leads/methods under development and/or evaluation; advancing to next stage; approved by FDA	32 in development/ evaluation 0 advancing 0 approved	37 in development/ evaluation 20 advancing 2 approved
Number of FP/RH strategies/subsystem improvements tested/completed	8 tested 0 completed	15 tested 10 completed

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Increased use of voluntary practices that contribute to reduced fertility. (Improved policy environment and increased global resources for family planning programs), 936-S001.2 (PHN)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$20,664,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1998

**Purpose:** To improve the policy environment and increase global resources for family planning programs in order to contribute to the Strategic Objective of increasing use by women and men of voluntary practices that reduce fertility.

**Background:** Experience in the field of population and family planning has demonstrated that political commitment at all levels and adequate resources are necessary in order to have effective programs. While developing countries today assume the bulk of the cost of providing family planning services, much remains to be done to improve the legal and regulatory framework, and standards and norms that guide service provision. In addition, the health sector receives a relatively small share of developing country budgets and much of that budget is devoted to curative rather than preventive care.

**USAID Role and Achievements to Date:** Over the past 25 years, USAID has contributed to the development of formal population policies in more than 30 countries. USAID assistance has helped convince policymakers of the economic benefits of family planning programs to society and of the contribution these programs make to improved well-being at the family and individual level. USAID has also supported analyses and reform of legal and regulatory frameworks that have resulted in increased participation by the private sector.

**Description:** Activities focus on three areas that contribute to the achievement of this result: 1) operational policies relating to family planning and reproductive health are formulated and in effect, and barriers to service availability are removed; 2) total financial and human resources for family planning and reproductive health programs are increased; and 3) human and financial resources in the population, health and nutrition sector are rationally allocated to have maximum impact in achieving sector goals.

**Host country and other donors:** USAID coordinates and collaborates with other donors such as the World Bank, IPPF, UNFPA and bilateral donors which also provide funds and technical assistance. Host country institutions, particularly public sector institutions, are responsible for program implementation.

**Beneficiaries:** The ultimate beneficiaries are women and men in developing countries who will have greater access to quality family planning information and services.

**Principal contractors, grantees or agencies:** USAID will implement activities through the Futures Group, U.S. Bureau of the Census, the National Academy of Sciences, Management Sciences for Health, the University of North Carolina, Macro International and other U.S. public and private sector entities and host country institutions.

**Major Results Indicators:**

	<b><u>Baseline</u></b> baseline data being collected	<b><u>Targets</u></b> to be determined pending baseline data
Number of countries with strategic plans reflecting public health principles, quality, access, and gender equity in FP/RH formulated and in effect		
LDC share of global resources for family planning and reproductive health in USAID priority countries	37%	42%
Share of service delivery by the private sector in countries where USAID works	43%	45%

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Increased use of voluntary practices that contribute to reduced fertility. (Enhanced capacity for public, private, NGO and community-based organizations to design, implement, and evaluate sustainable family planning programs), 936-S001.3 (PHN)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$19,721,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1998

**Purpose:** To improve the technical and programmatic capabilities and planning and budgeting decisions that impact the quality of family planning services provided and the number of users reached.

**Background:** Building local capacity and sustainable systems is essential to effective and efficient service delivery, program success, national-level impact and long-term sustainability.

**USAID Role and Achievements to Date:** USAID has improved the technical and management capacity and the financial self-reliance of over 100 national family planning and reproductive health institutions in developing countries.

**Description:** Activities focus on strengthening the capabilities of family planning provider organizations to a) design, monitor and evaluate their programs; b) manage more effectively by improving business and marketing skills, and developing strategies for increasing cost recovery and financial sustainability; and c) conduct and use operations research, and design and implement IEC strategies and campaigns. Funding is channeled through both U.S. and local NGOs with the ultimate goal of program sustainability. During the year, we will develop the elements of the sustainability index and collect baseline data.

**Host country and other donors:** UNFPA complements the work of USAID by funding local management, IEC training-related costs and the printing and distribution of related materials. The World Bank funds the restructuring of national health systems, the construction of clinics and hospitals, and policy reform.

**Beneficiaries:** The ultimate beneficiaries are women and men in developing countries who will have greater access to quality family planning information and services.

**Principal contractors, grantees or agencies:** USAID will implement activities through Management Sciences for Health; John Snow, Inc.; Centers for Disease Control; International Planned Parenthood/Western Hemisphere Region; Pathfinder; The Futures Group International; the University of North Carolina and other universities; private sector companies and host country institutions.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Targets</u>
Index to measure/assess the sustainability of FP programs	under development	pending finalization of index and indicators

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Increased use of voluntary practices that contribute to reduced fertility. (Demand for, access to, and quality of family planning and other related reproductive health information and services increased), 936-S001.4 (PHN)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$40,225,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1998

Purpose: Increasing use of voluntary family planning by increasing the access to, quality of, cost-effectiveness of and motivation to use family planning and related reproductive health information and services.

Background: Responding to the high existing demand with accessible, quality, cost-effective services as well as increasing demand and motivation for such services is crucial to increasing voluntary practices that contribute to reduced fertility.

USAID Role and Achievements to Date: USAID has pioneered numerous innovations to expand access, quality of care, cost-effectiveness and enhanced motivation and has supported programmatic efforts in these areas in over 80 developing countries. Major innovations include community-based distribution; contraceptive social marketing; mobilization of PVO support; mass media promotion; introduction and provision of a wide variety of contraceptive options; promotion of more optimal service delivery norms, policies and standards; client-centered orientation; and more effective supervision and management.

Description: Activities focus on three areas that contribute to the achievement of this result: 1) improving access, quality and cost-effectiveness within service delivery sites in areas including improvements in staff effectiveness, physical attributes, contraceptive choice, service delivery approaches, and location and variety of service delivery sites; 2) increasing demand and motivation to use services especially through information, education, and communication; and, 3) increasing promotion and support for beneficial breastfeeding practices.

Host country and other donors: USAID works closely with UNFPA, IPPF, the World Bank, and foundations. In many cases, other donors cover local costs while USAID provides technical assistance and training. Host country partners, including national and local governments, private sector entities, NGOs, and community organizations, have primary responsibility for program implementation.

Beneficiaries: The ultimate beneficiaries are women and men in developing countries who will have greater access to quality family planning information and services; and children in developing countries who will have improved health because of improved birthspacing.

Principal contractors, grantees or agencies: USAID will implement activities through John Snow, Inc., Pathfinder, Association for Voluntary and Safe Contraception, universities, research institutions, private companies, and host country institutions.

Major Results Indicators:

	<u>Baseline</u>	<u>Targets</u>
Mean desired family size	3.4 children	3.1
Percent of women who can travel to a FP source within half an hour	66.3	69
Mean number of methods known by WRA	4.4	4.9
Median length of using any temporary modern method of contraception (method standardized)	21.4 months	23.0

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Increased use of safe pregnancy, women's nutrition, family planning and other key reproductive health services. (Approaches and technologies to enhance key reproductive health interventions identified, developed, evaluated and disseminated), 936-S002.1 (PHN)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$9,650,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1998

Purpose: To identify, develop, evaluate, and disseminate technologies and model intervention packages which enhance delivery of key reproductive health services.

Background: Despite development efforts to improve women's health, maternal mortality remains very high; it is the indicator with the greatest disparity between the developed and the developing world. Life-threatening complications are often unpreventable and unpredictable, clinical interventions are complex, and cultural factors which keep women in the home at the time of birth are profound.

USAID Role and Achievements to Date: USAID supports research to develop new technologies, methodologies, tools and approaches for delivering reproductive health services. Achievements to date include development and testing of a new slow-release iron capsule which has greater efficacy and fewer side effects than conventional iron supplements; demonstration of improved compliance with iron supplementation through social marketing programs; improved syphilis treatment and screening through integration with antenatal care; development of the UNIJECT, a prefilled, single-dose auto-destruct injection system for medications such as tetanus toxoid for pregnant women; and reduction of perinatal mortality and maternal and newborn complications through an "autodiagnosis" technique to determine the needs of isolated rural women.

Description: Research is being designed to provide program managers in the field, as well as other donors, with guidance on improved technologies and approaches to promote behavior change and deliver services to decrease maternal mortality. Activities focus on five areas that contribute to the achievement of this result: (1) packages of antenatal, safe delivery, emergency obstetric and postpartum/newborn services to improve pregnancy outcomes; (2) nutrition interventions, such as low-dose vitamin A supplementation in pregnancy, to improve women's health and pregnancy outcomes; (3) models for detection and treatment of infections during pregnancy, such as malaria, intestinal parasites, and reproductive tract infections; (4) models of family planning integrated with other reproductive health services to improve access/quality of services; and, (5) models of effective behavior-change interventions for improved self-care and access to services.

Host country and other donors: WHO, host country governments and NGOs.

Beneficiaries: The direct beneficiaries are pregnant women and their newborns in developing countries. Others who benefit are families and the society at-large. A focus on women's health ensures greater productivity and lower costs associated with maternal/neonatal death and disability.

Principal contractors, grantees or agencies: USAID implements activities through U.S. public and private sector entities and host country institutions that are primarily concerned with maternal and women's health issues, including Population Communications Services, the Johns Hopkins Program for Internat'l Education in Reproductive Health, Pathfinder International, Association for Voluntary and Safe Contraception, Univ. of North Carolina (INTRAH), the Population Council, John Snow, Inc., and Johns Hopkins Univ.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Targets</u>
Technology evaluated: impact of low-dose vitamin A in pregnancy on postpartum and neonatal sepsis	1 Evaluated	1 Available
Approaches evaluated: models for obstetric care training, cost-effective essential OB care, interventions to improve dietary intake of iron, enhance use/access of RH services to young adults.	3 Developed	4 Evaluated

**Note:** Sequential benchmarks in research for new technologies and approaches are: Lead identified but not confirmed for efficacy, safety, etc.; Identified; Developed; Evaluated; Disseminated; and Available.

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Increased use of safe pregnancy, women's nutrition, family planning and other key reproductive health services. (Improved policies and increased public and private sector resources and capacity to deliver key reproductive health services), 936-S002.2 (PHN)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$5,100,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1998

**Purpose:** To improve policies and increase public and private sector resources and capacity to deliver reproductive health services. This result contributes to achievement of the Strategic Objective by helping to improve financial and human resources and to create a supportive policy environment for the provision of reproductive health services.

**Background:** Despite overall improvements in health status in developing countries, maternal mortality remains very high. Policymakers lack tools for understanding resource needs in this area and for understanding the positive impact of improved services. NGOs are ill-equipped to advocate for improved services, and program managers lack various kinds of data that could facilitate informed decision-making. Legislation and regulations are often barriers to allowing health care providers to provide life-saving care.

**USAID Role and Achievements to Date:** USAID supports activities to heighten awareness of the importance of reproductive health services and contribute to the development of policies and programs that enhance the quality and availability of such services. USAID has developed methodologies to assess the cost-effectiveness of reproductive health services and has developed and tested methodologies to assess private sector involvement in meeting maternal health goals. USAID programs have developed constituencies for reproductive health; women's groups were trained in advocacy skills in preparation for the Cairo ICPD conference.

**Description:** Activities focus on three areas that contribute to the achievement of this result: (1) increased and sustainable public sector resources and support for safe pregnancy, maternal health, and other key reproductive health interventions; (2) improved allocation and use of resources; and, (3) increased availability and sustainability of reproductive health service delivery through strengthened private sector participation and effectiveness. USAID will develop tools for understanding resource needs; generate information on the need for and costs of services, as well as the impact of investments in improved health services; establish dialogue with key stakeholders; develop methods for utilizing data on resource needs; create advocacy for resource generation in NGOs; and build constituencies for resource mobilization.

**Host country and other donors:** USAID will work closely with WHO and others to expand dialogue on resource generation and support. Host country counterparts include government entities concerned with maternal health, key NGOs, and private sector service providers.

**Beneficiaries:** The ultimate beneficiaries are the women in developing countries who will have greater access to quality reproductive health services. Society at-large will also benefit from the increased contribution that healthy women can make to the economy.

**Principal contractors, grantees or agencies:** USAID will implement activities through U.S. public and private sector entities and host country institutions. They include the Futures Group, Center for Development and Population Activities (CEDPA), Research Triangle Institute, Abt Associates, Harvard

School of Public Health, Howard University, Development Associates, and the University Research Corporation.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Targets</u>
Number of priority countries with policies and implementation plans in place for safe pregnancy and breastfeeding promotion	7	17
Number of priority countries with competency-based training for selected reproductive health interventions incorporated into national curricula for life-saving skills training and breastfeeding promotion	7	17

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Increased use of safe pregnancy, women's nutrition, family planning and other key reproductive health services. (Access to essential obstetric services increased in selected countries), 936-S002.3 (PHN)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$5,233,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1998

**Purpose:** To ensure that appropriate, client-centered, high-quality reproductive health services are available, accessible and in demand.

**Background:** Services are often unavailable, unacceptable to clients, or of poor quality. Even when appropriate services are accessible, consumers frequently do not recognize symptoms of ill health or complications of pregnancy/delivery and thus do not seek care. In addition, they may not have the knowledge, skills, financial ability, decision-making authority, or desire to access these services. In countries with high maternal mortality, there are intense cultural pressures on women to remain in the home for the birth and during the postpartum period when the majority of life-threatening emergencies occur.

**USAID Role and Achievements to Date:** USAID has been in the forefront of operationalizing the mandate of the Cairo International Conference on Population and Development for provision of integrated, client-centered, high-quality reproductive health services. Packages of essential reproductive health services, including emergency obstetrical care (EOC), have been designed to meet customer needs. USAID has also contributed to a better understanding of service needs and demand creation and thus to more effective programming through the use of diagnostic tools: community diagnosis, situation analysis, and training needs assessment. Information, education and communication campaigns directed at domestic and community-level decision-makers have focused on improving complication recognition and referral mechanisms.

**Description:** Activities focus on four areas that contribute to the achievement of this result: (1) increasing knowledge and skill in self care, complication recognition and choice of appropriate services for preventive and curative care; (2) improving community systems, resources and demand for preventive, curative and emergency services; (3) adopting comprehensive client-centered service models; and, (4) establishing/strengthening community-based information networks for reproductive health.

**Host country and other donors:** USAID will work closely with other donors, NGOs, and PVOs that have identified access and demand to reproductive health programs as a focus, including members of the Inter-Agency Group for Safe Motherhood (WHO, UNFPA, UNICEF, UNDP, IPPF, the Population Council, and World Bank). Host country counterparts include government entities concerned with maternal health, NGOs, private sector service providers, and consumer groups.

**Beneficiaries:** The ultimate beneficiaries are pregnant, delivering and postpartum women and their newborns in developing countries who will be kept off the road to maternal/neonatal death and disability, and who then can lead healthier, more productive lives.

**Principal contractors, grantees or agencies:** USAID will implement activities through U.S. public and private sector entities and host country institutions. These include John Snow, Inc., University of North Carolina (INTRAH), Pathfinder International, Population Communication Services (PCS), and the Program for Appropriate Technology in Health (PATH).

**Major Results Indicators:**

	<b><u>Baseline</u></b>	<b><u>Targets</u></b>
Percent of adults with knowledge of complications related to pregnancy and childbirth	Unknown	10
Percent of adults with knowledge of the location of essential obstetric services	Unknown	10
Number of selected priority countries with systems in place to monitor access to EOC	Unknown	5

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Increased use of safe pregnancy, women's nutrition, family planning and other key reproductive health services. (Quality of essential obstetric services increased in selected countries), 936-S002.4 (PHN)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$7,023,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1998

**Purpose:** To increase the quality of antenatal, essential obstetric, postpartum, postabortion, and newborn care in selected countries.

**Background:** While there are established outpatient clinics and hospitals that provide preventive care and treatment of obstetrical emergencies, the quality of these services is very poor in countries with high maternal mortality. Deaths, most often caused by hemorrhage, infection, and hypertensive disorders of pregnancy and which could be averted with current technology available, are still occurring. This is often the result of not identifying consumer needs and preferences at the outset, inadequate supply of drugs and equipment, absence of appropriate clinical protocols for preventive care and treatment of emergencies, lack of competency-based training in problem-solving and life-saving skills, inadequate supervision of maternity services, and absence of institutionalized quality assurance systems.

**USAID Role and Achievements to Date:** USAID has taken the lead among donors to implement Safe Motherhood strategies to improve maternity care services in developing countries. The Life Saving Skills Manual to decrease maternal mortality has become the prototype and has been adapted and translated for many countries. USAID has been a leader in assisting countries to set standards of practice against which to measure the quality of care.

**Description:** Activities focus on three areas that contribute to the achievement of this result: (1) establishment of quality assurance systems; (2) strengthening of health worker performance; and, (3) strengthening of information and management systems. USAID programs will determine client and provider needs and preferences, develop client satisfaction and clinical process standards, implement problem-solving and life saving skills training, build capacity to provide logistics to ensure adequate supply of drugs and equipment and to supervise clinical and non-clinical aspects of care, promote an enabling physical and professional environment for health care workers, initiate/strengthen certification and recertification systems to ensure competency, improve management information systems in order to identify problems, and measure progress toward improved pregnancy outcomes.

**Host country and other donors:** USAID will continue to work closely with WHO, PAHO, UNICEF, World Bank, and others to expand dialogue on cost-effective strategies, as well as resource generation and support. Host country counterparts include government entities concerned with maternal health, NGOs, and private sector service providers.

**Beneficiaries:** The ultimate beneficiaries are the women and newborns in developing countries who will be able to access quality reproductive health services. (A quarter of child deaths are birth-related.) Society at-large will also benefit from the survival and increased contribution that healthy women can make to the economy.

**Principal contractors, grantees or agencies:** USAID will implement activities through U.S. public and private sector entities, including John Snow, Inc., American College of Nurse-Midwives, Wellstart International, and University Research Corporation, as well as host country institutions.

Major Results Indicators:

Number of facilities adopting prototype systems for:  
a) recording and aggregating complications by cause  
b) monitoring admission-intervention interval for hemorrhage  
c) monitoring case-fatality rates

Baseline

a) Unknown  
b) Unknown  
c) Unknown

Targets

a) 8  
b) 8  
c) 4

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Increased use of key child health and nutrition interventions. (New and improved cost-effective child survival interventions developed and disseminated), 936-S003.1 (PHN)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$13,770,000

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION:** FY 1998

Purpose: To identify, test and introduce improved, lower-cost products, technologies and technical approaches to prevent and treat childhood illness and malnutrition.

Background: Despite enormous progress to date in reaching populations with effective child health interventions, an estimated 12 million children die every year--largely from preventable causes such as diarrheal diseases, pneumonia and measles, and many with underlying nutritional deficiencies. This research will improve and sustain USAID's cutting edge investments in child health and nutrition, and provide the knowledge base to strengthen policies, improve service delivery, and create demand for child survival interventions. Ultimately, such research contributes directly to reducing high rates of child mortality and morbidity.

USAID Role and Achievements to Date: USAID's leadership in child survival research is world-renowned. USAID provided critical support in early research to develop Oral Rehydration Therapy (ORT) as an effective treatment for diarrheal disease in infants and children, and in disseminating knowledge and use of this technique worldwide, contributing directly to saving millions of lives. USAID supported original research on how Vitamin A deficiency not only causes nutritional blindness, but contributes to higher rates of respiratory and diarrheal disease, two major child killers. USAID has provided sustained support for developing new vaccines against Acute Respiratory Infection (ARI) and malaria as well as safer, more efficient childhood immunization instruments and techniques.

Description: USAID's child survival funding supports two types of basic research: (1) New child survival technologies and products, including new vaccines, nutritional supplements and similar products. By October 1997, for example, USAID will complete clinical (human safety) trials on three vaccines against falciparum malaria, which kills 2 million people yearly, mostly women and children in sub-Saharan Africa. USAID is also studying the health impacts on mothers and children of administering Vitamin A to women before, during and after pregnancy. (2) New approaches for child survival are also being developed, including operations research on improving health care delivery, communications and behavior change, and new ways of evaluating the success of child survival programs. For example, USAID is studying the safety and benefits of combining Vitamin A distribution with childhood immunization. Other studies look for ways to teach very poor mothers how to feed children more nutritious meals, discourage over-use of antibiotics, and promote other good health practices. USAID also helps teach community leaders to do their own research, gathering and analyzing data locally to identify and solve health problems.

Host country and other donors: Host countries, World Bank, UNICEF and other UN organizations, NGOs, European donors.

Beneficiaries: Children under five and women of child-bearing age.

Principal contractors, grantees or agencies: USAID will implement activities through the International Center for Diarrheal Disease Research (ICDDR), WHO, Harvard Institute for International Development, International Life Sciences Institute, and Johns Hopkins University.

**Major Results Indicators:**

Technologies evaluated for ARI infection vaccines, malaria vaccines, vaccine vial monitors, and malaria diagnostics

Baseline  
4 Evaluated

Targets  
10 Evaluated,  
4 Available,  
1 Developed

Approaches evaluated for integrated case management of the sick child, methods to sustain behavior change, integrated supervision, and methods to increase availability of impregnated bednets

1 Developed

1 Evaluated,  
1 Available,  
2 Developed

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Increased use of key child health and nutrition interventions. (Improve policies and increase global, national and local resources for appropriate child health interventions), 936-S003.2 (PHN)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$9,836,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1998

**Purpose:** To reduce infant and child mortality by establishing sustainable child health services, improving policies supportive of these services, increasing overall financial support for child health services, and improving the balance of public and private sector provision of health services.

**Background:** While considerable progress has been made in reducing rates of infant mortality, malnutrition and preventable diseases, many countries are struggling to sustain this progress in the face of diminishing government resources. Countries require assistance in implementing approaches that increase resources for child survival services, including increasing equitable access. In most countries, this includes shifting and increasing public sector resources, as well as greater and more effective involvement of the private sector.

**USAID Role and Achievements to Date:** For over a decade, USAID leadership in health policy and sector reform has: (1) initiated pilot cost-recovery programs generating resources for child survival services; (2) developed and applied quality assurance programs to improve health services and lower health care costs; (3) supported decentralization to strengthen local planning and priority setting; and, (4) supported development of partnerships between governments and the private sector (NGOs/PVOs, private practitioners, commercial providers of goods and information).

**Description:** Activities focus on three areas that contribute to the achievement of the result: (1) USAID will initiate analysis, policy dialogue and advocacy that will result in reform, improved decision-making, regulatory action and commitment to child survival activities (e.g., USAID will work with other donors and host governments to assure sustainable vaccine supply systems). (2) USAID will initiate sustainable financing and management approaches that result in more resources directed towards child survival activities and better resource allocation among these activities, such as the expansion of fair, effective health care cost-recovery systems that increase access and coverage to more people. (3) USAID will optimize public/private partnerships that increase accessibility, efficiency and quality of child survival goods and services. This will include for-profit and non-profit institutions, e.g., promoting increased commercial investment in food fortification to address vitamin A deficiency.

**Host country and other donors:** Host countries, World Bank, UNICEF and other UN organizations, NGOs, European donors.

**Beneficiaries:** The at-risk populations, especially children and mothers, who will have increased, sustainable access to better quality health care.

**Principal contractors, grantees or agencies:** USAID will work through U.S and host country private for-profit and non-profit organizations, NGOs, and universities. These include: John Snow, Inc., Wellstart International, Abt Associates, Inc., Partnership for Child Health Care, and Camp, Dresser, & McKee.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Targets</u>
Number of countries financing child vaccines from national budget	47	67
Number of countries meeting vaccine self-financing levels	38	45

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Increased use of key child health and nutrition interventions. (Enhanced knowledge and use of key child health and nutrition behaviors and practices in selected countries), 936-S003.3 (PHN)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1996: \$7,475,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1998

**Purpose:** To reduce infant and child mortality by enhancing knowledge and use of key child health and nutrition behaviors and practices in selected countries. To maintain technical leadership in, and to further refine and adapt approaches to, health/nutrition behavior change.

**Background:** Behavior change is critical for achieving improved health. USAID has played a leadership role in demonstrating the effectiveness of mass media and interpersonal communication to bring about behavior changes. The sustained use of appropriate practices by populations is essential for continued improvement of child survival, health, and nutrition.

**USAID Role and Achievements to Date:** Beginning in the 1970's, USAID supported ground-breaking activities applying social marketing approaches to promote better child health and nutrition. As a result, modern communication methodologies including formative research, audience segmentation and targeting, and effective message delivery approaches are being employed by essentially all components of child survival programs, including immunization, oral rehydration, breastfeeding, and other program elements. USAID's experiences have shown that small additional investments - about 10% - in information/ education/communication can assure greater impact of our child health and nutrition programs in developing countries.

**Description:** Activities focus on four areas of behavior change: improving knowledge and use of preventive behavior at the household and community levels; improving home treatment and correct care-seeking when child illness occurs; improving client-provider relationships; and synthesizing, adapting and disseminating effective communication strategies and approaches. USAID works to refine and adapt communication strategies and channels appropriate for specific country situations within the framework of countries' and USAID missions' child survival programs. USAID will continue to improve communication technologies and strategies for child health and nutrition, with particular emphasis on sustainability and cost-effectiveness. In addition to social marketing, other complementary approaches to health-related behavior change, such as community participation, changes in social norms, and public policy changes, will be pursued.

**Host country and other donors:** Host countries, World Bank, UNICEF and other UN organizations, NGOs, European donors.

**Beneficiaries:** Children under five and women of child-bearing age.

**Principal contractors, grantees or agencies:** USAID implements activities through private for-profit and non-profit organizations and universities, such as the Academy for Educational Development, John Snow, Inc., and the Harvard Institute for International Development.

Major Results Indicators:

	<u>Baseline</u>	<u>Targets</u>
Percent of caretakers with correct knowledge of:		
a) the symptoms and signs of acute respiratory infection needing assessment	a) 33	a) 40
b) appropriate treatment of diarrhea	b) 115	b) 160

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Increased use of key child health and nutrition interventions. (Improvement in the quality and availability of key child health and nutrition services), 936-S003.4 (PHN)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1996: \$8,262,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1998

Purpose: To improve the quality and availability of key child health and nutrition services.

Background: In most developing countries, services to promote and maintain child health and nutrition operate at suboptimal effectiveness and reach only part of the population needing these services. Even in many of the best health and nutrition service provision systems, quality assurance is lacking. More efficient use of human, financial and institutional resources, increased access to higher quality health services by the poor, and affordable vaccines, drugs and micro-nutrient supplements are major challenges most developing countries face.

USAID Role and Achievements to Date: USAID has been a leader in systematically addressing the areas of improved quality of child health and nutrition services. USAID contributions have included the widespread application of operations research and quality assurance techniques to improve child health services, the development of methods to improve availability of essential drugs and commodities like oral rehydration salts, and the support of improved training approaches for health workers. Such interventions have produced results such as a 42% decrease in the cholera fatality rate in Guatemala and a 91% improvement in the capacity to accurately assess acute respiratory infections.

Description: Activities focus on four areas: (1) improving health worker capacity through training, improved supervision, and performance enhancement via quality assurance programs; (2) improving planning, organization and management of health and nutrition service provision systems; (3) improving access to health and nutrition services, especially for high risk children, through the development and evaluation of innovative strategies; and (4) improving production, procurement, and distribution of drugs, vaccines, and other child health commodities.

Host country and other donors: Host countries, World Bank, UNICEF and other UN organizations, NGOs, European donors.

Beneficiaries: Children under five and women of child-bearing age.

Principal contractors, grantees or agencies: USAID implements activities through private for-profit and non-profit organizations, universities, and government organizations, including Management Sciences for Health; John Snow, Incorporated; Partnership for Child Health Care; Harvard Institute for International Development; and Centers for Disease Control.

Major Results Indicators:

	<u>Baseline</u>	<u>Targets</u>
Percent of facilities:		
a) capable of providing standard care management for ARI	a) 20%*	a) 30%*
b) capable of providing case management for diarrhea	b) 35%*	b) 50%*
Number of selected countries where key health commodities are available at affordable prices through commercial outlets and private providers:		
a) ORS	a) 26	a) 34
b) ARI drugs	b) Unknown	b) being developed
c) bednets	c) 0	c) being developed
d) iron and mineral supplements	d) Unknown	d) being developed
Number of selected countries with program guidelines in place for:		
a) micronutrient deficiencies	a) 8	a) 17
b) integrated case management of sick children	b) 0*	b) 8
c) quality assurance techniques incorporated into pre-service and in-service training	c) 20	c) 30

\* Integrated case management for sick children is being introduced in late FY 1995 through USAID-supported WHO/UNICEF initiative. Methodology will be established in 1995-1996.

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Increased use of key interventions to reduce HIV/STD transmission. (Effective interventions to reduce sexual transmission of HIV/STD identified, strengthened, tested and evaluated in emphasis countries), 936-S004.1 (PHN)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$3,711,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1998

**Purpose:** To identify and develop new and improved technologies to reduce sexual transmission of HIV and sexually transmitted diseases (STDs).

**Background:** Biologic and social factors pertaining to heterosexual transmission of HIV place women at greater risk than men. Currently, the female condom provides one protection method, though it has limitations; other female controlled "barrier methods" are needed. Social and behavioral patterns related to sexual relations and STD care contribute to the risk for HIV infection. Behavioral interventions serve as a core strategy for comprehensive HIV prevention. New interventions which emphasize long-term sustained behavior change will improve HIV prevention outcomes. There is a lack of rapid, simple, inexpensive diagnostic tests for the 80% of women who have a STD but are asymptomatic. For those women who are symptomatic with a STD, syndromic management is limited by poor sensitivity and specificity.

**USAID Role and Achievements to Date:** Safe, non-toxic and low-cost vaginal microbicides are currently being identified and tested. A four-country study is underway to evaluate the role of HIV testing during counselling. Rapid tests for syphilis are now increasingly available.

**Description:** Activities include completing Phase I and II field testing of a microbicide; transferring and adapting more effective protocols for HIV risk reduction counselling; and the development and field testing of a rapid, simple, non-invasive test for diagnosing gonorrhea.

**Host country and other donors:** Host country universities, UNAIDS, and other select bilateral donors, including the European Union also participate in this effort.

**Beneficiaries:** Women in both developing and developed countries will benefit from access to effective female controlled barrier methods. Both symptomatic and asymptomatic women in developing countries with a sexually transmitted infection will benefit from access to improved clinical diagnostic tools.

**Principal contractors, grantees or agencies:** USAID will implement activities through Family Health International, Internaional Center for Research on Women, Population Council, HIV-AIDS Alliance, Program for Appropriate Technologies in Health, and UNAIDS.

### Major Results Indicators:

	<u>Baseline</u>	<u>Targets</u>
Technologies: female condom; vaginal microbicides; and rapid, low-cost STD diagnostics	2 leads identified 2 developed 1 evaluated	2 disseminated and available 2 evaluated 2 developed
Approaches: personal risk assessment and behavior change planning, community	2 identified 2 leads identified	4 evaluated 2 developed

norm change to support and perpetuate behavior change, formative research to improve STD/TB care and treatment seeking, education and training to improve adherence to outpatient TB care, syndromic management of STDs, and community-based delivery of HIV/AIDS services

1 evaluated

1 disseminated and available

Note: Sequential benchmarks are lead identified but not confirmed for efficacy, safety, etc.; identified; developed; evaluated; disseminated and available.

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Increased use of key interventions to reduce HIV/STD transmission. (Improved methods and tools for reducing perinatal and parenteral HIV transmission available for program use in emphasis countries), 936-S004.2 (PHN)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$52,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1998

Purpose: Increased use of key interventions to reduce HIV/STD transmission.

Background: Transmission of HIV from an infected mother to her infant continues to increase as the prevalence of HIV increases among reproductive-age women. Furthermore, blood safety, parenteral transmission, and infection control in health care settings continue to be critical concerns in selected developing countries.

USAID Role and Achievements to Date: Research has been supported to identify feasible interventions to reduce HIV transmission from infected mother to newborn; cost effective "pooling" technologies have been identified for protection of the blood supply; and realistic protocols for reducing HIV transmission in health care settings have been developed, involving improved sterilization procedures and universal precaution guidelines.

Description: Activities include: dissemination of information packages and technical assistance on currently available options to reduce perinatal transmission of HIV in low-resource settings; and provision of technical assistance on low-cost, simple blood screening methodologies and protocols for reducing parenteral transmission of HIV in health care settings and among injecting drug users.

Host country and other donors: GPA/WHO and now UNAIDS, through its own complementary research agenda, is the primary developer of tools to decrease non-sexual transmission of HIV. Host countries, through their blood transfusion services and health care infrastructures, play key roles in decreasing HIV transmission in these settings.

Beneficiaries: Newborns of HIV positive women, blood transfusion recipients, health care providers and their clients at health care facilities, and injecting drug users.

Principal contractors, grantees or agencies: USAID will implement activities through host country government institutions, U.S. based research organizations, and U.S. and host country NGOs, including John Snow Inc., Wellstart International, and UNAIDS.

Major Results Indicators:

	<u>Baseline</u>	<u>Targets</u>
Technologies: Vitamin A supplementation to reduce perinatal transmission, vaginal irrigation for reduced prenatal transmission, blood pooling for low-cost screening to prevent parenteral transmission	1 lead identified 1 developed 1 identified	2 evaluated 1 available

Note: Sequential benchmarks are lead identified but not confirmed for efficacy, safety, etc.; identified, developed, evaluated, disseminated and available.

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Increased use of key interventions to reduce HIV/STD transmission. (Enhanced capacity for public, private, nongovernmental organization, and community-based organizations to design, implement and evaluate effective HIV/STD prevention and care programs), 936-S004.3 (PHN)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$34,388,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1998

**Purpose:** To improve the ability of non-governmental organizations (NGOs) and government institutions in developing countries to respond to the HIV/AIDS epidemic with effectively designed and implemented programs to reduce the impact of AIDS and slow the spread of HIV.

**Background:** Responding to the HIV/AIDS epidemic requires a pluralist cooperative response with leadership from the private and public sectors, multilateral organizations, NGOs and the volunteer communities. Improving the political, social and cultural commitment to HIV prevention and care is essential to slowing the spread of HIV and reducing the impact of the epidemic on developing country economies.

**USAID Role and Achievements to Date:** USAID has worked to improve the capacity of multilateral organizations, governments, private companies, NGOs, churches and communities in over 40 countries to assess the spread of the epidemic, including its social, cultural and economic impact; to improve the effectiveness of responses; and to develop effective plans for the future.

**Description:** Activities include improving political leadership; assessing the social and economic impacts of the epidemic; improving organizations' capacity to carry out research, monitoring and HIV/AIDS surveillance; improving the technical and managerial capacity of NGOs to implement HIV prevention education programs; developing models of home-based care and community support; improving private sector participation and support for HIV prevention and control; and improving multilateral coordination.

**Host country and other donors:** Host country governments, NGOs, churches and private companies each provide in-kind and financial resources. USAID cooperates with the European Union, Japan, England, Denmark, Norway, Germany and several multilateral organizations on a country-by-country basis.

**Beneficiaries:** Communities, women, men and children who are at risk of HIV infection or already infected with HIV in developing countries.

**Principal contractors, grantees or agencies:** USAID will implement activities through multilateral and host country government institutions, U.S.-based research organizations, international NGO/PVOs and host country NGOs. These include UNAIDS, Family Health International, Program for Appropriate Technology in Health, University of Washington, University of North Carolina, International Center for Research on Women, International Planned Parenthood Federation, Population Council, HIV-AIDS Alliance, Bureau of Census, CDC, NIH, Peace Corps, and Population Service International.

**Major Results Indicators:**

	<b><u>Baseline</u></b>	<b><u>Targets</u></b>
1) Proportion of AID-funded indigenous HIV/AIDS prevention and service organizations with:		
a) active participation by PLWH; <sup>1</sup>	a) 10%	a) 20%
b) autonomous HIV/AIDS project design and implementation capacity;	b) 15%	b) 30%
c) a strategic plan	c) 2%	c) 25%
2) Proportion of large <sup>3</sup> employers in HIV emphasis countries offering technically sound HIV/STD services to their employees	< 10%	25%
3) Number of emphasis countries that finance at least 10% of the national HIV/STD program	5	8

<sup>1</sup>PLWH = People Living with HIV/AIDS.

<sup>2</sup>Large employers defined as those with 500 or more employees.

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Increased use of key interventions to reduce HIV/STD transmission. (Knowledge, availability and quality of HIV/sexually transmitted disease (STD) interventions increased in emphasis countries), 936-S004.4 (PHN)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,439,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 1998

**Purpose:** To increase use, and improve quality of HIV/STD services in emphasis countries and reduce high risk behaviors through behavior change interventions.

**Background:** Research has taught us that knowledge of the basic facts about AIDS is not sufficient to change behavior. To adopt safer sexual practices, people need to understand and recognize their individual risk and vulnerability. Behavior change remains an important area in effective prevention efforts. The relationship between HIV transmission and the presence of other STDs has been well documented. Primary prevention and improved STD management are essential components of an effective program.

**USAID Role and Achievements to Date:** USAID has played a key role in increasing the number of emphasis countries with national treatment guidelines for STDs from seven in 1991 to 15 in 1995. USAID has supported a study on the role of voluntary HIV counseling and testing in prevention.

**Description:** Activities include improving implementation of behavior change communication interventions and increasing access to proven commodities and services for HIV/STD prevention and care, while maintaining systems for evaluating the efficacy of these interventions.

**Host country and other donors:** Host countries through their National AIDS Control Programs and with the assistance of select donor agencies and UNAIDS.

**Beneficiaries:** Persons with HIV/STDs, their sexual partners, HIV/STD health care providers and their clients.

**Principal contractors, grantees or agencies:** USAID will implement activities through host country government institutions, U.S. based research organizations, and U.S. and host country NGOs. These include Family Health International, Program for Appropriate Technology in Health, Population Service International, International Center for Research on Women, Population Council and the Peace Corps.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Targets</u>
Proportion of people present with STD complaints at health facilities who are treated using standard protocols	10%	20%
Percent of the population aware of treatable STDs	20%	30%
Percent of population with correct knowledge of HIV/AIDS prevention	75%	85%

Proportion of selected countries  
which include STDs in their national  
Health Information System and/or other  
epi. data collection systems.

< 7%

20%

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Increased and Improved Protection and Sustainable Use of Natural Resources, 936-S001 (ENV)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$10,512,000 DA

**INITIAL OBLIGATION:** FY 1980; **ESTIMATED COMPLETION DATE:** Continuing

**Purpose:** Increase and improve protection and sustainable use of natural resources, principally forests, biodiversity, and freshwater and coastal ecosystems.

**Background:** Functioning ecosystems are both products of sustainable development and critical elements of its attainment. The world's biological diversity, in particular, is under threat; in many countries, loss of habitat is fueling plant and animal species losses. The need for farm land by expanding populations is resulting in pressures to clear forests, while urban settlement, mining, and over-fishing are destroying coastal marine habitats and aquatic species. Environmental degradation increases health risks, while degrading terrestrial and aquatic ecosystems.

**USAID Role and Achievements to Date:** 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 made a number of important contributions toward safeguarding biological diversity, particularly in improving the management of protected areas and strengthening national conservation policies. 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. USAID has seen particularly strong success in protected areas management, policy reform, community management of natural resources and in fostering effective public-NGO partnerships.

**Description:** The Sustainable Living Resources objective includes natural resources and biodiversity conservation and improved management of protected areas, natural forests, freshwater and coastal ecosystems and improved policy, institutions, environmental education and incentives.

**Host country and other donors:** Host country capacity for sustainable natural resources management is being improved, and USAID is working in partnership with other multilateral and bilateral donors in developing conservation strategies, and National Environmental Actions Plans (NEAPs). USAID leverages increased investments and commitments in sustainable natural resources management from countries, donors and the private sector.

**Beneficiaries:** Local communities benefit from more effectively managed and protected natural resources. Local NGOs are strengthened, and their capacity and effectiveness increased. Government capacity to manage natural resources and formulate and implement effective policies is improved, while threats to global biodiversity loss and climate change are reduced, with benefits to developing and developed countries alike.

**Principal contractors, grantees or agencies:** USAID implements natural resources management activities through U.S. and host country NGOs, private non-profit organizations, for-profit consulting firms, other private industrial companies, and other U.S. government agencies (principally U.S. Peace Corps, U.S.D.A., Forest Service, U.S. Department of the Interior, and U.S. Department of Commerce-NOAA).

Major Results Indicators:

	<u>Baseline</u>	<u>Targets</u>
Rate of loss of natural habitat	1990 Forest Habitat Loss Rate	1% reduction in deforestation (1997)
Area under official protection	1990 protected areas benchmark	1% increase (1997)
Water withdrawals as a percent of available water	1990 water use/availability ratio	Rate of increase slowed (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** More sustainable cities and environmentally sound urbanization, 936-S002 (ENV)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$6,089,000 DA

**INITIAL OBLIGATION:** FY 1988; **ESTIMATED COMPLETION DATE:** Continuing

**Purpose:** To strengthen the capacity of host country governments to deliver more efficient, effective and equitable environmental services and to implement pollution management programs for cleaner, healthier cities.

**Background:** Like climate change and loss of biodiversity, urbanization is a global phenomenon that will shape the quality of life for most of the world's population in the 21st Century. By the year 2025, an estimated 5 billion people, or 61% of the earth's population, will reside in cities. Despite many benefits associated with urbanization, the consequences of poorly managed urban growth can extract a heavy toll, especially in terms of human health and environmental degradation. Of an estimated 5 million children who die annually of diarrheal diseases, the majority come from poor urban families. One billion poor people lack access to safe drinking water. Nearly all sewage generated by cities in developing countries is discharged without treatment into nearby bodies of water. Improving service delivery and reducing pollution from urban-based activities leads directly to healthier and more productive human communities and natural ecosystems.

**USAID Role and Achievements to Date:** USAID provides technical assistance and facilitates the exchange of U.S. cities' expertise to improve host country ability to resolve financial management and technical problems. In Ecuador, USAID helped the Quito water utility extend service to low-income communities through the adoption of more efficient cost recovery practices and appropriate design standards. In Morocco and Tunisia, USAID-supported expertise resulted in the installation of a leachate collection system to mitigate pollution from municipal landfills.

**Description:** Improved service delivery is accomplished by building local capacity to plan, finance, operate and maintain services for potable water supply, sanitation and solid waste collection and disposal. Strategic interventions focus on enabling legislation to allow local governments to set utility rates and mobilize resources for infrastructure development. Pollution prevention and control are achieved by working with polluters to perform environmental audits and with ministries to establish environmental standards and compliance programs. Demonstration projects in selected cities serve as regional resources for replicating successful activities in other municipalities.

**Host country and other donors:** USAID works in partnership with municipal officials, national water/sewer authorities, service delivery practitioners, NGOs and the private sector to implement its activities. Within the donor community, USAID works closely with lending institutions (World Bank, regional development banks and private commercial banks) to improve access to long-term financing as well as with organizations like UNCHS and WHO on research and information dissemination activities.

**Beneficiaries:** Beneficiaries include residents of low-income urban neighborhoods, especially women and children.

**Principal contractors, grantees or agencies:** USAID will implement these activities through host country-based NGOs, host country municipal-level government institutions, and through private U.S. organizations.

Major Results Indicators:

	<u>Baseline</u>	<u>Targets</u>
Access to safe drinking water (% of urban population)	Baseline per key country	Target (% increase) per key country
Adherence to international environmental management standard (% of industries)	Baseline per key country	Target (% increase) per key country
Access to sanitation (% of urban population)	Baseline per key country	Target (% increase) per key country

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Increased Environmentally Sound Energy Production and Use, 936-S003 (ENV)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$12,599,000 DA

**INITIAL OBLIGATION:** FY 1982; **ESTIMATED COMPLETION DATE:** Continuing

**Purpose:** Increase sustainable energy production and use in USAID-assisted countries, encompassing energy efficiency, renewable energy, and improved policies and markets.

**Background:** High growth in energy demand is causing power shortages of over 10 percent in developing countries. These energy shortages are constraining economic and social development. To ensure economic development over the next 20 years, developing countries will need an additional 1,500 gigawatts of electric generating capacity. Using conventional technologies, the environmental and economic costs of such an energy increase would be enormous. USAID programs focus on alternative, renewable sources of energy, improving the efficiency of existing production capacity and energy use, improving decision making and resource allocation in the power sector, applying the most appropriate technology innovations to LDC power sectors, and enlisting the strengths of the private sector in the challenge to provide energy for development.

**USAID Role and Achievements to Date:** USAID's support to date includes innovative financing for 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 management tools. USAID has also played a critical role in increasing private sector participation in developing countries' power sectors, opening a \$50 billion industry in private power worldwide to U.S. competition. Renewable energy sources are available and commercially viable in many developing countries as a direct result of USAID efforts.

**Description:** Three results fall under this strategic objective: (1) increased renewable energy use, (2) increased energy efficiency, and (3) improved private sector participation and infrastructure. Specific activities are planned under each result.

**Host country and other donors:** Multilateral development banks (MDBs) provide major funding for traditional power generating projects. The typical size of MDB investments leaves huge opportunities for development of small-scale, high-return energy projects. Bilateral assistance programs provide some assistance in renewable energy and energy efficiency on smaller scale projects.

**Beneficiaries:** Energy is critical to all areas of sustainable economic development. USAID-supported programs benefit all levels of developing country societies. Rural electrification projects bring electricity to rural poor unserved by central grids; urban populations benefit from lower pollution from energy sources; and workers benefit from increased economic growth, job creation, and more reliable industrial infrastructure.

**Principal contractors, grantees or agencies:** USAID implements energy programs through private, non-profit organizations, technical companies, U.S. and host country NGOs, host country government agencies, and U.S. trade associations. USAID also collaborates with other U.S. government agencies (principally the U.S. Department of Energy, the U.S. Environmental Protection Agency, and U.S. Department of Commerce).

Major Results Indicators:

	<u>Baseline</u>	<u>Targets</u>
Energy Intensity (commercial energy consumption/GDP)	current energy intensity in key countries	1% decrease (1997)
Share of electricity generation from renewable sources	current share in key countries	0.1% increase (1997)
Increased private investment in energy and environmental infrastructure	current share in key countries	2% increase (1997)

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Better access to finance and information for microenterprises and small businesses, 936-SOO1 (EG)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$18,500,000 DA

**INITIAL OBLIGATION:** FY 1989; **ESTIMATED COMPLETION DATE:** FY 2005

**Purpose:** To promote the expansion and effectiveness of microenterprise and small business services in facilitating the entrepreneurial activities of the poor, especially women.

**Background:** Microenterprises provide important means for increasing rural and urban incomes and providing jobs for a majority of the non-agriculture work force in developing countries. Traditionally, these microenterprises and many of the small businesses have been excluded from access to financial and other services.

**USAID Role and Achievements to Date:** Central programs have the leading role in implementing USAID's Microenterprise Initiative and many of the small business programs. Under the Implementation Grant Program (IGP), \$17.2 million was awarded to nine U.S. PVOs for microfinance work with their local partners in over ten countries. The PRIME Fund, a mission co-financing fund, approved \$8.4 million for 11 USAID missions to work with over 35 nongovernment organization (NGO) implementors. The Microenterprise Best Practice (MBP) project will expand the knowledge base of the microenterprise development field and will improve the design and implementation of USAID-sponsored projects. Over 2,000 technical assistance and business development services are provided by the International Executive Service Corps annually, and 270,000 annual Appropriate Technology International (ATI) recipients generate annual income approximately 3 times the level of funding provided by ATI.

**Description:** There is a three-part strategy for achieving this program: (1) direct funding of local lending institutions seeking to be self-sustaining; (2) strategic (field) support with funding, training and technical services to ensure USAID microenterprise and small business programs apply the best practices; and (3) technical leadership to both increase our ability to measure the impact of microenterprise services and conduct research and development to solve key problems in microenterprise development, widely disseminating these solutions.

**Host country and other donors:** Host country institutions and other donors will provide facilities, staff, and financial resources to promote microenterprise and small business development.

**Beneficiaries:** Microentrepreneurs and small businesses gain greater access to financial services and technical assistance through the expansion and strengthening of local institutional capacity.

**Principal contractors, grantees or agencies:** USAID implements the activity's components through private non-profit organizations, contractors, U.S. universities and host country NGOs.

Major Results Indicators:

	<u>Baseline</u>	<u>Targets</u>
Number of microloans of which more than 1/2 are made to women by financially sustainable institutions	80,000 (FY 1996)	320,000 (FY 2000)
Number of micro and small businesses receiving access each year to technical assistance	2,000 small businesses (FY 1996) 54,000 recipients (FY 1996)	10,000 small businesses (FY 2000) 270,000 recipients (FY 2000)
Increased capacity of USAID and its development partners to undertake small and microenterprise development programs	35 institutions (FY 1995)	65 institutions (FY 2000)

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** U.S. agriculture expertise contributes to global food security, 936-S002 (EG)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$30,500,000 DA

**INITIAL OBLIGATION:** FY 1968; **ESTIMATED COMPLETION DATE:** FY 2005

Purpose: To foster and promote scientific, economic and agribusiness linkages between U.S. and LDC institutions/private enterprise for improved worldwide food security.

Background: Food security is a major problem in many parts of the world today. Seven hundred million people are undernourished and do not have sufficient food to lead healthy, productive lives either because food is not available or they do not have the means to procure sufficient food. In the next 30 years, world food production will have to double. This will have to be accomplished with decreasing areas of prime agricultural lands and increased pressures to conserve and enhance natural resources.

USAID Role and Achievements to Date: USAID supports bilateral programs, International Agricultural Research Centers (IARCs), and Collaborative Research Support Programs (CRSPs). Significant contributions include: (a) wheat and rice varieties developed by the IARCs are grown on two-thirds of the wheat acreage and one-quarter of the rice acreage in the United States; (b) genetic resistance to a weed in Africa will reduce crop losses by \$0.5 billion/year; (c) insect-resistant sorghum varieties which save U.S. producers \$390 million annually; (d) 206,000 genetic lines have been collected and stored in gene banks; (e) technology which allows continuous cropping of soils thereby saving millions of acres of tropical forests by eliminating slash and burn; (f) development and commercialization of an extrusion process for oilseeds in cooperation with the U.S. private sector which is being marketed in Asia, Africa, Latin America and the New Independent States; and (g) seed legislation policy reform which will open the Indonesia market to U.S. seed producers.

Description: This USAID program will focus on three major activities: (1) greater food productivity, (2) broader access to food and (3) sustainable natural resource management.

Host country and other donors: This program is carried out in the developing countries and in the United States. Other donors to the program are U.S. universities (25% matching), host countries and for the IARCs other donor countries such as Japan, Switzerland, and Australia.

Beneficiaries: The 1.1 billion people who live in absolute poverty and the 700 million people who are undernourished. Additional beneficiaries of this program are U.S. agricultural producers, manufacturers, marketers and transporters.

Principal contractors, grantees or agencies: USAID implements these activities primarily through grants and subgrants to U.S. universities, the U.S. Department of Agriculture, PVOs, private enterprises and the World Bank. The World Bank passes the funds to various IARCs.

Major Results Indicators (for Target Countries):

	<u>Baseline</u>	<u>Targets</u>
Percent of undernourished individuals in World declines	13% in 1995	11.5% in 2005
Percent of individuals in absolute poverty (less than \$1 day) declines	20% in 1995	18.5% in 2005
Natural resources conserved - biodiversity collections increased 1%/yr	206,000 in 1995	227,000 in 2005
Soil conservation and continuous productive cropping reduces losses of tropical forests	1.76 billion hectares tropical forest in 1995	1.76 billion hectares tropical forest in 2005

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Enhance USAID effectiveness in assisting developing nations to undertake appropriate economic policy and institutional reforms, 936-S003 (EG)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,000,000 DA

**INITIAL OBLIGATION:** FY 1990; **ESTIMATED COMPLETION DATE:** FY 2006

**Purpose:** To support broad-based, sustainable economic growth by providing intellectual leadership and access to technical resources to address the broad range of economic policy and institutional constraints at the macro, sectoral and activity levels.

**Background:** Economic growth is the foundation for sustainable development. It helps reduce poverty and provides essential resources for stabilizing population growth and protecting human health and the environment. There is now a consensus that sustainable economic growth must be built on a free and open economy paced by the private sector. Serious policy and institutional challenges remain in a world where a fifth of the developing countries' population do not have enough food to eat, a quarter lack access to safe drinking water, and a third live in abject poverty.

**USAID Role and Achievements to Date:** Most USAID programs have been relatively modest compared with investments by developing countries themselves and by multilateral development banks. Nonetheless, USAID can take credit for progress in countries where economic growth has been a major element of its strategy. Where assistance concentrates on a particular sub-sector or issue, such as privatization, an even larger share of results can be attributed to U.S. assistance. USAID programs strengthen 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.

**Description:** This activity is the sole source of centralized research and field support for economic and institutional reform. The research agenda includes, *inter alia*, best practices to achieve poverty reduction in reform programs, competitiveness issues in transition economies, economic impact of privatization, fiscal policy management and poverty alleviation, and successful approaches to social safety nets. The field support component seeks to reduce transaction costs in the delivery of technical assistance by expediting access and reducing overhead costs in areas such as privatization of state-owned enterprises and services, financial sector reform, general improvements to business environments, institutional reforms and capital markets development, among others.

**Host country and other donors:** Host countries will provide facilities, staff and financial resources.

**Beneficiaries:** All citizens benefit from increased opportunity and access as economies reform.

**Principal contractors, grantees or agencies:** To be determined in a competitive procurement.

### Major Results Indicators:

	<u>Baseline</u>	<u>Targets</u>
Policies, policy-making inst. or host govts' agendas changed by USAID-attributed assist. to promote positive economic growth	100 policy-making institutions impacted in: Financial Sector, Macro Economic Reform, Privatization, Legal and Reg., Small Bus. and General Bus.	100 policy-making institutions impacted in: Financial Sector, Macro Economic Reform, Privatization, Legal and Reg., Small Bus. and General Bus.
USAID-financed studies utilized by host country	4 Policy Studies (FY 1995)	4 Policy Studies (FY 1996)

governments promoting  
poverty reduction through  
economic growth

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Expanded and improved basic education learning systems, 936-S004 (EG)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$4,750,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2004

**Purpose:** Technical Leadership and research for the expansion and improvement of basic education in USAID-assisted countries.

**Background:** Basic education is essential to economic, political and social development. Effective support in early childhood is critical to successful learning. In the school years children and adolescents develop the knowledge, skills and expectations for lifelong learning. Basic education increases economic productivity and reinforces democratic, civil societies enabling them to communicate, participate and act effectively. Given limited resources, serious need, and high rates of return, priority is placed on the education of girls and women. Other activities include administrative and policy reforms, early childhood development, improving learning outcomes, adult/community education, learning technologies, and education during and after crisis situations.

**USAID Role and Achievements to Date:** USAID draws on over 30 years of experience in instructional technologies and distance education; teacher training and materials; adult and nonformal education; systems analysis supporting administrative and policy reforms; strategies to reach girls and rural and poor children; early childhood, family and community education; communication, public and civic education and social marketing in support of improved health, environmental protection and other development objectives.

**Description:** USAID provides research, global technical leadership and field support to its missions. Specific activities focus on the following objectives: improving policy analysis and monitoring of results, expanding and improving girls' and women's education, improving classroom practices and raising achievement, integration of services for young children, use of communications and learning technologies, and responses to education needs in crisis and post-crisis contexts.

**Host country and other donors:** USAID activities complement and support programs funded by USAID missions and implemented by host country, nongovernment organization partners and other donors. USAID is the recognized leader in basic education.

**Beneficiaries:** Primary beneficiaries are the children and adults receiving improved educations. Intermediate beneficiaries are institutions/organizations in USAID-assisted countries who draw on the technical and administrative capacities.

**Principal contractor, grantees or agencies:** Academy for Educational Development (AED), Creative Associates; Education Development Center, Florida State University; University of Pittsburgh, Harvard Institute for International Development; High/Scope Educational Research Foundation, Research Triangle Institute. Others to be determined.

<b>Major Results Indicators:</b>	<b>Baseline</b>	<b>Targets</b>
Improved analytic models, assessment and monitoring instruments for formal and out of-school learning systems exist	ongoing development/research	applications in 10 countries by 2001
"Best Practices" on girls' and women's education identified and disseminated	ongoing documentation/research	applications in 6 countries by 2001

**Models for community education and crisis response described and disseminated**

ongoing documentation/research

models used to assist Bosnia-Herzegovina; by 1998  
GINIE internet system fully established

**Global communications and learning systems developed and assessed for application**

ongoing documentation/research

models and tools used in 12 countries by 2001

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Improved continuing and higher education and training systems in support of agency strategic objectives, 936-S005 (EG)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,150,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2004

**Purpose:** To provide technical, programmatic, and policy leadership and assistance in education, training, and workforce development through the design and dissemination of models, materials, and systems for use by missions and central bureaus to achieve USAID strategic objectives.

**Background:** To assist developing countries to achieve sustainable development, USAID provides technical assistance, education and training for host country nationals. Human capacity-building activities provide the basis for a professional and technical workforce with appropriate problem-solving skills. Missions and central bureaus need assistance in devising and adapting educational policy reforms, training and workforce models, and best practices from other locales. Similarly, through the establishment of higher education linkages and networks between U.S. and host country institutions of higher education, institutional capability is strengthened. All education and training programs support the sustainability of other USAID investments.

**USAID Role and Achievements to Date:** Training is key to sustainable development. USAID has trained hundreds of thousands of individuals, many of whom have risen to influential positions in both government and the private sector in their home countries. USAID has also played a decisive role in training groups of professionals who have become critical players in the reform and strengthening of institutions vital to sustainable development. Institutions of higher education abroad are linked with U.S. universities, in collaborations focussed on Agency strategic goals of democracy, environment, economic growth, and population.

**Description:** In support of the goals of missions and central bureaus, a balanced mix of continuing programs and short-term activities for technical assistance and leadership to improve the design and management of training and education programs will contribute to this objective.

**Host country and other donors:** USAID works closely with host country partners in devising and adapting appropriate human capacity activities and also collaborates with the World Bank and other donors on training and workforce development policy analysis and model identification and testing. USAID is recognized by other donors as the leader in training of host country nationals for development impact.

**Beneficiaries:** Host country individuals who receive training under USAID programs or are recipients of development efforts initiated or implemented by those individuals as well as by institutions that have established linkages with U.S. counterpart institutions.

**Principal contractors, grantees or agencies:** USAID will implement programs and activities through U.S. institutions of higher education, private and non-profit companies, and host country institutions. U.S. contractors include: African American Institute, AMEX International, Aguirre International, and others to be determined.

Major Results Indicators:

Improved models and other tools identified, described, and disseminated for use in USAID strategic results packages

Baseline

42 univ linkages & networks in operation for revitalization of higher education

Targets

10 countries in 5 years

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Rule of Law - Strengthened legal systems which promote democratic principles and protect human rights, 936-S001 (DG)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$800,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** Strengthen legal systems which promote democratic principles and protect individual rights.

**Background:** Agency programming in Rule of Law began first in Latin America when the U.S. Government began efforts to strengthen governments faced with civil war. Major rule of law impediments to creating a more legitimate government included lack of political will, archaic legal codes, corrupt and inefficient justice systems, and ineffective or non-functioning public administration. Over time, efforts focused primarily on rule of law and democratic governance as effective and relatively cost-efficient interventions. Because of the massive political changes across the world in the past five years, legal systems have been modified either in whole or part to accommodate new policies. USAID's experience in rule of law has been effectively used in initiating programs ranging from commercial code reform to improved judicial systems and constitutional change.

**USAID Role and Achievements to Date:** The U.S. role continues to be important in this area. Achievements include judicial reforms in Latin America and new commercial banking and civil codes in the former Soviet Union and Eastern Europe. USAID has supported reforms in judicial independence, the protection of human rights, criminal law and procedure, civil law and procedure, constitutional development, access to justice, and the professionalization of both lawyers and judges.

**Description:** USAID's Rule of Law Program has three main foci: 1) administration of justice (AOJ), 2) legal reform, and 3) public sector accountability. A cross-cutting theme is the legal status of women and the protection of individual rights. AOJ objectives include guaranteeing the right to be heard, the right to a fair and impartial hearing, the right of appeal, and the examination of detention without trial. AOJ activities strive to increase access to and to streamline judicial systems, and to make them operate more effectively. USAID carries out research and provides technical leadership to help achieve this strategic objective.

**Host country and other donors:** Other donors include the International Development Bank and the World Bank.

**Beneficiaries:** Citizens will benefit directly from more efficient, effective and equitable legal systems.

**Principal contractors, grantees or agencies:** These programs are implemented largely through not-for-profit entities and include partnerships with the Department of Justice and the Federal Judiciary Center.

**Major Results Indicators:**

**Strengthened legal and constitutional systems through improved administration of justice**

**Baseline**  
Studies/assessments to be determined

**Targets**  
More effective programming through sharing lessons learned in Latin American AOJ programs to allow application in other regions

**Enhance citizens' access to justice**

Assessments of present legal systems

Improved models for alternative dispute resolution

**Increased conformity with international human rights**

Assessments of laws and implementation

Model legislation and regulations to protect detainees and assure due process

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Governance - A greater number of citizens living in countries served by transparent and accountable governmental systems, 936-S002 (DG)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1996: \$1,500,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To assist in the development of democratic governmental institutions and systems that are more transparent and accountable, and allow for greater citizen participation.

**Background:** With the continuing global political transitions of societies and governments around the world over the last several years, the role of governmental institutions in the democratization process has increasingly come to the forefront of sustainable development initiatives. Nascent democracies are now being confronted with issues concerning government ethics and corruption, decentralization, constitutional and legal infrastructure, policy implementation, civil military relations, legislative modernization, and public administration streamlining as they move to consolidate democratic principles and practice.

**USAID Role and Achievements to Date:** 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 facilitated dialogues on civil/military relations issues in Ecuador, Paraguay, and Guatemala.

**Description:** USAID's technical leadership and support to the field will assist in providing models for decentralization of government resources and authority consistent with the devolution of central authority to local and regional governments; encouraging political reforms that reflect social, economic, and cultural demographics; increasing the scope and frequency of public hearings; establishing procedures for repealing legislation and recalling public officials; enhancing mechanisms of checks and balances among branches of government; expanding citizen participation in public expenditure and budget deliberations; and improving management by governments of policy dialogue and implementation.

**Host country and other donors:** Central programs have developed strong working relationships with the World Bank and the International Development Bank and have established collaborative initiatives with several international donors including Canada, UK, and the European Union.

**Beneficiaries:** Host country citizens with support for and through intermediary non-governmental organizations.

**Principal contractors, grantees or agencies:** Through a series of grants and contracts, central programs work primarily with non-governmental organizations and a mix of specialized contractors.

### Major Results Indicators:

	<u>Baseline</u>	<u>Targets</u>
Improved decentralization and devolution conceptual models, assessment methodology, performance indicators, and strategies developed and in place	Assessment and prioritization of decentralization strategies	Improved decentralization models, strategies, and methodologies disseminated globally and assistance provided to targeted USAID countries with governance programs by 2000
Best practices on legislative modernization and legislative	Assessment and prioritization	Models analyzed and comparative results disseminated to all USAID

reform models responsive to stages of political transition identified and disseminated

Improved management of government policy dialogue and implementation

Improved accountability and transparency of government institutions

Current government policies in USAID countries

Models developed

missions with democracy and governance programs

Improved policy reform occurring in additional USAID countries by 2000

Increased participation in USAID-supported programs to promote transparency and accountability

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Elections and Political Processes - Increased open and participatory elections and political processes which reflect the will of the people, 936-S003 (DG)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$2,500,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To help citizens in USAID countries express their political will through free and fair elections and responsive political parties.

**Background:** Free and fair elections form the cornerstone of a functioning democracy. However, until recently, few attempts were made to assist key electoral processes in the developing world. In the face of massive political changes during the last ten years, the U.S. has supported elections as a catalyst for democratic transitions. Latin American countries consolidated improved government practices by engaging in open political participation. In Africa, aging regimes dating from colonial independence began to crumble and the demand for multi-party states emerged. Since the collapse of the Soviet Union, elections in many successor nations have helped strengthen nascent democratic institutions.

**USAID Role and Achievements to Date:** 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, Dominican Republic and West Bank/Gaza, among others. USAID has recognized that transitioning democracies provide unique opportunities for increasing women's political participation and representation and assists women worldwide to fully participate in elections and political processes.

**Description:** USAID assists efforts in 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 effectiveness and democratization of political parties, and training newly-elected legislators. All programs seek to ensure the full participation of women in the political process as both participants and representatives.

**Host country and other donors:** Some bilateral donors provide technical assistance, commodities, and election observers. The United Nations has provided large-scale electoral assistance in a few selected countries. In these cases, USAID narrows its electoral support to target areas that will complement UN efforts. The National Endowment for Democracy complements USAID programs by working on grassroots civic education, political party training, and legislative strengthening.

**Beneficiaries:** The citizens who benefit directly from interventions which expand suffrage, provide free and fair elections including free assembly and free speech, and broaden political participation.

**Principal contractors, grantees or agencies:** USAID will implement activities through private nonprofit organizations, and U.S. and host country nongovernmental organizations.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Targets</u>
Competent and autonomous electoral commissions	To be determined	Increase in number of elections carried out in a free and fair manner
Citizens', particularly women's, participation	To be determined	Higher voter turnout, esp. among women

Representative democratic political parties

To be determined

Increased number of political parties which represent constituents and engage in political activities

**Major Results Indicators:**

Free and functioning labor sector

Independent and effective civil society

Watchdog groups - media, human rights etc.

**Baseline**

Evaluation and assessment by region

Study current restrictions

Evaluation and assessment

**Targets**

Increased trade union participation

Greater political impact of organizations

Improved access and effectiveness in USAID countries and functioning independent media

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** To provide technical and intellectual leadership and services in democracy and governance, 936-S005 (DG)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,000,000 DA

**INITIAL OBLIGATION:** FY 1996; **ESTIMATED COMPLETION DATE:** FY 2000

**Purpose:** To provide expertise in designing, implementing, and evaluating democracy and governance (DG) programs as well as methods of incorporating them throughout other sectors.

**Background:** USAID has undertaken a fundamental change in internal structure and the manner in which it conducts its activities by creating a reorganized operational approach that better supports internal efficiency and sustainable, participatory development. This approach integrates methods in policy, strategy, and implementation among USAID, its partners, intermediary organizations and customer groups.

**USAID Role and Achievements to Date:** USAID has increasingly sharpened its focus and programs to achieve identifiable strategic objectives. USAID is developing its own capacities and resources. It has also engaged development partners in that effort. USAID has developed publications and electronic mechanisms to inform the public on its DG program and resources, and to engage other organizations in discussion about the best way to achieve DG objectives and improve DG programs and performance.

**Description:** USAID will enhance field programs through technical leadership, coordination among donors and USAID operating units, evaluations, training seminars, policy and data analysis, targeted assessments and strategies, and the dissemination of information. USAID will provide trained personnel access to better models, strategies, data, policy guidance and technical expertise. This support objective affects the achievement of all four DG strategic objectives. In a broader coordination role, USAID gathers and shares, within the U.S. Government and the donor community, statistical data, information on best practices, donor activities, research, evaluations, customer surveys, USAID activities, and listings of worldwide events (e.g., elections in the democracy sector).

As part of its technical leadership role, USAID is also seeking to expand the participation of previously disempowered people in the political process. In particular, USAID will concentrate on the empowerment of women.

**Host country and other donors:** N/A

**Beneficiaries:** The citizens of the countries that are assisted by USAID DG programs. Intermediate beneficiaries are USAID missions, host country institutions, and the broader democracy community.

**Principal contractors, grantees or agencies:** Programs are implemented through for-profit and non-profit companies.

**Major Results Indicators:**

**More effective strategies for implementing programs**

**DG issues, especially cross-cutting issues (e.g., participation of women) are integrated**

**A cadre of trained DG professionals**

**Better methods for measuring progress**

**Baseline**

**Identify successful strategies and evaluate technicals**

**Manage activities which will directly address program integration and cross-cutting issues**

**Target training and information needs**

**Examine current indicators for measuring results**

**Targets**

**Strategies yield better USAID programming as measured by indicators**

**Better program integration in missions and more women participatory in the political process**

**Enhanced professional development**

**Provide useful indicators**

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Improved economic status of women in Latin America and the Caribbean, Asia and the Near East, and Africa, 930-S001 (WID)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,388,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2003

**Purpose:** To improve the economic status of women in Latin America and the Caribbean, Asia, the Near East, and Africa.

**Background:** The economic situation of women is of great importance in all regions of the world. Although women's economic activity is high and growing, they are disproportionately unemployed and underpaid. Over 70% of these women live in the developing regions of Asia, Africa, and Latin America, and their number has nearly tripled since 1950. Improvements in the economic situation of women are critical for the large numbers of women now living in poverty. Women now constitute 60% of the rural poor, and significant numbers of households are maintained by women alone.

**USAID Role and Achievements to Date:** Through its field missions, regional bureaus, and Global Centers, USAID is addressing economic growth issues with a focus on supporting improvements in the economic status of women. Progress continues to be made in achieving the target 10% improvement in the economic status of women in 15 targeted areas in these regions within the next eight years. Likely targeted countries are: Bolivia, El Salvador, Guatemala, Peru, Bangladesh, Cambodia, India, Morocco, Nepal, Jordan, Ethiopia, Malawi, Niger, South Africa, and Tanzania. Country selections were based on (1) the status of women with regard to economic participation, education and legal situation and (2) opportunities for improving the situation of women through USAID activities in those countries.

**Description:** USAID focuses on five women-in-development activity areas: (1) support to develop nongovernment organization (NGO) capacity to focus on the role of girls and women in their programs, (2) support for high-quality applied research on girls' and women's roles and status, (3) communications and information dissemination focused on girls' and women's roles, (4) development of professional expertise on girls' and women's roles, and (5) support for a variety of technical assistance activities designed to improve the extent to which USAID programs address gender considerations.

**Host country and other donors:** USAID collaborates with other donors, including the Development Assistance Committee of the Organization for Economic Cooperation and Development and other coordinating bodies.

**Beneficiaries:** Women in developing countries who improve their economic status as a result of USAID's programs.

**Principal contractors, grantees or agencies:** Private, for-profit and nonprofit companies, and U.S. and host country NGOs.

Major Results Indicators:

	<u>Baseline</u>	<u>Targets</u>
Women's employment	Current employment rates	10% increase in 15 target areas (FY 2003)
Women's income	Current incomes	10% increase in 15 target areas (FY 2003)

ACTIVITY DATA SHEET

PROGRAM: Central Programs

TITLE AND NUMBER: Improved educational opportunities for girls in South Asia and Africa, 930-S002 (WID)

STATUS: Continuing

PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1997: \$300,000 DA

INITIAL OBLIGATION: FY 1995; ESTIMATED COMPLETION DATE: FY 2003

Purpose: To improve the educational opportunities for girls in South Asia and Africa.

Background: 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. However, significant disparities exist in other developing regions and are most striking in South Asia and Africa.

USAID Role and Achievements to Date: Over half of all USAID missions in South Asia and Africa are focusing on improvements in the educational opportunities of girls. Progress continues to be made in achieving the target 20% increase in girls' educational opportunities in six targeted areas in these regions within the next eight years. The likely targeted countries are: India, Nepal, Ethiopia, Tanzania, Malawi, and Niger. Target countries' selection was based on (1) the status of women with regard to economic participation, education, and legal situation in those countries and (2) opportunities for improving the situation of women through USAID activities.

Description: USAID focuses on five women-in-development activity areas: (1) support to develop nongovernment organization (NGO) capacity to focus on the role of girls and women in their programs, (2) support for high-quality applied research on girls' and women's roles and status, (3) communications and information dissemination focused on girls' and women's roles, (4) development of professional expertise on girls' and women's roles, and (5) support for a variety of technical assistance activities designed to improve the extent to which USAID programs address gender considerations.

Host country and other donors: USAID collaborates with other donors, including the Development Assistance Committee of the Organization for Economic Cooperation and Development and other coordinating bodies.

Beneficiaries: Girls in South Asia and Africa.

Principal contractors, grantees or agencies: Private, for-profit and nonprofit companies, and U.S. and host country nongovernmental organizations.

Major Results Indicators:

	<u>Baseline</u>	<u>Targets</u>
Girls' primary and secondary enrollment rates	Current enrollment rates	20% increase in 6 target areas (FY 2003)
Girls' primary and secondary completion rates	Current completion rates	20% increase in 6 target areas (FY 2003)

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Improved women's legal and property rights and Increased participation in governance and civil society, 930-S003 (WID)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$1,704,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2003

**Purpose:** To improve women's legal and property rights and to increase 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.

**Background:** 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.

**USAID Role and Achievements to Date:** Through its field missions, regional bureaus, and Global Centers, USAID is focusing on Democracy and Governance issues and the rule of law, a key area for women's legal rights. Progress continues in achieving the target 20% improvement in women's legal rights and participation in governance and civil society in 15 areas over the next eight years. Likely target countries: Bolivia, Peru, Poland, Russia, Ukraine, Ethiopia, Malawi, Niger, South Africa, Tanzania, Bangladesh, Cambodia, India, Nepal, and Jordan. Selections were based on (1) the status of women's economic participation, education, and legal situation and (2) opportunities for improving the situation of women through USAID activities in those countries.

**Description:** USAID focuses on five women-in-development activity areas: (1) support to develop nongovernment organization (NGO) capacity to focus on the role of girls and women in their programs, (2) support for high-quality applied research on girls' and women's roles and status, (3) communications and information dissemination focused on girls' and women's roles, (4) development of professional expertise on girls' and women's roles, and (5) support for a variety of technical assistance activities designed to improve the extent to which USAID programs address gender considerations.

**Host country and other donors:** USAID collaborates with other donors, including the Development Assistance Committee of the Organization for Economic Cooperation and Development and other coordinating bodies.

**Beneficiaries:** Women in developing and transitional countries worldwide.

**Principal contractors, grantees or agencies:** Private, for-profit and nonprofit companies, and U.S. and host country nongovernmental organizations.

### Major Results Indicators:

	<u>Baseline</u>	<u>Targets</u>
Knowledge of existing legal rights	Current knowledge	20% increase in 15 target areas (FY 2003)
Participation in governance and civil society	Current participation	20% increase in 15 target areas (FY 2003)

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Support integration of gender Issues through USAID regional and country programs, 930-S004 (WID)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1996: \$1,383,000 DA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** FY 2003

**Purpose:** To support integration of gender issues through USAID regional and country programs.

**Background:** While USAID has selected several priority areas (i.e, economic growth, educational opportunities for girls, and Democracy and Governance and rule of law) for its efforts to improve the status of women in developing and transitional countries, opportunities exist in other areas throughout USAID regional and country programs.

**USAID Role and Achievements to Date:** USAID is supporting efforts to address gender considerations and improve the status of women. Progress continues to be made in providing technical support to 3-5 missions per region annually over the next eight years. The likely target missions are in the following countries: Bolivia, El Salvador, Guatemala, Peru, Ethiopia, Malawi, Niger, South Africa, Tanzania, Bangladesh, Cambodia, India, Morocco, Nepal, Jordan, Albania, Poland, Russia, Ukraine, and Kyrgyz Republic. Target selections are based on (1) the status of women with regard to economic participation, education, and legal situation and (2) opportunities for improving the situation of women through USAID activities in those countries.

**Description:** 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. To develop this expertise, USAID will provide technical assistance to its missions. In addition, USAID will support a Fellows Program to establish a cadre of field-experienced, gender experts. USAID International Development Interns and USAID Presidential Management Interns will also contribute to this effort.

**Host country and other donors:** USAID collaborates with other donors, including the Development Assistance Committee of the Organization for Economic Cooperation and Development and other coordinating bodies.

**Beneficiaries:** Women in developing and transitional countries worldwide.

**Principal contractors, grantees or agencies:** Private, for-profit and nonprofit companies, and U.S. and host country nongovernment organizations.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Targets</u>
Quality and quantity of technical support to Missions in all regions	5-6 Missions worldwide	3-5 Missions per region annually (FY 2003)

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Increased private and voluntary organization capability to achieve sustainable service delivery through Private Voluntary Cooperation programs, 938-S001.1 (PVC)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$45,000,000 DA

**INITIAL OBLIGATION AND ESTIMATED COMPLETION DATE:** Varies by activity

**Purpose:** The USAID Office of Private and Voluntary Cooperation (PVC) provides support to U.S. private voluntary organizations (PVO) and their local non-governmental organizations (NGO) partners to strengthen their capabilities to achieve sustainable results through participatory, grassroots development activities in USAID priority sectors. PVC's Strategic Objective is "Increased Capability of PVO Partners to Achieve Sustainable Service Delivery." PVC will achieve the objective through grants that support institutional strengthening and field-level activities of PVOs and their local NGO partners, and through PVC's information, program support and public outreach activities.

**Background:** PVC's strategic objective is central to its mission of assisting U.S. PVOs in their capacity-building efforts, and is linked to USAID's commitment to work with PVOs and local NGOs as development partners. PVC is well positioned to achieve this objective, having acquired considerable experience in institutional strengthening through grant programs and information functions that have been a mainstay of the USAID/PVO partnership since 1977.

In selecting an objective that includes both institutional strengthening and service delivery, PVC recognizes the importance of capacity building that must lead to results in terms of goods and services delivered at the community level. Achievement of the objective will lead to the Bureau for Humanitarian Response's key goal of increasing the participation of vulnerable groups in sustainable development, and will also contribute to USAID's ability to achieve the five core results of its sustainable development strategy. The external factors that will affect PVC's ability to achieve its objective include both time and resource constraints. Capacity-building is a complex, long-term process involving changes in human and organizational behavior which require sustained investments over time.

**USAID Role and Achievements to Date:** PVC's role is to support activities that lead to five intermediate results that are necessary to achieve the strategic objective: (1) better management systems and technical know-how in U.S. PVOs; (2) strong working partnership between U.S. PVOs and USAID; (3) strong partnership between U.S. PVOs and local NGO partners; (4) adequate financial resources mobilized by matching USAID grants; and (5) public commitment for international development activities. Over the past 15 years, PVC has seen evidence of success in capacity-building, as PVOs and NGOs as a whole have become more capable development partners, recognized as credible by other USAID offices, other donors, and host countries. For example, specific PVC support has resulted in the creation of professional microenterprise units in 8 PVOs that are sustaining vastly increased numbers of small loans; more than 25 PVOs have developed technically-rigorous child survival programs that both deliver effective services and transfer skills to local health providers; most recently, 2 PVOs have improved their traditional conservation programs by incorporating new approaches to sustainable resource management. These improvements in PVO capacity are reflected in concrete results for community members in host countries. For example, in the past decade, PVC's Child Survival Program has improved the health of an estimated 6,000,000 women and children. Last year, just one of the microenterprise activities supported by a PVC Matching Grant created approximately 700 jobs and benefitted an estimated 20,000 people. There is also evidence that PVOs as a whole have been mobilizing increasing amounts of private resources: as a December 1995 GAO report attests, PVOs' dependence on federal support dropped from 42% to 29% over the ten-year period studied.

**Description:** PVC administers five competitive grant programs that foster capacity building and system development and strengthening, and leverage private resources for development as a result of their cost-sharing requirements. Through the Matching Grant Program, PVC will support U.S. PVOs in their efforts to implement programs through structured partnerships with local organizations. The capacity of PVOs to design and administer sectoral programs will be enhanced, and support will be given to integrate cost recovery mechanisms into all programs. Through the Child Survival Grant Program, U.S. PVOs will continue to increase their technical competence and expand their coverage of basic child survival interventions, thus directly contributing to increased immunization rates and reduced incidence of diarrheal and other diseases. This program increasingly supports the transfer of preventive health care technologies to local entities, both NGO and Ministry of Health. The Cooperative Development Program will continue to enable U.S. cooperative development organizations to create or strengthen cooperative movements in developing countries and new democracies. The Ocean Freight Reimbursement Program will continue to meet some of the costs of shipping supplies to developing countries in support of development and humanitarian activities. For every dollar spent by PVC in this program, the PVOs leverage 17 dollars in private resources, mainly donated or purchased goods and supplies. This program has become a starting point for newly-registered PVOs as they learn to administer USAID-supported programs. The Development Education Program will continue to foster new partnerships and expanded networks to open opportunities for the U.S. public to understand international development.

**Host Country and Other Donors:** The United States is a leader among donors in support to PVOs and NGOs. Other donors include the World Bank and other multilateral development banks, the multilateral agencies (such as UNDP), the European Community and Japan. PVC works with other donors through the Advisory Committee on Voluntary Foreign Aid and by cooperating with the NGO Liaison Units of the multilateral development banks. The U.S. private sector also contributes in a large way through individual, corporate, and foundation donations to PVOs that are used to "match" PVC funds. Through their local partners, PVOs and NGOs are increasingly raising support from the private sector in host countries, although this is as yet a relatively small percentage of all contributions.

**Beneficiaries:** The beneficiaries are people and organizations in host country communities, particularly in remote and underserved areas, who are affected by the programs of the 130 PVOs in PVC's portfolio.

**Principal Contractors, Grantees, or Agencies:** PVC activities are implemented through U.S. PVOs and cooperative development organizations.

**Major Results Indicators:** The indicators used to measure progress toward the Strategic Objective include measures at the level of capacity-building, service delivery, and sustainability. (Each intermediate result also has a set of indicators not described here.)

<u>Capacity Indicators</u>	<u>Baseline</u>	<u>Target (1997)</u>
Change in the average score of PVC-supported PVOs on an organizational capacity self-assessment instrument.	TBD	TBD
Percentage of PVOs that are members of one or more PVO associations or formal networks.	TBD	TBD

<u>Service Delivery Indicators</u>		
Changes in extent and quality of service delivery in key sectors in which USAID has invested through PVOs, e.g., change in percent of children immunized, or volume of credit provided to microenterprises.	TBD	TBD

<u>Sustainability Indicators</u>		
Percentage of PVC-supported PVO programs/activities that are sustained by other sources after USAID funding ends.	TBD	TBD
Percentage of PVO programs in which there is cost recovery at the local level.	TBD	TBD

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Increased PVO capability to achieve sustainable service delivery through Institutional Support Grants, 938-S001.2 (FFP)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$4,500,000 DA

**INITIAL OBLIGATION:** FY 1993; **ESTIMATED COMPLETION DATE:** FY 1997

**Purpose:** Institutional Support Grants (ISGs) managed by the Bureau for Humanitarian Response, Office of Food for Peace (BHR/FFP) provide support to Private Voluntary Organization (PVOs) and Cooperating Development Organizations (CDOs) to conduct feasibility studies, improve management and accounting of Title II commodities, strengthen central/regional management practices, and build organizational expertise in the use of Title II food aid as an instrument for effective emergency relief and or for achieving food security. A portion of these funds are also used to assist BHR/FFP in the management of its ISG and P.L. 480 programs. The ISG program supports BHR/FFP's office strategic objectives of: Sustained Improvement in household and agricultural productivity for vulnerable groups served by USAID food aid programs; and, Meet critical needs of targeted vulnerable groups in emergency situations and contribute to the stabilization of post emergency societies.

**Background:** In FY 92, BHR/FFP awarded over \$24 million in ISGs to Title II, P.L. 480 Food Aid PVOs and CDOs. Thirteen awards to existing PVOs/CDOs were recommended for funding for periods from one to five years. Results of the 1995 mid-term reviews have shown major accomplishments in the areas of improved management practices and organizational development. PVOs/CDOs have been strengthening headquarters and in-country staff development through technical conferences, training workshops, and monitoring and evaluation seminars/activities.

**USAID Role and Achievements to Date:** In Central America, acute malnutrition due to food insecurity is on the rise in Nicaragua. Through the ISGs PVOs were able to initiate work in this country to respond to the need, conducting feasibility studies and writing proposals for FY 96 Title II funding. The Greater Horn of Africa Initiative has inspired new approaches to Title II programming and the ISGs have given PVOs support to conduct food security needs assessments in this region.

CARE's Food Security Unit was created. They have carried out 14 Rapid Food Nutrition and Security Assessments, 7 baseline data collections, 5 country impact evaluations, 6 monitoring and evaluations systems and over 23 training sessions. Catholic Relief Services reports institutional strengthening in resource management (emergency response, accountability, monetization), programming planning and design, (including re-orientation of mother-child health activities) and new program development.

USAID investment in the ISG program is paying off with the PVOs' development and application of practical innovative and productive approaches to project design and implementation.

**Description:** Title II of P.L. 480 directs the President to provide commodities to recipients overseas. Grants under the ISG program will be made available from Development Assistance (DA) dollar resources appropriated under the Foreign Assistance Act to assist PVOs and CDOs implementing or design programs under P.L. 480 Title II, and thereby enhancing food security. Funds provided to grantees in FY 1997 will meet existing grants commitments, subject to extensive reviews of the PVOs/CDOs progress to date.

**Host Country and other donors:** The World Food Program and the European Union have begun to coordinate with USAID and the U.S. Cooperating Sponsors in food security program policy. The World Bank provides technical assistance to field programs in mother/child health services and when possible local governments provide assistance to the Title II programs.

**Beneficiaries:** The main beneficiaries are pregnant and lactating women, children under five, those in extreme poverty, and nutritionally vulnerable school age children from 6 to 12 years of age.

Principal contractors, grantees or agencies: USAID will implement activities through PVOs, CDOs and host country non governmental organizations.

<u>Major Results Indicators:</u>	<u>Baseline</u>	<u>Targets</u>
food aid management training of personnel	TBD	training completed by 1998
establishment of food aid programming units	TBD	8 units with the participating PVOs/CDOs by 1998
establishment of organizational policies and guidelines for food aid	TBD	8 PVOs/CDOs by 1998
improved management and monitoring systems	TBD	8 PVOs/CDOs by 1998
improved program design	--	Program design according to USAID Food Security Policy
improved written proposals	--	Proposal written follow guidance provided by BHR/FFP.

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Strengthen overseas institutions which demonstrate American ideas and practices through the American Schools and Hospitals Abroad Program, 398-S002 (ASHA)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$10,000,000 DA

**INITIAL OBLIGATION:** FY 1957; **ESTIMATED COMPLETION DATE:** continuing

**Purpose:** To enable schools, libraries, and medical centers abroad to more effectively: a) provide foreign nationals the benefits of American achievements in education and medicine, b) increase mutual understanding between the people of the United States and the people of other countries, c) serve as centers which foster a favorable image of the United States, and d) promote democracy building and sustainable development.

**Background:** Since the 19th Century, Americans have gone abroad to establish private, non-profit schools and hospitals. Modest assistance to this end was provided under the Mundt Act of 1948. The ASHA program began in 1957 under the Mutual Security Act of 1957 and was reaffirmed in the Foreign Assistance Act of 1961, as amended, Section 214.

ASHA has provided \$754.5 million in grants to institutions in 53 countries. Many mature, excellent educational and medical centers have emerged and the program continues to help about 25 institutions a year, the number declining in recent years, as have the resources available.

**USAID Role and Achievements to Date:** The ASHA-supported institutions contribute directly to development of a country or region by providing education and professional experiences in areas where the need is overwhelming and U.S. approaches and organizations are recognized as the world standard. The institutions promote democracy, private initiative, free inquiry and innovative approaches to problem-solving. The institutions reach a student population drawn from across the economic and social spectrum of the country.

**Description:** Beneficiaries are able to construct and equip facilities, introduce programs which otherwise would not have been possible, stimulate other support and take advantage of opportunities which contribute to the growth of the institutions and benefit the local community. These institutions include: 1) secondary schools which provide academic and various kinds of vocational training, 2) undergraduate institutions with programs in the liberal arts, medicine, nursing, agriculture and the sciences, 3) graduate institutions which provide specialized training to potential national and international leaders in health sciences, physical sciences and other professional areas, 4) libraries which open access to information and encourage its use in decision making, and 5) medical centers which prepare leaders, influence standards and provide health care, training and research.

**Host country and other donors:** ASHA grants supplement predominantly private income and donations which these institutions receive primarily from local and U.S. sources.

**Beneficiaries:** Around one million people receive training or medical care at ASHA-assisted institutions each year. These include full and part-time students, bed patients, and out-patients. The impact is most felt on leadership, influence on professional standards and performance and affect on policy.

**Principal contractors, grantees or agencies:** USAID makes grants to U.S. non-profit founder or sponsoring organizations for the benefit of the overseas institutions.

Major Results Indicators

Baseline/Targets

Improved linkages between overseas and U.S. institutions.	TBD
Increased educational and research capacity among overseas institutions.	TBD
Improved management systems of overseas institutions.	TBD

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Learning from Experience, 930-S001 (PPC)

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$8,000,000 (DA)

**INITIAL OBLIGATION:** FY 1976; **ESTIMATED COMPLETION DATE:** Continuing

Purpose: Leading USAID and development partners in learning from development experience to improve development results and inform agency policy.

Background: USAID and its development partners have always monitored and evaluated programs to learn from development experience and have carried out activities to promote more effective assistance policies. In 1983, USAID's previously disparate development information, monitoring, and evaluation efforts were combined in the Center for Development Information and Evaluation (CDIE). Since then, the Bureau for Program and Policy Coordination's (PPC) leadership through CDIE in learning from development experience and its policy support initiatives have played a prominent role in strengthening the ability of USAID and its partners to manage U.S. development programs for results and more effective assistance policies.

USAID Role and Accomplishments to Date: PPC supports the achievement of development objectives by improving the capabilities of USAID and its partners to obtain and use development information in decision-making and policy formulation. At the operational level, PPC led the development and adoption of strategic planning and performance measurement approaches for all of USAID's field programs, as now embodied in the Agency's new operations policies and procedures. At the Agency-level, PPC developed USAID's Annual Performance Report, the Agency Strategic Framework, and Agency performance indicators. More broadly, PPC pioneered internationally acclaimed impact evaluation and performance measurement initiatives, and created development information services that provide USAID managers and development partners with easy access to a broad range of needed development experience information.

Description: PPC leads USAID and its development partners in learning from development experience by assembling and synthesizing information from throughout the developing world, and by sharing findings and lessons learned with field units (missions), central technical and planning staffs, Agency senior managers, development partners, and the broader development community. More specifically, PPC: 1) maintains USAID's institutional memory -- core collections of documents and socioeconomic data -- and provides requested documents and data to Agency and developing world customers; 2) summarizes and synthesizes development information for customers through annotated bibliographies, short research papers, issues briefs, desk studies, and other vehicles; 3) conducts field evaluations on key development issues to generate new learning; 4) provides technical and policy support and leadership for strategic planning, performance measurement, and evaluation; 5) coordinates the assembly and analysis of program performance data and prepares USAID's Annual Performance Report; 6) develops and updates the Agency Strategic Framework and Agency Strategic Plan; 7) disseminates lessons learned and best practices in strategic planning, performance measurement, and evaluation to the development community through a variety of formal publications and electronic media; and 8) continually assesses the needs and priorities of customers to assure the delivery of timely, relevant, and high quality products and services.

Host Country and Other Donors: PPC represents USAID in various DAC fora, including the DAC Experts group on evaluation and works collaboratively on various monitoring and evaluation efforts by the donor community, such as the recent evaluation of assistance to Rwanda. PPC maintains liaison and collaborates with host countries, international agencies, and other partners to strengthen development information and evaluation capabilities, provide development experience information, and improve performance measurement and strategic planning practice.

Beneficiaries: PPC indirectly affects all of USAID's beneficiaries by creating, marshalling, and disseminating development experience information to increase the impact of all of our development assistance efforts. PPC's direct customers include LDC research and training institutions, government technicians and decision-makers, PVOs and NGOs, USAID contractors, international donors, and other development partners, as well as USAID managers.

Principal Contractors, Grantees, or Agencies: MSI, LTS, AED, DevTec, Development Alternatives, Conwal, USDA, and AAAS.

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** U.S.-Israel Cooperative Development Research Program, 936-5544

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** \$1.5 million, DA and \$1 million, FSA

**INITIAL OBLIGATION:** FY 1995; **ESTIMATED COMPLETION DATE:** Continuing

**Purpose:** To make Israeli experience in the application of S&T to sustainable development available to less developed countries (LDCs) to solve problems in Africa, Latin America and Asia and Near East.

**Background:** The U.S.-Israel Cooperative Development Research (CDR) Program provides U.S. funding for cooperative research involving Israeli and LDC scientists on significant LDC development problems. It emphasizes initial, innovative research technology in the natural sciences and engineering. The CDR program is not focused on the economic development of Israel, but emphasizes areas in which Israeli research interests and expertise are particularly valuable to LDCs.

Israel excels in such areas as arid lands management, irrigation, solar energy, biotechnology, biological pest control, and aquaculture. Israeli laboratories have strong capabilities in hydrology, biomedical research and computer science. The CDR program uses these Israeli capabilities and applies them to LDC conditions. Many Israeli scientists have already established good working relationships with LDC scientists through prior exchanges, cooperative research, publications and training programs.

**USAID Role and Achievements to Date:** USAID funding catalyses Israeli cooperation that would otherwise not occur due to lack of hard currency, and US involvement makes possible Israeli collaboration in countries otherwise closed to Israel. There have been many research results to date, including results in saline agriculture, improved agricultural water management technology, improved biopesticides, added understanding of leishmaniasis and leprosy. The program funded the first cooperation between Israel and Morocco which has led to regional cooperation on ground water management technology. It has supported an Israeli presence in the Central Asian Republics of the former Soviet Union which is assisting to deal with the application of scientific methods to the improvement of agriculture in the region.

**Description:** The CDR program will fund cooperative Israeli-LDC research proposals of \$200,000 or less and are initiated by either LDC or Israeli scientific institutions. Proposals can be funded for up to five years. USAID encourages institutions to submit research proposals that have scientific merit, are relevant to development, innovative in character, and will result in building research capacity in collaborating LDC institutions. Proposals are competitive and are reviewed by external panels of scientific peer groups.

**Host country and other donors:** Israeli and host country collaborating institutions will contribute facilities, scientists, some equipment, and administrative support.

**Beneficiaries:** The immediate beneficiaries are the LDC collaborating scientists and institutions. The ultimate beneficiaries are the people of the participating LDCs whose living standards are improved through the application of results of the research.

**Principal contractors, grantees or agencies:** Grants are typically made to Israeli institutions, which in turn make subgrants to their collaborating institutions. Investigators may be from universities, government laboratories or the private sector. The U.S. National Academy of Sciences and a minority small business provide assistance to the program.

### Major Results Indicators

	<u>Baseline</u>	<u>Targets</u>
Research quality and relevance as		

judged by external peer review

most "good" or better

Publications in S&T journals and conferences

one per \$25,000

Major contributions (as judged by external peer review)

one per 25 grants

## ACTIVITY DATA SHEET

**PROGRAM:** Central Programs

**TITLE AND NUMBER:** Peace Corps Small Project Assistance, 936-1421

**STATUS:** Continuing

**PROPOSED OBLIGATION AND FUNDING SOURCE:** FY 1997: \$925,000 DAF, DFA, AEE

**INITIAL OBLIGATION:** FY 1985; **ESTIMATED COMPLETION DATE:** Continuing

**Purpose:** To support the identification, design, and implementation of small-scale, community-level, self-help sustainable development activities by Peace Corps Volunteers (PCV) in areas of priority to USAID. Priority areas of support include: improving human health, protecting the environment, and economic growth. These activities increase participation at the local level and help lay the foundation for transition to democratic societies.

**Background:** The Small Project Assistance (SPA) Program is a worldwide activity operating in 55 countries. The SPA program facilitates local grassroots efforts by combining PCVs' knowledge of local conditions with USAID's technical and financial resources. The intent of the SPA program is to provide an efficient mechanism that can respond quickly and flexibly to small-scale project requirements which have an immediate impact at the community level. The SPA program is funded through a worldwide Participating Agency Service Agreement (PASA) with the Peace Corps, which in turn has total responsibility for operating, monitoring and disbursement of SPA grant funds. Since 1985, USAID has provided \$15.5 million in support of more than 5,000 community projects.

**USAID Role and Achievements to Date:** An estimated 5,000 indigenous community groups have enhanced their capacity to address self-identified community-needs by increasing economic and educational opportunities and improving health conditions for over two million community members.

**Description:** This project has two primary components. 1) SPA Grants: These grants provide funding to small sustainable development activities developed by PCVs in conjunction with local community organizations. These funds support development activities in such areas as health, environment, forestry, food production, education, small enterprise development, and technology transfer. In FY 1995, each project grant averaged about \$3,000. Any single grant cannot exceed \$10,000. 2) Technical Assistance: The purpose of this component is to support the participation of Host Country Nationals in training activities that enhance project design and management.

**Principal contractors, grantees or agencies:** USAID makes funds available through a PASA to the Peace Corps which, in turn, provides funds and technical assistance to local community organizations in over 55 countries. On average, most grant recipients provide almost 40% of total project cost.

**Major Results Indicators:**

	<u>Baseline</u>	<u>Targets (1997)</u>
Number of health and water projects, economic growth, education, food production, small business, and environmental projects implemented by local communities worldwide	N/A	200
Number of individuals served for each kind of project worldwide	N/A	150,000,

**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, USAID 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 the agency's 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, non-governmental organizations, private voluntary organizations, 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) and 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 changes in costs from FY 1996 to FY 1997 are outlined below:

**Personnel Compensation - Decrease of \$17.9 million**

This category of costs includes basic compensation for U.S. and foreign national direct hire and personal service contract (PSC) employees worldwide, including base pay, hardship differential, and special pay such as Sunday pay. The majority of this decrease (\$11.1 million) relates to U.S. direct-hire employees and reflects the reduction in U.S. direct-hire staffing levels planned for FY 1997, a cut of 400 from the December, 1995, on-board levels as mentioned earlier. This decrease is net of the Federal pay raise planned for January, 1997, and the impact of the pay raise. The balance of the decrease is related to reductions in U.S. PSCs and foreign national employees (both direct-hire and PSC) overseas. Absent the reduction in U.S. and foreign national direct-hire and PSC levels, this category of costs would have increased by about \$12.2 million.

**Personnel Benefits - Decrease of \$2.8 million**

This category of costs includes Agency contributions for retirement, health and life insurance, living quarters allowances, cost of living allowances, education allowances, and other such benefits. About \$2.5 million of this decrease is due to reduced Agency's contributions to retirement, health and life insurance, and other benefits for U.S. direct-hire employees resulting from the reduction in staffing levels. The balance is for foreign national employees overseas.

**Benefits for Former Personnel - Decrease of \$1.2 million**

This category represents a preliminary estimate of costs which will be incurred as the Agency reduces its foreign national staff levels. Final figures may vary considerably, depending on the actual positions, by grade and location, actually dropped and the provisions of local labor laws in those locations relating to severance payment requirements.

Severance costs relating to Civil Service employees have not been covered at this time, and will require adjustments to other budget categories as necessary to cover such costs. Severance costs for Foreign Service officers will be funded out of the Foreign Service Retirement and Disability Fund, as provided for in the Foreign Service Act of 1980, as amended.

**Travel and Transportation - Decrease of \$1.3 million**

USAID will be reducing the funding for operational travel by about \$1.1 million from FY 1996 to FY 1997. Training travel also will be reduced by about \$1.1 million. These reductions are necessary to enable the Agency to operate at the requested funding level. However, they will be offset by increases in mandatory and statutory travel (home leave, post assignment, rest

and recuperation, educational, and evacuation travel) because of the increased costs to be incurred in bringing Foreign Service employees back to the United States for reassignment or separation as the Agency reduces overall overseas staffing levels.

Cost estimates have not been included for returning separated Foreign Service employees to their retirement or separation address, a legal requirement for these employees.

**Rental Payments to GSA - Increase of \$16.9 million**

This increase is the result of the headquarters consolidation, at which location all rent would be paid to the General Services Administration (GSA), whereas the Agency is currently paying some office rent in Washington to other than GSA, such as rent in the Department of State building, which is paid to the Department who, in turn, pays GSA. In addition, during the last quarter of FY 1997, the period during which the move would actually occur, the Agency will have to pay rent both on current space as well as the new space.

**Rental Payments to Others - Decrease of \$7.8 million**

This decrease reflects the move out of office space in Washington where rent is not paid to GSA (Department of State building and State Annex number 2 for example) combined with reduced residential rental costs overseas as a result of reduced overseas staffing.

**Rent, Communications, and Utilities - Decrease of \$1.3 million**

The decreases in this category are primarily in telephone costs, which are decreasing slightly due to reduced staffing but, more importantly, savings from having a single phone system in a single building after Agency headquarters are consolidated. These decreases are offset, in part, by an increase of \$0.8 million in charges by the Department of Defense for use of the Military Postal Facilities overseas. This increase is based on a change in the method of calculating costs to be reimbursed by each user of the facilities.

**Printing and Reproduction - No Change**

**Advisory and Assistance Services - No Change**

**Other Services - Decrease of \$2.9 million**

There will be a major reduction in automated data process (ADP) systems design and analysis costs as the new management systems come on-line and some of the old systems can be dropped, combined with completion of design and other related costs associated with the move of headquarters operations to a single building. This reduction, about \$6 million, will be offset by additional security costs for the new headquarters building (where USAID will fund all security costs, whereas the Department funds most security costs in current buildings) combined with the impact of inflation on overseas security costs.

**Purchase of Goods and Services from Government Accounts - Increase of \$0.2 million**

It is unknown at this time what the impact, after considering inflation, the reduced overseas staffing levels will have on Foreign Affairs Administrative Support costs. While we expect large reductions in FY 1998, the timing of the reductions may result in very limited, if any, savings in FY 1997.

There will be an increase of \$1 million in Defense Contract Audit Agency (DCAA) audits in FY 1997, FY 1996 audits having been funded from the Inspector General's OE account. This

is largely offset, however, by the reduction in other general costs, primarily from the one-time outplacement requirements in FY 1996 due to the reduction in force.

**Operation and Maintenance of Facilities - Increase of \$0.4 million**

This increase reflects general price increases worldwide for operation and maintenance of buildings.

**Operation and Maintenance of Equipment and Storage - Decrease of \$1.6 million**

This reduction is primarily related to ADP and telephone related costs for the new headquarters building, most of which will have been incurred in FY 1996.

**Supplies and Materials - Decrease of \$0.3 million**

This reflects reduced requirements resulting from lower staff levels worldwide.

**Purchase of Equipment - Decrease of \$2.4 million**

This reduction is due, in part, to reduced worldwide staffing. However, there will be an increase in ADP-related equipment associated with the new headquarters building, primarily security-related items, offset by the one-time purchase of new furniture and equipment for the new building.

**Lands and Structures - Decrease of \$9.1 million**

This reflects completion of the new office building in Egypt (\$5.6 million), various acquisitions in Africa (\$1.5 million) and completion of work on the new consolidated headquarters building.

**Grants, Subsidies, and Contributions - Decrease of \$0.5 million**

With the reduction in overseas staffing, USAID will be reducing its contribution to the Department of State's Office of Overseas Schools. This contribution is made to improve the quality of education available for dependents of USAID employees stationed overseas.

**Claims and Indemnities - No Change**

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)	39,968	39,776	32,165
Local Currency Trust Funds (Real Property)		11,535	4,900
Program Funds Used for OE	873	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	571,824	<u>578,565</u>	<u>547,065</u>
 Total Obligations excluding Real Property	 571,824	 567,030	 542,165

U.S. Agency for International Development

OCC	Description	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	108,852	63,755	172,607	105,077	63,481	168,558	98,319	60,072	158,391
	Foreign National Direct Hire		11,532	11,532		11,219	11,219		10,257	10,257
	Sub-Total	108,852	75,287	184,139	105,077	74,700	179,777	98,319	70,329	168,648
11.3	Compensation, other than full-time permanent									
	U.S. Direct Hire	4,765	1,536	6,301	3,995	1,556	5,551	3,772	1,479	5,251
11.5	Other personnel compensation									
	U.S. Direct Hire	656	8,399	9,055	573	8,849	9,422	550	8,285	8,835
	Foreign National Direct Hire		162	162		141	141		128	128
	Sub-Total	656	8,561	9,217	573	8,990	9,563	550	8,413	8,963
11.8	Special personal services payments									
	US PSCs		12,569	12,569		12,820	12,820		10,791	10,791
	FSN PSCs		50,300	50,300		47,265	47,265		43,444	43,444
	Other personnel	308		308	208		208	208		208
	Sub-Total	308	62,869	63,177	208	60,085	60,293	208	54,235	54,443
	<b>Total Compensation</b>	114,581	148,253	262,834	109,853	145,331	255,184	102,849	134,456	237,305
12.1	Personnel benefits									
	U.S. Direct Hire:									
	Retirement Costs	17,389	14,327	31,716	16,099	13,812	29,911	15,335	13,152	28,487
	Health and Life Insurance	4,417	2,711	7,128	4,286	2,690	6,976	3,998	2,529	6,527
	Education Allowances		6,381	6,381		5,981	5,981		5,285	5,285
	Other Benefits	677	2,510	3,187	899	2,401	3,300	926	2,556	3,482
	Employee Compensation Claims *	1,873	1,097	2,970	1,879	1,135	3,014	1,775	1,085	2,860
	Foreign National Direct Hire:									
	Payments to FSN Separation Fund		1,119	1,119		1,023	1,023		935	935
	Retirement and other Benefits		1,080	1,080		991	991		907	907
	Foreign National PSCs:									
	Payments to FSN Separation Fund		1,502	1,502		1,384	1,384		1,263	1,263
	Sub-Total	24,356	30,727	55,083	23,163	29,417	52,580	22,034	27,712	49,746

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Dollars in Thousands

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OCC	Description	FY 95 Act.			FY 96 Est.			FY 97 Req.		
		Hq.	Field	Total	Hq.	Field	Total	Hq.	Field	Total
13.1	Benefits for Former Personnel									
	U.S. Direct Hire		27	27						
	FSN Direct Hire		373	373		1,280	1,280		779	779
	FSN PSCs					4,327	4,327		3,601	3,601
	Sub-Total		400	400		5,607	5,607		4,380	4,380
	<b>Total Salaries and Benefits</b>	138,937	179,380	318,317	133,016	180,355	313,371	124,883	166,548	291,431
21.0	Travel and Transportation of Persons									
	Operational Travel	5,176	8,448	13,624	4,658	7,937	12,595	4,192	7,540	11,732
	Mandatory/Statutory Travel	853	6,908	7,761	2,108	6,192	8,300	3,176	6,125	9,301
	Training Travel	382	2,760	3,142	1,421	2,340	3,761	438	2,223	2,661
	Sub-Total	6,411	18,116	24,527	8,187	16,469	24,656	7,806	15,888	23,694
22.0	Transportation of Things									
	Post Assignment/Home Leave Freight		10,369	10,369		8,879	8,879		8,573	8,573
	Shipment of Furniture and Equipment	83	3,470	3,553	91	3,136	3,227	97	3,135	3,232
	Sub-Total	83	13,839	13,922	91	12,015	12,106	97	11,708	11,805
	<b>Total Travel and Transportation</b>	6,494	31,955	38,449	8,278	28,484	36,762	7,903	27,596	35,499
23.1	Rental Payments to GSA	8,043		8,043	8,016		8,016	24,868		24,868
23.2	Rental Payments to Others	11,885	31,978	43,863	12,501	32,688	45,189	5,905	31,484	37,389
	Sub-Total Rental Payments	19,928	31,978	51,906	20,517	32,688	53,205	30,773	31,484	62,257
23.3	Communications, Utilities, and Misc. Charges									
	Office and Residential Utilities		7,163	7,163		7,267	7,267		7,472	7,472
	Telephone Costs	4,267	5,736	10,003	9,968	5,854	15,822	7,573	6,030	13,603
	Other Miscellaneous	971		971	1,015		1,015	1,712		1,712
	Sub-Total	5,238	12,899	18,137	10,983	13,121	24,104	9,285	13,502	22,787
	<b>Total Rent, Communications, and Utilities</b>	25,166	44,877	70,043	31,500	45,809	77,309	40,058	44,986	85,044

Dollars in Thousands

U.S. Agency for International Development

OCC	Description	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>	852	29	881	935	29	964	967	29	996
25.1	<b>Advisory and Assistance Services:</b>	656	1,424	2,080	676	1,412	2,088	676	1,412	2,088
25.2	<b>Other Services</b>									
	Office and Residential Security Guards		5,910	5,910		5,980	5,980	2,863	6,601	9,464
	Staff Training	4,664	318	4,982	3,512	522	4,034	2,585	538	3,123
	ADP Systems Design/Analysis	15,533		15,533	12,073		12,073	6,061		6,061
	ADP Systems Maintenance	3,021	61	3,082	3,686	117	3,803	3,249	108	3,357
	Other ADP Support Costs	8,611		8,611	9,195		9,195	9,525		9,525
	Representation Allowances		91	91		95	95		95	95
	Official Residence Expenses		72	72		125	125		125	125
	Entertainment	4		4	5		5	5		5
	Other Miscellaneous	6,423	7,475	13,898	6,680	7,343	14,023	8,008	6,647	14,655
	<b>Sub-Total</b>	<b>38,256</b>	<b>13,927</b>	<b>52,183</b>	<b>35,151</b>	<b>14,182</b>	<b>49,333</b>	<b>32,296</b>	<b>14,114</b>	<b>46,410</b>
25.3	<b>Purchase of Goods and Services from Gov't. Accts.</b>									
	Foreign Affairs Administrative Support	2,375	15,465	17,840	2,446	15,429	17,875	2,495	15,247	17,742
	U.S. Dispatch Agent Fees		1,300	1,300		700	700		700	700
	DCAA Audits	1,524		1,524				1,019		1,019
	Other Services	636	300	936	1,442	447	1,889	748	458	1,206
	<b>Sub-Total</b>	<b>4,535</b>	<b>17,065</b>	<b>21,600</b>	<b>3,888</b>	<b>16,576</b>	<b>20,464</b>	<b>4,262</b>	<b>16,405</b>	<b>20,667</b>
25.4	<b>Operation and Maintenance of Facilities</b>	1,360	6,675	8,035	1,387	6,784	8,171	1,599	6,965	8,564
25.7	<b>Operation/Maintenance of Equipment &amp; Storage</b>									
	ADP and Telephone Systems	6,074	872	6,946	9,212	791	10,003	7,383	882	8,265
	Office & Residential Furniture and Equipment	92	2,119	2,211	75	2,173	2,248	76	2,238	2,314
	Storage of Effects		1,175	1,175		1,245	1,245		1,282	1,282
	Other Operations/Maintenance Costs	938		938	938		938	990		990
	<b>Sub-Total</b>	<b>7,104</b>	<b>4,166</b>	<b>11,270</b>	<b>10,225</b>	<b>4,209</b>	<b>14,434</b>	<b>8,449</b>	<b>4,402</b>	<b>12,851</b>
25.8	<b>Subsistence &amp; Support of Persons</b>	269		269	261		261	255		255
	<b>Total Contractual Services</b>	<b>52,180</b>	<b>43,257</b>	<b>95,437</b>	<b>51,588</b>	<b>43,163</b>	<b>94,751</b>	<b>47,537</b>	<b>43,298</b>	<b>90,835</b>

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Dollars in Thousands

**U.S. Agency for International Development**

OCC	Description	FY 95 Act.			FY 96 Est.			FY 97 Req.		
		Hq.	Field	Total	Hq.	Field	Total	Hq.	Field	Total
26.0	<b>Supplies and Materials</b>	1,554	8,775	10,329	1,517	8,057	9,574	1,792	7,506	9,298
31.0	<b>Purchase of Equipment</b>									
	ADP Hardware	14,826	10,562	25,388	1,896	8,702	10,598	5,505	8,613	14,118
	Other Office/Residential Furniture and Equip.	257	10,068	10,325	9,249	8,381	17,630	4,172	7,574	11,746
	<b>Sub-Total</b>	15,083	20,630	35,713	11,145	17,083	28,228	9,677	16,187	25,864
32.0	<b>Lands and Structures</b>	21	621	642	3,739	11,535	15,274	1,316	4,900	6,216
	<b>Total Acquisition of Assets</b>	15,104	21,251	36,355	14,884	28,618	43,502	10,993	21,087	32,080
41.0	<b>Grants, Subsidies and Contributions</b>		1,500	1,500		1,500	1,500		1,000	1,000
42.0	<b>Claims and Indemnities *</b>	323	190	513	524	316	840	547	335	882
	<b>Total Grants and Fixed Charges</b>	323	1,690	2,013	524	1,816	2,340	547	1,335	1,882
	<b>Total Costs</b>	<b>240,610</b>	<b>331,214</b>	<b>571,824</b>	<b>242,242</b>	<b>336,331</b>	<b>578,573</b>	<b>234,680</b>	<b>312,385</b>	<b>547,065</b>

\* Hq./Overseas distribution allocated on basis of USDH full-time compensation.

FY 96 and FY 97 figures will change once decisions on overseas restructuring and RIF are finalized.

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