U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Congressional Presentation
Fiscal Year 1998
ANNEX II

Asia and the Near East

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
FY 1998 CONGRESSIONAL PRESENTATION

ASIA AND THE NEAR EAST
ANNEX II

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ASIA AND NEAR EAST

FY 1998 Sustainable Development Request **$310,000,000**
FY 1998 Economic Support Fund Request **$2,264,000,000**
FY 1998 P.L. 480 Title II Request **$104,522,000**

INTRODUCTION

U.S. interest in the Asia and Near East (ANE) region ranks among the top in the world due to the importance of promoting peace and stability in the Middle East and strengthening the development of countries in the Asia region, which is the fastest growing U.S. export market. For the United States, the ANE region poses great development challenges, but it can also yield substantial benefits. USAID's assistance program is a carefully targeted effort that focuses on measurable results and sustained benefits to enhance the interests of the United States.

U.S. NATIONAL INTERESTS

Securing Peace and Enhancing Trade

Two of the highest foreign policy priorities in the ANE region are promoting a comprehensive peace in the Middle East and strengthening trade and cooperation with Asia, the most dynamic and fastest-growing region in the world. In the Middle East, while the peace process requires U.S. leadership in the political arena, USAID plays a critical role in building regional stability and cooperation through economic growth. The equivalent of two million U.S. workers earn a living producing goods that are exported to the Asia region. As a group, Asia's developing countries constitute the fastest growing regional market for U.S. merchandise exports, expanding at over 15% per year. It is anticipated that U.S. trade with Asia will continue to expand dramatically, along with the number of U.S. jobs. However, continuing civil strife and human rights concerns in the ANE region could potentially undermine political and economic progress. Plus, the ANE region suffers from a variety of global problems -- such as endemic poverty and disease, environmental degradation, and rapid population growth -- that affect economic and democratic progress. USAID's program of assistance to the ANE region responds to these challenges with specialized and timely assistance that emphasizes impact and sustained benefits.

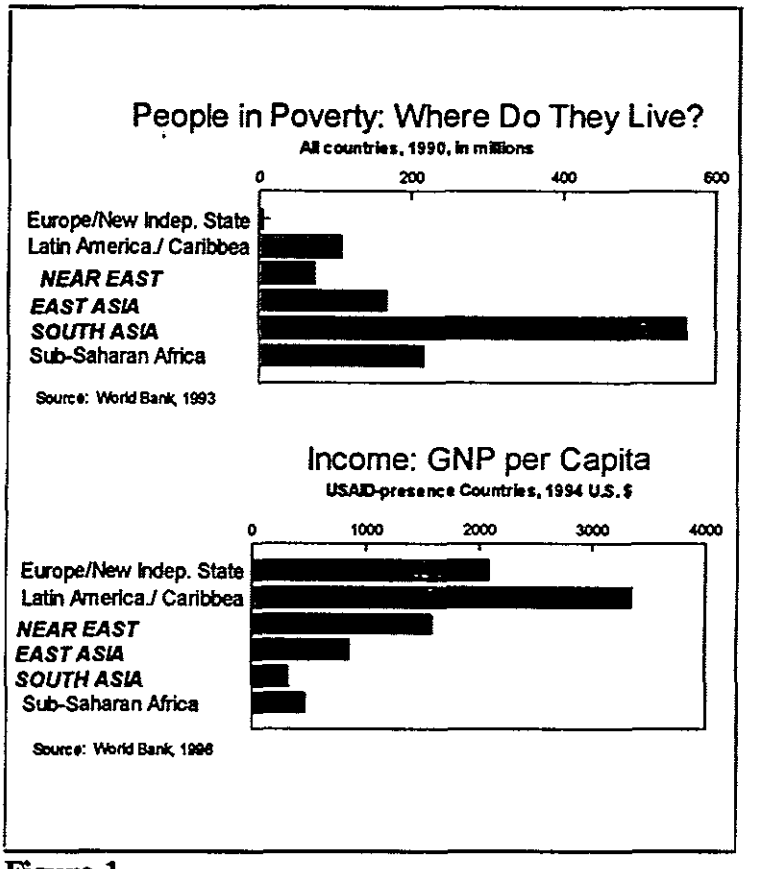

Figure 1

The U.S. Development Challenge

The goal of broadly shared economic growth underpins all USAID efforts in the ANE region. Such growth is essential if USAID partners are to sustain their development successes and increase their capacity to finance continued progress. 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 private sector linkages with the U.S. economy.

The ANE region has some of the poorest countries in the world, such as Bangladesh, Cambodia, India and Nepal. The populations of USAID-assisted countries in the ANE region, which total two 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. If left unchecked, the sheer magnitude of poverty in the region alone could cripple political systems and economic infrastructure, induce mass migration and further damage the environment.

The region's enormous political diversity also influences USAID's assistance programs. There are long-standing democracies (India, Sri Lanka and Israel), nascent democracies (Bangladesh, Nepal and Mongolia), and others that are beginning to grapple with the participatory aspirations of their peoples (Indonesia and Egypt). Political systems are changing throughout the ANE region. In Morocco and Jordan, monarchies are liberalizing. In Cambodia and Mongolia, democratic transitions are emerging. And in the West Bank and Gaza, government branches are evolving. Within this range of political systems, USAID promotes pluralism in societies, transparency and accountability in governments and private institutions, and 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 in the region through closer coordination with other donors and targeting of technical assistance. Good examples of recent donor coordination include shared funding of human immunodeficiency and acquired immunodeficiency syndrome (HIV/AIDS) interventions in Indonesia and the Philippines under the Japan-USA Common Agenda, and joint funding of contraceptives with the World Bank in Bangladesh. Increasingly, USAID is pursuing joint formulation and evaluation missions with other donors and development partners to enhance ownership and to leverage funding.

USAID technical assistance that is leveraged with the resources of other partners achieves a greater impact than USAID could achieve acting alone. USAID's Integrated Pest Management program in Indonesia now serves as a model for replication throughout the world. Funding in Indonesia has now been picked up by the United Nations Food and Agriculture Organization (FAO) and the World Bank, and they are supporting similar programs in other countries. 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 has also opened the way for large U.S. private investments in power generation, by improving the policy and institutional environment for investment in the private sector. USAID's approach to improving the efficiency of water resources in irrigation in one area of Morocco is being replicated in nine additional areas under a $365 million World Bank loan.

ACHIEVING RESULTS

The ANE program supports five key priorities:

- securing comprehensive peace in the Middle East;
- strengthening trade and technology links;

- addressing global issues affecting regional stability and economic development (e.g., rapid population growth, HIV/AIDS, and environmental degradation);
- strengthening democratic participation and governance; and
- reducing gender disparities.

Progress in Securing Peace in the Middle East

The United States provides global leadership to the Middle East peace process, and USAID is making significant contributions. The U.S.-Egyptian Partnership for Economic Growth and Development, launched by Vice President Gore and Egypt's President Mubarak in September 1994, is targeting economic growth and job creation in Egypt, as well as economic and commercial ties with the United States. USAID's leadership has focused the combined efforts of the U.S. Government and the private sector to promote increased export-oriented economic growth and help Egypt emerge as an economic base for regional trade. The success of the November 1996 Cairo Economic Conference is testimony to the growing economic linkages between Israel, its Arab neighbors and the United States.

USAID 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 maintain health and education services and to facilitate the transition of key social services to the Palestinians. USAID also helped: create jobs through loans to small businesses; facilitate the development of industrial zones; upgrade water systems in Rafah, Nablus, Hebron, Ramallah and 21 West Bank villages; lay the groundwork for potable water systems that serve 270,000 Palestinians; and reduce sewage flooding in Gaza City.

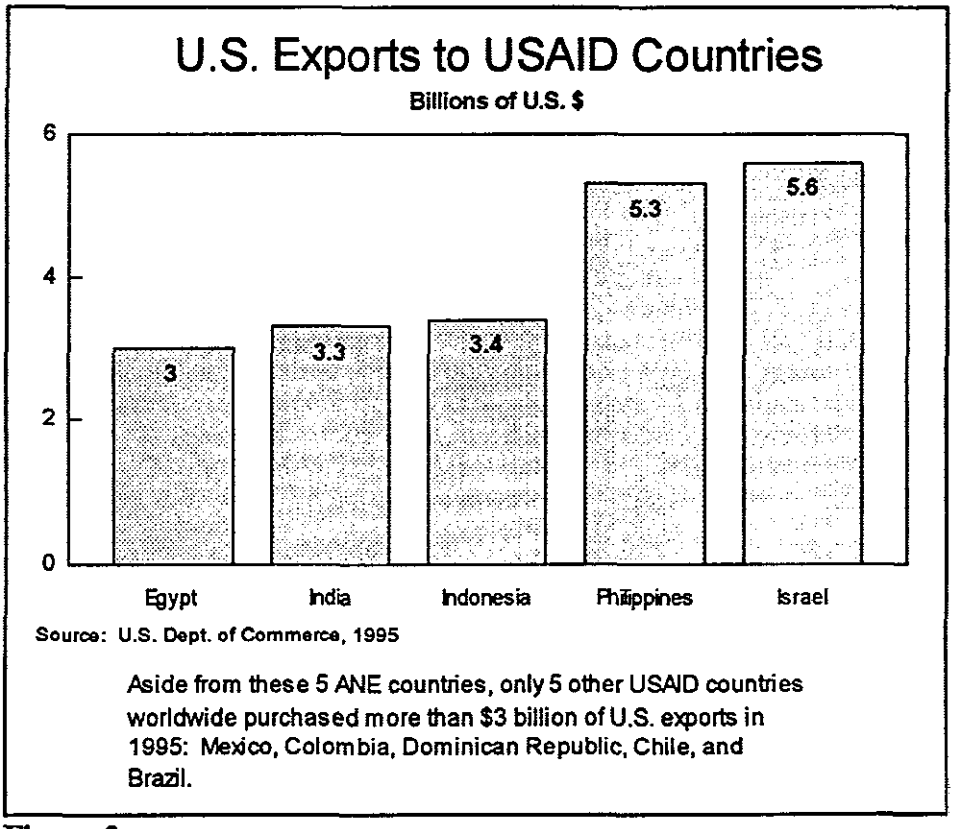

Figure 2

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 -- purchased $3 billion or more of U.S. goods in 1995 (see Figure 2). These countries also received $1.6 billion in U.S. foreign direct investment in 1995, and U.S. investors received $2.8 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. exports of all kinds, including agricultural products, and environmental, telecommunications and energy technologies.

Most ANE countries have been lowering both tariffs and non-tariff barriers to imports, many with USAID assistance. For example, USAID provided assistance to Indonesia and the Philippines, two key members of the Asia-Pacific Economic Cooperation (APEC) forum, for the liberalization of trade and investment policies. APEC is the major forum for U.S. Government efforts to reform the trade and investment policies of countries in the Asia-Pacific region. This USAID assistance, complementing that of other donors and the two governments' own resolve, supported the analysis and adoption of trade reform packages in Indonesia and the Philippines. These reforms reduced the average tariff rates from 20% to 15% and committed both countries to a preannounced schedule of tariff reduction. These changes will reduce most tariffs to about 5% by 2004. Nevertheless, comparative tariff rates and import policy indicators demonstrate that these and other USAID-assisted countries in the ANE region still have more protectionist trade policies than do USAID countries in other rapidly developing regions. Therefore, considerable benefit for ANE countries and for U.S. exporters can be achieved by continued USAID efforts to liberalize trade regimes in ANE countries.

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 allocation. More financial resources are being channelled to the private sector. For example, funds raised on the capital markets of India, Indonesia and the Philippines doubled from 1993 to 1995, from about $5.5 billion to almost $11 billion. In India, USAID was instrumental in establishing the automated National Stock Exchange, which has become the country'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 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, with shares sold on both the Jakarta and New York stock exchanges. And U.S. merchandise 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 microenterprise credit, agriculture and agribusiness, 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. USAID micro-finance programs in ANE are among the most successful in terms of scale, profit and targeting of the poor. Sri Lanka, Bangladesh and Egypt, among other ANE countries, have vibrant and successful microenterprise credit programs. Since 1992, USAID support in Bangladesh has helped generate more than 70,000 jobs and increase the incomes of almost 30,000 poor women; and USAID's microenterprise program in Egypt, which has provided small loans to over 42,000 small and microenterprises since its inception in 1989, has been replicated by other donors. Also, a USAID-supported rural electrification program in Bangladesh installed 44,000 irrigation pumps and established 160,000 small rural businesses. USAID investments in infrastructure and improved agribusiness systems in Mindanao, one of the poorest regions in the Philippines, have increased family incomes in southern Mindanao by twice the national average, and were credited with helping to bring an end to the 25-year insurgency. Bangladesh, heavily dependent on food aid prior to 1992, never commercially imported significant amounts of grain. However, 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 Addressing Global Issues: Population, Health and Environmental Problems

USAID encourages an integrated approach to working on global problems, involving linkages among sectors and development partners. Therefore, in dealing with population and health issues, USAID supports mechanisms that facilitate investments in education, family planning, health and nutrition. The success USAID had in reducing population growth directly reduces pressures on the environment. Likewise, many USAID programs link environmental management 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 countries of the world. USAID investments over the past decades have improved delivery of family planning services in ANE countries, offering couples a wider range of contraceptive methods and providers of services, empowered couples to make informed and safer decisions regarding their family size, and convinced governments of the importance of meeting needs for family planning and reproductive health services. The proportion of couples using safe modern contraceptives has steadily increased in USAID-assisted countries, particularly in Egypt (46%), Morocco (36%), Indonesia (52%) and Bangladesh (36%). Couples are increasingly seeking contraceptives from the private sector, including physicians and pharmacies. USAID investments to engage the private sector and utilize social marketing strategies have been successful in increasing the private sector's share of the reproductive health market. For example, 68% of married couples using contraceptives in Egypt currently seek them from private sector sources.

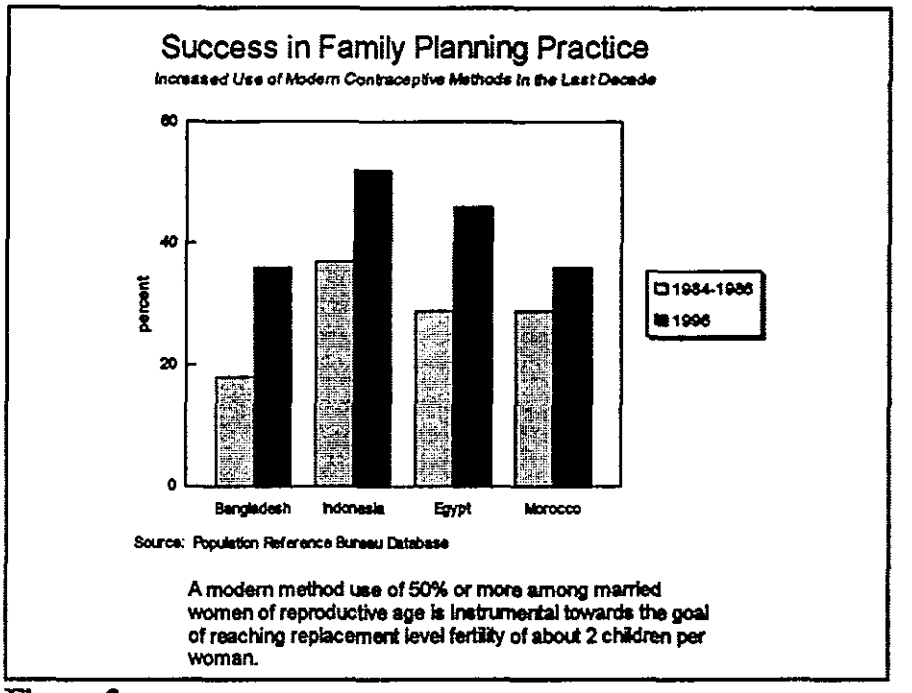

Figure 3

USAID's child survival program has been vital in preventing childhood deaths and illness globally. Today, nearly 80% of infants are vaccinated with three doses of diptheria, pertussis and tetanus (DPT) by their first birthday, compared with 44% 10 years ago. Millions of children have been saved from dying from acute respiratory infections, tetanus, measles and other preventable childhood diseases. In the ANE region, infant and child mortality and morbidity rates are continuing to decline sharply as a result of sustained child survival initiatives. For example, in Cambodia, vitamin A is being provided yearly to 85%-90% of children in targeted areas, averting about 13,000 deaths per year and decreasing night blindness by 50%. In the Philippines and Egypt, 72% and 79%, respectively, of all children are fully vaccinated against six childhood diseases before they are two years old.

Women's health is being given greater emphasis in the region. Goals have been set lowering maternal mortality and morbidity rates, which are alarmingly high in countries like Nepal and Bangladesh with estimated rates of over 500 deaths per 100,000 live births. The 1994 Cairo Population and Development Conference was catalytic in increasing awareness and the need for action among governments and donors to improve women's health, along with reducing fertility and improving child health. In most ANE countries, the majority of deliveries still occur at home, with significant numbers

of women at high risk of death or debilitating illness from giving birth because of their young age, poor health or lack of medical support. Examples of interventions that have proved successful in alleviating these problems include: in the Philippines, 80% of pregnant women receive antenatal care from a health professional and more than 50% of births are attended by a doctor, nurse or midwife; in Bangladesh, younger women are not only having fewer children (average is 3.4), they are also spacing their births less closely; in Nepal, an inexpensive home delivery kit, developed with USAID help, is now being used in 20% of all home deliveries.

More than 50% of the world's new HIV/AIDS infections occur in Asia. Back in 1995, Asia overtook Africa as the global epicenter of the AIDS pandemic (see Fig. 4), with over 2.5 million new HIV infections. India alone is expected to have 10 million cumulative infections by the year 2000. Epidemiological surveillance remains inadequate in Asia, especially in those countries where governments have not yet recognized and addressed the seriousness of the rapid spread of HIV. USAID has responded through bilateral agreements and a major regional program that focus on increasing access to and use of condoms, improving knowledge and practice of HIV and other sexually transmitted infection (STI) risk-reduction behavior, promoting better STI case management, addressing cross-border transmission, and assistance to involved organizations in countries where USAID does not have a field mission. A 1996 evaluation of the regional effort found that the interventions were critical in facilitating the start-up of HIV/AIDS prevention programs in countries like Indonesia, Cambodia and Nepal. In Thailand and the Philippines, major government commitment to and programs for HIV/AIDS prevention have resulted in declining numbers of new HIV cases.

NEPAL AND CHILD SURVIVAL: THE JUMLA TIMER

Acute respiratory infections, especially pneumonia, kill the largest number of young children in developing countries. In Jumla, a remote district, pneumonia was the leading cause of death among infants. On average, death occurred within 3-1/2 days of the first symptoms, stressing the importance of early diagnosis. USAID developed a simple prototype device, the "Jumla timer," which beeped every 30 seconds so that health workers can correctly measure a sick child's breathing. Mothers were taught how to treat children with a low-cost syrup antibiotic. This intervention was able to reduce the number of children's deaths by 28%. World Health Organization and United Nations Children Fund have adopted the Jumla timer for mass production and worldwide use.

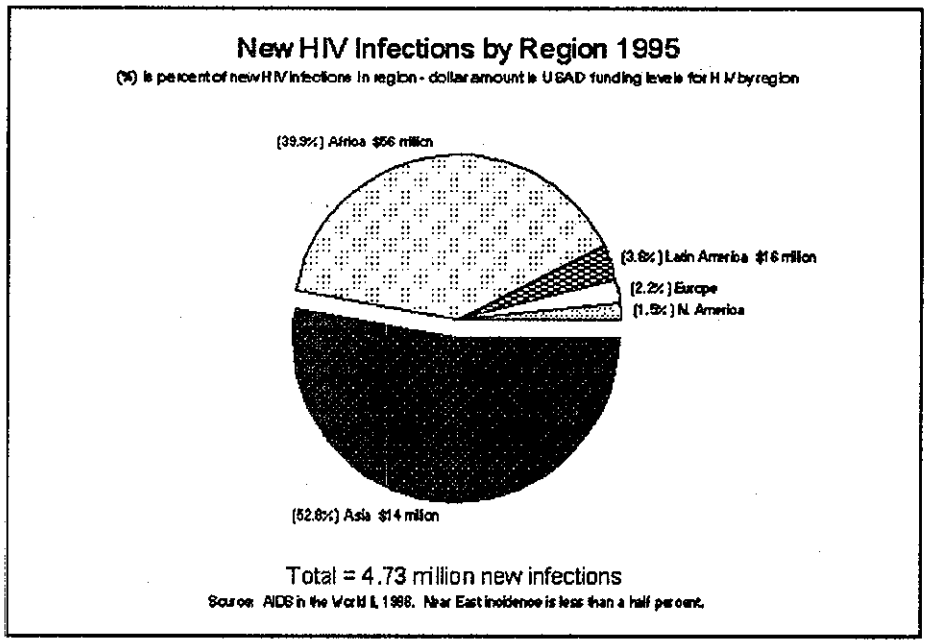

Figure 4

The ANE region faces a variety of environmental challenges that imperil the sustainability of its rapid economic and social development. These challenges include: deforestation; depletion and degradation of coastal and marine resources and biodiversity; a shortage of clean energy sources; global climate change; industrial pollution; and a shortage of urban infrastructure. USAID programs in these areas focus on developing solutions that yield economic, public health, environmental and democratic benefits.

USAID and its partners have spearheaded a new approach to forest, coastal resources and biodiversity conservation, by promoting decentralized, community-based, natural resources management. This approach aims at linking income generation and public input into decision making to the conservation and sustainable use of biological resources. With USAID leadership, precedent-setting new laws and policies to promote this approach have been adopted in the Philippines, Indonesia, Nepal and India. Forest areas under community management have increased in the Philippines from 19,600 to 69,000 hectares in 1996, plus an additional 148,000 hectares are now protected under indigenous community resource rights agreements. In Indonesia, USAID helped establish a new park to protect one of the world's premier coral reefs with the cooperation of the local community, which is allowed to continue to live inside the park and share in its benefits. USAID's assistance is now expanding to community management of the coastal areas outside of parks.

To reduce global greenhouse gas emissions, USAID works to enhance efficiency in energy production and use and to develop cleaner and renewable energy sources. (USAID programs to improve forest management also serve to prevent greenhouse gases from being released.) Two of the top 10 greenhouse gas emitting countries in the world are within the ANE region (Figure 5). USAID assistance led to the construction of India's first private coal-washing facility. In the Philippines, USAID assistance is accelerating the development of offshore natural gas deposits, which will release half as much carbon dioxide as coal when burned. In Indonesia, USAID is revising regulations to facilitate the adoption of clean renewable energy.

In the past year, the Philippines was added to the list of countries testing incentive systems for industrial pollution reduction. Voluntary factory pollution audit programs in the Philippines, India, Indonesia, Sri Lanka, Jordan and Morocco have proven that they can make companies more profitable while polluting less. Also, new approaches are being developed to move this from the "retail" testing level to a broader, "wholesale" scale.

HOW BIODIVERSITY CONSERVATION CAN BE SUSTAINABLE

The USAID-funded Biodiversity Conservation Network (BCN) has initiated 11 demonstration projections in 7 Asian-Pacific countries to test the effectiveness of some innovative, on-the-ground projects that integrate conservation with social and economic development. BCN helps small businesses develop products from natural resources (e.g., resins, oils, medicinal compounds, nuts), using techniques that conserve the long-term sustainability of the natural eco-systems, so that these community businesses have an economic interest in continued sustainable management of the resources. The sites encompass 2.2 million hectares, with over 200,000 residents and 26 commercial enterprises that already employ 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.

In Egypt, the construction of sewage treatment plants continues, bringing service to millions more people. Seven provinces in Egypt now have authorized their water and wastewater utilities to become financially independent from the government, which will make them more sustainable and improve services. In Asia, the privatization of finance mechanisms for urban infrastructure (drinking water and wastewater treatment), pioneered in the Philippines, is being replicated in other countries such as Indonesia and India.

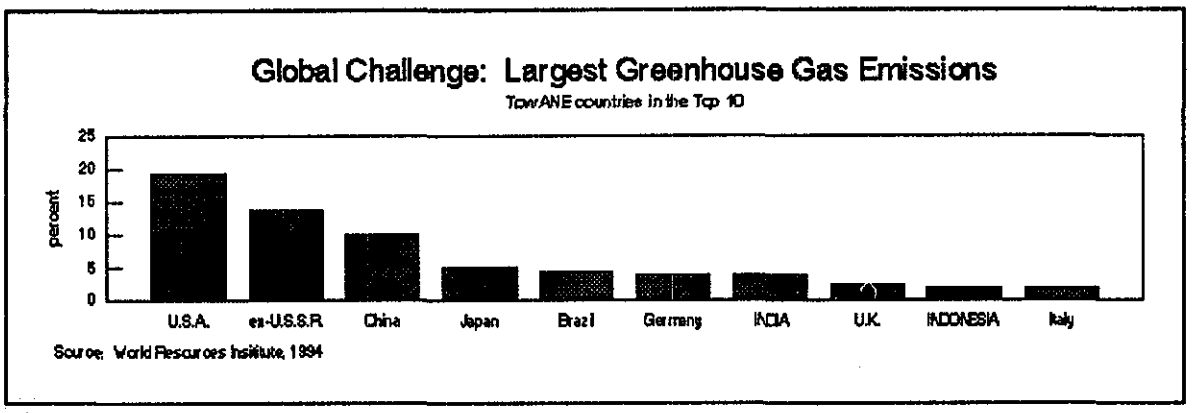

Figure 5

Water resource management is so vital that it often becomes political, destabilizing whole regions (e.g., the Middle East, potentially Indochina). USAID continues to promote the judicious use of water to reduce or prevent conflicts. Approaches used in the past to improve irrigation efficiency in Egypt and Nepal are now being replicated in Jordan and Morocco, by USAID as well as other donors such as the World Bank. Also, USAID has just begun a new initiative to resolve water conflicts in the Middle East.

Progress in Strengthening Democratic Participation and Governance

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

In Mongolia, USAID support for a multi-party system helped produce national elections that signaled a dramatic advance in the country's transition to democracy. A coalition of reform-minded, pro-democracy parties replaced -- by a large majority -- the party that had held power for 75 years. In addition, six of the seven women elected to Parliament have been trained through a USAID grant. Also, USAID work with civil society has greatly increased the number and capacity of nongovernmental organizations (NGOs) engaged in public policy advocacy and the monitoring of Parliament.

In Bangladesh, USAID assistance in voter awareness and registration helped prepare for fair and inclusive parliamentary elections in July 1996, which introduced a new government and ended the prolonged crisis. Voter turnout was over 70%, with 77% of women voting. USAID support for the Fair Election Monitoring Alliance of 184 local NGOs served to develop a local electoral observation capacity. At the local level, USAID piloted an alternate dispute resolution program that mediated 400 cases in 15 communities, and legal services reached 11,500 women.

The USAID program in Cambodia has focused on rebuilding the legal system devastated by genocide, civil war and foreign occupation. USAID assistance helped reform commercial and penal codes, develop a system of legal aid for the poor, and strengthen human rights groups. Also, USAID is helping Cambodia develop a code for communal elections to ensure a fair and competitive electoral process.

USAID programs continue to support rule of law and encourage democratic transitions in Indonesia. In 1995, USAID-supported NGOs pushed for reforms in such areas as labor regulation, alternative dispute resolution, environmental conservation and government adherence to Indonesian law and international human rights standards. A draft presidential decree to limit NGO autonomy was blocked by concerted NGO action. Since the July 1996 unrest, and despite a tougher government response to dissent, NGOs have continued to press for reforms. USAID has responded by programming nearly

80% of its planned FY 1996 obligations in Indonesia toward advocacy, human rights, rule of law and civil society.

In the Philippines, where previous USAID assistance laid the foundation for a strong civil society, the mushrooming of people's organizations and community associations now provides the constituency base for policy and legislative reforms. USAID is continuing assistance to the government's path-breaking effort to devolve political power and resources to the localities. The Anti-Sexual Harassment Bill was passed in 1995, partly through the advocacy of two USAID-funded NGOs.

Progress in Reducing Gender Disparities

The ANE region has the widest gender gap in the world. While women in all other regions of the world outlive men, life expectancy for women in South Asia is equal to or lower than men's life expectancy. Sixty-four percent of the women in South Asia are illiterate, compared to 35% of the men. Plus, over 50% of the women in North Africa and the Middle East are illiterate, compared to 28% of the men.

Education, literacy and women's empowerment are increasingly recognized as essential to reduce fertility and infant mortality, increase women's participation in the economy, increase efficient use of natural resources, and expand democracy. In Egypt, India and Morocco, USAID is initiating girls' education programs to redress widespread disparities, especially in rural areas. Studies of women's earning in Morocco concluded that a single additional year of schooling for a Moroccan woman would result in a 16% increase in yearly earnings. In Nepal, USAID-funded literacy programs have already increased the number of literate women from 22% in 1991 to 28% in 1995.

In Nepal, NGOs supported by USAID helped overturn the inheritance law that did not allow women to inherit property. In India, as a result of women's outcries following the Beijing Conference, USAID has begun activities aimed at reducing violence against women. In the Philippines, trade policies that increase exports and agribusiness production have helped raise the income of 2,050 women weavers by 30%. In Bangladesh, rural household income increased in 36,500 homes as a result of the Women's Enterprise Development Program. In addition, over three million eligible women voters were given basic voter education, using existing family planning networks to reach grass-roots women.

USAID's Women in Politics (WIP) program supports the political empowerment of women through a regional network and country-specific programs. The network has held regional workshops for developing strategies for putting gender issues on the national policy agenda and created a cross-cultural curriculum for training women political leaders. Interventions under this program were responsible for the creation of a coalition of women's NGOs for the election of women parliamentarians in Mongolia and for the high female voter turnout in Bangladesh. Of the 289 women who ran in Mongolia, two-thirds had received training and 109 were elected, increasing the share of female office-holders in these provinces from 1% to 14%. Also, through the WIP program, a regional dialogue was convened in Nepal in August 1996 to combat trafficking of women and the spread of HIV/AIDS. For its success in increasing the involvement of women in the political and judicial processes in the ANE region, the WIP program has been adopted as a worldwide Agency model.

PROGRAM AND MANAGEMENT CHALLENGES

Through support for policy and institutional reform, 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 the ANE region are based on a combination of the following factors: 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.

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.

Graduation and Sustainability

A focus on graduation and sustainability 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 initiates 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 host-country systems to produce policies, products, services and information that are sufficiently well-valued by the population so that enough national resources are committed to ensure their continuation.

USAID has further promoted sustainability by making it the focus of those ANE programs that have graduation strategies, such as population and health in Indonesia and Morocco, and economic growth in Indonesia. USAID's approach to graduation and sustainability in ANE follows four elements: clearly stated development results to be achieved; narrowed and refined objectives; a clear definition of sustainability; and a focus on new modalities of assistance.

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 United States forgave approximately $660 million of Jordanian debt in two tranches during 1994-95, with only a small amount of U.S. debt remaining.

FY 1998 PROGRAM

The total development assistance request for Asia and the Near East is $310,000,000. Economic growth activities account for $52,500,000, or 16.9%, of the total. About $61,500,000, or 19.8% will be invested in child survival interventions, girls' primary education, a highly focused HIV/AIDS program, and related health activities. Population and related health activities will continue to be the biggest global investment at $165,700,000, or 53.4%. 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 $69,100,000 (22.3%) and support activities that would prevent further environmental degradation. USAID democracy and governance activities, which focus on strengthening local institutions and organizations, total $22,700,000 (7.3%) .

Economic Support Funds, requested at $2,264,000,000, 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 $104,522,000 is proposed $4,880,000 for Afghanistan, $19,520,000 for Bangladesh and $80,122,000 for India.

ASIA AND NEAR EAST BUREAU
PROGRAM SUMMARY TABLE
($000)

COUNTRY	ENCOURAGING ECONOMIC GROWTH	STABILIZING POPULATION GROWTH AND PROTECTING HUMAN HEALTH	PROTECTING THE ENVIRONMENT	BUILDING DEMOCRACY	PROVIDING HUMANITARIAN ASSIST.	TOTAL
BANGLADESH						
DA	9,720	42,385	2,100	2,100	0	56,305
PL 480 Title II	0	0	0	0	19,520	19,520
CAMBODIA						
ESF	18,000	7,000	2,000	10,000	0	37,000
EGYPT						
ESF	620,000	49,000	122,000	24,000	0	815,000
INDIA						
DA	15,700	23,800	16,200	0	0	55,700
PL 480 Title II	0	0	0	0	80,122	80,122
INDONESIA						
DA	4,000	18,500	17,000	7,000	0	46,500
ISRAEL						
ESF	1,200,000	0	0	0	0	1,200,000
JORDAN						
DA	0	2,500	0	0	0	2,500
ESF	19,000	6,000	0	0	0	25,000
LEBANON						
ESF	7,000	0	2,000	2,000	1,000	12,000
MONGOLIA						
ESF	5,000	0	0	2,000	0	7,000
MOROCCO						
DA	5,500	7,672	2,500	0	0	15,672
NEPAL						
DA	3,610	16,805	2,200	500	0	23,115
PHILIPPINES						
DA	8,805	22,856	8,200	10,700	0	50,561
SRI LANKA						
DA	7,000	0	0	0	0	7,000
W. Bank/Gaza						
ESF	6,700	0	58,000	10,300	0	75,000

ANE REG.						
DA	2,365	27,982	1,900	1,400	0	33,647
ESF	85,000	0	0	8,000	0	93,000
USAEP	0	0	19,000	0	0	19,000
TOTAL						
DA	52,500	165,700	69,100	22,700	0	310,000
ESF	1,960,700	62,000	184,000	56,300	1,000	2,264,000
P.L.480 Title II	0	0	0	0	104,522	*104,522

* PL480 Title II program in ANE also includes $4,880,000 for Afghanistan.

Margaret Carpenter
Assistant Administrator
Bureau for Asia and Near East

BANGLADESH

FY 1998 Development Assistance	$56,305,000
FY 1998 P.L. 480 Title II	$19,520,000

Introduction

Bangladesh is one of South Asia's poorest, most populous democracies, with a solid record of good government economic performance. Bangladesh also has a good record of support for U.S. positions in international fora, including participation in international peacekeeping missions. U.S. development 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 in recent years. Surveys show the incidence of rural poverty has steadily decreased from 57% in 1989 to 48% in 1994. Contraceptive use continues to rise, 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 and 1996 parliamentary and 1992 local elections were generally considered free and fair. In addition, the new government elected in 1996 has reaffirmed its commitment to a focus on poverty reduction with social justice and other priority development issues, such as an open market economy and reductions in population growth.

USAID has played an important role in Bangladesh's recent achievements. In the agriculture sector, USAID efforts to promote home gardening and fish culture among poor rural families has greatly expanded many families' consumption of more nutritious foods and has allowed them to supplement their incomes by selling some of their surplus produce. USAID support to rural electrification has expanded access to low cost, dry season irrigation through the availability of private electrical pumps which, in turn, has greatly expanded the use of land previously out of production during the dry season. 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 and infant and child mortality rates. USAID's successes in health and family planning are now allowing a transition to a more self-sustaining development program. In the democracy sector, USAID assistance has enhanced the election process, 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

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before poverty levels can decline dramatically, allowing domestic production and trade to replace external assistance. Bangladesh has begun to make payments on approximately $700 million it owes to the United States for P.L. 480 Titles I and III food imports. These, as well as other external debts, will reduce the government's economic investments in the coming years.

Other Donors

In September 1996, USAID and the donor community pledged $1.9 billion 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 1998 Program

USAID's strategy for helping Bangladesh reach and maintain lower poverty levels continues to concentrate 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.

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 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

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). Evidence of further declines is expected when the next survey data are available in the spring of 1997. 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. Further declines are expected to be documented when the next survey data are available in the spring of 1997. USAID is contributing to these reductions through support for childhood and maternal vaccinations, child spacing and family planning, and promotion of oral rehydration salts. By early 1996, 64% of urban infants had been completely vaccinated, up from only 5% in 1986. The Social Marketing Company (SMC), a USAID-funded program, has increased its commercial sales of oral rehydration salts packets to 34.7 million by the end of 1996, up from 4 million in 1986, and plans to be fully self-reliant in the marketing of these packets by 2000. SMC activities were seriously affected by the civil unrest in early 1996 but are expected to achieve their original growth pace by 1998. In addition to policy dialogue programs, USAID has completed baseline surveys, conducted training and developed an information 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. SMC has increased its cost recovery for the marketing of contraceptives and oral rehydration salts from 52% in 1992 to 74% 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% by the end of 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. Progress in the population and health sector to date will be consolidated and future challenges, including financial sustainability, will be addressed in a major new program which is being designed in FY 1997.

Agency Goal: Encouraging Broad-based Economic Growth

With half of its population undernourished, food security is a second major constraint to 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

Per capita GDP increased by 2.4% to around $230 in 1995, while industrial employment grew by 8.7% in the same year. This progress in increasing per capita income and employment is significantly related to the stabilization and structural adjustment program implemented since 1991. USAID has contributed to growth in income and employment in part through 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; in 1991, 5,600 family members benefitted from the

production and consumption of more nutritious foods, while in 1995, this number had increased to 2,270,000. USAID assistance, including P.L. 480 Title II agricultural resources, has made 5,200 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. As a result of USAID support for rural electricity, at least 178,000 small rural businesses have generated employment and incomes for at least 5,000,000 people, and at least 45,700 electric irrigation pumps have allowed expanded use of land previously out of production during the dry season therefore increased agricultural productivity. 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 1.7 million poor primary school students; these resources not only feed many poor families but also allow their children to remain in school. The USAID agribusiness program is assisting banks and other finance institutions to improve lending procedures and practices; through a variety of analyses prepared and discussed with the Government of Bangladesh (GOB), this program is also resulting in a number of reductions in constraints on production, trade and exports. 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 over $3 million in new investments, 1,700 new jobs and $5.8 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. The success of these disaster preparedness programs was demonstrated during a May 1996 tornado when 20,000 affected individuals received rapid and appropriate USAID assistance.

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

Through a series of surveys of poor Bangladeshis, USAID has identified transparency and accountability of local elected bodies and access to more equitable justice as the democracy concerns of most importance. Poor Bangladeshis expect government to be fair and equitable in the distribution of public resources and in the administration of justice but feel a widespread lack of 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 greater influence over the decisions that affect them. They emphasize that it is local institutions -- both formal and informal -- that affect them most directly and where they would most like to see positive change. USAID's strategy thus focuses primarily on the local level.

- Strategic Objective 7: Enhanced Participation in Local Decision Making

- Strategic Objective 8: More Accessible and Equitable Justice, Especially for Women

Among the short-term results USAID expects to achieve are: (1) a strengthening in the advocacy of the interests of the poor; (2) enhancing the quality of elections; (3) strengthening of 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; (5) an improvement in the quality of alternate dispute resolution; and (6) an increase in the capacity of garment workers to bargain collectively.

Widespread strikes by the opposition parties in early 1996 led to the resignation of the Government followed by Parliamentary elections in June 1996. The election turnout was unprecedented, with over

73% of the voting public (of whom over 50% were women) exercising their franchise in the 1996 elections. Our challenge will be to capitalize on this high level of participation for USAID funded activities.

Public Interest Litigation (PIL) activities also commenced in 1996. Through the efforts of a USAID funded sub-grantee, the Bangladeshi High Court ruled, in a case of first impression, that a public-interest organization may represent a group of citizens in a class-action law suit. The court's decision will permit civic minded legal groups to file cases on behalf of certain classes of citizens, including the poor.

In the coming year, USAID will increase its activity interactions with local elected bodies. Both poor customers and implementation partners see the need to improve the responsiveness of local government. In the past, efforts to affect the work of local government has been in the realm of the national Government, rather than civil society. As citizen participation and demand for better services from the local government increases, civil society organizations have become more willing to interact with local councils to improve their responsiveness to the poor. With local elections scheduled throughout 1997, USAID anticipates increased campaign management training of the poor, increased numbers of the poor elected to local councils, and ongoing skills development of those elected.

USAID also anticipates a dramatic increase in legal awareness activities. At USAID urging, a Legal Awareness Forum of more than 20 NGOs has been formed that will begin joint legal awareness activities in 1997. By coordinating activities and material development, greater numbers of the poor, especially women, should receive improved information regarding their legal rights.

BANGLADESH
FY 1998 PROGRAM SUMMARY
($000)

	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
USAID Strategic Objectives						
1. Use of Modern Contraceptives by Eligible Couples Increased DA		$20,464				$20,464
2. Use of High-Impact Maternal and Child Health (MCH) Services Increased DA		$10,000				$10,000
3. Institutional, Programmatic, and Financial Sustainability of Family Planning and MCH Programs Enhanced DA		$8,356				$8,356
4. Diets of the Poor Nutritionally Enhanced DA	$1,000	$3,565	$1,000			$5,365
5. Agricultural Productivity per Hectare Increased DA PL 480 Title II	$2,600		$1,100		$19,520	$3,700 $19,520
6. Rural household income increased DA	$6,120					$6,120
7. Enhanced Participation in Local Decision Making DA				$1,200		$1,200
8. More Accessible and Equitable Justice, Especially for Women DA				$900		$900
Total Development Assistance P.L. 480 Title II	$9,720	$42,385	$2,100	$2,100	-0- 19,520	$56,305 19,520

USAID Mission Director: Richard Brown

ACTIVITY DATA SHEET

PROGRAM: BANGLADESH
TITLE AND NUMBER: *Use of Modern Contraceptives by Eligible Couples Increased,* 388-SOO1
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $19,964,000 DA/Population; $500,000 DA/Health
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 (GOB), the World Bank, the United Nations 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. Further declines are expected to be documented when the next survey information becomes available in April 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 GOB 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.

Major Results Indicators:	Baseline	Target
Contraceptive Prevalence Rate (CPR) - All Methods Increased	30% (1986/87)[1]	50% (1997)
Contraceptive Prevalence Rate (CPR) - Modern Methods Increased	23% (1986/87)[1]	43% (1997)

Source : Demographic Health Survey

ACTIVITY DATA SHEET

PROGRAM: BANGLADESH
TITLE AND NUMBER: Use of High Impact Maternal and Child Health Services Increased, 388-SOO2
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $ 10,000 DA/Health
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 64% in 1995. Private sales of ORS packets rose from four million in 1986 to 34.7 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. Documentation of continued reductions in these trends is expected when the next survey's results are available in April 1997.

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 (GOB) 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, or 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.

Major Results Indicators:	Baseline	Target	
Infant mortality per 1,000 live births	128 (1986/87)[1]	83	(1997)
Child mortality per 1,000 children under 5 years	168 (1986/87)[1]	120	(1997)
Percentage of urban infants fully vaccinated by 1 year	5 (1986/87)[2]	75	(1997)
Private sector sales of ORT packets (in millions)	4 (1986/87)[3]	35	(1997)

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 1998: $8,356,000 DA/Population
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. 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 74% 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 (GOB) 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 benefit from 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.

Major Results Indicators:	Baseline		Target	
Percent of Overall Recurrent Costs of the Family Planning Program Funded by Donors Reduced	70%	(1993)[1]	60%	(1997)
Percent of Aggregate Costs of USAID Funded NGOs Covered by Program-Generated Revenues Increased	3%	(1991)[2]	9%	(1997)
Local Government and Community Contribution to the Family Planning Program Increased	0%	(1986/87)[2]	20%	(1997)
Percentage of Social Marketing Company Operating Costs Covered by Program-Generated Funds Increased	24%	(1986/87)[2]	90%	(1997)

1. Source: GOB Financial and Planning Reports

2. Source: Project Reports

ACTIVITY DATA SHEET

PROGRAM: BANGLADESH
TITLE AND NUMBER: Diets of the Poor Nutritionally Enhanced, 388-SOO4
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $3,565,000 DA/Health; $1,000,000 DA/Econ. Growth; $1,000,000 DA/Environment
INITIAL OBLIGATION: FY 1996; **ESTIMATED COMPLETION DATE:** FY2002

Purpose: To nutritionally enhance the diets of the poor.

Background: Bangladesh has the highest child malnutrition rates in the world, with two-thirds of all 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 (GOB) 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 GOB has reoriented its large public food system away from competing with 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 home gardening and fish culture activities which are allowing over 2.3 million poor people to produce and consume more nutritious foods. These and other nutrition-related activites have lead to a decline in stunting, a measure of long-term nutritional deprivation, from 71.4% of Bangladeshi children in 1991 to 62.6% in 1995.

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 technical assistance programs with the GOB to provide foodgrains to the poor and to help better orient GOB 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. The one exception is the new combined GOB, 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 GOB, although traditionally USAID has taken the lead on food policy and on reorienting the public food system. The GOB 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 in partnership with one NGO, a private firm, and two public international organizations working with a network of NGOs.

Major Results Indicators:

	Baseline (1991)	Target (2000)
Wasting Decrease for children 6 - 59 months	14%	9%
Prevalence of Nightblindness Decreased for children 24-59 months	1.68%	1.00%

ACTIVITY DATA SHEET

PROGRAM: BANGLADESH
TITLE AND NUMBER: Agricultural Productivity per Hectare Increased, 388-SOO5
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998 : $ 2,600,000 DA/Econ. Growth; $1,100,000 DA/Environment; $19,520,000 PL 480 Title II
INITIAL OBLIGATION: FY 1996; **ESTIMATED COMPLETION DATE:** FY 2002

Purpose: To increase agricultural productivity per hectare.

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: USAID has supported improvements in agricultural productivity, through policy reform and technical innovation, through agricultural research, 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. Productivity in fisheries, vegetable production, livestock, forestry, and other high potential agricultural subsectors has grown rapidly over the past several years. Unfortunately, both drought and flooding in 1994, combined with GOB policy errors in the fertilizer sector in 1995, have lead to some declines in the rice sector in recent years; in spite of these set-backs, the prospects for long-term productivity growth in the rice sector remain strong.

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 (GOB), using Development Assistance and P.L. 480 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 GOB 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 GOB in expanding the rural electrification program for expansion of the use of electricity for irrigation pumps.

Host Country and Other Donors: The GOB, 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: A U.S. firm, a U.S. NGO, and a public international organization work in partnership with USAID and the GOB to implement this strategic objective.

Major results indicators:

	Baseline (1991)	Target (2000)
Value added in agriculture	Taka 193,421 million	Taka 255,322 milion

ACTIVITY DATA SHEET

PROGRAM: BANGLADESH
TITLE AND NUMBER: Real Household Income Increased, 388-SOO6
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $6,120,000 DA/Econ. Growth
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 $230, 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 has included the provision of technical assistance, training, and commodities to improve the (a) operating efficiencies of Bangladeshi financial institutions and private businesses; (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 7 million people now have access to safer shelters during times of disaster through nearly 5,200 kilometers of road reconstructed through USAID activities. Finally, 15 million people now have access to electricity which also has directly generated 5 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 in partnership with 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:

	Baseline		Target	
Per Capita GDP increased.	4,466	(1991)	6,227	(2000)
Industrial sector employment increased. (in millions)	4.6	(1989)	8.5	(2000)
Agricultural sector employment increased. (in millions)	21.3	(1989)	31.1	(2000)

ACTIVITY DATA SHEET

PROGRAM: BANGLADESH
TITLE AND NUMBER: Enhanced Participation in Local Decision Making, 388-SOO7
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $1,200,000 DA/Democracy
INITIAL OBLIGATION: FY 1996; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: To enhance participation in local decision making.

Background: During the spring of 1995, USAID conducted extensive interviews among the socially and economically disadvantaged people of Bangladesh to determine their democratic needs. These interviews revealed that the poor valued democratic participation highly but lacked effective means for making their interests known locally and for holding local officials accountable. This program supports activities: to strengthen the advocacy skills of local associations; to carry out voter education programs; to 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: USAID sponsored sub-grants for voter education, awareness, and election monitoring during the 1996 Parliamentary elections have been very successful in ensuring free and fair elections and in encouraging citizens to vote. The election turnout was unprecedented with over 73% of eligible voters (over 50% of whom were women) casting ballots in the 1996 elections, both records. The electorate, the GOB and the general public all credit massive NGO voter education efforts for this large turnout.

Public Interest Litigation (PIL) activities also commenced in 1996. Through the efforts of a USAID funded sub-grantee, the Bangladeshi High Court ruled, in a case of first impression, that a public-interest organization may represent a group of citizens in a class-action law suit. The Court's decision will permit civic minded legal groups to file cases on behalf of certain classes of citizens, including the poor.

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 include 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 GOB 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 to support 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:

	Baseline		Target	
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 1998: $900,000 DA/Democracy
INITIAL OBLIGATION: FY 1996; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: To make justice, especially for women, more accessible and equitable.

Background: During the spring of 1995, USAID/Bangladesh conducted extensive interviews among the socially and economically disadvantaged people 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 over 20 NGOs providing legal awareness training to form a network to jointly develop materials, coordinate activities and undertake nation-wide awareness programs. Because the legal knowledge gained through legal awareness programs often cannot be used due to the resistance of local elites, two NGOs have developed training programs that equip local human rights activists and legal workers to more effectively engage local elites on legal awareness issues.

Two NGOs that have received USAID assistance to train their own staff in Alternative Dispute Resolution (ADR) have established, with USAID assistance, training centers offering their knowledge and experience to other NGOs undertaking ADR activities. This is allowing improved ADR training on a nation-wide basis.

USAID supports the newly-formed Bangladesh Independent Garment-Workers Union (BIGU), the first independent, democratically organized union in Bangladesh with a membership of approximately 40,000 workers (90% of whom are women). Evening literacy classes and health clinics have been established in response to members' requests. BIGU is charging members a small fee for these services, generating income to pay recurring costs. Organizations such as BIGU contribute significantly to the development of a democratic civil society.

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 GOB 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:	Baseline	Target
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 1998 Economic Support Funds $37,000,000

Introduction

The United States national interest in Cambodia is defined through our commitment to support democracy and promote human rights, assist the nascent nation building process, deal with important global issues, and promote an enduring peace.

Cambodia is slowly emerging from one of humanity's most brutal episodes of social, political and economic destruction. Consequently, the country continues to be one of the world's poorest nations, lagging well behind its Southeast Asian neighbors in terms of key development indicators. The Government remains weak, and depends heavily on foreign assistance, which provides nearly half of its operating budget. Nevertheless, the increased stability of the region, in part brought on by Cambodia's move to democracy and market economics, is leading to expanded trade and investment opportunities, and to reduced tensions throughout this region.

Cambodia will have additional opportunity to reconfirm its commitment to democracy and the rule of law through local and national elections scheduled for 1997 and 1998 respectively. USAID, in partnership with other donors, is supporting the development of the new elections framework, and intends to help finance selected elections preparations depending on the identification of satisfactory and effective interventions and the anticipation of satisfactory progress.

The Development Challenge

While many of the other countries in East Asia have enjoyed three decades of growth and improvements in social welfare, Cambodia has been torn by strife and civil war. In this developing country of approximately 10.5 million people, per capita income is estimated at approximately $280 a year and infant mortality is 115 per 1,000. Life expectancy is 49 years, and literacy among adults is only about 35% (48% for males and 22% for females). These problems are compounded by HIV/AIDS, which is spreading rapidly and has the potential to become the most severe in Southeast Asia. In addition, decades of war and fratricide have left Cambodia with a population skewed in age and gender such that approximately 47% of the population is under 15 years of age and more than 55% of the adult population is female. This imbalance creates high dependency ratios, a source of instability. In addition, years of war and neglect have ravaged the physical infrastructure and sustained poverty, both of which have had a highly negative impact on human health and well-being. Productivity in agriculture and other sectors has declined for a number of reasons, principally poor rural infrastructure, landmines, restrictions on foreign investment, lack of inputs and information, and the absence of on-farm management skills. Cambodia is a country with natural resources suitable for rapid economic development, yet a lack of government legislation and enforcement, coupled with widespread corruption, 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 is believed to still have 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 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 East 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 resources. 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 resources necessary to support sustained development.

The Royal Cambodian Government (RCG) has combined donor resources with improved macroeconomic management to improve Cambodia's economic performance. Growth in 1995 accelerated to 7.6%, up from 4% in 1994 and 1993. Growth has been led by a rapid increase in investment. The investment rate rose from 9.4% of GDP in 1991 to 19% in 1994 and further to over 20.6% in 1995. The flow of external resources amounted to over 15% of GDP while savings amounted to only 5.3%. The fiscal deficit has been reduced as the RCG has improved its controls on expenditures. Revenues have increased, but have still fallen short of targets, primarily on account of lower than expected customs receipts and a shortfall in receipts from the auction of felled wood, royalties and fees from joint ventures and concessions; the International Monetary Fund has imposed restrictions on lending related to apparent corruption in this sector. Inflation declined from 18% in 1994 to 3.5% at the end of 1995, though it increased to around 7% percent in early 1996. The 1996 budget projected using increased revenue and containment of military expenditure to increase investment in health and education, but actual benefits from reduced military expenditures have fallen short of targets as the size of the army has increased. The RCG has begun providing incentives to increase the value-added component of exports. The medium-term outlook for the economy is good if donor inflows continue as projected. Real GDP is expected to grow at 7.0-7.5% in 1996 through 1998, and inflation is likely to be contained at around 7% based on the assumptions that weather conditions will be normal and that the government will continue to pursue sound macroeconomic policy in line with targets set jointly with the IMF.

Other Donors

Donor agencies and nations showed continued support for the nation-building process in Cambodia at the July 1996 Consultative Group meeting in Tokyo by pledging over $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, which together provide sizeable programs over a wide spectrum of development sectors. Major multilateral contributors include the Asian Development Bank, the IMF, and the World Bank.

FY 1998 Program

In FY 1998 USAID's program in Cambodia should formalize the beginning of its transition from one of emergency relief and rehabilitation to one building the foundations for sustainable development and economic growth. USAID's current strategy will be re-thought with an anticipated approach of moving toward a more focused development strategy aimed at having a longer term, sustainable impact on key areas of Cambodia's economic, political, and social development.

Agency Goal: Building Democracy

Strategic Objective 1: Strengthening Democratic Institutions

Consolidating democracy is widely recognized as 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. Donor resources have been essential to the growth and evolution of democracy in Cambodia by providing assistance to democratic institutions and processes, including elections, the judiciary, legal education, indigenous non-governmental organizations (NGO), and the National Assembly. USAID's resources will focus in two main areas, support for national elections in 1998 and longer-term support for the rule of law and respect for human rights.

National elections planned for 1998 are crucial for solidifying the democratic gains made thus far in Cambodia. USAID plans to take a leading role in supporting election monitoring, in voter education,

and in the provision of technical experts to the Ministry of Interior, to the electoral commission, and to NGOs involved in the election process. Limited commodity support may also be provided in collaboration with other donors. Through this assistance, USAID hopes to foster an electoral framework that supports free and fair elections and includes the participation of civil society; a viable, established electoral and elections monitoring system; and increased knowledge and awareness by the Cambodian public of election procedures and campaign issues.

Underpinning USAID's democracy and governance strategy in Cambodia are efforts to strengthen the rule of law and respect for human rights. At present, Cambodia's legal system is based on laws from the old pre-peace State of Cambodia, the UN support period and laws of the current government. Following the destruction of previous systems and the establishment of a fledgling democracy, an entirely new set of laws and regulations must be written, and there are few Cambodians who are qualified to undertake the task. Likewise, there are only a few lawyers and university graduates with any background in common law capable of working in a business community increasing its links with Association of Southeast Asian Nations (ASEAN) countries and others in the broader international market. At the provincial level, the court system is badly in need of rehabilitation, with only minimally trained judges, prosecutors and court administrators. The courts also are burdened by lack of independence from the Administrative branch and a reputation for corruption, incompetence, and lack of respect for human rights, especially toward women, minorities, and the poor. There is growing evidence, however, that the Cambodian government understands the requirements of a modern legal system and is taking steps toward necessary reform.

Agency Goal: Encouraging Broad-based Economic Growth

A. Strategic Objective 2: Implement and Strengthen Sustainable Rural Economic Growth

Rural Economic Growth. USAID's proposed strategy for Cambodia includes implementation of a new program, initially in three provinces of the Cambodian northwest, to raise household incomes through increased rice production. Expected results would also include environmentally sound infrastructure improvements to increase productivity, production, and market access; improved access to and utilization of appropriate agricultural inputs, technology, and financial services (e.g., micro-credit); and improved policies for agricultural development, environmental protection, and the maintenance of essential infrastructure. To help insure that Cambodia develops its natural resources in a sustainable fashion, USAID is also supporting adoption and implementation of a national environmental action plan (NEAP).

B. Strategic Objective 3: Improved Ability of Schools and Clusters to Support Quality Classroom Instruction.

Cambodia's tragic experiences of the last several decades have rendered its people among the poorest and least educated in the world. Coordinated and sustained assistance is needed to improve the human resource base, beginning at the primary level but reaching to the secondary and tertiary levels as well. At present the primary education system can be characterized as ineffective, inefficient, and, because of the low skill level of teachers, incapable of teaching Cambodia's children even basic skills. USAID is making a vital contribution to improving the foundation for economic growth in the future by upgrading the quality of classroom instruction at the primary level now, and by strengthening community involvement in the most populated areas of Cambodia through school "clusters." Projected results include improved quality of classroom instruction, better trained teachers, increased interaction between teachers, schools, and communities, and better, more appropriate primary education policies.

C. Special Objective 1: Humanitarian Needs of Targeted Vulnerable Groups Met.

This portion of USAID's program in Cambodia addresses the needs of vulnerable groups such as land-mine victims, orphans, the very poor, female heads-of-households, the internally-displaced, and the

mentally-ill. USAID provides services to these groups through international PVOs and NGOs, as well as by strengthening the technical and organizational capacities of local NGOs themselves to provide such assistance. Thanks to USAID's program, about 10,500 amputees have been fitted with prosthetic limbs and have received physical therapy; and 520 orphans and desperately poor teenagers are being trained in marketable skills such as engine repair, secretarial and computer skills, tailoring, and printing. Over 1,276 mentally-ill Cambodians have been successfully treated at a USAID-supported clinic in Siem Reap province, and 50 primary care physicians and medical assistants are being trained to recognize, diagnose, and treat mental health problems in patients they see around the country. To date, USAID has funded and trained 25 local NGOs that assist Cambodian communities in providing basic human services to rural and urban vulnerable groups.

Cambodia will be unable to support the costs of assisting its most vulnerable groups for many years to come, given their large numbers and the country's limited resources. Although statistics are unreliable, it is estimated that over 200,000 children in Cambodia are orphans, that 158,000 Cambodians are disabled, and that 2% of the population suffers from acute mental illness, with many more thought to suffer debilitating depression or anxiety disorders as a result of years of genocide and civil war. It is estimated that women heads-of-household--many of whom are abysmally poor--constitute 35% of the population. USAID, through its NGO and PVO partners, will continue to integrate vulnerable groups into our program wherever possible and to train local NGO and government staff to assume responsibility for the delivery of needed services in this area.

Agency Goal: Stabilizing Population Growth and Protecting Human Health

Strategic Objective 4: Improved Maternal Child Health

Cambodia's health sector statistics are among the worst in the world, and easily the worst of any country in southeast Asia. The impact of years of conflict is evident in infant mortality rates of 115/1,000, under-5 mortality at 181/1,000, and maternal mortality as high as 500/1,000. On top of this, HIV/AIDS is spreading rapidly, with approximately 100,000 Cambodians already recorded as being HIV positive. It is estimated that by the year 2000 there will be 12,000 people a year with full blown cases of AIDS, and that the cumulative number of AIDS cases will reach 40,000. Finally, there is a strong need for improvements in the delivery of family planning services. Unmet demand for birth spacing services, for example, is estimated at 75%. In the face of these statistics, both USAID and the RCG have targeted the health sector for priority attention. Building on experience gained through pilot programs with local NGOs, in USAID 1996 elaborated an integrated maternal-child health (MCH) strategy focused on reproductive health and child survival. The program includes interventions in birth spacing, STD/HIV prevention, safe motherhood, and the prevention of childhood diarrheal diseases and acute respiratory infections. Through this program USAID hopes to increase the public sector's leadership in providing quality MCH care, improving the human resource base of MCH service providers, and improving the management and distribution and needed commodities. The program targets an increase in modern method contraceptive prevalence to 17%, a reduction in infant mortality to 100/1,000, and a lowering of the under-5 mortality rate to below 155/1,000. USAID also seeks implementation of national-level policies and programs for birth spacing policy and HIV/AIDS testing and counseling.

Although birth spacing services have been available in Cambodia for only three years, dramatic successes have already been achieved. The contraceptive needs of some 85,000 Cambodian women are being addressed through USAID-funded programs. The USAID-supported condom social marketing program is widely viewed as the most effective intervention currently underway in the battle against HIV/AIDS. Prior to the launch of this program, total annual condom sales in Cambodia were between two and three million. In 1996 sales are estimated to reach 8.5 million, exceeding previously established targets by 500,000.

CAMBODIA
FY 1998 PROGRAM SUMMARY

Strategic Objective	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Health	Protecting the Environment	Building Democracy	Total
1. Strengthen democratic institutions				10,000,000	10,000,000
2. Strengthen sustainable rural economic growth	8,000,000		2,000,000		10,000,000
3. Improve schools' and clusters' ability to support quality classroom instruction	8,000,000				8,000,000
4. Improved Maternal Child Health		7,000,000			7,000,000
5. Meet humanitarian needs of vulnerable groups	2,000,000				2,000,000
Total (ESF)	18,000,000	7,000,000	2,000,000	10,000,000	37,000,000

USAID Director, Gordon H. West

ACTIVITY DATA SHEET

PROGRAM: Cambodia
TITLE AND NUMBER: Strengthen Democratic Institutions, 442-SO01
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998, $10,000,000 (ESF)
INITIAL OBLIGATION: FY 1995 ESTIMATED COMPLETION DATE: FY 2000

Purpose: To reinforce democratic gains by further strengthening the capabilities of public interest NGOs, processes, and institutions, and to strengthen Cambodia's capacity to govern by helping to establish legal, regulatory, and judicial systems.

Background: U.S. national interest is to assist the Royal Cambodian Government (RCG) 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 $50 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 successful community legal education program 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 government accountability and a strengthened 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 subdistrict and national legislative elections scheduled for 1997 and 1998, respectively. A USAID-supported elections expert at the Ministry of Interior has played the lead advisory role in the formulation of the framework for both elections.

Description: The majority of FY 1998 funds will be used to strengthen rule of law activities. The Asia Foundation, currently the largest USAID grantee, will continue working towards improving the capacity of the National Assembly; expanding legal education; supporting local organizations engaged in human rights, public policy and the development of an independent and responsible media. The Mission is in the beginning stages of implementing a rule of law sector strategy assessment to determine what other areas are best suited for USAID involvement. Once a strategy is developed, the second phase of the rule of law program will commence in October 1997 and continue through September 2000. Limited funding has been set aside to facilitate the completion of the national elections process slated for 1998.

Host Country and Other Donors: The United States and France are the major donors working to establish the rule of law. Coordination of assistance plans and activities between the donors is increasing. Australia, Sweden and Denmark are increasing 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 RCG counterparts.

Beneficiaries: Improved legal institutions, a stronger rule of law and free and fair elections will benefit the entire Cambodian population. Beneficiaries directly involved in grant-funded training activities include 7 Cambodian human rights and public policy NGOs, 2 women's media associations, 2 journalism associations containing more than 60 media organizations, and 120 members of the National Assembly. Other beneficiaries will be determined following an assessment of rule of law needs and priorities in the spring of 1997.

Principal Contractors, Grantees or Agencies: The Asia Foundation, the International Foundation for Electorial Systems (IFES), others 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:

- An established institutional framework for national elections, to be contested by viable political parties in place, followed by elections which are widely acclaimed to be free and fair;
- A legislative process that is better coordinated, more responsive to the expressed needs of the electorate, and a National Assembly which functions more independently and effectively;
- Increased access to, and tolerance of, public information and organizations providing services that affirm and promote human rights; and
- Other rule of law results indicators to be determined following the rule of law assessment.

ACTIVITY DATA SHEET

PROGRAM: CAMBODIA
TITLE AND NUMBER: RURAL ECONOMIC GROWTH PROGRAM (REG), 442-S002
STATUS: New
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $10,000,000 (ESF)
INITIAL OBLIGATION: FY 1998
ESTIMATED COMPLETION DATE: FY 2002

Purpose: To achieve a sustainable increase in average farm household incomes in target rural areas of Battambang, Banteay Meanchey and Siem Reap. The program will track increases in household incomes and in agriculture productivity, particularly rice production.

Background: Cambodia ranks 124 out of 157 on the U.N. Human Development Index. Annual income per capita is estimated at $280, with rural incomes lagging urban incomes. Health statistics are the worst in Asia. The population growth rate is running at an unsustainable 2.7%. Over fifty% of the population is below 15 years of age, and approximately 85% of the population resides in rural areas. Access to and quality of education in the rural areas is extremely poor. A balanced, multi-sectoral approach addressing key constraints in health, education, governance and agriculture will be necessary to accelerate growth in the rural economy and improve the rural standard of living. The Rural Economic Growth Program (REG), together with on-going programs in primary education, maternal/child health care, democracy and the environment, constitutes the core of the USAID program in Cambodia.

Increasing rice production to a level of food self-sufficiency must be the central focus of agricultural development for the near future. Agriculture accounts for 80% of total employment, and rice production represents 90% of Cambodia's total agricultural production. Present day rice farming practices and technologies reflect a pronounced deterioration from 30 years ago. Both the area of production and overall production levels fall below those of the mid-1960's. Recent average rice yields are estimated at 1.3 MT per hectare with annual production of paddy at 2.5 MT. Rice yields in neighboring countries are two to three times higher than Cambodia's. For the next five years, Cambodia will be working toward equaling or surpassing production levels achieved more than 30 years ago when the country had a population of roughly 7 million versus almost 11 million now.

USAID Role and Achievements To Date: USAID has provided assistance to international and local NGO's to foster rural community development, agriculture and health under the PVO Co-Financing Project, in these three Northwest Provinces. CARE is reconstructing over 300 kilometers of secondary and tertiary roads; under the USAID funded PVO Co-financing Project. USAID, under its previous cross-border programs; has developed the capacity of numerous local NGO's to participate in program activities.

Description: USAID will provide assistance in three inter-related and supporting areas. First, USAID will provide assistance in improving rural infrastructure, including resolution of land tenure issues. This will also entail reconstructing water control and small scale irrigation systems in all three provinces. REG will provide for appropriate hydrology studies, as well as providing assistance in water management. Rural roads will also be a key component of REG in order to break down the isolation of rural areas, many formerly under Khmer Rouge control, and provide access for agricultural inputs, marketing and services.

Second, REG will foster efficient private sector seed and fertilizer distribution networks in the three provinces, as well as provide information to farmers on appropriate amounts and types of seed and fertilizer to be used. The program will provide financial counseling to target farmers and upgrade existing microfinance channels to meet the needs for increased rice production and to increase secondary household incomes. Finally, REG will work with farmers and farmer organizations to provide information needed for farmers to improve on-farm management. This will involve the integration of

all aspects of technological inputs and outputs and will impart hands-on training to farmers so they are in a position to manage their farms effectively. Third, appropriate agricultural, environmental and maintenance policies will be fostered at the regional and national levels to ensure the sustainability of program interventions.

Host Country and Other Donors: Increasing the standard of living in rural areas is a key objective of the RCG. To this end the RCG plans to shift approximately 65% of its budget allocations to the rural sectors. USAID will work with key national, provincial and district entities of the RCG to implement REG. There are a number of donor programs which are planned or active in the three target provinces, which will support REG. These include the U.N./Carere Program, AUSAID support of IRRI Rice Research and the Ministry of Agriculture's extension service, the World Bank, the Asia Development Bank, and the FAO/IDRC National Integrated Pest Management Project, as well as the ILO training programs for road construction.

Beneficiaries: Beneficiaries include small and medium sized farm households in the target provinces. The three provinces together account for approximately 19% of the nation's population. Special attention will be focussed at the needs of women farmers, who constitute over a quarter of farm households. Secondary beneficiaries will be RCG and NGO staff that benefit from training programs geared to increase regional capacity to deliver services to farmers.

Principal Contractors, Grantees, or Agencies: USAID plans to enter into a performance based contract with a competitively selected firm or consortium of firms.

Major Results Indicators: REG calls for three Intermediate Results in target areas:

- Environmentally-sound infrastructure improvements which increase productivity, production, market access and land security;
- Improved access to and utilization of appropriate agricultural inputs, technology, and financial services; and
- Agricultural, environmental, and infrastructure maintenance policies implemented which are essential for sustaining production increases.

Activity Data Sheet

PROGRAM: Cambodia
TITLE AND NUMBER: Improved Ability of Schools and Clusters to Support Quality Classroom Instruction, 442-SO03
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $8,000,000 (ESF)
INITIAL OBLIGATION: FY 1995 ESTIMATED COMPLETION DATE: FY 2001

Purpose: Improved ability of schools and clusters to support quality classroom instruction.

Background: The limited human resource base is one of the most serious constraints to future development in Cambodia. During the reign of the Khmer Rouge, the education system was dismantled, and a large majority of the educated population was either killed or forced to flee. This led to the loss of one generation of educated Cambodians. Attempts to rebuild the education system in the 1980s, though considerable, fell far short of expectations. Today, much remains to be done; however, unlike the 1980s, there is now considerably more donor support. Extraordinary steps--requiring the coordinated efforts of bilateral and multilateral donors, as well as NGOs--will be required to "jump start" the education system, to get the basic building blocks in place so the next generation of Cambodians can learn the basic skills needed to operate in an expanding and dynamic economy.

USAID Role and Achievements to Date: Since September 1994, USAID has worked closely with the Ministry of Education, Youth and Sports (MoEYS) to develop and refine the RCG's Investment Plan for the education sector. This was needed to ensure that USAID's in-service teacher training activities, which began in earnest during the fall of 1996, were coordinated with related activities undertaken by other donors and NGOs. The methodology used under USAID's program of assistance builds upon pilot activities pioneered by the MoEYS, with assistance from UNICEF, in teacher training and cluster school development. USAID's assistance combines elements of these programs in a fashion that is effective, low cost, and which enhances the MoEYS's capacity to continue skills enhancement on its own after USAID assistance terminates. Insofar as sparsely populated areas do not lend themselves to "clustering," alternative means to deliver teacher training are being devised for remote areas. Similarly, studies are scheduled to be conducted in 1997 to examine the factors constraining participation of girls in primary school, and to develop and implement strategies to increase their participation.

Description: USAID, the implementing NGO consortium, and the MoEYS will work together to select school clusters and then train all primary school teachers in that cluster in improved pedagogic practices for math and Khmer language (over the life of this activity, USAID plans to retrain nearly all primary school teachers and administrators in Cambodia). The course of study comprises a series of two 3-week workshops, four 4-day workshops, weekly tutorials, and weekly classroom observation over the course of an entire academic year. For cluster school development, technical assistance and training is being provided to the new school cluster for a period of two years. Together, the assistance should provide teachers with improved skills to teach, and a community-based support structure to support the primary education system generally. This will be combined with targeted assistance at the central level so education planning and policy are better coordinated and implemented.

Host Country and Other Donors: USAID's assistance to the primary education system builds upon RCG initiatives to enhance teacher skills and to develop school clusters. It is complementary to other assistance being provided by UNICEF, the Asian Development Bank, the European Union, UNESCO, Japan, Australia, Great Britain, and France, as well as various NGOs, who are providing a range of assistance in cluster schools, curriculum, textbooks, capacity building, teacher training, and language. USAID's activity articulates well with these activities by being dynamic and by recognizing that change will occur throughout the life of the activity. For instance, new textbooks being developed/published with other donor financing will necessitate constant modification of the teacher training curriculum

being used under USAID's activity. Mechanisms, therefore, are in place so that these modifications can be incorporated as new textbooks come on line.

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, and better access to quality teaching materials. Girls of school age will also benefit as studies are conducted, and strategies are developed and implemented, to increase participation of girls in primary education. Finally, selected Ministry of Education staff will benefit as they receive hands-on training to conduct data collection and policy analysis.

Principal Contractors, Grantees, or Agencies: Teacher training and cluster school development is being implemented through a cooperative agreement with a consortium made up of World Learning, World Education, and Save the Children. Capacity building in education policy is being provided through the G/HCD/FSTA Advancing Basic Education and Literacy, Phase 2 (ABEL2) activity. Technical assistance to review gender issues in primary education will be provided through the G/WID Girls' and Women's Education activity.

Major Results Indicators:

- Schools and clusters able to support quality classroom instruction (i.e., improved teacher knowledge and practice; reduced constraints on teachers' planning and performance; improvements in communication among and between teachers, schools, and parents; and improvements in decision-making and problem-solving by teachers, schools and clusters);

- Effective teacher training (improved math and Khmer competency; increased use of student-centered teaching methodologies; and increased access to teaching resources);

- Effective school clusters (increased interaction between teachers, schools, clusters, and PTAs; resource centers set up and functioning; and increased community involvement); and

- Appropriate primary education policies.

ACTIVITY DATA SHEET

PROGRAM: Cambodia
TITLE AND NUMBER: Improved Maternal Child Health, 442-SO04
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 98: $7,000,000 (ESF)
INITIAL OBLIGATION: FY 1998 ESTIMATED COMPLETION DATE: FY 2000

Purpose: To improve Cambodian's reproductive health and child survival as evidenced by an increase in contraceptive prevalence from 7% to 17% modern method use; a decrease in infant mortality from 115 per thousand to 100 per thousand; and a decrease in mortality rates of children under 5 from 181 per thousand to 155 per thousand.

Background: Cambodia has some of the highest maternal and child mortality rates in the world, the region's highest population growth rate (2.7) and one of the fastest growing HIV/AIDS epidemics in the world. According to some estimates, less than 50% of rural Cambodians have access to any health care. Survey research continually highlights the high priority the Cambodian population places on their needs for access to essential health services particularly for family planning and child survival. The Royal Cambodian Government has recognized the urgency of the situation and the Ministry of Health (MOH) has designated maternal child health as a top priority. The MOH is also undertaking major sector reform, instituting a minimum package of activities for services at the lowest level of the health care system and introducing pilot cost recovery schemes.

USAID Role and Achievements to Date: The USAID program builds on the Agency's comparative advantage and works with the MOH, NGOs and the private sector as implementing partners to improve the health of Cambodians. As USAID's program gains focus in the area of Maternal Child Health, the Agency is increasingly perceived as a leader in the sector in Cambodia. Achievements to date have occurred at several levels. At the policy level USAID has directly contributed to the elaboration and implementation of policies in reproductive health, specifically for birth spacing and in the area of HIV/AIDS; in child survival, through the integration of Vitamin A activities into national systems and the development of a Dengue Hemorrhagic Fever program at the MOH; and in sustainability through the introduction of community participation schemes at the lowest levels of the system, the launching of the first private sector reproductive health center in Cambodia, and the introduction of social marketing programs. Programs oriented towards improving service delivery have reached over 100,000 women with contraceptive services, sold over 8 million condoms a year for the prevention of STDs and HIV, and trained hundreds of health care workers in the basic elements of reproductive health and child survival services.

Description: The Maternal Child Health SO focuses on developing the leadership role of the MOH in the policy arena, improving the human resource capacity in the public and private sector, and increasing access to quality MCH commodities in the public and private sector. Technical areas covered include birth spacing, STD/HIV management and prevention, safe motherhood, and child survival with a focus on diarrheal diseases, acute respiratory infections and micronutrient deficiencies.

Host Country and Other Donors: UNICEF, with assistance from Japan and WHO, supports the national immunization program. UNICEF and other bilateral donors support the essential drug system. United Nations Family Planning Agency (UNFPA), Japan and Germany are partners with USAID in the area of reproductive health. WHO provides technical advisors to the MOH, with particularly strong support from ODA, in health systems planning, human resources, and management information systems. Both the Asia Development Bank and the World Bank are about to launch large projects oriented to improving health infrastructure. In the area of HIV/AIDS the World Bank is the major donor with smaller programs funded by the UN Agencies and, potentially, the European Union. The RCG supports MOH salaries, select institutional costs and major reform efforts.

Beneficiaries: Primary beneficiaries include an estimated 2.1 million children under the age of 5 and 2.6 million women of reproductive age. Secondary beneficiaries, particularly for STD and HIV interventions, include 2.7 million men of reproductive age.

Principal Contractors, Grantees or Agencies: USAID implements the above activities through U.S., international and local NGOs, the Ministry of Health and USAID centrally-managed grants and cooperative agreements. Grantees include CARE, Family Planning International Assistance, Helen Keller International, Doctors without Borders, WHO and Population Services International. Global Bureau projects include (SEATS), (BASICS) and the Association for Voluntary Surgical Sterilization. Family Planning Service Expansion and Technical Support (SEATS) - Basic Support for Institutionalizing Child sURVIVAL (basics)

Major Results/Indicators by 2000:

- Increase in births attended by trained health personnel from 38% to 50 .
- Increase in the proportion of children under the age of 5 who have received oral rehydration therapy.
- Key policies in place for reproductive health, child survival and program sustainability.
- Increase in the % of service providers in target areas who are correctly managing STDs from 0 to 40%.
- Increase in the % of service providers in target areas who are correctly managing diarrhea cases in children under 5 from 0 to 80%.
- Increase in the % of women desiring family planning receiving contraceptives.
- Increased high sales of Number One condoms from 0 in 1994 to 12 million.

ACTIVITY DATA SHEET

PROGRAM: Cambodia
TITLE AND NUMBER: Humanitarian Needs Met for Targeted Vulnerable Groups, 442-Sp001
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $2,000,000 (ESF)
INITIAL OBLIGATION: FY 1995 ESTIMATED COMPLETION DATE: FY 2000

Purpose: To increase access to quality relief assistance and improve the capacity of local NGOs.

Background: Cambodia has an alarmingly high number of citizens who suffer from grinding poverty and physical and mental impairments related to 25 years of war. Given the country's poor economy and low human resource capacities, it is not currently possible for Cambodia to care for these vulnerable groups, nor will it be for years to come. Yet vulnerable populations, which in Cambodia consist of men, women, and children across the spectrum, have much to contribute to the country's reconstruction and development, if only they can be provided with basic rehabilitative services. Many local community groups are willing to provide these and other services, but lack the funding and technical and management know-how to do so effectively.

USAID Role and Achievements to Date: USAID has provided 8,581 prosthetic limbs and 2,565 wheelchairs; mental health care and training to 1,276 patients and health care providers; vocational skills training to an estimated 1,500 orphans, amputees, and very poor children. Just as importantly, USAID supports capacity-building training to local NGOs and the Royal Cambodian Government to improve their ability to provide quality care in a sustainable and cost-effective way.

Description: USAID will continue to support the efforts of our international and local NGO partners in meeting the needs of vulnerable groups, to include social and psychiatric counseling, credit, job skills, prosthetics, and a sense of increased personal empowerment.

Host Country and Other Donors: The Royal Cambodian Government funds and staffs 20 orphanages around the country, and through its line ministries supports programs for women, mental health care training, and, with the assistance of international NGOs, prosthetics and vocational training for the disabled. Donors such as Japan, the UK, Germany, Canada, the European Union, World Food Program, UNICEF, the International Committee of the Red Cross, ILO, and the United Nations High Commissioner for Refugees support modest programs (often implemented by NGOs) targeting vulnerable groups.

Beneficiaries: It is estimated that over 200,000 children in Cambodia are orphans, 158,000 Cambodians are disabled (landmines continue to claim 150-200 civilian victims every month), and 2% of the population suffers from acute mental illness, with many more thought to suffer debilitating depression or anxiety disorders. Approximately 600,000 women are widows, and 35% of the country's households are headed by women. As such women often lack sufficient (male) labor to help with farming tasks, and they usually join the ranks of the very poor, which in Cambodia are estimated to comprise 36% of the population.

Principal Contractors, Grantees, or Agencies: USAID implements the activities under this Special Objective through US, international, and local NGOs, working collaboratively with the Ministries of Social Action, Health, Womens' Affairs, and Rural Development. Grantees include the American Red Cross, the Harvard School of Public Health, the Vietnam Veterans of American Foundation, Salesian Missions, and Participating Agencies Collaborating Together (PACT).

Major Results Indicator: Percentageage of vulnerable population with needs met.

EGYPT

FY 1998 Economic Support Funds $815,000,000

Introduction

Since the Camp David Accords in 1979, Egypt has used its political leadership to foster a broader peace between Israel and the Palestinians and neighboring Arab states. Egypt has substantially achieved macroeconomic stability but has not yet reached its true potential as a national or regional economic power. Because of persistent structural problems, Egypt's rate of economic growth is only about 3-4%. This slow rate of growth, together with relatively high population growth of 2.2%, has resulted in growing unemployment which threatens Egypt's long-term stability. However, both the United States and Egypt recognize that a prosperous and stable Egypt is vital for continuing regional stability.

As a mechanism to promote stability and prosperity in Egypt, the U.S.-Egyptian Partnership for Economic Growth and Development was launched by Vice President Gore and Egypt's President Mubarak in September 1994. It deals effectively with problems hindering rapid and sustainable economic growth in Egypt by elevating the dialogue to the highest levels of decision-making and encouraging vital private sector participation.

Vice President Gore visited Egypt in January 1996 for the Partnership Initiative. This visit 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 economy which would be fully integrated into the global economy. To reinforce this vision, President Mubarak appointed a new economic cabinet and a new Prime Minister and issued clear directives to accelerate economic reform, especially privatization of state-owned enterprises, streamline investment procedures and remove bureaucratic obstacles.

During 1996, the new government enacted a series of measures including: establishing a Supreme Export Council to eliminate bureaucratic obstacles to exporters; adopting reduced customs, duties and tariffs; abolishing a government office of investors' services, long seen as a bureaucratic obstacle to investment; streamlining measures governing duty free import of equipment and materials by tourism investors; and identifying more than 100 new candidates for privatization. Overall, the new cabinet has shown its commitment to liberalizing the economy by deregulating the trade sector, increasing competition in the financial sector and accelerating the pace of privatization. All of these actions demonstrate Egypt's new commitment to becoming an active participant in the world economy, which should lead to increased economic prosperity and help achieve a more stable Egypt, an important aim of U.S. foreign policy in the region.

The Development Challenge

The primary challenge facing Egypt is to accelerate reforms that will encourage private sector-led, export-oriented economic growth. Reliable infrastructure, such as telecommunications and power, will also be essential to support new private sector investments. Agriculture has considerable potential to contribute to export growth, particularly with horticultural crops, but constraints remain on agricultural policy, technology, institutions and sustainable water use. Agriculture will also have to play a greater role in meeting the country's employment needs.

The Government of Egypt (GOE) has successfully carried out a difficult first phase of economic stabilization. Today the focus is on accelerating growth to generate jobs for Egypt's 60-million strong population and reducing many of the regulatory, monopolistic and other bureaucratic obstacles. Efforts in further trade liberalization, privatization and financial sector reform continue. Even with a declining population growth rate (2.4% to 2.2% over the 1990-95 period), the government, which still

dominates the economy, has been unable to provide sufficient jobs for Egypt's work force or provide adequate basic services. The private sector is currently too small and constrained to meet growing demand and, without greater private sector involvement, demand cannot be met. Egypt has experienced a gradually rising unemployment rate for years. With an economy that is growing on an average of 3% to 4% per year, low per capita GNP at $660, and weak domestic purchasing power, Egypt must look to export production for much of its growth.

Egypt continues to face serious quality of life concerns for its population. Infant and under-five child mortality rates have progressively improved, but remain too high and, although excellent progress in child spacing has contributed to a decrease in maternal mortality, more effort is required in this area. The availability of treated water, which will limit the spread of disease, has greatly increased over the past decade but demand continues to outpace supply. Egypt is facing serious environmental degradation, which not only endangers health and livelihood, but also limits sustainability and will possibly constrain Egypt's ability to meet European Union import standards. Finally, strengthened political, civil and governmental 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 (EU). Other major donors include: the African Development Bank, Germany, the Islamic Development Bank, the European Investment Bank, France, Japan and Denmark.

FY 1998 Program

The FY 1998 request, which maintains the traditional level of U.S. economic assistance for Egypt ($815,000,000), supports USAID's country-specific goal of broad-based sustainable development with increased employment and improved quality of life. This will be achieved through seven strategic objectives (SOs) and five special objectives (SpOs), which have been programmed according to the four Agency goals.

Agency Goal: Broad-based Economic Growth Achieved

The principal objective of USAID/Egypt in meeting this Agency goal is **accelerated private sector-led, export-oriented economic growth** to create a more competitive, outward-looking, market-based economy, in which the private sector plays the leading role in business and trade decisions. This will require a definitive shift from Egypt's historically inward-looking, protected, centrally-planned, public sector-dominated economy. The Gore-Mubarak Partnership Initiative is now spurring this shift, guided by the President's Council. Composed of major business leaders from the United States and Egypt, the Council 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.

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 1991 with the signing of an IMF Agreement followed by a Paris Club debt forgiveness of Egypt's debt holdings by 50%. Initially, Egypt failed to meet the conditionality requirements established by the IMF and the Paris Club but, through continuing dialog between the IMF, other donors and the GOE, the debt forgiveness program was revitalized and included in IMF agreements in 1993 and October 1996. The program was further reinforced by a World Bank structural adjustment loan in 1991 and by a USAID sector policy reform program in 1992. The reform program has led to a budget deficit

reduction from 21% to 1.3% of GDP, a drop in inflation from 25% to approximately 7.2%, 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 have also been effected in the foreign trade sector, both in the reduction of tariff and non-tariff barriers and in facilitating exports. In September 1996, Egypt lowered the highest customs tariff on imports across the board by 10 to 15%. The maximum tariff on imported goods is now 55%, down from 70%. Due to liberalization of interest rates at market clearing levels, rebirth of the stock exchange and the bond market, competition and efficiency in the banking and capital markets have improved substantially. In addition, the pace of privatization picked up in 1996 after a lull of nearly two years.

One of USAID/Egypt's major objectives is to help the Egyptians develop export opportunities. To accomplish this, USAID is assisting Egypt with trade liberalization measures under the Sector Policy Reform Program (SPRP) and the Agricultural Policy Reform Program. Other activities supporting export development include agricultural research, targeting horticultural crops for the export market; the development and expansion of a modern telecommunications system to facilitate international business contacts; and technical support for private non-governmental organizations (NGOs). These organizations serve as private sector advocates to encourage removal of policy and regulatory obstacles to export expansion.

To support policy reform, USAID's SPRP makes available $200 million annually to Egypt for cash transfers. This program is complemented by technical assistance to help the GOE develop, carry out, monitor and evaluate select elements of its reform program. For example, USAID helped the GOE increase sales tax revenues, which rose from the equivalent of about $90 million to $3 billion per annum, thus helping to reduce the budget deficit. Other progress in meeting targets in 1996 included major reforms to facilitate exports and the privatization of 15 companies, five banks and one insurance company. Over the next year, SPRP will promote key GOE reforms to strengthen the financial sector, promote trade liberalization through continued reduction in tariffs and other import/export barriers, and foster growth in the Egyptian private sector.

Working with the GOE, USAID provides assistance to help Egypt carry out its privatization program through SPRP-promoted reforms. USAID has provided technical assistance to analyze policy options, marketability of properties evaluations, and sale and outreach campaigns. By 1996, the GOE had completed the sale of 28 companies, the liquidation of 11 additional firms and the partial sale of another group of 49 companies. However, these achievements remain modest compared with the magnitude of government holdings. The President's Council believes that the acceleration of privatization will be a signal to the international business community of Egypt's real commitment to the establishment of a free market economy.

Much of Egypt's legal, regulatory, judicial, institutional and tax structures are outdated but are being modernized with USAID assistance. The private investment response to Egypt's progress in macroeconomic reform and liberalization has not been substantial because so many elements that make up a conducive business environment still need to be established. USAID recently began assisting the GOE to modernize and strengthen intellectual property rights concerning patents, trademarks and industrial design. 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 (CIP) helps Egyptian private firms establish linkages with U.S. suppliers for expanding production needs. The Partnership Initiative has encouraged private firms to introduce international quality standards into their operations to qualify for international certification known as ISO 9000. Over 30 Egyptian companies have signed up for ISO 9000 assessments, of which two have already been certified as meeting ISO standards. In FY 1996 two business technology centers (one in Alexandria and one in Cairo) were

opened to support increased productivity through the upgrading of technologies. By FY 1997 the operation of a business information highway will link the major business associations in Egypt with businesses around the world, using the International Business Exchange and the U.S. Chamber of Commerce.

Through the International Executive Service Corps (IESC), USAID provides U.S. expertise to Egyptian businesses to improve their technical and managerial performance. IESC has already conducted over 1,000 technical consultancies to Egyptian firms, helping them introduce modern business practices and 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 less popular areas in Upper and Lower 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 60,000 jobs have been created. This was possible through 232,000 loans valued at approximately $162 million provided to more than 90,000 borrowers. These borrowers collectively have a default rate of less than 3%. In 1996, participation in USAID-sponsored micro-enterprise programs was at its highest since 1988 with 65,000 loans valued at $60 million made to approximately 20,000 borrowers.

USAID-supported policy reforms have helped to improve performance of the agricultural sector in Egypt, 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. Reforms have resulted in increased production of major food crops, substantial increases in real farm income and removal of most direct controls and price interventions. With USAID support, equity capital for the country's major rural credit institution has risen from less than $30 million to over $250 million. New credit-worthy lending practices, directly benefitting 462,000 rural women, have also been adopted. In 1996, the GOE took a significant step forward in policy reform by allowing the importation of lower grade cotton, which has the potential of dramatically increasing the export of higher quality cotton, previously used to produce low cost products. Another liberalizing step permits the leasing of 25% of ginning capacity to the private sector, allowing private cotton traders to purchase from farmers and to gin and sell cotton to local mills. The effect has been to allow farm prices to move freely above the guaranteed minimum floor price.

In order for agriculture to add significantly more impetus to Egypt's overall economic growth, the sector must overcome the slow growth of net value added. Therefore, USAID's agricultural assistance strategy helps Egypt to focus on increasing net value added by accelerating technology transfer and overcoming remaining policy reform barriers. Although far from completion, agricultural policy reforms have helped open all major markets to private competition, except sugarcane and fertilizer, 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 1998, technical assistance will further the adoption of technologies for the development of high value horticultural crop exports and to address critical constraints to efficient production of Egypt's staple food crops. Some recent reversals in agricultural policies have only served to emphasize the need for USAID's increased commitment to a new policy reform program. The program will target pricing, marketing and trade, water resources, private sector participation in agribusiness, and privatization of state-owned agro-processing companies.

Egypt's industry and business have benefitted from USAID's large investments in power, over $1.6 billion to date. Through the 1997 to 1998 period, this sector will face serious policy decisions. In 1996, reforms were instituted to improve management efficiency and employee productivity, measured in kilowatts per hour generated per employee. The economic pricing of power and the reduction of overdue arrears by public sector companies will be among the hardest improvements to implement. On the positive side, the sub-Cabinet group of ministers has approved the establishment of a vital regulatory board that will be responsible for pricing and collections. In addition, Egypt's Prime Minister

openly discusses the GOE's receptiveness to proposals from private sector enterprises to build, own, operate and transfer (known as the "BOOT" approach) power to the marketplace to supplement public sector generation. In FY 1996, the GOE took steps to implement three BOOT projects. The President's Council, which receives USAID support, has urged the BOOT approach for both telecommunications and power to give the private sector a more prominent role in infrastructure.

Modern, reliable, sustainable telecommunication was an early target of USAID assistance, with assistance totaling about $387 million to date. Increasing emphasis has been placed on the sustainability of these systems. The GOE has made substantial progress on telecommunications reforms. The utility has complied with all financial benchmarks (improved services and efficiency, and adoption of business and marketing plans). The mobilization of the previously established regulatory council is projected for 1997. In addition, steps will be taken to open the telecommunications sector for private business participation, while continuing to improve the utility transformation 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's efforts to promote economic growth. These investments are also essential for improvements under other goals, e.g., promoting family planning, health and the environment. Support begun in FY 1996 will target 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 and has allocated significant budget increases for education in recent years. In addition, the GOE has sought assistance from its development partners, including USAID and others (the EU, World Bank, UNICEF, Canada and Germany). As USAID assistance continues to help Egypt address these problems in 1998, the emphasis will be on participation, working primarily through partnerships with local communities and non-governmental organizations.

Strategic Objective 1: Accelerated Private Sector-led, Export-oriented Economic Growth

Strategic Objective 2: Increased Participation of Girls in Quality Basic Education

Special Objective A: Increased Use of Egyptian Universities in Quality Demand-driven Research

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 local governments, civil society organizations (CSOs), the legislature and the judiciary at a pace that conforms to political sensitivities that exist in these areas.

The pace of democratic changes may be gradual, but promising signs indicate forward movement. Increased civil society participation in decision-making is a key factor. Two important components of civil society are local government and a growing sector of non-governmental organizations. Over the past three years, with the support of USAID and other donors, the number of local civil society organizations has grown and has 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. Additionally, a stronger local government, composed of NGOs, local leaders and elected and government councils, can also play a role in improving the environment for democracy. The GOE recently initiated a nationwide participatory rural development program focussing on locally-based

decision making and citizen empowerment. USAID is providing assistance to this program that will devolve authority and responsibility to local government. A major challenge to be faced in FY 1998 is the continued obstacle of Law 32, which restricts freedom of association and activity of the CSO community. In FY 1996, the GOE agreed to review and consider changes in Law 32.

Formal democratic institutions in Egypt date back to the first parliament in the 1860s. The two bodies of legislature that exist today, the People's Assembly and the Shura Council, still suffer from inadequate information services which restrict members' abilities to weigh in on legislative change. During FY 1996, USAID offered 64 in-country training programs to 475 committee staffers, researchers, librarians and computer staff in areas of economics, political science, law, research methodology, public policy formulation, budgeting and financial analysis, data gathering, access to libraries, information services and organizational behavior. In addition, several staffers participated in workshops in information technology development and library development. Two committee staffers began a two-year Master's in Public Administration Program at the State University of New York (Albany). The library and computer center received technical assistance to develop and support their role in information services delivery. In FY 1997 and FY 1998, USAID will continue to work with the legislature to develop and support its technical and institutional capacity.

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 and to enhance the quality of judicial and legal services with respect to commercial and other aspects of modern law. In FY 1997 and FY 1998, USAID will continue to support improvements in the legal system to serve the emerging private sector more effectively.

Strategic Objective 3: Increased Civil Society Participation in Public Decision-making

Special Objective B: Increased Use of Information Services by the Legislature in Decision-making

Special Objective C: Improved Civil Legal System

Agency Goal: Stabilizing World Population Growth and Protecting Human Health

Achieving related health and population strategic objectives will require a coordinated, inter-sectoral approach. USAID's health and population programs complement and reinforce each other in many ways. Both are supporting institutional strengthening in the Ministry of Health and Population, by expanding information, education, and communication activities; and improving management information systems; and policy reforms to ensure sustainability of important primary health care efforts. Promoting cross-referral of clients among different maternal and child health (MCH) and family planning services, improving the quality of care, expanding cost recovery, and promoting private sector and NGO services are additional areas in which USAID's health and population activities will increasingly be linked in the future.

After two decades of work strengthening the Egyptian population program, USAID's accomplishments are impressive. Contraceptive prevalence (the percentage of married women of reproductive age currently using contraception) reached 48% in 1995, 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 3.6 in 1995. USAID assistance in FY 1998 will continue to support Egypt's long-term objective of achieving a contraceptive prevalence rate of around 74%, at which point fertility is expected to reach the "replacement" level of 2.1 children per family. An example of the synergy between health and population phenomena is the relationship between child spacing and infant mortality. According to Egypt's 1995 demographic and health survey (DHS) findings, infant mortality is more than twice as high -- 128.4 deaths per 1,000 births -- for children born following less than a

two- year interval between pregnancies, compared with the infant mortality -- 47.3 deaths -- for children born following an interval of more than two years.

Since 1983, the USAID health sector program has successfully helped reduce mortality and illness of infants and children. The infant mortality rate declined by 43% between 1980 and 1990; the child mortality rate declined by 55% in the same period. However, infant and under-five child mortality rates remained unacceptably high at 63 and 81 per 1,000 live births, respectively in 1993. When regional and rural disparities are taken into account, a striking gap appears. In Upper Egypt, infant and under-five child death rates for 1993 were 97.7 and 129.2 per 1,000 live births, respectively. Maternal mortality, although declining, is at 174 deaths per 100,000 live births nationwide, but again regional disparities are 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 and 1998, 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 4: Reduced Fertility

Strategic Objective 5: Sustainable Improvements in the Health of Women and Children

Agency Goal: Protecting the Environment

In Egypt, USAID's program subgoal is **environment managed for long-term sustainability.** Resources support activities in the areas of water/wastewater, air pollution and eco-tourism. In 1975, 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. Since then, USAID has invested over $2 billion in urban water and wastewater infrastructure benefitting about 24 million Egyptians. 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. In 1996, approximately 600,000 residents of Ismailya were connected to a new treatment plant and, by March 1997, another 600,000 residents of Port Said will benefit from the completion of a USAID-funded treatment plant.

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 to give these utilities a degree of flexibility in planning their operations. In FY 1998, USAID plans to encourage utilities in Alexandria to make further progress in increasing the level of tariffs to allow for total cost recovery. In smaller urban areas, tariff reform for water/wastewater is already well advanced.

The rising level of urban air pollution is another major environmental problem which jeopardizes Egypt's economic development and its citizens' health. Many factors contribute to this continued deterioration of air quality: inappropriate economic policies, outdated technologies, untrained workforce and lack of regulatory enforcement. Levels of suspended particulate and lead pollution in Cairo are the highest among the world's mega-cities and cause an estimated 10,000 to 25,000 additional deaths per year. Children reared in the heavily polluted areas of Cairo are particularly vulnerable to higher than average lead pollution. Elevated lead levels reduce affected children's IQs by as much as four to five points, leading to educational problems. USAID industrial energy and environment activities are helping to 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 per year - M/Y): 8,213 M/Y of sulfur oxide, 3,189 M/Y of nitrogen oxide and 14,318 M/Y of carbon monoxide. A new Cairo air quality activity initiated in FY 1995 and in the initial stages of implementation will be working with the GOE in several areas: implementing policy reforms toward reducing lead emissions from local smelting factories and in gasoline; instituting a vehicle emissions testing and certification program; introducing natural gas-fueled buses to reduce diesel emission particulate pollution; and implementing public awareness campaigns and quality monitoring systems.

USAID/Cairo is also addressing environmental quality through improving the policy environment. In FY 1996, a third, two-year set of environmental reform measures was agreed to with the GOE under the Sector Policy Reform III program. These measures will assist the GOE to enforce regulations reducing particulate and other air emissions, fully implement lead exposure abatement programs, develop and set up stricter emissions standards for new vehicles and develop a comprehensive strategy for sustainable tourism in the Red Sea coastal area. A lead smelter action plan is nearing completion for submission by the GOE and a lead exposure abatement plan is being developed with adoption planned for June 1997.

Finally, recognizing that the protection of the environment is vital to sustaining Egypt's tourism industry, the second highest foreign exchange earner, USAID is implementing a new activity in sustainable tourism, which grew out of the Gore-Mubarak Partnership Initiative. This activity will focus on the preservation of natural (e.g., coral reefs) and cultural (e.g., antiquities) national treasures. Both of these are key to Egypt continuing to receive revenues from tourism.

Strategic Objective 6: Increased Access to and Sustainability of Water and Wastewater Services

Strategic Objective 7: Reduced Generation of Air Pollution

Special Objective D: Approaches to Sustainable Tourism Demonstrated

Cross-Cutting Issues

In addition to the strategic objectives above, USAID supports cross-cutting assistance through special objectives and activities that encourage capacity building through development training and that provide technical and financial assistance to support development problems related to the overall program.

EGYPT
FY 1998 PROGRAM SUMMARY
($ Thousands)

	Promoting Broad Based Economic Growth	Building Democracy	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Providing Humanitarian Assistance	Total
USAID Strategic Objectives						
1. Accelerated Private Sector-led, Export-oriented Economic Growth	576,700					576,700
2. Increased Participation of Girls in Quality Basic Education	15,000					15,000
3. Increased Civil Society Participation in Public Decision Making		20,000				20,000
4. Reduced Fertility			15,000			15,000
5. Sustainable Improvements in the Health of Women and Children			34,000			34,000
6. Increased Access to and Sustainability of Water and Wastewater Service				72,000		72,000
7. Reduced Generation of Air Pollution				40,000		40,000
USAID Special Objectives						
SpO A. Increased Use of Egyptian Universities in Quality, Demand-driven Applied Research	2,000					2,000
SpO B. Increased Use of Information Services by the Legislature in Decision Making		-0-				-0-
SpO C. Improved Civil Legal System		4,000				4,000
SpO D. Approaches to Sustainable Tourism Demonstrated				10,000		10,000
SpO E. Improved Human Capacity Development System Linked to Strategic Priority Areas	20,000					20,000
Other Cross-cutting Assistance	6,300					6,300
Total	620,000	24,000	49,000	122,000	-0-	815,000

USAID Mission Director:John Westley

ACTIVITY DATA SHEET

PROGRAM: EGYPT
TITLE AND NUMBER: Accelerated Private Sector-led, Export-oriented Economic Growth, 263-SO01
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $576,700,000 ESF
INITIAL OBLIGATION: FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To double the rate of economic growth and employment generation by increasing private sector exports, increasing the productivity of private enterprise, accelerating privatization and improving GOE support of competitive markets.

Background: The greatest threat to Egypt's stability and leadership role in the Middle East is the growing impoverishment of its people. Per capita income has been stagnant since the mid-1980s, resulting in a steady decline in living standards. An estimated 22-30% of all households live in poverty. To improve living standards, Egypt needs jobs for about 375,000 new entrants to the labor force every year as well as for the 1,500,000 to 2,000,000 Egyptians currently unemployed. The GOE realizes that these new jobs can only be generated by accelerated private sector-led, export-oriented economic growth. The GOE is committed to accelerating privatization and improving its support of competitive markets to establish the necessary environment for this growth.

With the approval of the Country Program Strategy in 1996, USAID will subsume under this economic growth objective projects and activities previously pursued as four separate programs . Policy reform, private sector, agriculture and infrastructure programs have been successful parts of the portfolio in Egypt for 20 years. These inter-related programs are now being integrated to achieve a common, higher-level objective.

USAID Role and Achievements to Date: The USAID economic growth program aims to accomplish three results that are critical to achieving accelerated growth. These are: increased private sector exports; increased productivity of private enterprise; and accelerated privatization and improved GOE support of competitive markets. The program has contributed to modest successes in all these areas. For example, private sector exports increased by 4.9% from 1992/93 to 1993/94. Agricultural productivity as measured by real value added per hectare increased by 3.9% over the same period. Since 1994, 28 state-owned enterprises (SOEs) have been sold or transferred to employees, 11 have been liquidated and an additional 49 have begun to privatize by transferring minority share holdings. Economic growth as measured by the real GDP growth rate is also up, although modestly, from 2.9% in 1993/94 to an estimated 3.2% in 1994/95 and 4.2% in 1995/96.

To ease constraints to exports, USAID programs are liberalizing trade, accelerating the adoption of improved products and technologies, increasing access to market information and increasing access to reliable power and telecommunication services. In order to improve the competitiveness of Egyptian exports on the world market, the Sector Policy Reform program has helped the Egyptians eliminate all but two tariff preferences, all special conditions for imports and all import bans except poultry and textiles. Furthermore, tariff rates have been reduced from a previous maximum of 150% to 55%, thus reducing the cost of manufacturing inputs. Port handling and quality control procedures have been simplified. USAID's agricultural research programs have resulted in the adoption of improved packaging technologies by horticultural exporters so that produce can be directly shipped to European markets. An agricultural technology program has developed a service that provides information to exporters and farmers on pricing, packaging, regulations, import rules, standards and grades. USAID power sector development programs over the past 20 years have virtually eliminated outages and provided sufficient capacity to meet demand until the year 2004. Telecommunications programs have installed 266,000 new lines, including 75,000 in 1995 alone.

USAID programs to increase productivity are liberalizing markets, accelerating the adoption of improved technologies and management practices, expanding and deepening financial services and increasing capacity to promote the growth of small and emerging businesses. USAID agricultural policy programs have created free markets for over 20 agricultural commodities, improved the performance of the agricultural development bank, eliminated most unwarranted GOE regulations in the agricultural sector, and sharply cut back GOE interventions in setting quotas, prices, planting targets and cropping patterns. Other USAID programs have developed an effective crop research system and rehabilitated irrigation systems. USAID investments in modern equipment and technical assistance to strengthen GOE capacity to manage the Nile River system have played an important role in increasing water use efficiency by 24% since 1986. The Commodity Import Program provides over $4 million a week in credit to private sector borrowers to purchase U.S. commodities. The program has expanded access to smaller businesses and businesses in disadvantaged areas such as Upper Egypt. USAID's micro-enterprise credit programs have reached some 90,000 low income entrepreneurs.

Description: Sector Policy Reform (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 that set the stage for a stronger, more open economy. Broadly, SPR is focused on reform in the areas of trade, regulation, privatization and the fiscal and financial sectors. 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.

Technical Support for Sector Policy Reform 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.

Privatization Support finances 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 are provided to prepare the documentation required to offer companies for sale, and new financial instruments will be introduced to facilitate the participation of additional investors.

The Agricultural Policy Reform Program focuses on five categories of reform measures: pricing, marketing and trade; private investment and privatization; efficiency of public investment and sustainable agriculture; water use and management policies; and food security concerns. Annual disbursements are based upon GOE achievement of agreed-to reforms. Technical Assistance for Agricultural Policy Reform (TAAPR) assists USAID and the GOE to study, develop, and monitor the impact of policy reforms. TAAPR also funds research grants for special topics such as food security.

Agriculture Technology Utilization and Transfer (ATUT) assists the GOE to create a sustainable research agenda. ATUT support for broad-based agricultural research is limited to four staple food crops (wheat, rice, maize, and favabeans), whose production must increase to meet the demands of the growing population. ATUT also supports research focused on select horticultural export crops that require rapid adoption of technologies designed to enhance production and improve post-harvest handling, packing and processing. To enhance the sustainability of research efforts, ATUT places a greater emphasis on the active participation of customers (producers and exporters) in setting the

research and technology transfer agenda, and encourages greater public/private sector collaboration in research efforts.

Small Enterprise Credit (SEC) supports activities to expand access and opportunities for Small and Emerging Businesses (SEBs). SEC assists the development and eventual sustainability of institutional mechanisms 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 is 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.

Growth Through Globalization (GTG) provides funding for activities to enhance the competitiveness of Egyptian firms worldwide and increase private sector exports. GTG resources are accelerating the adoption of improved products, technologies and management practices, increasing access to market information, expanding and deepening financial services and increasing private participation in policy dialogue. The private sector Commodity Import Program (CIP) complements GTG efforts by making commercial credit available to Egyptian businesses wanting to establish linkages with U.S. suppliers for expanding production needs.

Power Sector Support II and Telecommunications Sector Support II target two broad areas: policy/institutional reforms and infrastructure development. USAID conditions disbursement of funds upon GOE implementation of policy and institutional reforms. In the power sector, the reforms improve the Egyptian Electricity Authority's (EEA) financial viability, increased autonomy, planning and efficiency. EEA receives technical assistance and training support to help implement many of the agreed-to policy reforms. Once the reforms are met, disbursements are used to finance discrete, stand alone infrastructure development activities. Telecommunications sector reforms include the modernization of the Arab Republic of Egypt National Telecommunication Organization's (ARENTO) operating procedures and management policies, retention of net income and improved pricing strategies. Disbursements following the achievement of reform measures finance system expansion, replacement of inefficient equipment and management training for ARENTO staff.

Host Country and Other Donors: USAID is the largest donor with the broadest and most comprehensive program of support for economic growth in Egypt. Other principal donors include the IMF, IBRD, European Union (EU), and UNDP. USAID coordinates its policy reform efforts closely with the IMF and World Bank to maximize our collective policy impact. Key donors in agriculture include 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); Japan (retrofitting irrigation pumps, small farm machinery), the Dutch (especially in horticulture) and the EU (privatization, irrigation management). The African Development Bank and the European Investment Bank, IBRD and the Arab Fund for Economic and Social Development provide financing for power sector development. Egypt has received nearly one billion dollars in financial assistance from several other donors over the past ten years for the procurement of telecommunications 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.

The GOE annually contributes the local currency equivalent of between $300 and $400 million for joint programming with USAID. The actual amount corresponds to the level of USAID policy reform cash transfers and CIP disbursement. Local currency is used for general or sector budget support, project activities or USAID trust fund expenses.

Beneficiaries: The ultimate beneficiaries of these activities are the citizens of Egypt, many of whom will benefit from the jobs and income generated by accelerated economic growth. These beneficiaries

include those mostly private sector businesses and individuals who produce goods and services for the export and domestic markets. A large portion of Egypt's poorest people, such as the approximately four million small farmers, landless laborers and women who produce and process horticultural and strategic food crops, and as many as three million non-agricultural micro-entrepreneurs in the informal sector are among these ultimate beneficiaries.

Principal Contractors, Grantees or Agencies: Nathan Associates is working on trade and regulatory reform. Chemonics International, the Center for International Private Enterprise and the International Executive Service Corps are working to strengthen private sector market institutions. Arthur Anderson is the prime institutional contractor and International Business and Technology Consultants, Inc. is the monitoring and evaluation contractor for privatization efforts. The National Cooperative Business Association, Agricultural Cooperative Development International and Environmental Quality International all assist with programs to support small and emerging businesses. General Electric, Westinghouse Electric, the International Resource Group, and Babcock and Wilcox are all involved in power sector development. General Telephone and Electrical, AT&T, and Booz, Allen and Hamilton provide equipment and services for telecommunications development.

Major Results Indicators:	Baseline (1994)	Target (2001)
Real GDP growth rate	2.9%	6.0%
Private Sector share of GDP	61.7%	69.8%
Private sector share of non-petrol exports	49.8%	69.8%

ACTIVITY DATA SHEET

PROGRAM: EGYPT
TITLE AND NUMBER: Increased Participation of Girls in Quality Basic Education, 263-SO02
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $15,000,000 ESF
INITIAL OBLIGATION: FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To increase girls' participation in quality basic education. This strategy emphasizes areas 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 also 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 girls' education have the highest return of all educational dollars spent, whether girls receiving that education eventually work in or outside the home. No developing nation has graduated to sustainable economic growth without educating its women, and 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 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 now enroll 900,000 students per year (360,000 of whom are girls), and provided extensive technical assistance to the Ministry of Education (MOE).

Description: USAID has defined three objectives which include the necessary conditions for increasing girls' participation in quality basic education: an appropriate supply of facilities, curriculum and teaching methodologies; an increased demand (awareness of the importance and appreciation of quality) for girls' educational services; and a broader policy environment supporting quality, flexibility and other incentives to girls' 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.

The strategy will build on the promising UNICEF community school program, expanding its scale and impact on the educational system. Technical assistance will support: a reformulation of the primary school curriculum for multi-grade classrooms to emphasize problem-solving and analytic skills; a training program for facilitators/teachers and school administrators on how to deliver the multigrade curriculum using interactive, student centered methodologies; a sustainable and replicable small school model that can be launched and sustained by community organizations in areas of greatest need; and a policy reform agenda. Additional technical assistance will organize a national initiative to mobilize religious, political, business, media and community leaders in support of girls' education. USAID has provided a grant to develop an Egyptian version of the "Sesame Street" educational television program to improve school readiness.

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 have initiated with the GOE a $200 million program for teacher training, educational technology and increasing access to primary schools. USAID is the third largest donor to Egypt in basic education. The World Bank, the German Bank for

Reconstruction and Development and the multi-donor Social Fund are currently financing school construction. UNICEF and Canada are collaborating on an innovative and promising community school project.

Beneficiaries: The direct beneficiaries will be girls between the ages of 6 and 13 who are currently out-of-school or at risk of dropping-out in targeted (high risk) communities. Additional beneficiaries will be the other primary school students in the targeted areas. The community-based activities should increase girls' enrollment by 50% in the catchment area of USAID small schools. Other additional beneficiaries will be illiterate young women and mothers in these communities between the ages of 14 and 35, and preschoolers in the age group of 3-6.

Principal Contractors, Grantees or Agencies: To be determined.

Major Results Indicators:	Baseline	Target (2001)
Increased girls primary school enrollment targeted areas	TBD	50% increase in school in catchment areas
Improved quality of education offered		90% pass rate on MOE third year exams

Baselines are being collected for the targeted areas in 1996. The first schools are expected to be launched in school year 1998-1999.

ACTIVITY DATA SHEET

PROGRAM: EGYPT
TITLE AND NUMBER: *Increased* Use of Egyptian Universities in Quality, Demand-driven Applied Research, 263-SpO A
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $2,000,000 ESF
INITIAL OBLIGATION: FY 1996; **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: To improve and increase the utilization of Egyptian universities in the solution of key developmental and technological problems, through engaging them in joint demand-driven applied research activities with counterparts from U.S. universities.

Background: The huge expansion of the Egyptian university system over the past 30 years consumed all university resources and left little opportunity for staff development. Most resources were allocated to university infrastructure development and salaries, thus depriving applied, community-oriented research. Little serious applied research took place during this period, and the applied research capacity of university faculty members remained undeveloped. The relationship between applied research end-users and universities was absent. As a result, Egyptian faculty members do not contribute significantly to the solution of development problems. This SpO addresses these serious constraints by encouraging applied research toward solving Egyptian developmental problems, strengthening the system of applied research that was started earlier by USAID and enhancing the capacity for doing applied research in Egyptian universities by establishing stronger institutional linkages with U.S. universities.

USAID Role and Achievements to Date: USAID's support includes the provision of technical assistance in project and financial management from a U.S. contractor, provision of technical assistance from U.S. universities to Egyptian counterpart universities in the design and conduct of applied research addressing Egyptian end-user problems in the various sectors and the procurement of needed laboratory equipment for the conduct of research programs.

Full grant awards will start in calendar year 1997. Achievements to date include the establishment of a project and financial management system for operating the grants system of the project, and award of 102 seed grants for investigating the technical feasibility of the fuller grants to be awarded in the coming months. According to an external assessment, the project has responded to end users' needs and has also resulted in new respect for, and confidence in, the ability of Egyptian university scholars to solve "real world" end-user problems.

Description: The project strengthens and institutionalizes the process of utilizing university researchers and encourages long term relationships between participating Egyptian and U.S. universities. It also develops and sustains a strong relationship between Egyptian universities and end-users by initiating and catalyzing a demand-driven research process and by actively involving these end-users in each stage of the applied research process. The project emphasizes assistance to private sector end-users and the solution of problems related to the growth and development of this sector.

Host country and Other Donors: There are no other foreign or international donors in this area. The GOE and Egyptian end-users benefiting from the research will be contributing an average of 40% of the local currency costs of the activity.

Beneficiaries: The beneficiaries of this activity are the different end-users whose problems will be addressed by the applied research activities to be funded under the project. These are either ultimate beneficiaries as in the case of individual beneficiaries in a health or education research activity or intermediate beneficiaries representing the ultimate beneficiaries and disseminating and implementing

the results and recommendations of the research. Secondary beneficiaries of the SpO include the implementing agency of the grant system since its capacity to implement a research grant system will be enhanced by the implementation of this activity. The Egyptian researchers participating in the applied research are also secondary beneficiaries, as their applied research capacity will be raised through the joint applied research activities of the activity.

Principal Contractors, Grantees or Agencies: The main contractor providing TA under this project is Mendez-England and Associates (ME&A), an 8 (a) firm, which provides assistance in financial and project management to the principal implementing agency, which is the Foreign Relations Coordination Unit of the Egyptian Supreme Council of Universities. The grantees are the Egyptian and U.S. universities receiving the applied research grants. One third of the grants are devoted to linkages with Historically Black Colleges and Universities.

Major Results Indicators:
Most indicators below measure success of research activities and will be measurable only after these grants are executed in 1999.

	Baseline	Target
Seed Grants		120 (1997)
Full Grants		60 (1999)
No. of successful research projects undertaken to solve Egyptian development problems	N/A	75% of a sample of funded research grants judged successful by external expert evaluation panel (based on evaluation criteria) (1999)
No. of implemented research grants with significant end-user cost sharing	N/A	50% of a sample of implemented research grants meet cost-sharing requirements (1999)
No. of high quality research products: full proposals (technically and economically feasible), adequate research designs and research findings and recommendations collaboratively produced by tripartite linkages	N/A	Research Products of 75% of a sample of implemented linkage grants are judged to be of high quality by expert evaluation team (1999)
Economic benefits accruing to end-users implementing research findings and recommendations. Increases in efficiency, productivity, cost saving	N/A	25% of a sample of funded/completed grants exhibit significant internal rates of return on the USAID investment in the research grant of 30% or more (1999)

ACTIVITY DATA SHEET

PROGRAM: EGYPT
TITLE AND NUMBER: Increased Civil Society Participation in Public Decision-making, 263-SO03
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $20,000,000 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 civil society groups, including elected and voluntary.

Background: Civil society does not yet play a dynamic role in the public decision-making arena in Egypt. Restrictive government regulations, poor management and lack of local authority and responsibility limit group participation.

USAID Role and Achievements to Date: The ability of civil society organizations (CSOs) and local government officials to identify their problems, take responsibility for them, and voice them in the public arena is an important focus of USAID assistance. While the pace of democratic change has been gradual, there are promising signs indicating forward movement. A new GOE initiative in rural development (Shrouk) places emphasis on empowerment of representative local government. Special interest groups are growing and becoming increasingly vocal in many areas such as the private sector, women's issues, environment, human rights and general democracy.

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. USAID is now planning to expand this concept to include special interest groups with specific interests in lobbying and advocacy. In addition, a new effort will more directly target USAID specific objectives, offering grants to Egyptian and U.S. PVOs and NGOs which can assist USAID in achieving these results. The program will improve the capacity of Egyptian NGOs to network between one another and with government agencies at the local, regional and central levels; support a fund to provide operational support and grants and seed money to Egyptian NGOs for activities which contribute to USAID strategic objectives; and establish training and offer technical assistance in areas related to improved advocacy skills. USAID has also recently initiated a policy-based program with the Egyptian Government to increase devolution of authority to local government and increase its participation in the rural development process.

Host Country and Other Donors: USAID is the lead donor in the field of strengthening civil society 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 of decentralized participation in one governorate. 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 increasing 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 and will benefit from improved operation.

Principal Contractors, Grantees, or Agencies: USAID implements activities through the National Council of Negro Women, a U.S. PVO. Two firms, Management Sciences International and Development Associates, will assist in implementation of the Participatory Local Governance Program.

Major Results Indicators:

	Baseline (1996)	Target (2000)
Percent of Shrouk villages whose male/female citizens believe that the Shrouk committee responds to their development needs/priorities	0	60%
Index of village ownership and responsibility for development management	0	70%

ACTIVITY DATA SHEET

PROGRAM: EGYPT
TITLE AND NUMBER: Increased Use of Information Services by the Legislature in Decision-making, 263-SpO B
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $0 ESF
INITIAL OBLIGATION: FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To enhance the quality and impact of 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 ability of members and staff to comment productively on government bills, analyze the budget and propose legislation.

USAID Role and Achievements to Date: USAID is supporting the technical and institutional development of the legislature to enhance the quality and impact of the legislative, advisory and oversight functions carried out by the legislature. To date, 625 committee staffers, researchers, librarian and computer staff received in-country and overseas training in the areas of economics, political science, law, research methodology, public policy formulation, budgeting and financial analysis, data gathering, use of library and Information services, and organizational behavior. In addition, the legislature's library and computer center received technical assistance to develop and support its role in information services delivery.

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 are the main training resources, which will ensure their availability to train 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 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:

	Baseline	Target
Legislative actions indicate more information is used in the decision-making process.	1	5 (2001)

(A 5-point rating scale is used to measure the percentage of members using information in the legislative process.)

ACTIVITY DATA SHEET

PROGRAM: EGYPT
TITLE AND NUMBER: Improved Civil Legal System, 263-SpO C
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $4,000,000 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 support fully the growing private sector because delivery of justice is slow and judicial personnel are not adequately briefed on new laws and regulations affecting the private sector. These constraints negatively affect newer and smaller Egyptian private investors and the foreign trade and investment community who cannot be assured 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: There are two activity areas: 1) automation of streamlined court procedures along with the requisite training; and, 2) enhancing judicial knowledge of legal trends in the fields of Egyptian commercial and contracting laws. Two pilot court systems have been chosen for streamlining and automation: one in downtown Cairo and one in the provincial capital of Ismailiya. To ensure sustainability, a permanent small staff of trainers will be created at the National Center for Judicial Studies to provide teaching methodologies to a rotating staff of judges. Teachers at the center will be drawn from practicing judges to assure full knowledge of procedures and practices.

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 affect private firms and individuals who depend on the pilot civil courts located in Cairo and Ismailiya. 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 AMIDEAST (a US PVO) and USIA.

Major Results Indicators:

	Baseline	Target	
Model courts accepted by the Ministry of Justice for replication.	0	2	(2000)
Increased percentage of rulings that accurately follow Egyptian civil law.	TBD	TBD	(2001)

ACTIVITY DATA SHEET

PROGRAM: EGYPT
TITLE AND NUMBER: Reduced Fertility, 263-SO04
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $15,000,000 ESF
INITIAL OBLIGATION: FY 1998; **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 use of modern contraceptive methods in Egypt expanded rapidly during the 1980s, fertility is still high and the pace of improvement has slowed. Population growth continues to surpass economic growth and have serious negative consequences for public services, employment, education, nutrition, health, and the environment. According to the 1995 Demographic and Health Survey (DHS), contraceptive prevalence is still low (24%) in rural upper Egypt and, alarmingly, has stagnated at around 48% nationwide. While there is consensus among high level political and religious leaders that current population growth rates are unsustainable, the Egyptian Government does not yet have the institutional and financial resources needed to adequately implement its national population strategy. Egypt is one of 15 USAID-assisted countries through which USAID expects to have a measurable impact on stabilizing global population.

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 3.6 births per woman in 1995, and contraceptive prevalence (the percentage of married women of reproductive age currently using contraception) reached 48% in 1995 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 a solid 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 for family planning services and commodities.

Description: Program activities will be concentrated in eight areas: further strengthening of the medical staff, facilities, management capacity and quality of care in the 3,700 family planning clinics operated by the Ministry of Health and Population; enhancing the quality of continuing education in reproductive health skills offered by two national institutions of post-graduate medical education; expanding the information, education and communication campaign led by the Ministry of Information; assisting family planning organizations to become more self-sufficient; and enhancing the quality, marketing, cost recovery, and coverage 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 work to strengthen implementing agencies' institutional capacity for cost-recovery and revenue generation; increase efficiencies in service provision; and reducing dependence on donor subsidies. It will do so through human resource development, improved management systems and development of 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 and the Japanese. The World Bank has started to provide loan assistance in the population sector, principally for NGO demand-generating activities. 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. Intermediate beneficiaries are the family planning managers and workers in USAID-assisted organizations whose skills, facilities, and services to clients are improved.

Principal Contractors, Grantees or Agencies: Currently one contractor, Pathfinder International, provides a range of technical and management support to GOE implementing agencies involved in USAID's population/family planning activities in support of GOE national fertility goals.

Major Results Indicators:	Baseline (1992)	Target
Reduced total fertility rate	3.9	3.5 (2001)
Increased contraceptive prevalence	47	53.8 (2001)
Decreased extended use failure rate	10%	7% (1999)

ACTIVITY DATA SHEET

PROGRAM: EGYPT
TITLE AND NUMBER: Sustainable Improvements in the Health of Women and Children, 263-SO05
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $34,000,000 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 (97.7 and 129.2, respectively) as in urban governorates (42.9 and 56.9, 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. An alarming finding of the recent DHS indicates that approximately 97% of all Egyptian married women have been circumcized. Moreover, most Egyptian women say they want the practice to continue. USAID is supporting the Ministry of Health and Egyptian and U.S. NGOs in their programs to eradicate the practice. This S.O. includes the following activities: Healthy Mother/Healthy Child; Cost Recovery for Health; Schistosomiasis Research; Communicable, Endemic and Emerging Diseases; and a new Health Policy Support Program.

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 dropped 43% between 1980 and 1990, and the child mortality rate has declined 55 % in the same period. A goal to eradicate polio by 1997 has been set. Reported confirmed cases of polio dropped from 584 cases in 1992 to 60 in 1995. The target for elimination of neonatal tetanus has been reached 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. Ongoing experiments in financing services in pilot cost recovery facilities are expected to 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. NGOs, including U.S. 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 the 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 is the basis for 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 the program. 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 Program 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 improve equity and efficiency in the health sector. USAID is assisting the intensive efforts underway within the Health Insurance Organization to restructure and reengineer this agency.

Host Country and Other Donors: The 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 USAID in the high risk areas of Upper Egypt to reduce child and maternal mortality. In addition, USAID is collaborating with the World Bank and the EU in developing a health policy program.

Beneficiaries: Egyptian women of child-bearing age and children under five are the primary focus of 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 U.S. PVOs to strengthen NGO capacity.

Principal Contractors, Grantees, or Agencies: USAID is implementing the program through a number of U.S. firms and universities. The University Research Corporation, Maximus and Medical Services Corporation International are the primary U.S. contractors currently working on health programs. USAID also expects to award an umbrella grant to a U.S. PVO to promote more NGO activity in the health sector.

Major Results Indicators:

	Baseline	Target (2001)
Infant mortality rate	97.4 (1985)	53
Under five mortality rate	130.1 (1985)	73
Maternal mortality ratio	174 (1992)	139

ACTIVITY DATA SHEET

PROGRAM: EGYPT
TITLE AND NUMBER: Increased Access to and Sustainability of Water and Wastewater Services, 263-SO06
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $72,000,000 ESF
INITIAL OBLIGATION: FY 1996; **ESTIMATED COMPLETION DATE:** FY 2004

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 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 affected 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 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 million to 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 as demonstrated by the close working relationship with the Government of Denmark in the Aswan Governorate and the Netherlands in Fayoum.

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 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.; Montgomery Watson 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:

	Baseline	Target
Estimated population connected to improved sewerage systems (in millions of people)	18.6 (1995)	20.8 (2001)
Estimated population with access to improved water supply (in millions of people)	22.6 (1995)	23.5 (2001)

ACTIVITY DATA SHEET

PROGRAM: EGYPT
TITLE AND NUMBER: Reduced Generation of Air Pollution, 263-SO07
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $40,000,000 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 posing 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 Energy Conservation and Environment Project (ECEP) and the 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 100 public sector buses, lead and cement plant control technology, vehicle tune-up and inspection programs, air quality monitoring/analysis, public awareness campaigns, and policy dialogue supporting the increased 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 focusing 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 assisted the World Bank with the design of its Environmental Pollution Abatement Project, coordinated with the EU's new energy demand side management program, and consulted closely with ODA, DANIDA and CIDA on pollution prevention and air quality monitoring. A major USAID-funded activity is developing 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 the 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.

Major Results Indicators	Baseline	Target (1998)
No. of pollution prevention technologies replicated	0 (1993)	50
Accumulated pollution reduction in: (metric tons)		
Sulfur Oxide	0	47,535
Nitrogen Oxide	0	18,436
Carbon Monoxide	0	82,534

ACTIVITY DATA SHEET

PROGRAM:EGYPT
TITLE AND NUMBER: Promotion of Environmentally Sustainable Tourism, 263-SpO D
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998 ; $10,000,000 ESF
INITIAL OBLIGATION: FY 1998; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To foster sustainable growth in tourism which protects the natural and cultural sites upon which tourism is based and contributes to long term economic growth and job creation.

Background: Recent economic data suggests that tourism is Egypt's fastest growing sector, providing thousands of new jobs every year. Revenue from tourism is Egypt's second largest source of foreign exchange. The significance of tourism revenue to the Egyptian economy is likely to become even more important since the number of tourists is expected to more than double by the year 2000. However, this expected increase in tourism, if not planned and managed in a close partnership between the public and private sectors, will threaten the very natural and cultural attractions for which Egypt is world famous. Uncontrolled development in the vicinity of tourist attractions, coastal landfills, pollution from urban and industrial sources, resource allocation conflicts between and among users, a lack of zoning and building regulations, poor training and management of tourism staff and facilities, and the improper disposal of solid waste are among the major factors threatening sustainable tourism growth and development in Egypt.

USAID Role and Achievements to date: In collaboration with the Egyptian Environmental Affairs Agency (EEAA), the Tourism Development Authority (TDA), and the Supreme Council for Antiquities (SCA), USAID initiated a small experimental two-year program in FY 1996 designed to preserve and protect the natural and cultural environment along the Red Sea coast through the promotion of environmentally appropriate tourism activities. Thus far, USAID assistance has helped to improve awareness of sustainable tourism issues. Achievements include: (1) two fully staffed project offices established in Hurghada and Cairo; (2) equipment procured and installation of 250 mooring buoys begun in the new Marine Park Protectorates area along the Red Sea coast; (3) commencement of preliminary conservation work at the monasteries of Sts. Anthony and Paul and the Seti I Tomb.

Description: USAID is planning to develop a new program for environmentally sustainable tourism starting in FY 1998. The follow-on activity will provide continuity for longer-term initiatives started under the pilot phase. USAID will focus on nationwide policy changes and technical assistance resources for tourism development along the Red Sea coast. Key activities will include: building capacity and extending the reach of regulatory agencies which oversee resource management and tourism development; building interagency collaboration to resolve disputes which weaken enforcement of environmental laws; developing new approaches to environmentally sensitive management; providing management training for the hotel and tourism sector; and encouraging the policy reforms to allow touristic sites to raise and retain revenues for maintenance and operation of those sites.

This program supports a variety of activities which are aimed at strengthening linkages among the public sector, private sector, and non-governmental organizations. Major elements include (1) site development and management (installation of mooring buoys to protect coral reefs, cultural site development at two desert monasteries, Quseir Fort and Seti I Tomb); (2) sustainable tourism strategies (Red Sea Tourism Action Plan, Solid Waste Action Plan, Comparative Advantage Review of Red Sea Tourist Industry); (3) creation of a new coral reef protectorates area with Training for Park Rangers; (4) touristic facility support (improvement of Sinai decompression chamber, Port of Safaga Audit, Environmental Management for Hotels); (5) regional and international cooperation (Madaba Map Conference); and (6) non-governmental organization development.

Host Country and Other Donors: USAID is currently collaborating with the European Union (EU) to replicate the Marine Park System in the South Sinai, funded by the EU, in the Red Sea islands and coast. The GOE is contributing staff (park rangers), salaries, housing, basic training, and operational expenses for the new marine park system.

Beneficiaries: The public and private sectors of Egypt as a whole stand to gain long-term economic benefits from sustainable tourism development.

Principal Contractors, Grantees, or Agencies: Contractors include the American Research Center in Egypt and Winrock International, Inc.

Major Results Indicators	Baseline (1996)	Target (1998)
No. of EEAA Park Rangers enforcing Law 4 in Red Sea Coast	0	8
No. of Mooring Buoys installed	40	250
No. of Boat Captains trained	0	80
No. of Cultural Tourism Site Plans Developed	0	3

ACTIVITY DATA SHEET

PROGRAM: EGYPT
TITLE AND NUMBER: Improved Human Capacity Development System Linked to Strategic Priority Areas, 263-SpO E
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $20,000,000 ESF
INITIAL OBLIGATION: FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To strengthen the management and technical capabilities and enhance the professional performance of individuals and groups serving in Egyptian governmental and private sector entities, including universities, NGOs/PVOs, and other key development institutions.

Background: To achieve sustainable development in Egypt, continued investment in human capacity is essential. Egypt's training needs are evolving to meet new priorities in the areas of economic growth, private sector development, an improved environment for the growth of democracy, reduced population growth and improved health, and protection of the environment. Critical human resource constraints persist in Egypt across all of USAID priority areas, which must be addressed with strategically-linked training.

USAID Role and Achievements to Date: USAID has provided in-country training to tens of thousands of Egyptians and U.S. education and training opportunities to close to 15,000 Egyptians through its technical and human resource development projects since the mid-1970s. The knowledge and skills acquired by these trained individuals have contributed to development across all sectors under the many projects funded by USAID and implemented in conjunction with a multitude of Egyptian governmental and non-governmental organizations. However, experience has shown that earlier training project designs have lacked the necessary systems to effectively plan for, monitor, follow up, and evaluate the development impact of training. In addition, training activities have been implemented through an extensive variety of different implementation mechanisms which has contributed to management and oversight difficulties, lack of consistency and uniformity in provision of training services and application of policy and procedural regulations, and inadequate monitoring and evaluation. This special objective has been designed to correct these problems and achieve greater development impact through training.

Description: This special objective through the Development Training 2 (DT2) activity will address two development problems: (1) the need for customer-focused training opportunities that fully support strategic priority areas and (2) the need for a consolidated, focused training management system that effectively plans and implements training activities while concurrently demonstrating strategic results. DT2 consists of three activities: the training activity, an in-country English language testing and training (ELTT) activity to prepare Egyptian trainees for overseas training conducted in English, and an activity to fund external evaluations and required audits.

The DT2 activity will put into place a single, centralized training management system, under a USAID direct contract, to fund and implement all participant training in the United States and approved third countries and some in-country training that will directly support achievement of results under all strategic and special objectives (SOs/SpOs). DT2 will work directly with SO/SpO teams and their Egyptian partners to carry out organizational and training needs assessments of the Egyptian partner institutions to determine where training is an appropriate intervention to achieve results under the strategic and special objectives. Based on the needs assessments, training plans, budgets, and results indicators will be developed for each SO/SpO. The DT2 training management system will also provide consistent and adequate pre-departure orientation for all participants traveling overseas for training, place participants in appropriate training programs and monitor their progress and follow up returned participants to help maximize the training investment and ensure the application of the knowledge and skills. The ELTT activity will provide in-country English language training to assist participants in

reaching a level of English proficiency to enable them to successfully undertake overseas training conducted in English.

Host Country and Other Donors: The GOE will contribute local currency equivalent to pay for international travel and pre-departure medical clearance examinations. In-kind contributions are estimated to be at least $5.6 million in the form of office space, utilities, and salaries and benefits of participant and in-country trainees while in training. Other donors provide in-country and overseas training opportunities for Egyptians to support the, development activities they finance.

Beneficiaries: The direct beneficiaries of DT2 will be those Egyptians who work in the various partner institutions involved in achieving results under the strategic and special objectives. Other beneficiaries include clients served by partner institutions through improved services and programs.

Principal Contractors, Grantees or Agencies: To be determined.

Major Results Indicators:	Baseline	Target (1998)
Strategically linked training plans developed	N/A	11 plans for first three-year period
Positive partner institution feedback on relevance and delivery of training	TBD	percentage of partner institutions providing positive feedback

INDIA

FY 1998 Development Assistance **$55,700,000**
FY98 P.L. 480 Title II **$80,122,000**

Introduction

USAID's program in India responds to three key U.S. interests: increased opportunities in trade and investment; global concerns about environment and health; and humanitarian efforts in alleviating world poverty and reducing malnutrition. With nearly a billion people, India is not only the world's largest democracy but a country of enormous economic and political potential. The United States is India's largest trade and investment partner. In recent years, annual trade between the two countries has been approximately $9 billion; U.S. direct investment in 1996 was about $200 million and portfolio investment in 1995-96 was about $800 million. Expanded economic opportunities in India depend on the pace of India's economic reform process, begun in 1991 and undergoing a difficult political transition this year. They also depend on India's ability to improve infrastructure and its human resource base.

India's success in grappling with these demands is of global concern. India's industrial sector, the tenth largest in the world, is the fifth largest and second fastest growing producer of greenhouse gases. Much of its industrial growth is still to come and by incorporating new environmentally sound technologies, India can significantly reduce the impact of greenhouse gases on the world's environment. Its growing population and concentration of poverty in urban areas have significant implications for the development and spread of communicable diseases--including HIV/AIDS, malaria, TB and polio. Continued economic growth will be critical to finance infrastructure and social services required to reduce health threats and to allow inroads in alleviating India's massive poverty. The role and low status of women must also be transformed to speed and sustain economic growth. USAID is helping India with these challenges through programs supporting economic reform, promoting pollution prevention and environmental protection, enhancing food security, developing women's initiatives and strengthening services, both public and private, in health and family planning.

The Development Challenge

The national election in May 1996 has ushered in a fragile coalition government that is trying with difficulty to continue the previous government's economic reform process. Trade and foreign investment are at roughly the same levels as the past three years, inflation is inching up but not yet threatening economic growth, and the GDP is growing at about 6%. 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. However, conventional wisdom holds that such growth is dependent upon sustainable economic growth rates of between 7% and 8%. For this to occur, the reform process must accelerate and expand.

India needs sustained economic growth to bring the 400 million people now living below the poverty line into the modern economy. To obtain this growth--and to make the transition to a strong market economy--will require renewed commitment to the reform process. It is still unclear whether the current government will be able to marshall the political will for this commitment.

At the same time, India's ability to achieve a sustainable pace of development is affected by its ability to deal with population growth. India's population has doubled in the last 40 years and could double again, the equivalent of another China, by the time growth stabilizes. Such growth has dramatic implications not only for the economy, but also for urban infrastructure, health and social services,and the natural resource base.

The potential for USAID to have significant impact on economic reform, health and family planning, food security, and environment through limited, but well-targeted assistance, has been demonstrated. USAID programs helped launch a national depository, an institution vital to efficient operation of the secondary 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 in 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, saddled as it is with a total external debt, as of September 1995, of $93.84 billion. However, India maintains a strong record of servicing its debt.

Other Donors

In 1996-97, the United States provided about 2.5% of the $6.661 billion in donor assistance to India and is its sixth largest donor. Major donors are: the World Bank, the Asian Development Bank, the European Union, Japan, Germany, and the United States.

FY 1998 Program

The USAID program in India will achieve demonstrable results in advancing four of the Agency's strategic goals--economic growth, population and health, environment and humanitarian assistance. It advances U.S. interests in trade and investment through its support for sustained economic growth. It addresses global concerns about population growth and the HIV/AIDS pandemic. It strongly supports initiatives under the Indo-U.S. Common Agenda for the Environment (CAE) signed in 1995 by both countries to encourage collaboration on environmental issues of global and bilateral concern. It responds to humanitarian concerns about India's widespread poverty and malnutrition.

The program has strategic objectives in four areas:

- Accelerated broad-based economic growth through financial sector reforms and increased mobilization of capital;
- Stabilized population growth through reduction of fertility in north India, specifically through increasing contraceptive use in Uttar Pradesh, increasing child survival and empowering women;
- Enhanced food security through increased child survival and improved nutrition; and
- Environmental protection through increased energy conservation and productivity, and reduced pollution.

It also has three special program objectives:

- Reduced transmission of HIV infection;
- Increased investment in agribusiness by private firms; and
- Expansion of women's role and participation in decision-making.

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 a single institution to a network of 78 companies of which 21 companies are now classified and approved by the National Housing Bank (NHB). These companies have more than 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 $76 million for 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 $8 billion in new capital, with significant sums coming 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. USAID's Mumbai-based contractor, Price Waterhouse, helped the National Stock Exchange (NSE) to establish India's first securities depository which became operational on November 8, 1996. It is also assisting 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 with $25 million in loan guarantees support to leverage the first $85 million phase of an important water and municipal sewage project. The project is expected to come to a financial closure and start implementation in FY 97 with a Build-Operate-Transfer (BOT) operator appointed and functioning. In the second such project, USAID is helping Ahmedabad Municipal Corporation to access capital markets through the offering of bonds worth $25 million for investment into municipal infrastructure projects. The USAID-supported Financial Institutions Reform and Expansion (FIRE) project has been instrumental in the completion of the credit rating for the Ahmedabad Municipal Corporation, with an investment grade (A+) rating for floating these bonds, the first credit rating ever for an Indian municipality.

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-median income households. Building on past successes, this program, which draws on $69.6 million in USAID loan guarantees, provides capital through the National Housing Bank to housing finance companies for on-lending to lower income families. The expanded policy agenda includes increasing the financial resources available to the housing sector, expanding the number of market-oriented housing finance institutions, expanding the supply of housing finance to below-median income households, and strengthening outreach and capabilities of "community based financial institutions" to provide financial services to lower income and informal sector families. The program assistance ends in September 1997.

- *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, impressive gains in reducing population growth 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.

USAID's largest family planning program focuses on the north Indian state of Uttar Pradesh, India's most populous state. The mandate of the program is to provide contraceptive choice to couples who are at risk of having a child, who do not want to be pregnant, and who are not using effective contraception. Service provision is accomplished in a holistic manner, maintaining a comprehensive, women-centered approach.

Since 1994, the program has established an autonomous agency, the State Innovations for Family Planning Services Agency (SIFPSA), to coordinate implementation of the Innovations in Family Planning Services (IFPS) project. In the three years of program implementation, SIFPSA has brought both private and public sector services together in program implementation. Senior district officials, family planning managers and traditional doctors are committed to increasing access, improving quality, and creating greater demand for a broad range of reproductive health and family planning services. The agency has financed training of over 3,000 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 66 non-governmental organizations (NGOs) involved in providing a range of health and family planning services, thereby increasing the coverage to 10 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 campaign for the social marketing of contraceptives.

One major contribution in the past year has been USAID's role in the Government of India's (GOI's) adoption and launching of the Child and Reproductive Health (CRH) initiative. USAID provided operations research, data and guidance that supported the GOI program shift from the achievement of demographic goals through contraceptive targets to the empowering of individuals and couples to use contraceptives for planning and achieving their reproductive intent. One major concern is that the withdrawal of targets in the absence of a well-conceived and tested alternative may lead to deterioration of program functions. USAID, in partnership with other donors, is committed to keeping this issue foremost in all policy dialogue and program implementation.

As part of the effort to provide data for informed decision making, 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 baseline data on demographic, health and nutrition status, fertility and family planning practices, and is the key to measuring the results of USAID's efforts. It was so well received that USAID is in the midst of negotiating with the GOI the mechanism for a follow-on survey.

Through the Private Voluntary Organizations in Health-II (PVOH-II) activity, USAID continued to support 85 NGOs in northern India in providing maternal and child health services to approximately two million beneficiaries in underserved rural communities. The program has resulted in a 40% increase in immunization coverage which now stands at 90%. Ante-natal coverage has increased from 30% to 70% . There has been a significant increase in awareness and use of family planning methods. Use has increased from 15% to 50%. NGO capacity to reach communities with quality health care has been strengthened through training and technical assistance.

USAID has continued its long involvement with and support to India's immunization program through assistance to the development of the National Institute of Biologicals which, when complete, will assure that high quality vaccines and biological products are used and produced in India. Commencing in 1995, USAID has pledged support to India's polio eradication initiative--one of the largest polio eradication drives in the world. In 1995, more than 90% of India's 75 million children under three

years of age were immunized. The National Immunization Days (NIDs) for 1996 (December 1996 and January 1997) continued to receive USAID assistance.

USAID has finalized the results package for a new Women and Child Health (WACH) initiative in selected districts in the north Indian state of Madhya Pradesh. The initiative will focus on improving women's reproductive health services including birth spacing information, anemia prevention, and safe delivery care. The consequent gains in women's health will result in reduced neonatal mortality. Other interventions such as nutrition education, immunization, and management of acute respiratory and diarrheal diseases are designed to reduce infant mortality.

The Program for Advancement of Commercial Technology Project's Child and Reproductive Health Component (PACT/CRH), which has the goal of increasing commercial production, distribution and marketing of child survival and reproductive health products in India, has made substantial progress during the last twelve months. Specifically, the London Rubber Company, the world's largest producers of condoms, has received a loan from the Industrial Credit and Investment Corporation of India Limited (ICICI) under the PACT/CRH project to substantially increase its marketing and distribution of condoms throughout India and to improve its quality maintenance program. This ambitious nation-wide undertaking will have substantial positive impact on HIV and STD prevention and prevention of unwanted pregnancies. Furthermore, the program is conducted on a commercial basis and is, therefore, sustainable without further inputs. In addition to this activity, negotiations are underway between ICICI and various private companies for increasing the marketing and distribution for IUDs, oral rehydration salt (ORS), cold chain equipment and diagnostic products for various infectious diseases.

- Strategic Objective 2: *Reduced Fertility in North India*

Agency Goal: Enhancing Food Security

With nine successive good monsoons, India's food grain 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 has initiated 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 GOI's Integrated Child Development Services Program, the largest child survival program in the world. Responding to a USAID-funded impact evaluation, CARE has begun 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 program's successes are the following:

CARE and CRS have developed an impressive logistical base, allowing the program to move large quantities of food to a widely dispersed beneficiary population and to respond quickly with disaster assistance.

CARE and CRS outreach systems provide access to the most remote geographical areas and to some of the most vulnerable people, including tribes and former 'untouchable' castes.

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. Mobile source, or vehicle pollution, is one of the most insidious and pervasive forms of air pollution in India. Major Indian cities, including New Delhi, Calcutta and Mumbai, are on the top ten list of the most polluted cities in the world, and the economic and health impacts (including asthma and other respiratory problems) are becoming endemic. With vehicle sales growth exceeding 20% per annum in many categories, air pollution worsens daily. In recognition of India's increasing importance to global environmental concerns, the U.S. signed with India the Common Agenda for the Environment (CAE), pledging both countries to collaboration on environmental issues. In support of CAE, USAID is working with the private sector, NGOs, and municipal and central government representatives in a variety of programs.

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_2 emissions per unit of power generated. USAID promotes the development of innovative clean coal and renewable energy technologies. For example, USAID assistance has resulted in the establishment of India's first commercial coal washery for power plants. A small USAID grant for this Indo-U.S. joint venture has leveraged private investments of over $14 million. Multilateral development banks are preparing more than $1 billion in new energy efficiency and environmental programs.

USAID funds are catalyzing U.S.-India joint ventures and technology links for the manufacture and installation of a variety of air pollution control equipment to reduce emissions from steel, cement, copper smelter, and thermal power plants. Examples of results from successful ventures are 100% reduction of arsenic emissions at copper smelters, recyclying of sulfuric acid, recyclying of caustic soda, improved efficiency in the operation of power plants, power plant emission controls, and the accelerated growth of U.S.-India environmental industry collaboration. The next stage will build on the growing recognition by major portions of key Indian industrial sectors that improved environmental management will make them more competitive as well as benefitting the environment. Activities will support the introduction of ISO 14000 environmental management techniques, greening of supplier production chains and greater linkages to U.S. businesses.

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 the private sector and other donors such as the World Bank and Asian Development Bank. USAID assisted the World Bank in the development of 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 in the environment sector, USAID maintains an active dialogue with other donors in this area. USAID has been particularly successful in leveraging, as demonstrated by Indian investments which are additional to the USAID

program, more than $10 million in air and water pollution control equipment and hundreds of millions in donor and privately financed electric power projects.

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.

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. This is done through a variety of approaches including: (1) the development of environment workbooks and risk assessments which create an accessible information base to prioritize investments; (2) assistance in design of legislation on decentralization of environmental authorities; (3) development of a process leading to women having a greater role in local environmental decision-making and control of resources; and (4) assistance to India's debt market to raise the capital necessary to meet the long-term requirements of new and upgraded environmental infrastructure. USAID assisted Infrastructure Leasing and Financial Services (ILFS) to package an integrated urban environmental infrastructure project for Tirrupur, in the Indian state of Tamil Nadu, the first phase of which consists of a water supply and sewerage treatment system for Tirrupur costing around $85 million. This also helped ILFS to get a line of credit of $200 million from the World Bank to be invested in urban infrastructure.

- 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

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--between 1.5 and 3 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 NGO programs known to have impact on the spread of AIDS; these programs emphasize condom use, treatment for sexually transmitted diseases, and changing high-risk behavior. In the last year, 18 NGOs have been funded to work with high-risk groups on HIV/AIDS prevention. A comprehensive research study on the availability and quality of condoms at retail outlets in Tamil Nadu has been completed and follow up action undertaken with private sector manufacturers to improve both the distribution and the quality of condoms. A training module has been designed for training physicians in diagnosis and management of Sexually Transmitted Diseases (STDs) and training of physicians commenced in December 1996. A major study to gather baseline data on knowledge of HIV prevention methods, as well as condom use and care seeking behavior for STDs, was completed in December 1996. The study shows that while populations engaging in high risk behavior are well informed about how to protect themselves from HIV, the adoption of safe behavior, such as condom use, is low. NGOs are receiving training in developing proposals for community-based activities in HIV/AIDS prevention. .

Special Objective 2: Increased Investment in Agribusiness by Private Firms

USAID's Agricultural Commercialization & Enterprise (ACE) program is working to improve the investment environment for private agribusinesses in horticulture and food processing in order to create jobs and increase productivity in agriculture. India currently processes less than one percent of its total agricultural production compared with 10% in Brazil. Its post harvest losses are high--some 30% of total production. The ACE program is designed to demonstrate to India's banking sector the feasibility of lending for agribusiness development and expansion. The ACE program also supports expansion of agribusiness through cost shared technical assistance and information exchange services to private companies and business associations. ACE has already shown results by increasing rural jobs in non-traditional high value crops. For example, the ACE program demonstrated the feasibility of high technology precooling of fruits and vegetables. There are 47 such precooling operations now concentrated in the same geographic area. The development of these operations has stimulated agriculture and related industries leading to increased employment opportunities in the area, especially for the rural poor including women. The ACE program also nurtures Indo-U.S. agribusiness linkages by providing information to, and facilitating trade and investment tours for, the Indian and U.S. agribusiness communities. In September 1996, the first high tech Agribusiness Information Center (AIC) was launched in collaboration with one of India's premier industry associations. The AIC provides access to worldwide agribusiness information on prices, markets and technology.

Special Objective 3: Expansion of Women's Role and Participation in Decision-Making

USAID's Women's Initiative (WIN) increases economic and educational opportunities and reproductive rights of girls and women in India. In a country where over the last seven decades the ratio of females to males has consistently (and unnaturally) declined, there is an urgent need for women to participate in decisions which affect their reproductive and productive lives. WIN provides gender-specific support to improve the impact of USAID/India's program in key strategic objectives of broad-based economic growth, improved child survival and fertility rates, and environmental protection. WIN assists in building a constituency on key women's issues by strengthening a body of Indian organizations which are increasing the access of low-income women to microfinance (savings, credit, and insurance) and/or which are defining and reducing the problem of violence as an obstacle to women's advancement. WIN provides Friends of Women's World Banking assistance to improve business planning of 73 affiliates providing microfinance to women. WIN also provides a network of social science institutes support to develop information systems and a data bank for annual reports on violence against women in India.

Since one-half of primary school age girls are not in school in India's most populous state of Uttar Pradesh, USAID/India is supporting targeted action research conducted by teachers and community members in one district to improve classroom practices and teaching so that girls are more likely to stay in school. Once a teacher training module is developed, it can be adapted statewide and perhaps nationally.

INDIA
FY 1998 PROGRAM SUMMARY
($000)

	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assist.	Total
USAID Strategic Objectives/ Special Objectives						
1. Increased Mobilization of Capital through Financial Sector Reforms Dev. Assistance	$9,500					$9,500
2. Reduced Fertility in North India Dev. Assistance		$21,650				$21,650
3. Increased Child Survival and Improved Nutrition in Selected Areas Dev. Assistance P.L. 480 Title II		$2,150			 $80,122	$2,150 $80,122
4. Improved Environmental and Financial Sustainability in the Energy Sector Dev. Assistance			$5,700			$5,700
5. Improved Air and Water Quality at Selected Industrial Sites and Municipalities Dev. Assistance			$10,500			$10,500
1. Reduced Transmission of HIV Infection Dev. Assistance		$3,200				$3,200
2. Increased Investment in Agri-business by Private Firms Dev. Assistance	$0					$0
3. Expansion of Women's Role and Participation in Decision-Making Dev. Assistance	$3,000					$3,000
Total Dev. Assistance P.L. 480 Title II	$12,500	$27,000	$16,200	$0	$0 $80,122	$55,700 $80,122

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 1998: $9,500,000 DA
INITIAL OBLIGATION: FY 1995; **ESTIMATED COMPLETION DATE:** FY 2003

Purpose: To increase mobilization of capital through financial sector reforms.

Background: India is struggling to raise the capital it needs for sustained economic growth, new infrastructure and expanded social services for 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 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 $76 million for small enterprises, creating many permanent jobs in the process. USAID support also has helped the private housing finance sector grow from a 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 $8 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 $85 million portion of a water and municipal sewage system in the state of Tamil Nadu is expected to come to financial close and start implementation in FY 97.

In the second such project, USAID's support was instrumental in completing credit rating (for the first time in India) for the Ahmedabad Municipal Corporation (AMC) to access capital markets through issuing bonds valued at approximately $25 million to be invested in municipal infrastructure projects for the city of Ahmedabad. USAID is assisting AMC in structuring the bond and in the development and packaging of projects for the same.

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-median-income households. This program, which draws on $69.6 million in USAID loan guarantees, provides capital

through the National Housing Bank (NHB) to housing finance companies, expanding the supply of housing finance to low income households and strengthening the outreach capabilities of community-based financial institutions to provide financial services to informal sector families. The program support ends in September 1997.

Host Country and Other Donors: The 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. USAID assistance to Infrastructure Leasing and Financial Services (ILFS) has leveraged the sanctioning of a line of credit of $200 million by the World Bank to ILFS for investment in infrastructure. 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 governmental and nongovernmental organizations.

Major Results Indicators:

	Baseline	Target
Increased amount of new capital (equity and debt) raised through the securities markets (Rs. billion)	244 (1993/94)[1]	500 (1998/99)
Increased foreign indirect institutional (portfolio) investment ($ billion)	1.6 (1993/94)[1]	4 (1998/99)
Increased amount of private capital used to finance commercially urban environmental infrastructure (Rs. billion)	0 (1994)[2]	3.75 (1998)

[1] Source: Securities & Exchange Board of India discussion paper
[2] 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 1998: $21,650,000 DA
INITIAL OBLIGATION: FY 1995; **ESTIMATED COMPLETION DATE:** FY 2002

Purpose: To reduce the 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 (IFPS) project in Uttar Pradesh, the PACT/Child and Reproductive Health (CRH) activity which develops new technologies and approaches in the private commercial sector, the Private Voluntary Organizations for Health - II (PVOH-II) activity which strengthens non-governmental organizations' (NGOs) capacity to provide maternal and child health and family planning services. New activities--Women and Child Health (WACH) and the Women's Initiative (WIN) -- 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 made only 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 world-wide. It has successfully established support for improving government services and has brought in the participation of a wide range of NGOs 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 over 3,000 private doctors in family planning counselling and contraceptive use; trained midwives and other village-level private practitioners and traditional doctors; and provided more than 66 NGOs with a range of health and family planning services. Current service coverage is over 10 million people. To greatly expand information and provide distribution of contraceptives and information, a pilot social marketing activity was launched and is progressing well. Negotiations are being held with the GOI to scale-up the social marketing activity state-wide.

At the same time, USAID financed the 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. It was so well received that negotiations are ongoing with the GOI for a follow-on survey.

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 15 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 25 to 30 grants to PVOs (72 currently being implemented). At present a population of over 10 million people is served either directly or through referral to the government clinics for services. Contraceptive Social Marketing promotes awareness, sales and use of oral contraceptives and condoms. To date over 1.4 million cycles of oral contraceptives and 40 million condoms have been sold. 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 Child and Reproductive Health component of the PACT project) will support private sector production, distribution and marketing of reproductive health products with sales volumes increasing by 15% annually.

Host Country and Other Donors: The World Bank, United Nations Population Fund (UNFPA), United Nations Children's Fund (UNICEF), and the 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 which 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: The Johns Hopkins Program for International Education in Reproductive Health, Association for Voluntary Surgical Contraception, Population Communication Services, Center for Development and Population Activities, The Futures Group, Deloitte and Touche, and International Training in Health, University of North Carolina.

Major Results Indicators:

	Baseline	Accomplished	Target
Total Fertility Rate (TFR) for Uttar Pradesh	4.8 (1992)[1]		3.9 (2001)
Contraceptive Use Rate for Uttar Pradesh	20 (1992)[1]		30 (1997)
Contraceptive Use Rate for 6 Focus Districts[2]	33 (1995)[3]		37 (1997)
Population Served by s (in million)	5 (1995)[4]		15 (1997)
Contraceptive Social Marketing (CSM) Sales			
A. Condoms (million pieces)	21.3 (1995)[5]	14.5 (1996)	29.6 (1997)
B. Pills (,000 cycles)	233 (1995)[5]	272 (1996)	848 (1997)

[1] Source: National Family Health Survey

[2] Kanpur Nagar, Sitapur, Jhansi, Gorakhpur, Tehri Garhwal and Rampur (Population: 11 million)

[3] Source: PERFORM Evaluation Survey

[4] Source: SIFPSA MIS

[5] 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 AND FUNDING SOURCE: FY 1998: $2,150,000 DA; $80,122,000 P.L. 480 Title II

INITIAL OBLIGATION: FY 1995; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To reduce 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 people lacks adequate food. Over half of India's 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 the Government of India (GOI) and non-governmental organization (NGO) efforts to improve child survival in the states where malnutrition, fertility, illiteracy and mortality rates are high. The Cooperative for Assistance and Relief Everywhere (CARE) and the Catholic Relief Services (CRS) have increasingly focused resources in needier northern states, closing down operations in more developed 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 per 1000 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 the Quality Control of Health Technologies (QCHT) 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 developed an integrated nutrition and health program to improve performance. CRS, working through private registered social service societies, reaches 648,620 beneficiaries, including programs managed by Mother Teresa's and the Dalai Lama's organizations.

Host Country and Other Donors: The GOI funds all of the Integrated Child Development Services Program's 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 the United Nations Children's Fund (UNICEF), World Bank, Swedish International Development Agency, and UN World Food Program (WFP). Japan is a co-donor with USAID for the QCHT.

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:

	Baseline	Target
Under-five mortality rate declines (No. of under 5 deaths per 1000 children) in selected states in north India	U.P. 141 (1992/93)[1] 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)[1] 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)[1] M.P. 57 Rajasthan 42	U.P. 38 (2000) M.P. 38 Rajasthan 38

[1] Source: National Family Health Survey.

ACTIVITY DATA SHEET

PROGRAM: INDIA
TITLE AND NUMBER : Improved Environmental and Financial Sustainability in the Energy Sector, 386-S004
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $5,700,000 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, at less than 300 kilowatt hours per person per year. Yet at current rates of economic growth, demand for electricity will grow at more than 30% during 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 negative 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. Specifically, technical assistance to the Government of India for development of standardized legal and financial documents; and training in support of regulatory and policy reforms has helped open the way for millions of dollars of potential U.S. investment in private power generation. USAID grants and technical assistance aimed at supporting renewable energy technologies have contributed to an increase in the share of power generation from renewable energy sources from 0.2% of total power generating capacity in March 1994 to over 1% in March 1996. The signing of partnership agreements between leading Indian and U.S. power utilities under the USAID-funded Utility Partnership Program has established a long-term mechanism for transfer of U.S. technology and experience to Indian utilities. USAID assistance also facilitated the signing of the first small hydro power purchase agreement between the Uttar Pradesh State Electricity Board and a private hydro power consortium lead by a U.S. hydro power developer, paving the way for rapid development of 10,000 MV produced by small hydro power plants 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 related to power sector regulation and restructuring, 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 institution to provide conditional grants for market driven research to develop energy efficient and renewable energy technologies which have potential for near-term commercial success. The Greenhouse Gas Pollution Prevention (GEP) program combines the strengths of Indian industry with the technological prowess of the U.S. to reduce greenhouse gas emissions by facilitating investments in advanced coal combustion technologies and bagasse co-generation, and providing specialized technical assistance for efficiency improvement in existing coal fired power plants.

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, non-governmental organizations and U.S. Government organizations such as the U.S. Department of Energy.

Major Results Indicators:

	Baseline	Target
Private power as percentage of power generating capacity (%)	4.4 (1993/94)[1]	20 (2001/02)
Percentage increase in kilowatt hour billed to KWH produced (%)	73 (1992/93)[1]	77 (2002/03)
Ratio of net CO2 emissions per unit of power generated (volume of emissions/KWH)	1.24 (1993/94)[2] (kg/KWH)	1.05 (2004/05)

[1] Source: Center for Monitoring Indian Economy
[2] 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 1998: $10,500,000 DA
INITIAL OBLIGATION: FY 1995; **ESTIMATED COMPLETION DATE:** FY 2002

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 governments' 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. Environmental 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, 11 Indo-U.S. environmental business collaborations. For example, the Indo-U.S. joint venture between Mysore Kirloskar and Snyder General, 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. Another Indo-U.S. joint venture between Agro Pulp Machinery Limited and Enders Process Equipment Corporation, Illinois was set up in 1994. Under this collaboration, a new efficient fluidized bed technology has been successfully introduced and demonstrated. Shreyans Papers Mills in Ludhiana is now treating black liquor effluent to reduce pollution load and recover valuable caustic soda (80%) used as a pulping chemical. With 100 agrobased paper mills in India, the potential market for this technology has been estimated at $400 million. Similarly, DI Filters Systems Private Limited and Donaldson Co. Inc., Minneapolis have collaborated to set up a plant to manufacture air intake filters for gas turbines to reduce air pollution. With the constantly increasing demand for energy in India, the need for such efficient air filters is expected to grow exponentially. USAID also is fostering the evolution of India's debt market to address the enormous requirement for long-term financing for environmental infrastructure. Under USAID's Financial Institutions Reform and Expansion (FIRE) program, the first commercially viable urban water supply and sewerage project has been developed in Tirrupur, in the state of Tamil Nadu, which will provide access to potable drinking water and sewage disposal system to around 250,000 people in the Tirrupur area. USAID assisted environmental workbook and risk assessment studies have helped the city of Ahmedabad in India to identify, prioritize and develop environmental infrastructure projects worth around $175 million, part of which will be financed through the domestic capital market, and another new innovation in the development of a municipal debt market.

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) program, provides assistance to promote efficient use of bagasse and other biomass fuels to co-generate power for reducing greenhouse gas emissions. GEP 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 co-generation 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. The Housing and Urban Development Corporation (HUDCO) and Infrastructure Leasing and Financial Services Limited (ILFS) together will mobilize from domestic sources at least an amount equivalent to $125 million for investment in environmental infrastructure projects.

Beneficiaries: The beneficiaries are Indian companies and municipalities, 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:

	Baseline	Target
Reduction in pollutants in waste water at selected industrial sites (%)	0 (1993/94)[1]	10 (1997/98)
Reduction in gaseous emissions and suspended particulate matter in air at selected industrial sites and power plants (%)	0 (1993/94)[1] * 0 (1994/95) **	90 (1997/98)* 4 (2000/01)**
Hectares of fly-ash ponds and land fills avoided due to commercial utilization of ash (hectares)	0 (1994/95)[2]	TBD (2002/03)

* Data is for TEST Project.
** *Data is for GEP Project.*

[1] Source: Project Reports, National Environmental Engineering Research Institute, Central/State Pollution Control Boards, Industry.
[2] Source: National Thermal Power Corporation, State Electricity Boards, Captive Power Plants.

ACTIVITY DATA SHEET

PROGRAM: INDIA
TITLE AND NUMBER: Reduced Transmission of HIV Infection in India, 386-SP01

STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $3,200,000 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 that 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--between 1.5 and 3 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 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. 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. In the last year, 18 NGOs have been funded to work with high-risk groups on HIV/AIDS prevention. A comprehensive research study on the availability and quality of condoms at retail outlets in Tamil Nadu has been completed and follow-up action undertaken with private sector manufacturers to improve both the distribution and the quality of condoms. A training module has been designed for training physicians in diagnosis and management of Sexually Transmitted Diseases (STDs) and the training of physicians began in December 1996. A major study to gather baseline data on knowledge of HIV prevention methods, as well as condom use and care seeking behavior for STDs was completed in December 1996. Findings indicate that although 90% of individuals engaging in high risk behavior do know about means of preventing the transmission of HIV/AIDS, adoption of safe behavior lags behind. Only about 37% of high risk populations protect themselves with condoms. NGOs are receiving training in developing proposals for community-based activities in HIV/AIDS prevention. The challenge is to maintain the current high levels of knowledge and to move people from knowledge to adoption of safe behavior.

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 Administration (ODA) 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. UNAIDS provides technical assistance to the NACP.

Beneficiaries: Though high-risk sexual activity takes place mostly between female commercial sex workers and their male clients, infection is primarily 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 nodal voluntary agency entrusted with APAC activity implementation.

Major Results Indicators:

	Baseline	Target
Knowledge of at least two protective measures against HIV transmission amongst those engaging in high-risk behavior.	90%	90% increase (2001/2002)*
Use of condoms among high-risk groups.	37%	62% (2001/2002)*
Proportion of the high-risk populations seeking care from qualified medical practiioners for symptomatic STDs	52%	77% (2001/2002)*
Number of APAC assisted NGOs involved in HIV/AIDS prevention activities.	0 (1995)	100 (2001/2001)*

ACTIVITY DATA SHEET

PROGRAM: INDIA
TITLE AND NUMBER : Increased Investment in Agribusiness by Private Firms, 386-SPO2

STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $0 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 an approximate 30% post harvest loss.

USAID Role & Achievements to Date: USAID, through its Agricultural Commercialization and Enterprise (ACE) program, assists competitive and pioneering agribusiness ventures producing high value horticultural produce and agroprocessing that expand rural employment (including jobs for women) and incomes. Among the 22 commercial ventures supported by ACE, four for fruits and vegetable pre-cooling in the Nasik region of Maharashtra state have led to an additional 47 similar investments in Nasik alone.

Convinced by this success, formerly reticent financial intermediaries now invest nine dollars for every dollar financed by the ACE project in agribusiness ventures. USAID has also actively facilitated Indo-US agribusiness linkages through arranging training programs in leading U.S. universities (e.g., the University of California, Davis) and encouraging participation of Indian agribusiness leaders in trade and investment shows in the U.S. These business nurturing activities have improved India's perception of U.S. exporters and manufacturers of agribusiness equipment. For example, ACE facilitated an Indian delegation's participation in Chicago's 1995 Megashow which resulted in a new joint venture in cooling equipment which will open South Asia's markets to new technology from a mid-sized U.S. company. In September 1996, the ACE program successfully launched India's first, state of the art Agribusiness Information Center (AIC) in collaboration with the Federation of Indian Chambers of Commerce and Industry (FICCI), India's premier industry association. In September 1996, the ACE project provided an opportunity to American biotech companies to meet with Indian firms interested in acquiring new technology at a Biotech Business Forum. As a direct result, one of the participating American companies has sent a team to negotiate and appoint agents and dealers for their technology in India.

Description: USAID through the ACE program and its partner the Industrial Credit and Investment Corporation of India (ICICI) lends seed capital for pioneering horticultural and agribusiness ventures in order to demonstrate the feasibility of lending to agribusiness. The ACE program also provides technical assistance and training to individual firms and industry associations and nurtures Indo-US agribusiness linkages as a mechanism for technology transfer. The Mission plans to extend this activity through additional funding anticipated from the Agency's new economic growth plus-up initiative.

Host Country and Other Donors: In response to ACE effectiveness, the Government of India transferred over $20 million in local currency to ICICI to finance agribusiness operations. Additionally, after the creditworthiness of agribusiness lending was demonstrated, ICICI has invested over $50 million from its own resources in similar agribusiness projects. Other donors such as the European

Union, UNDP, FAO and the World Bank have used USAID experience in plans for 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 Service Corps (IESC), a U.S. private voluntary organization; ICICI, the leading Indian private development bank; FICCI, India's premier industry association; and Winrock International, a U.S. contractor that implements the Farmer-to-Farmer program in India.

Major Results Indicators:

	Baseline	Target
Increase in total investments in ACE-funded agribusiness projects ($ million)	0 (1991/92)[1]	60 (1997/98)
Increase in ICICI lending to the agri-business sector ($ million)	0 (1991/92)[1]	200 (1997/98)
Increase in value of horticultural exports ($ million)	155 (1991/92)[2]	380 (1997/98)

[1] Source: Industrial Credit and Investment Corporation of India, Chemonics International
[2] Source: Agricultural Products Export Development Authority (APEDA)

ACTIVITY DATA SHEET

PROGRAM: INDIA
TITLE AND NUMBER: Expansion of Women's Role and Participation in Decision-Making, 386-SP03

STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $3,000,000 DA
INITIAL OBLIGATION: FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To expand women's role and participation in decision-making through activities addressing constraints in the areas of microfinance, girls' school participation, violence against women, management of the community environment and women's control over her reproductive and childrens' health.

Background: Women are the most disadvantaged members of the Indian population and comprise the largest portion of the population living in absolute poverty. The low status is reflected in indicators such as low literacy rate, a significant gender gap in primary education, high prevalence of a number of forms of violence against women, and lack of access to financial resources. Worsening environmental conditions and the absence of basic infrastructure in poor communities deprive women of prospects for healthy, dignified lives as productive members of society. Perhaps the most telling is the figure for "missing women" as reflected in excess female mortality (when compared to male mortality), especially high maternal mortality rates and the declining sex ratio (927 per 1000 males as per the 1991 census). Between 1981 and 1991 more than four million girl children joined the ranks of "missing women." Approximately 1.2 million of them disappeared either through selective abortion following sex-determination in pregnancy or because of inadequate attention after birth.

USAID Role and Achievements to Date: All the activities supported by the Women's Initiative (WIN), which began in FY 1996, address aspects of women's issues not supported by any other donor. It is envisioned that considerable progress will be made in USAID supported programs being implemented by the International Center for Research on Women and its subgrantee, the Centre for Development and Population Activities in partnership with Indian organizations. During the first phase of WIN, more than 20 non-governmental organizations (NGOs) providing financial services to low-income women will be trained in business planning by USAID's local partner, Friends of Women's World Banking (FWWB). Training materials in several Indian languages will be made available to these and other grassroots institutions serving low-income women, and the institutional capacity of FWWB will be strengthened. A systematic methodology in collection and analysis of secondary data and indicators measuring the incidence, prevalence and costs of violence against women will be piloted in some states in India by local institutions, and plans to refine this pilot undertaking in order to replicate at a national level will be underway.

USAID support through the Global Girl's and Women's Education Initiative will result in development of new instructional methods in gender-sensitive classroom interaction of teachers in primary schools of one block in Uttar Pradesh. Baseline data will be collected by core team of local teachers using classroom observations of both qualitative and quantitative interactions and interviews with teachers, parents and community members.

Description: After an extensive customer survey of women's NGOs, grass roots organizations, research institutions, government offices, media groups and other donors, USAID decided to provide support for: (a) developing, with the participation of a prominent teacher's association, a teacher training module that eliminates gender-biases in classroom practices and increases girl's school enrollment and retention in one district in the Indian state of Uttar Pradesh; (b) upgrading the business planning skills of NGOs to increase outreach of financial services to low-income women; and (c) expanding informed research and advocacy by Indian organizations on and against violence against women by development of nationwide data base for publication of annual status reports. Support in these areas will strengthen

interventions in the areas of increased political participation and awareness of legal rights of women.

WIN also seeks to strengthen alliances of women's organizations through advocacy workshops and dissemination of research results and models. Through these alliances, there will be positive synergistic impact on the health and family planning and urban environmental management activities supported by USAID.

Host Country and Other Donors: WIN contributes to many significant Indian initiatives and donor programs. In the primary education sector, the World Bank is providing over $700 million to improve coverage and quality of primary education, and several UN agencies have coordinated to provide assistance for teacher training and community participation and management of schools. The European Union and the British Overseas Development Administration (ODA) also have significant primary education programs in Madhya Pradesh and Andhra Pradesh, respectively. The USAID activity complements these comprehensive programs by focusing specifically on teacher training through skills development for teachers that are intended to increase teachers' abilities to address girls' specific learning needs, improve school and classroom learning environments for girls so they stay in school.

Although violence against females is a widely recognized and serious problem in India, most donors have assisted support services or legal awareness programs rather than building an information base. USAID is the first donor to work with Indian organizations to establish an objective and national data bank, through systematic analysis and collection of data on violence against women.

The UN, World Bank, Swiss, Dutch and Canadians have all supported credit and enterprize programs for women. However, most of these programs have focused on women's self-help group formation and development of home-based enterprises. WIN focuses instead on upgrading the technical and managerial capabilities of alternative financial organizations which, by operating on a sound, sustainable basis, will increase the quality and outreach of the financial services they provide to women.

Beneficiaries: Girls, women and local institutions of India in areas assisted by WIN.

Principal Contractors, Grantees or Agencies: Center for International Education, University of Massachusetts International Center for Research on Women and subgrantee, Centre for Development and Population Activities (CEDPA), Friends of Women's World Banking (FWWB) and other local institutions.

Major Results Indicators:

- Increased enrollment and retention of girls in primary schools in one district in UP (% increase)
- Increased number of women clients receiving financial services from NGOs trained in business planning (% increase)
- Increased number of institutions reporting regularly on violence against women
- Increased number of local institutions and their constituencies conducting methodological research on and informed advocacy against violence against women (% increase)
- Publication of an annual report on violence against women.

Baseline (1996/97) and target figures (2000/2001) will be developed for these indicators in consultation with G/WID, G/EG/MD and ICRW/CEDPA and key Indian partner institutions.

INDONESIA

FY 1998 Development Assistance $46,500,000

Introduction

Indonesia's huge market, outstanding economic performance, and market-oriented policies make it an increasingly attractive trading and investment partner for the United States. At the same time, its deft leadership of regional and global issues gives the country increasing worldwide political prominence. Indonesia is a non-permanent member of the United Nations' Security Council for the 1995-1997 term, and is the current chair of the 52-nation Organization of Islamic Conference. Indonesia is a founder and leader of the Non-Aligned Movement and the Association of Southeast Asian Nations (ASEAN). Its rich but threatened natural resources have global impact on biodiversity and greenhouse gas emissions. Indonesia is the world's fourth most populous country, with 190 million people, and it has the world's largest Moslem population. The Indonesian archipelago, with a span of more than 3,000 miles, is of strategic importance for international trade and security.

For 25 years, Indonesia's economy has grown at an average annual rate of 7 to 8%; it has strong potential to assert itself as a major new economic and political force in the Asia-Pacific rim. This performance is primarily a result of sound macroeconomic and sectoral growth policies, areas where USAID has provided key assistance. With an annual per capita income of just over $1000 and a poverty rate of under 14%, Indonesia's economic performance ranks among the best in the developing world. Notable achievements include sustained job creation, reduced dependency on oil exports, banking liberalization, the development of sophisticated financial markets, and foreign investment and trade deregulation. Globally, Indonesia is playing an unprecedented leadership role in trade deregulation through the World Trade Organization (WTO) and the Asia Pacific Economic Cooperation (APEC). Although the debt burden is over $100 billion, and only Brazil and Mexico have larger external debts among developing nations, the Government of Indonesia (GOI) has an established record of prudent financial management.

Indonesia's economic achievements are matched by similar improvements in the quality of life, a dramatic increase in life expectancy from 44 years in 1965 to 62.7 years in 1993, 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 2.8 in 1994, and nearly universal primary school enrollment. USAID's involvement in these social sector successes has included long-term assistance to Indonesia's family planning, health, and education and training efforts.

The Development Challenge

Many challenges still lie ahead for Indonesia. Among ASEAN members, only Vietnam has a lower annual per capita income, and Indonesia's goal of newly industrialized country (NIC) status is 25 years away at best. The 26 million Indonesian women and men living in poverty exceeds the entire population of most USAID recipient countries. The maternal mortality rate at 450 maternal deaths per 100,000 is still among the highest in ASEAN. To reach the goal of two children per family by 2005, contraceptive users will need to increase by a staggering five million per year. The HIV/AIDS epidemic has entered a phase where rapid, widespread transmission is expected by the end of the decade. In education, only 64% of Indonesian girls and boys aged 13-15 attend school. Only about 1% of Indonesia's population has bachelor degrees or higher. Only 40% of the population has access to safe drinking water compared to 81% in the Philippines.

Growing incomes, expanding international communications and increased economic and social 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 GOI decision-making. The

GOI's responses to demands for a more open political system have been mixed. In mid-1996, as a result of government and military involvement in the leadership struggle of an officially sanctioned political party, the worst riots in ten years occurred in Jakarta. Ethnic, religious, and class tensions, often fueled by perceptions of social and economic inequality, have erupted into riots, demonstrations and attacks on churches and mosques during the past year. Due to those events and increasing concerns over presidential succession, political activities leading up to the May 29, 1997 general elections and early 1998 presidential and vice presidential selections are expected to be closely controlled. On the other hand, the GOI-maintained National Human Rights Commission, aided by NGOs, has aggressively exposed human rights violations by the police, the military and GOI officials with those found guilty being given prison sentences and dishonorably discharged. On balance, the human rights situation has seen some, albeit minor, improvements; while the political and judicial systems retain a democratic panoply but with little actual freedom and independence.

To protect its natural resources, the government has begun testing policies and providing guidance to accelerate the devolution of forest resources management to the local level over the next 5 years. Indonesia is also leading the effort to support marine resource management under the Biodiversity Treaty Conference of Parties by pledging to promote decentralized and strengthened marine resource management, by enacting laws to prohibit the export of endangered marine species and by limiting fishing practices that destroy coral reefs. 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 800,000 hectares per year, is a problem that has global ramifications.

These formidable challenges, especially those related to the environment and democratization, do not, however, seriously impair Indonesia's rapidly improving general economic and social conditions. As improvements continue, USAID is in transition to a program more reliant on Indonesia's own institutions and ultimately less resource intensive. USAID's long-term goals in Indonesia are to consolidate its numerous program successes to date, to foster deeper independent relationships between Indonesian institutions and their U.S. counterparts, and to graduate Indonesia from USAID assistance in every development sector as soon as reasonable and possible.

Other Donors

The donor community pledged over $5 billion in 1996 for development activities in Indonesia. The United States is the fourth largest bilateral partner. Bilateral contributors with programs currently larger than that of the United States (based on 1996 pledges) are Japan, France, and Germany.
Indonesia is the second largest recipient of bilateral Japanese aid (after China); Indonesia is the World Bank's second largest program (second only to Mexico in total loans) and the Asian Development Bank's (ADB) program in Indonesia is that institution's largest.

FY 1998 Program

USAID's strategy for helping Indonesia achieve broad-based and sustainable growth concentrates on economic management, health and family planning, environmental management, and strengthening of local institutions that 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 and population planning. 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 40% of Development Assistance funding planned in FY 1998 is for activities in the health and population sector. About one-third of the FY 1998 funding is for rural and urban environmental activities, with the remainder to be used for promoting economic growth and strengthening institutions that promote rule of law and popular participation in decision-making.

Agency Goal: Encouraging Broad-based Economic Growth

- Strategic Objective 1: Sustained Liberalization of International Trade and Domestic Competition for the Mutual Benefit of Indonesia and the United States

Indonesia's economic challenges 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. 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 continuing to establish and strengthen linkages which promote two-way, mutually beneficial cooperation between U.S. and Indonesian private and public sector actors and institutions on key economic issues.

USAID's specific outcomes in the economic growth sector are the following:

- Improved policies and practices that promote openness to international trade and investment,
- Improved policies and practices to promote strengthened domestic economic competition, and
- Strengthened relationships between U.S. and Indonesian private and public partners which emphasize sustainable, mutually beneficial linkages between the two countries.

This is a narrowing of USAID's strategic priorities in economic growth in Indonesia to focus more closely on areas which link strong Indonesian economic growth to U.S. trade and investment interests. In anticipation of the completion of USAID's work in this field by FY 2001, USAID will emphasize linkages between partners in both countries with mutual interest in supporting strong, open international trade policies and an improved domestic competitive environment.

USAID's support for improvements in the international trade environment yielded significant results over the past year. Our technical experts advised their Indonesian counterparts on the steps necessary to meet their commitments within international fora such as APEC and the WTO. Understanding has improved the new international regulatory environment and its implications for such sensitive topics as protection of intellectual property and anti-dumping measures. USAID assistance has provided a strong economic foundation for deregulation of the soybean industry and certain aspects of the fisheries industry. The soybean action has played a role in the continued strengthening of soybean imports from the U.S. Indonesia has retained its strong proactive leadership role in APEC and other Asian trade fora.

Transparency in the legal and regulatory environment is important both to the strengthening of international trade and investment and in domestic competition. Until recently, most legislation has not been systematically collected nor made easily available to those who need access to it. With USAID assistance, the GOI is placing a large segment of its economic law and regulation on CD-ROM in word— searchable format. While still in the demonstration stage, this work holds promise for making Indonesian law in general much more accessible to the public than it has been in the past. USAID is also continuing its work to assist the GOI in updating and in some case creating new legislation in the field of economic law. New Capital Markets and Companies laws have already been

passed. Further work has been undertaken to move the review and legislative drafting process forward for other aspects of economic legislation, including: investment, arbitration, competition, secured transactions and certain aspects of intellectual property law.

U.S. technical advisors are helping overhaul governmental policy and practice to facilitate small business development. They are also strengthening the role of private agribusiness associations for promoting trade and acting as change advocates with government.

Agency Goal: Stabilizing World Population Growth and Protecting Human Health

- Strategic Objective 2: Improved Health and Reduced Fertility

Despite impressive strides, Indonesia still faces major health and population challenges. As the fourth most populous country in the world, Indonesia's ability to overcome its population and health challenges has global implications. HIV infections, currently estimated at over 100,000 cases, are increasing rapidly. Indonesia's maternal mortality rate far exceeds other ASEAN nations and many lesser developed countries, even in Africa. After India, Indonesia has the largest population of any country in which USAID provides assistance and 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 2 children per family by 2005. Reduction of the fertility rate will help Indonesia preserve its gains from economic growth. Of the FY 1998 assistance request, USAID will allocate $9.55 million for health activities and $12.1 million for family planning activities.

USAID's objective of improving health and reducing fertility anticipates four specific outcomes:

- Reduced total fertility rate,
- Decreased syphilis prevalence among high-risk populations,
- Decreased maternal mortality, and
- Increased provision of health and family planning services offered through the private sector.

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 more than 69% of married women are using contraceptives (National Family Planning Coordinating Board statistics). One-third of these women rely on clinical methods which provide long-term effectiveness. USAID programs have renovated facilities and funded the clinical skills training of master trainer physicians and midwives in the public and private sectors. 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 and reproductive health. A particularly noteworthy accomplishment is that USAID has been the major donor to expand the use of family planning services delivered through the private sector. The proportion of people obtaining services and contraceptives from private physicians and midwives has increased from 12% in 1991 to an estimated 37% in 1996. The GOI would like this proportion to increase further to 50% in the next several years. Given the huge and growing numbers of clients who need services, the GOI 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 improving sustainability 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 that are available for other urgent health problems. USAID is successfully coordinating with other

donors to assist the Ministry of Health (MOH) to formulate effective national HIV/AIDS policies and to implement activities in support of national HIV/AIDS strategy. Since Indonesians are largely unaware of how to prevent the spread of this disease, USAID is implementing 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 GOI has already issued four national AIDS policies, to establish the National AIDS Control Commission, to promote information and education campaigns, to ensure care for AIDS patients and to promote and set standards for STD diagnosis and treatment. National health resources allocated to HIV/AIDS have increased from $2.5 million in 1994 to a projected $6.5 million in 1997. 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 has played a critical role in assisting the GOI to better coordinate donor efforts through technical working groups. The STD working group has developed standards for improving STD diagnosis and treatment.

USAID also assists the Ministry of Health to reduce the unacceptably high levels of maternal mortality. The MOH has begun an extensive national maternal health training program, to which USAID will provide assistance in competency-based training and essential training in life-saving skills for midwives. To strengthen the capability of the National Midwives Association, USAID provides organizational development and management assistance. Several pilot activities are underway to test innovative service delivery interventions in Kalimantan province, to provide loans to private midwives to enable them to set up or expand their private practices, and to develop innovative approaches to distance learning.

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 provide comprehensive, quality health care to middle- and lower-income families. Other donors have expressed interest in helping the GOI to expand this model on a large scale throughout the country. Based on several assessments, activities are currently underway to strengthen regulatory and management capability under the trial. In 1996, the GOI established this trial as a national priority.

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's 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 plants and urban centers. Indonesia's urban environment is degrading rapidly, 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 first environmental strategic objective is to decentralize and strengthen natural resources management (NRM). Current government efforts to solve environmental problems are made through a centralized command-and-control approach, but the popular preference for community-based natural resource management conflicts with such centralized control. USAID's challenge is to promote the government's working together with NGOs on environmental issues and to promote policies supporting a less centralized approach. USAID will work with GOI and NGO counterparts to promote greater community involvement in NRM. Field demonstrations located throughout Indonesia will be linked to national level analysis and dissemination in key ministries of information on lessons learned to improve the formulation of national policy options. The impact of this program will be measured by the area

in which natural resource management best practices are replicated. Achievements are targeted under four program outcomes:

- Development and documentation of successful field sites where the condition of natural resources is stable or improving,
- Improved policies and enabling conditions for natural resources management,
- Strengthened local institutions and community organizations for natural resources management, and
- Dissemination of lessons learned for better natural resources management.

Last year, USAID realized important gains in rallying NGOs, local governments and communities to change natural resource polity and policies throughout the archipelago. The Ministry of Forestry is now establishing a program to further test and extend natural resource management agreements with indigenous communities. USAID provides national-level policy assistance to this program as well as support to local NGOs for training and local institution-building in key demonstration sites. This will allow some of Indonesia's poorest households to once again undertake legal and sustainable income-generating activities in the government forest lands and coastal areas surrounding their communities.

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 participatory planning and management process in one of Indonesia's principal marine parks. Community management of eco-tourism in this park is a good incentive for community participation in protecting the environment.

USAID established and endowed the Indonesia Biodiversity Foundation, an independent institution which is providing $1 million annually in small biodiversity conservation grants to Indonesian organizations, and 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 the following three specific outcomes:

- Adoption of new policies and practices to facilitate decentralized financing of urban environmental infrastructure,
- Improved practices in urban environmental infrastructure service provision,
- Adoption of policies and practices that promote cost-effective use of clean renewable energy by government and industry.

Over 11% of infant deaths in Indonesia are related to water-borne disease. 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 and 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.

The proportion of the urban population served by piped water has increased by 5% since last year. This continuing increase 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. The GOI is now completing a series of major innovations and reforms designed with USAID assistance, including the establishment of a secondary mortgage facility, the reform of the principal intergovernmental lending program, re-targeting of the GOI's massive intergovernmental grant program, the preparation of municipal bonds sales to finance water supply investment, and the privatization of several urban environmental services. As a result, poor urban residents in Indonesian cities are receiving more piped water and better urban environmental services, especially waste-water management, water supply, and solid waste disposal and processing. USAID has persuaded the GOI to seek support from other donors to continue and extend the reform agenda in these areas and the Asian Development Bank has agreed to provide substantial new funding to continue and expand USAID-designed work in two key areas of local government finance.

The objective of USAID's energy program is to reduce the level of pollution emitted in power generation while meeting demands for increased power. Recent USAID training of public and private sector managers has helped to institutionalize measures that allow small energy producers to sell power without lengthy negotiations. USAID studies of "Demand Side Management" for electricity use have leveraged loans from multilateral donors for the purposes of implementing an extensive demand-side management program. These recent successes have allowed USAID to begin a new program, involving special assistance in the restructuring of the state electricity utility, which will focus on promoting energy efficiency and renewable energy in the utility's operations.

Agency Goal: Building Democracy

- Strategic Objective 5: Increased Effectiveness of Selected Institutions Which Promote Democracy

The pace of democratization and improved governance in Indonesia has not paralleled its rapid progress in economic growth and social welfare. A well-informed, fully participatory citizenry is an essential element for Indonesia's future sustainable 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 and is not expected to retreat. Indonesian civil society is becoming 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. Notwithstanding GOI and military actions against Megawati Sukarnoputri as leader of the Indonesian Democratic Party and its reactions to the July 27th Jakarta riots, political space and, perhaps more importantly, political expectations continue to grow.

USAID's strategic objective of increasing the effectiveness of institutions which promote democracy has three specific outcomes:

- Increased NGO advocacy for democratic participation,
- Increased activities that promote the principle of the rule of law, and
- Enhanced capacity, reliability, and responsiveness of selected NGOs.

USAID remains the largest and most influential donor in this controversial sector. The 20 Indonesian and U.S. NGOs supported by USAID are among the leaders in building a stronger civil society, pressing the GOI for systematic, non-partisan democratic reform, and assisting the GOI to devise new laws, policies and practices.

Almost all landmark legal cases are pursued by the Indonesian Legal Aid Society, USAID's largest local grantee, and/or allied NGOs, many also supported by USAID. Over the past year, cases of national importance have focused on land tenure and compensation relative to GOI infrastructure projects, forestry and mining concessions, and private developer acquisitions; freedom of expression as restricted by GOI licensing and censorship regulations, and mandatory accreditation of journalists; freedom of association limits curtailing labor union formation and activity; and civil, criminal and subversion cases surrounding the ouster of Megawati Sukarnoputri as head of the Indonesian Democratic Party and the subsequent July 27 Jakarta riots.

NGOs supported by USAID have worked with the GOI to influence and improve policy formation. A revised labor law, legislation for an alternative new dispute resolution mechanism and better conservation practices are all direct results of NGO involvement. In addition, NGOs have advocated interconnected issues such as the review of and controls over nuclear power production to a reduction in electricity rates. The effectiveness of the National Human Rights Commission on most issues is strengthened by the activism of legal and advocacy 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 supports NGOs in Indonesia's politically sensitive geographic areas: East Timor, Irian Jaya and Aceh. In East Timor, Georgetown University is helping the province's single university to improve its capacity to educate East Timorese for their legitimate roles in their own development. The National Cooperative Business Association, a U.S. NGO, had a central role in ending a coffee-buying monopoly and is now paying world market prices to over 5,000 East Timorese coffee farmers.

Indonesia has far to go before it reaches the levels of democracy and good governance existing in other Asian countries assisted by USAID. Through modest investments, USAID is significantly contributing to a more pluralistic, independent and self—confident civil society, a necessary precondition for a future Indonesia with a free political process and an independent judiciary.

INDONESIA
FY 1998 PROGRAM SUMMARY
($000)

	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assist.	Total
USAID Strategic Objectives						
1. Sustained Economic Growth in the Transition from Economic Development Assistance to Development Cooperation	4,000					4,000
2. Improved Health and Reduced Fertility		18,500				18,500
3. Decentralized and Strengthened Natural Resources Management			8,500			8,500
4. Strengthened Urban Environmental Management			8,500			8,500
5. Increased Effectiveness of Selected Institutions which Support Democracy				7,000		7,000
Total Development Assistance	4,000	18,500	17,000	7,000	0	46,500

USAID Mission Director: Vivikka M. Molldrem

ACTIVITY DATA SHEET

PROGRAM: INDONESIA
TITLE AND NUMBER: Liberalization of International Trade and Domestic Competition for the Mutual Benefit of Indonesia and the United States, 497-S001
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $4,000,000 DA
INITIAL OBLIGATION: FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

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 30 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 support can still make significant contributions to Indonesian economic management as the country moves toward consolidating and expanding upon its gains of the last 30 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 Economic Law and Improved Procurement Systems Project, and the Mission's microenterprise program, will target these primary threats to the prevailing economic paradigm. The primary activity, known as the Partnership for Economic Growth, is being established to assist in strengthening and developing 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. A limited amount of new technical assistance to government entities, complementary to the work of the partnership concept, will be targeted on trade and domestic competition policy issues.

USAID's 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 changes that positively impact on Indonesia's overall economic performance as well as U.S.—Indonesia trade and investment potential. Recent progress includes further general trade liberalization with weighted average import tariffs declining below 14 percent; liberalization of restrictive practices on the importation of soybeans, fishing equipment and other products significant to U.S. trade; the first floating of shares of a major Indonesian banking institution; and the expansion of the numbers of economic laws and regulations now available on computerized word-searchable data bases for use by both the public and private sectors. Reduced funding levels and changing priorities have led USAID to phase out specific technical advisors in line agencies. These advisors had been of specific and direct benefit to U.S. business.

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. The Mission will seek to (1) improve the policy environment for continued economic growth; (2) codify key policy changes in updated laws and regulations 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. A new five-year program is being 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 strong private sector participation. This approach will ensure private sector involvement and sustainability of such partnerships once USAID support is completed. 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 covers many GOI ministries and agencies, most prominently the Ministry of Industry and Trade and the Coordinating Ministry for Economics and Finance. 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. However, other major donors in the economic growth field are the multilaterals: the World Bank and the Asian Development Bank. USAID collaborates closely with both of these institutions and other bilateral donors in the development of its economic growth programs for Indonesia. Estimated Host Country Contribution for this activity is $10 million. While USAID has phased out technical advisors, other countries, notably Germany and Japan, have increased the number of such advisors.

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. By use of survey and interview techniques, the opinions and views of customers and partners have contributed substantially to the design of USAID's current economic growth activities.

Principal Contractors, Grantees, or Agencies: Several institutional contractors now at work including those working with the Ministry of Trade and Industry and those working on economic law reform, will complete their work in FY 1998. However, a new limited technical assistance contract will be needed to continue to supply needed support in the fields of international trade and domestic competition. The U.S./Indonesian Partnership for Economic Growth activity will require one new institutional contractor to assist in management of the program over a five-year period. USAID expects to make a series of grants to support U.S./Indonesian institutional linkages under the new partnership concept.

Major Results Indicators:

	Baseline	Target
Lower weighted average import tariff rate	15% (1995) [1]	12% (1998)
Adoption of major new economic laws which strengthen openness, transparency, and competition	2 (1995) [2]	8 (1998)

[1] Source: IBRD data on calculation of average tariff rates

[2] 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 1998: $18,500,000 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, reducing the transmission of HIV/AIDS and other sexually transmitted diseases and 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 in many areas and the 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 Indonesian men or women 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 have been reluctant to accept behavioral research findings on sexuality that are not flattering to the Indonesian public's self-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 of child-bearing age now using contraception is estimated to be 69%, or approximately 22 million women according to the National Family Planning Coordinating Board. Total fertility also declined from 3.1 in 1991 to 2.8 children per woman in 1994. An estimated 37% of current family planning users received family planning services from private sector sources. A national HIV/AIDS strategy launched in 1995 is being implemented through GOI and donor alliances; national health resources allocated to HIV/AIDS increased by 250% to $6.5 million; and since 1994 the GOI has announced the managed health care trial project in Klaten will become the model for a national priority program.

Description: USAID will continue to provide advice and analysis in the family planning and reproductive health 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 family planning and HIV/AIDS prevention strategies. Technical assistance is helping the GOI Ministry of Health assess how well the pilot managed-health-care plan is performing and how the system can be strengthened in order to support expansion nationwide. Activities will focus on reproductive health issues and intend to: (1) increase the use, quality, and sustainability of family planning and reproductive health services, (2) increase the use and quality of sexually transmitted disease/HIV/AIDS prevention programs, and (3) develop sustainable financing of health services through the development of a managed health care model. The private sector will have a larger role as supplier and financier of family planning and reproductive health services. The development of coherent and appropriate HIV/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 collaborating with USAID to pursue these activities by formulating new national policies and by coordinating activities. Local government offices and NGOs are already cooperating in carrying out several 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, which 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 include over 22 million 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 6 million eligible couples will receive contraceptive services in 1998.

Principal Contractors, Grantees, or Agencies: Contractors and grantees, such as Pathfinder International, John Snow International, Futures Group, Johns Hopkins University, Centers for Disease Control and Family Health International, will continue their work on family planning, reproductive health, 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:

	Baseline	Target
Total fertility rate	2.86 (1994) [1]	2.65 (1998)
Syphilis prevalence rate among high-risk populations in demonstration areas: male and female	TBD (1996) [2]	TBD (1998)[3]
Maternal mortality ratio (maternal deaths per 100,000 live births)	450 (1992) [4]	350 (1998)

[1] Source: Demographic and Health Survey

[2] Survey data developed in late 1996 is being used to create this baseline.

[3] Targets to be set or revised pursuant to baseline data analysis.

[4] 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-SO03
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $8,500,000 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 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 800,000 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. USAID's 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) strong, influential business interests support the status quo; 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 sufficient to influence decisions about strategy and priorities. These 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 — 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 NRM. The field site demonstrations, located throughout Indonesia, will be linked to national level analysis, and information from lessons learned will be disseminated in key ministries to improve the formulation of national policy options in the NRM sector. The impact of this program will be measured at the strategic objective level by the number of villages and total area of USAID-assisted sites where the condition of natural resources is stable or improving; and by the area in which natural resource management best practices[1] are replicated (outside USAID-assisted areas). Achievement will also be measured at the intermediate results level under four program outcomes: (1) development and

[1]"Best practices" are management standards defined by the respective results packages teams for forest resources management, coastal resources management, national parks and protected areas, community-based natural resources management, and environmental quality management.

documentation of successful field sites; (2) improved policies and enabling conditions; (3) strengthened local institutions and community organizations; and (4) dissemination of lessons learned.

Host Country and Other Donors: The GOI's Ministries of Environment, Forestry, and Home Affairs, and the National Planning Agency are key host-country partners. USAID is providing community-based management models for other donors. Multilateral banks, bilateral donors, and international research centers work with USAID to support Indonesia's forestry and marine conservation. The Government of Japan, the United Nations' Global Environmental Fund, and multilateral banks work with USAID on biodiversity conservation efforts. Selected private sector entities and NGOs will also 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 total host country contribution to this activity is $19.3 million and other donors provide an estimated $300 million (mainly loan financing from the World Bank, ADB, and Japan).

Beneficiaries: Direct end-users are (1) the rural citizens of Indonesia's tropical forests who receive NRM training that will increase their incomes; (2) Indonesia's network of environmental NGOs; (3) universities that provide professional assistance and training for NRM; and (4) owners of natural resource companies that will become more efficient. Indirect beneficiaries are (1) the future generations of citizens whose use of natural resources will be more sustainable and (2) the global climate which will benefit from forest preservation. It is estimated that one-third of Indonesia's population (i.e, 65 million people) is dependent upon forest resources. Their long-term welfare will be substantially improved by the success of this activity. Similarly, there are approximately 16 million people employed in fishing and related activities whose livelihood is directly dependent on the health of coastal and marine ecosystems. They, too, will benefit from the success of this activity.

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 from a U.S. consulting firm through the USAID Center for Environment.

Major Results Indicators:

	Baseline	Target
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)[2]	10 (1997/98)
Decree issued or legal instrument approved ensuring local a community's active participation in natural resources planning and management	0 (1994/95) [3]	6 (1997/98)
Number of hectares covered by stewardship agreements	0(1994/95)	15,000 (1997/98)
Number of NGOs strengthened	22 (1995/96) [4]	31 (1997/98)
Natural resource-based industries using "best practices" for land-use management and production processes (cubic meters of wood certified each year)	0 (1993/94)[5]	125,000 (1997/98)

[2] Source: Ministry of Forestry, Directorate General for Forest Protection and Nature Conservation
[3] Source: Ministry of Forestry
[4] Source: USAID/Indonesia

[5] 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 1998: $8,500,000 DA/ENV
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, 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, three external constraints must be addressed: (1) the Government of Indonesia (GOI) must strengthen the ability of local governments to access public and private sector capital to finance urban environmental infrastructure projects designed and managed at the local level; (2) local governments must be encouraged and allowed to make use of broader community participation in the design and management of such projects; and (3) the Indonesian private sector must have proper incentives for investments in cleaner production and more efficient use of energy.

USAID Role and Achievements to Date: USAID remains the leader among foreign donors in advising the GOI on the reform of its policies and procedures dealing with urban environmental finance and management. Recent progress includes (1) a 5% increase in the proportion of urban residents with access to piped water; (2) increases in the provision of other urban environmental services; (3) substantial increases, once again, in all essential financial components of the resource flow to urban environmental services: loans, grants, and private investments; and (4) continued dramatic growth in the number of megawatts of installed generating capacity that use renewable energy resources.

Description: USAID will continue to blend technical assistance and grants to 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 promote cost-effective use of clean, renewable energy. Decentralized financing of infrastructure will result in better investment decisions by local utilities, while more community participation in such decisions will insure projects that can pay for themselves. The promotion of renewable energy production and energy efficiency will help reduce the level of pollution emitted in power in generation while meeting demands for increased power.

Host Country and Other Donors: The GOI's Ministries of Public Works, Planning, Home Affairs, and Finance play key roles in the success of this activity. Private investors, the semi-public power sector, and local community groups also will contribute their resources and time to this activity. Likewise, the Asian Development Bank (ADB) has agreed to contribute substantial funding to the USAID-designated Secondary Mortgage Facility, and the Regional Development Account (RDA), the GOI's environmental infrastructure loan fund capitalized with USAID-guaranteed loan assistance and supported by USAID-funded technical assistance. The ADB and World Bank's urban sector loans also support USAID-backed 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 all electricity consumers whose power is unreliable and inefficiently produced. Intermediate customers include municipal staff, and representatives of the financial and power sectors. Forty-seven million women and men 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, NGOs, community and business groups, and technically trained local consultants. An innovative new assistance program involving a combination of contracts and grants has been designed to support the activities of these networks.

Major Results Indicators:

	Baseline	Target
Percent of total urban population served by local water treatment and piped distribution	40% (1994/95) [1]	45% (1997/98)
Megawatts (MW) of installed generating capacity using renewable energy resources	3,399 (1993/94) [2]	3,660 (1997/98)

[1] Source: Ministry of Public Works, Ministry of Home Affairs
[2] 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-S005
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $7,000,000 DA
INITIAL OBLIGATION: FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: To enhance respect for the principles of the rule of law and internationally accepted 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 continues to lag behind the rapid progress in raising incomes and economic and social 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. Indonesian civil society remains relatively weak and disorganized relative to government, military, and state institutions; however, non-governmental organizations (NGOs) are active in expressing their diverse interests and the Government of Indonesia (GOI) permits some, but still limited, independent political activity. The Soeharto government will seek to control political expression and activity in the lead up to the 1997/98 elections; nonetheless, NGOs are taking advantage of every available opening for more influence and freedom. The possibility of the GOI imposing severe restrictions on NGOs has reemerged since the July 27 Jakarta riots and remains a threat to their independence and autonomy.

USAID's Role and Achievements to Date: USAID assistance helps both the GOI and Indonesian 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 controversial sector. Recent progress attributable to the actions of USAID-sponsored NGOs includes: (1) improved regulations regarding the right for labor to organize, (2) the removal of extra tax stickers on consumer goods, (3) legislation for new alternative dispute resolution mechanisms and conservation practices, (4) the breaking of the East Timor coffee monopoly, (5) heightened activism by the National Human Rights Commission, and (6) a review of electricity rates and nuclear power plans. Additionally, working directly with the GOI, over 6,500 laws and regulations have been standardized, indexed and distributed on CD-ROM disks to enhance the administration of justice and the availability of legal information, and Parliament's research and documentation unit has been strengthened.

Description: Based on its recently updated democracy assessment of Indonesia, USAID will continue with a strategy to promote democratic ideals largely through grants to local NGOs focussing on advocacy, human rights, and rule of law, while always seeking new avenues to work with the GOI. USAID activities 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. Through greater participation, Indonesian men and women will channel their views more effectively to GOI and political decision-makers. A heightened respect for due process also will encourage a more inclusive, consistent and reliable process as male and female citizens demand that court rulings be more transparent and less arbitrary. As NGOs become technically, administratively and financially sound, they will also become more capable and respected in representing public issues in an independent, balanced, and non-partisan manner. USAID will also continue to program resources in the three politically sensitive geographic areas of Indonesia.

Host Country and Other Donors: USAID is by far the leading 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 look to the U.S. and USAID for leadership and direction in this sensitive program area. A few bilateral donors, Canada, Australia and Sweden, have very small programs in the democracy and governance sector. The estimated host country contribution for this activity is $3,600,000 derived in the main from NGOs.

Beneficiaries: End-users are those Indonesian women and men who benefit from the wide range of NGO programs in the areas of legal, consumer, and environmental advocacy, labor rights, land tenure, and freedom of the press. The immediate clients, executive boards and employees of local NGOs are direct beneficiaries, while the indirect benefits of a more participatory form of public policy formulation have a salutary effect throughout Indonesian society.

Principal Contractors, Grantees, or Agencies: USAID continues to pursue this activity primarily through selected Indonesian and U.S. NGOs, such as the Indonesian Legal Aid Society, the National Cooperative Business Association, the Asian American Free Labor Institute, the Asia Foundation, the Indonesian Consumers Foundation, and the Indonesian Environmental Law Center which focus on democratic participation, advocacy and rule of law activities. When appropriate, U.S. advocacy and research institutions are also engaged. Occasional short-term consultancies add analytical depth to USAID's democracy-building activities in Indonesia.

Major Results Indicators:

	Baseline	Target
Number of times that grantee NGOs have a measurable impact on the formulation and implementation of government policy	20 (1994) [1]	40 (1997/98)

[1] Source: NGO reports, independent monitoring

ISRAEL

FY 1998 Economic Support Fund Request: $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 country in the region with a fully democratic form of government.

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 by the Government (GOI) in stabilizing the economy of Israel, 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 1998 Program.

The structure of the USAID program for Israel is atypical of other USAID assistance programs in that there is neither projectized 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

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 1998 PROGRAM SUMMARY

	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Total
USAID Strategic Objective					
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					
Total	1,200,000,000				1,200,000,000

Office of Middle East Director: Kimberly Finan

ACTIVITY DATA SHEET

PROGRAM: Israel
TITLE AND NUMBER: Israel Cash Transfer. 271-K636
STATUS: New
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $1,200,000,000
INITIAL OBLIGATION: FY 1998 ESTIMATED COMPLETION DATE: FY 1998

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 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 efforts 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: FY 1998 funds will be provided as a cash transfer and will be 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 1998 Economic Support Fund: $25,000,000
FY 1998 Development Assistance Fund: $2,500,000

Introduction

Jordan is a small, Middle Eastern kingdom which has common borders with Israel, Syria, Iraq and Saudi Arabia and 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) depends on future political and economic stability, which can only be achieved through sustained international donor assistance. Hence, in view of Jordan's continuing key role in attaining critical U.S. national interest objectives in the region, and especially given Jordan's investment in a peace process that recently has been shaken, there is at a minimum, the need to sustain the present levels of the economic assistance program.

The Development Challenge

About the size of Indiana, Jordan covers approximately 35,000 square miles of land. Approximately 8% is arable while 92% of the country is desert. Jordan has few natural resources, primarily phosphate and potash from the Dead Sea, and these offer limited export growth potential. Population growth has put tremendous pressure on the water supply, Jordan's most scarce resource. Water from aquifers and surface sources is extremely limited and must be conserved. A country of 4.3 million people, Jordan has an average annual population growth rate of 3.7%, one of the highest in the world.

The mainstays of the economy are donor assistance, remittances from Jordanians working abroad and tourism receipts all of which are dependent on political vagaries, e.g. all three were drastically curtailed because of the Gulf Crisis. Consequently, the challenge to Jordan has been to continue to diversify its exports, create employment, and improve management of its limited natural resources. Creating an economic environment that encourages domestic growth and international 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. For example, the current account deficit declined to 3.7% of Gross Domestic Product (GDP), between 1994 and 1995 and is projected to decline further to 3.1% of GDP in 1996; external debt in 1995 was 96.6% of GDP, down from a 1990 peak of 190%; and debt service as a percentage of exports of goods and services was 31.6% in 1994, 27.0% in 1995, and expected to be 25.2% in 1996. Moreover, the government has initiated a series of policy reforms that will make Jordan "open for business." In 1995, the Government of Jordan (GOJ) focussed its reform efforts on stimulating private investment, both local and foreign. The GOJ passed a new investment law that lifts restrictions on foreign ownership and a new income tax law that makes significant cuts in corporate and business taxes. Non-Jordanian investors were permitted to repatriate their foreign capital and profits, and liquidate their projects or stocks without delay and in convertible currencies. The new income tax law reduces the maximum rate on taxable personal income from 50% to 35% and reduces the maximum corporate income tax rate from 25% to 15% in priority sectors such as mining, manufacturing, transportation, hotels, and hospitals. Similarly, the maximum tax rate on banks, financial, insurance, and brokerage firms was reduced from 55% to 35%.

In May 1996, Jordan signed a new three-year International Monetary Fund (IMF) agreement that calls for strong, sustainable growth. The GOJ also initiated a new series of policy reforms to curb monopoly practices, encourage stock market investment, and streamline the customs laws. The privatization process also gathered speed, as the GOJ added several government-owned enterprises to the 1996 privatization list.

Nevertheless, the economy struggled to maintain its position in 1996 growing at a rate of 5.2%. Preliminary GOJ data suggests an increase in the unemployment rate from 15% in 1995 to 19% in 1996; an increase in the inflation rate from 4% to 8% and a 13% decrease in the standard of living. Consequently, the economy's 1996 performance registered mixed results.

Jordan has made additional progress toward establishing democratic institutions. Municipal elections were held during 1995. 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.

During 1995, Jordan initiated the revision of its 1977 national water plan. The 1977 plan focused on the assessment of water resources and potential, particularly groundwater, with provisions for further studies and program formulation. It included provisions for the most efficient use of available water, required funds and manpower, delineation of the most suitable methods for development and operation, as well as calling for the reuse of waste water. The plan was geared mainly towards the development of water resources, and only limited emphasis was placed on their management. Current revisions of the 1977 plan focus on efficient management of water resources and methods by which to minimize expected water deficits. Revisions also feature programs on water management information systems, a monitoring network, increase of supply through artificial recharge schemes and demand management in all water sectors.

The GOJ continues to provide family planning services in all of its healthcare facilities. Their 1996 decision to allow a multi-media approach, including televised infomercials to better reach and to educate Jordanian couples about family planning, 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 in 1994 and 1995, Jordan still has over $6.9 billion in external outstanding debt and requires foreign exchange to service that debt. Jordan still imports far more than it exports; its 1995 trade deficit stood at 29.7% of GDP and is expected to be 33.8% of GDP in 1996. Its foreign exchange reserves continue to fluctuate around $620 million, an amount equivalent to two months of imports. Jordan has one of the lowest per capita water consumption rates in the world, yet even 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 1996, Jordan received $664 million in international donor assistance. The United States provided $7.2 million in USAID-funded bilateral assistance, seventh out of eight bilateral donors. Germany, Italy, and Canada head the bilateral donor list, contributing at least $25 million each this year. The World Bank, the European Union, the Arab Monetary Fund, and the International Monetary Fund are the largest donors, whose assistance ranged from $124 million to $98 million in 1996.

FY 1998 Program

A politically stable and economically secure Jordan is pivotal to achieving U.S. foreign policy objectives in the Middle East. Jordan and Egypt stand at the forefront of this region's U.S. allies in brokering peace process initiatives and practicing the virtues of moderation in a region where extremism and

tumult frequently reign. During the past year, the U.S. Government has increasingly solicited Jordan's assistance in support of the peace process. Jordan's active participation and vanguard diplomacy, however, carry a political price at home. The August 1996 bread riots, chronic unemployment, and graphic examples of increasing income disparities suggest that the much anticipated economic boom resulting from Jordan's 1994 peace accord with Israel has yet to materialize. Public support for peace with Israel and more broadly for the peace process is eroding.

Jordan's prospects for sustained development hinge upon improved political and economic integration *in the region and the ability to spread the benefits of growth to more of its population. USAID's efforts* to promote economic growth and to spread the resulting economic benefits in Jordan are, therefore, very much in our national interest. Expanding private sector-led economic opportunities through employment generation and increasing incomes is central to ensuring long-term political and economic security.

The ability to better manage increasingly scarce water resources in Jordan and in the region is also a key factor affecting Jordan's political and economic stability. The U.S. Government is placing increasing emphasis on this long-term issue as evidenced by the State Department's November 1996 decision to make Jordan home to a Regional Environmental Hub and USAID's on-going analysis regarding future water sector investments.

Meanwhile, population growth erodes economic growth and further exacerbates the country's limited and increasingly over-taxed water resources. 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 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. USAID is improving family planning practices using modern methods which has proven a successful approach leading to fewer births, reduced numbers of unwanted pregnancies, and improved maternal and child health.

Agency Goal: Encouraging Broad Based Economic Growth

With one of the world's highest population growth rates, a small internal market, and an extremely limited natural resource base, bringing broad-based economic growth to Jordan is especially challenging. USAID's contribution to this effort addresses two major issues -- employment generation and water. The first strategic objective enhances private sector economic opportunities and the second strategic objective improves water resource management.

The success of Jordan's transition to an open economy that sustains growth and achieves the rewards of peace depends on how widely the benefits of economic growth are shared. Despite a return to positive economic growth since the Gulf War, the condition of the poor and the income gap between the middle-class and the poor has widened. Many Jordanians unfortunately blame this reality on the economic reform process which exacerbates underlying skepticism regarding the peace process, the benefits of which are now considered unrealized by the vast majority of Jordanians.

After a year of protracted negotiations, USAID decided to terminate support to the culture and nature visitor industry program (tourism). USAID used this event to begin to develop a new economic opportunities strategic objective to replace tourism. The new strategic objective is being designed to help spread the benefits of Jordan's expanding economy more equitably and support the peace process by generating jobs and increased incomes for disenfranchised Jordanians.

USAID believes that the private sector is the key to providing enhanced economic opportunities in Jordan with small- to medium-size enterprises offering the best prospect for employment generation

and increased incomes. Chief among the development constraints to be addressed will be access to credit, lack of productivity, and lack of integration into the regional economy.

The economic growth strategy, once developed and approved, will address areas offering the greatest potential for results and where USAID has a comparative advantage. This design of a new economic growth strategy assumes modest funding but also identifies opportunities that can be expanded should additional resources become available.

Strategic Objective 5: Enhanced private-sector economic opportunities.

Water is the most critical natural resource in Jordan. Without improved management of existing supplies, sustainable economic growth in Jordan will become an increasingly elusive goal. USAID is addressing water quality and efficient use problems through irrigated water use technologies, wastewater treatment, and improved water management systems.

Wastewater treatment is an important element of USAID's water strategy. As the population increases, the quantity of wastewater also increases. Proper treatment can result in a steady or increasing supply of water for agriculture, replacing water of potable quality in many cases. Likewise, increased quantities of untreated or improperly treated wastewater can threaten public health, ground and surface water supplies and environmental sustainability in general. The upgrading of the wastewater treatment facility at As-Samra will be completed in the second quarter of FY 1997. At that time, some 53 million cubic meters, or all of the effluent from the Greater Amman/Zarqa area, will meet international and Jordanian standards and will be suitable for unrestricted use on irrigated agriculture. The feasibility and design of water and wastewater services for the Wadi Mousa area, locus of the famed world heritage site Petra, also will be completed in the second quarter of 1997. A master plan for wastewater services through the year 2025 for the greater Amman metropolitan area will be completed in the third quarter of FY 1997.

In the area of improved water resources management, the Ministry of Water and Irrigation (MWI) now agrees that a unified information management system is essential for proper tracking and analysis of water data. The system design is nearly complete and some elements of this long-term activity are already installed. Design of an improved water quantity and quality monitoring system is also nearing completion. Installation of approximately 50 monitoring stations will be completed by the end of 1997.

To promote the efficient use of water, over 30,000 people have received information on water use and scarcity issues. Jordanian NGOs proved an effective vehicle in reaching substantial numbers of consumers. Technical assistance in the operation and maintenance of improved irrigation systems, a change from the water delivery system to limited rate on-demand and demonstration projects involving a range of donors are all improving irrigation efficiency throughout the Jordan valley. An efficiency increase of only one percent equals 3 million cubic meters of water that can be used for other crops or other higher value purposes.

USAID's activities in the water sector are proceeding well, with most expected to be completed within the next year or two. Largely for that reason, USAID is reviewing the focus in the water sector with GOJ and other donors in order to extend and consolidate current activities and to identify additional priority areas where our assistance can have the greatest impact over the next five years.

In FY 1998, we plan to complete the management information system and the MWI's water quantity and quality monitoring program. Increased efficiency in agricultural water use will continue as a multi-donor effort, including the World Bank, Germany and France. The construction of Wadi Mousa wastewater collection, conveyance and treatment will continue. The ultimate impact of this activity is expanded and improved wastewater services for some 15,000 people and protection of Petra, the cornerstone of Jordan's tourism industry, from further environmental degradation. New activities might

include coordination with other donors on water system management privatization to decrease significant water losses in Amman as well as initiatives to implement aspects of the Greater Amman Wastewater Masterplan which USAID has financed.

USAID is also considering a fourth result in the water sector more directly tied to regional peace, addressing such issues as Jordan River water quality, increased potable water conveyance capacity (e.g. the Wadi Arab-Irbid pipeline or a second pipeline from Dier Alla to Amman); and/or design and construction of additional water storage facilities in the Jordan Valley.

Throughout the development of this revised focus, we will continue to emphasize sustainability and maintenance issues as well as potential leveraging of other donor resources.

Strategic Objective 2: Improved water resource management.

Agency Goal: Stabilizing World Population Growth and Protecting Human Health

Jordan's population growth rate of 3.7% 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 GOJ to establish and implement a national family planning program. As the lead donor in family planning, USAID has helped Jordan to increase the modern contraceptive prevalence rate (CPR) from 27% in 1990 to an estimated 35.8% in 1996. Total CPR is now estimated at 46.2%, 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 non-governmental organizations (NGOs), have continued to put the pieces of a quality family planning program in place. Since the last Congressional Presentation, USAID resources have trained over 1,000 physicians, nurses, pharmacists and family planning counselors from the private and public sectors. Additionally, a management information system for NGO family planning clinics has been established and is functioning. The five clinics which were established in the NGO sector continue to successfully use quality of care protocols to ensure client satisfaction with the services provided. This year, these clinics have also concentrated on cost recovery issues. Although these clinics have only been in existence for an average of three years, they are now recovering 48% of their costs. Also in the NGO sector, couple-years of protection have increased from 21,676 (January 1994 to June 1994) to 26,861 (January 1995 to June 1995).

USAID and the MOH are cooperating to encourage women to space births at least two years apart. Although 80% of all Jordanian births occur in hospitals, only six percent return for postpartum care and family planning services. As a result of USAID interventions, postpartum family planning services will be provided in 12 hospitals where most births occur. Over the last year, six additional postpartum centers have been renovated, furnished and fully equipped, bringing the total number of fully operational centers to ten. Before the end of FY1997, all twelve centers will be operational. In the ten 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 past year, USAID was instrumental in introducing an additional contraceptive in the market, working with its private sector partners in the pharmaceutical industry. With USAID technical leadership, Norplant, a long acting, reversible implant, has been registered for use in Jordan. Thus, women in Jordan are now able to easily find four modern contraceptives (oral contraceptives, intrauterine devices, injectable contraceptives and implants) at affordable prices in pharmacies throughout the country. With USAID guidance, the MOH and the pharmaceutical industry continue to offer contraceptives through the private sector at market prices.

Building on the successful television educational drama which contained birth-spacing messages, the MOH agreed to provide contraceptive method-specific information on television. In September 1996, the Jordan Television Network began to air three method-specific family planning infomercials. The infomercials are aired nightly during prime time. Although the infomercials have only been on the air for about six weeks, October 1996 contraceptive sales are showing an increase over September 1996 sales. A new TV spot is currently under production for the social marketing program.

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, USAID initiated several information disseminating activities this year to encourage support for the national family planning program among parliamentarians, academics, physicians, and NGOs.

Strategic Objective 3: Increased practice of family planning with an emphasis on modern methods.

JORDAN
FY 1998 PROGRAM SUMMARY

	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Total
USAID Strategic Objectives •					
2. Improved Water Resource Management. ESF	$9,000,000				$9,000,000
3. Increased Practice of Family Planning with an Emphasis on Modern Methods ESF Dev. Assistance		$6,000,000 $2,500,000			$6,000,000 $2,500,000
5. Enhanced Private-Sector Economic Opportunities ESF	$10,000,000				$10,000,000
Total Dev. Assistance ESF	$19,000,000	$2,500,000 $6,000,000	–	–	$2,500,000 $25,000,000

Note: Strategic Objective 1 and 4 are closing, no additional funds will be added.

USAID Mission Director: Lewis W. Lucke

ACTIVITY DATA SHEET

PROGRAM: JORDAN
TITLE AND NUMBER: Improved Management of Water Resources - 278-SO02
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: $9,000,000 ESF
INITIAL OBLIGATION: FY 1995; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To improve water resources management with special emphasis on increased water use efficiency and effective wastewater reuse.

Background: Water scarcity in Jordan is a serious problem. Without vigorous interventions, Jordan faces a national crisis within the next 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, insufficient 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, as evidenced by new measures taken in 1996. To reduce water wastage and recover operation and maintenance costs, the GOJ doubled prices for agricultural water and increased municipal water prices by 12 percent this year. The GOJ is also pursuing privatization of key administrative, operation, and maintenance functions in the water sector, a very progressive position for a water authority in the developing world.

USAID Role and Achievements to Date: USAID's water sector contributions include developing critical water management infrastructure, increasing GOJ capacity to design and implement new water projects, improving water quantity and quality monitoring, 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 involvement in the water sector is essential.

Description: By the beginning of FY 1998, several major activities will have been completed. An emergency upgrade of Amman and Zarqa's wastewater treatment facility, which serves 80% of Jordan's population, will be on line and will significantly improve the quality of treated wastewater available for irrigation use. A comprehensive greater Amman area master plan, feasibility study, and preliminary engineering design for wastewater services through the year 2025 will be completed and financed. Final design of new water supply and wastewater treatment facilities for Wadi Mousa, which serves Petra, Jordan's premier tourist destination, will have been completed and construction begun. Approximately 50 new monitoring stations for water quantity will be installed and operational.

Design of new activities could include co-financing implementation of parts of the greater Amman wastewater master plan; institution of an Irrigation Advisory Service to assist farmers to fully utilize modern irrigation technologies; and activities designed to implement aspects of the peace treaty's water provisions (e.g., the Jordan River clean-up or construction of new storage facilities).

Host Country and Other Donors: Other major donors include Germany, Canada, Britain, 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 World Bank efforts in institutional restructuring, reducing unaccounted-for water, and water policy reform. The World Bank is likely to finance key aspects of the wastewater master plan; the Arab Development Fund recently financed the construction of a USAID-designed diversion channel to separate saline springs from irrigation water. 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. These beneficiaries constitute approximately 75% of Jordan's population.

Principal Contractors, Grantees, or Agencies: Camp, Dresser & McKee is supervising the construction of the new wastewater facilities at Wadi Mousa. Development Alternatives, Inc. is establishing the Irrigation Advisory Service. Activities scheduled to begin in 1998 are currently under design and service providers will be selected at a later date.

Major Results Indicators

	Baseline	Target
Increased efficiency in irrigation water use (drip):		
Open field, winter	56%	70%
Plastic houses, winter	42%	60%
Open field, summer	80%	80%
Plastic houses, summer	61%	75%
Number of USAID-funded technical assistance activities that lead to infrastructure financing by the GOJ or other donors	1 (1997)	2 (1999)
Increase in wastewater treated to design criteria at Wadi Mousa	0 (1997)	1 million cubic meters
Decrease in unaccounted-for water	55% (1996)	25% (2002)

ACTIVITY DATA SHEET

PROGRAM: JORDAN
TITLE AND NUMBER: Improved Practice of Family Planning, With an Emphasis on Modern Methods - 278-SO03
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $2,500,000 DA - $6,000,000 ESF
INITIAL OBLIGATION: FY 1995; **ESTIMATED COMPLETION DATE:** FY 2001

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, making services in the public and private sectors more accessible, and making products more affordable.

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 reached their desired 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 an average of only 3.9 children instead of the 5.6 revealed 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.

USAID Role and Achievements to Date: In 1996, the climate for family planning and population activities in Jordan experienced a new openness. In March 1996, the GOJ approved the National Population Strategy which has special significance because it underscored the linkages between economic development, health and rapid population growth. With USAID-supported technical assistance the MOH sponsored a National Contraceptive Technology Up-date Conference. USAID's technical leadership helped launch Norplant. The MOH elected to introduce DMPA and Norplant contraceptives in the public-sector healthcare system. USAID also gained approval from the Director of the Directorate of Pharmaceuticals (the Jordanian equivalent of the Food and Drug Administration) to include low-literacy instructions in all four products marketed under the social marketing program.

In 1995, the MOH agreed to use television and radio for family planning information. In 1996, three method-specific spots aired for six weeks on prime time television, with no negative publicity to date. A fourth informercial is under production. Additionally, "Dear Doctor" columns, which provide additional information about contraceptives and reproductive health issues, run weekly in Arabic language newspapers. A series of advocacy tools to foster population awareness are underway. RAPID, a computer simulation model to be used with parliamentarians, is in the final stages of development. A national information, education and communication (IEC) task force for family planning and population has been formed and a national IEC strategy is underway. In the only model maternal health center that has been operating for one year, family planning acceptance has doubled; thereby again proving that a well equipped and stocked facility which has trained personnel and offers quality counselling will increase acceptance of family planning. Nine centers will be operational before the end of the year.

Description: The program will continue its emphasis on improving the quality of services it provides to the customer. As a component of quality of care, USAID and the MOH will develop a new Intermediate Result under the Strategic Objective which will address cost recovery issues in the reproductive health sector. This design necessitates that we analyze a wide range of issues which may include, but not be limited to health insurance, fee structures and resource allocation and uses. By the end of FY1997, USAID will have established twelve CPP centers offering comprehensive services for mothers and infants, using quality assurance protocols. A national family planning curriculum is almost finished and will be used by the MOH to train all of its personnel working in family planning, regardless of the source of funding. Activities to evaluate the quality of care being provided and to help program managers improve service delivery are underway. Evaluation instruments to document improvements in clinical and counselling skills have been developed and are in use.

Although delayed, Jordan will participate in the DHS in March 1997 to verify the results achieved toward this objective. A series of activities are either underway or 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 contraceptive social marketing 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 48% from the 1996 level of 46.2% and modern CPR will increase to 38% from 35.8%.

Host Country and Other Donors: USAID continues to be the lead donor in family planning in Jordan. The United Nations Population Fund (UNFPA), through its fourth country program, has provided $7 million from 1995 to 1997. USAID and UNFPA are collaborating on the provision of contraceptives to the national family planning program. USAID is providing technical assistance to develop the national contraceptive distribution system and USAID and the UNFPA are sharing the cost of provision of contraceptive supplies to ensure that Jordanian women have a wide variety of contraceptive choice available to them. USAID and UNFPA meet regularly to make sure that activities undertaken in support of this strategic objective are not duplicative but mutually reinforcing. UNICEF, through its safe mother hood initiative is also providing support to the national family planning program.

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 and 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, Publi-Graphics and Cubeisey Advertising Agencies, and Market Research Organization

- Cooperating Agencies: University Research Corporation, Brown University, Pathfinder International, The Futures' Group, Family Health International, Johns Hopkins University Population Communication Services, Johns Hopkins Program for International Education in Obstetrics and Gynecology (JHPIEGO), Association of Voluntary and Safe Contraception International; Georgetown University Institute for Reproductive Health, U.S. Bureau of the Census (BUCEN) and MACRO, International.

Major Results Indicators

	Baseline	Target
• Total Contraceptive Prevalence Rate	40.0(1990)[1]	53.6 (2000)
• Modern Contraceptive Prevalence Rate	27.0(1990)[2]	41.5 (2000)

[1] Total contraceptive prevalence rate established in the 1990 Demographic Health Survey.

[2] 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 1990 Demographic Health Survey.

ACTIVITY DATA SHEET

PROGRAM: JORDAN
TITLE AND NUMBER: Enhanced Private Sector Economic Opportunities - 278-SO05
STATUS: New
PROPOSED OBLIGATION AND FUNDING SOURCE: $10,000,000 ESF
INITIAL OBLIGATION: FY 1997; **ESTIMATED COMPLETION DATE:** FY 2002

Purpose: To generate private sector-led employment opportunities and increase incomes in Jordan. To more equitably spread the benefits of Jordan's recent economic growth, this activity is being designed to overcome problems of access to credit by a focussed range of private-sector borrowers, enhance the productivity of small- and medium-size enterprises, and facilitate increased private-sector investment in Jordan.

Background: Prospects for sustainable economic growth hinge on Jordan's ability to productively engage all facets of the economy. The economic growth rate, fueled by large-scale manufacturing, agriculture and related service industries, has risen over the last three years and is expected to exceed 6.3% in 1996.

Though the pace of economic reform continues at an acceptable rate, as evidenced by the new three-year IMF accord signed in May 1996, benefits of economic growth have not accrued to all Jordanians. The unofficial GOJ unemployment rate for 1996 is estimated to be 19%, up four percent from 1995. (In some areas of Jordan, the unemployment rate is over 45%.) Inflation increased to eight percent, up four percent from 1995. Finally, the standard of living, the most tangible economic barometer, decreased 13% during the year. The economy's 1996 performance has not maintained the momentum established in the preceding two years. Rising unemployment and under-employment suggests that additional private-sector interventions are warranted to strengthen Jordan's prospects for continued economic growth and expansion.

USAID Role and Achievements to Date: USAID/Jordan is developing a strategy to achieve its private sector-led employment and income generation objectives which USAID/Washington will evaluate during the Spring 1997. In developing the new objective, we will carefully consider the place of limited on-going, private-sector focussed activities presently being financed by USAID, such as micro-enterprise finance support, export credit guarantee programs and investment promotion activities.

Description: Though now under active development, the program will likely focus on removing three primary impediments to private-sector growth in Jordan: (1) lack of access to credit; (2) inefficient production; and (3) the need to increase international investment in Jordan's productive economy. By addressing these constraints, USAID will help create jobs and increase incomes within Jordan's productive private sector.

Micro-finance programs will be considered for support in light of successful on-going models in rural and urban Jordan and the expectation of limited available funding that would limit any major new micro-finance initiatives. A program to enhance private-sector productivity would likely target small/medium enterprise bottlenecks to production as well as other measures to increase efficiency. Investment promotion would help strengthen Jordan's capacity to attract international investment in Jordan -- thus creating employment -- by helping the existing investment promotion organization function more effectively.

Activities under the new economic opportunity objective will be designed so as to be tightly focussed, take advantage of successful existing programs, complement programs funded by other donors, consistent with USAID comparative advantages, and able to produce demonstrable results with what will most likely be modest initial funding.

Host Country and Other Donors: The GOJ's contribution will total an estimated 25% of the strategy's budget. The strategy will be consistent with the GOJ's development program as approved at the 1996 Consultative Group meeting, including the World Bank's Social Productivity strategy. Existing or planned donor-financed programs in the micro-finance and formal financial sectors will be carefully considered during the design of the new activities.

Beneficiaries: The primary beneficiaries will be (1) Jordan's unemployed and under-employed population; (2) small- and medium-size enterprise employees; and (3) investors in Jordan's productive private sector.

Principal Contractors, Grantees, or Agencies: To be determined.

Major Results Indicators: To be determined.

LEBANON

FY 1998 Economic Support Funds.....$12,000,000

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 in 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, 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 1996, the Lebanese economy grew by about 4 % per annum, after growing at a rate of 8 % in 1995. Nevertheless, the potential remains strong 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, but the burden of reconstruction has significantly increased public debt and the budget deficit.

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 elite, 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 inadequate. 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 1996, 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 at 22%. 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 1998 Program.

Lebanon faces enormous challenges in order to ameliorate the severe problems described above. USAID's strategy for helping Lebanon face these challenges provides resources in four areas: (1) community-level rehabilitation, (2) public administration improvements, (3) strengthening U.S. educational institutions in Lebanon, and (4) promoting expanded economic opportunities, an activity that includes poverty lending, microenterprise credit and capital market development components.

USAID has focused on these areas as a means to aid individuals to rebuild their 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, research and outreach in U.S. educational institutions that operate in Lebanon.

Agency Goal: Humanitarian Assistance

USAID has supported a wide range of reconstruction and rehabilitation activities implemented by eight U.S. PVOs and more than 30 Lebanese NGOs.

- Special Objective 1: Sustained rural community reconstruction and rehabilitation

Activities include: 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 supplies and equipment needed in Lebanese schools, hospitals and other public institutions. The FY 1998 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.

Significant progress was made in USAID's program in Lebanon from 1993 through 1995. U.S. PVOs and the Lebanese Red Cross 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 three dollars of local contributions or resources from non-USAID sources for each dollar 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 established essential data bases 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. Two hundred 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 the 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 received 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: Expanded Economic Opportunities

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 to 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. Activities in sustainable microfinance service delivery will be enhanced and expanded.

LEBANON
FY 1998 PROGRAM SUMMARY
($000)

	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Humanitarian Assistance	Total
USAID Program Objective						
1. Sustained Rural Community Reconstruction & Rehabilitation	$3,000		$1,000	$1,000	$1,000	$6,000
2. Improved Institutions Which Support Democracy				$1,000		$1,000
3. Strengthened U.S. Educational Institutions	$1,000		$1,000			$2,000
4. Expanded Economic Opportunity	$3,000					$3,000
TOTAL ESF	$7,000		$2,000	$2,000	$1,000	$12,000

Director, Office of Middle East, Kimberly Finan

ACTIVITY DATA SHEET

PROGRAM: LEBANON
TITLE AND NUMBER: Sustained Rural Community Reconstruction and Rehabilitation, 268-S001
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $6,000,000 ESF
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, 198 infrastructure projects were completed and 3,000 displaced families were assisted in rebuilding their destroyed homes and in returning to their villages.

Description: In FY 1998, funds will be used to continue programs begun in earlier fiscal years. 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 which included community-level reconstruction of Lebanese Red Cross facilities and strengthening of Red Cross capacity to deliver emergency and basic health services, continue with the 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 has been 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 (NGOs).

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.

ACTIVITY DATA SHEET

PROGRAM: LEBANON
TITLE AND NUMBER: Lebanon Relief and Redevelopment Project 268-SO02
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $1,000,000 ESF
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 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 introduced electronic data bases to control agencies for the first time. 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: FY 1998 funds will be used to continue programs begun in earlier fiscal years. 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 that support democracy. 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. Policy reforms affecting the civil service, information technology and management are tracked at the level of the Council of Ministers.

ACTIVITY DATA SHEET

PROGRAM: LEBANON
TITLE AND NUMBER: Strengthened Higher Education Institutions, 268-S003
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $2,000,000 ESF
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 Schools 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-affected 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: FY 1998 funds will be used to continue programs begun in earlier fiscal years. In FY 1996 and FY 1997, the universities received 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.

ACTIVITY DATA SHEET

PROGRAM: LEBANON
TITLE AND NUMBER: Expanded Economic Opportunities, 268-SO04
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $3,000,000 ESF
INITIAL OBLIGATION: FY 1996: **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, opened offices in Lebanon and are making loans. With modest resources, the capital market development of this activity has begun.

Description: FY 1998 funds will be used to continue programs begun in earlier fiscal years. In FY 1997, USAID is introducing 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 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 also 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 (U.S.). 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.

MONGOLIA

FY 1998 Economic Support Fund Request $7,000,000

Introduction

In 1990, Mongolia broke with the Soviet Union after nearly 70 years of dependence. Without its $900 million a year subsidy and with an entrenched Soviet-style economy still in place, Mongolia's gross domestic product declined 25% from 1990 to 1993. Mongolia has made significant progress in restructuring its government and economy and is ahead of most former Soviet republics that experienced similar economic calamities. While Mongolia's economic transition has not been smooth, it has progressed economically and politically in the past two years. Mongolia must surmount many formidable hurdles before it can sustain its own growth, while creating democratic institutions.

U.S. assistance to Mongolia supports U.S. interests by fostering a free-market economy and democracy. As a small buffer state situated between Russia and China, two of the most important countries to U.S. interests, Mongolia stands in sharp contrast in that it is successfully reforming both its economic and political system. It has been receptive to external advice and ideas and willing to make difficult changes. It also is a small but growing market for U.S. capital goods and a potential source of minerals.

The Development Challenge

Mongolia is a country of 1.565 million square kilometers with some 2.2 million people in northeastern Asia, between China and Siberian Russia. Mongolia is sparsely populated but highly urbanized, with more than 50% of the population living in the country's three largest cities. While the IMF estimates a real gross domestic product growth of 6.3% in 1995 (up from a negative 1.3% in 1993 and 2.4% in 1994) and an annual rate of inflation of 53% (down from as much as 320% in 1993), the battle to achieve sustainable growth over the medium term still demands urgent attention. Despite the relaxation of price controls over the last 18 months, the prices of some products are still well below costs. Electricity tariffs, for example, are now half of those in most Asian countries. Similarly, housing rents are too low to compensate for even the maintenance work done by the public sector.

USAID has many opportunities to support Mongolia's emerging market economy. At the Government of Mongolia's request, USAID works directly with the Prime Minister's office, other policy makers, and bankers to enable the Government to establish and implement sound, free market practices. This assistance helps the public and private sector institutions that will make Mongolia a free market economy.

Mongolia is now a fledgling democracy and large sections of the populace seem committed to the concept of political pluralism. However, the concept of democracy and its practical implications are not well understood by the public. While many of the current political elite appear committed to democracy, its future is not yet assured given the newness of democratic practices and the absence of adequate checks and balances in the system. Through the Asia Foundation, the International Republican Institute, and other partners, USAID has provided selective training to the judiciary, and strengthened the capacity of democratically oriented parties, assisted in the development of civic organizations, and has encouraged greater participation of women in politics. The victory of the opposition in the 1996 national elections has placed the Government in non-communist hands for the first time in 70 years; however, considerable assistance is needed to restructure political institutions, broaden the role and capacities of civil society, establish democratic norms, and carry out further policy reforms.

One of the many factors affecting Mongolia's growth is the continuing energy crisis. The power plants and the coal mines are inadequately managed and maintained. They lack equipment, materials and trained personnel. Central heating services in the cities, essential for life in modern buildings during the severe winters, are reduced significantly and on the verge of collapse. USAID provides critical spare parts, technical assistance, and training (both in the United States and in Mongolia) in power plant operations and management, while more permanent infrastructure, financed by the international development banks and other donors, is being planned or implemented.

OTHER DONORS

The International Monetary Fund, the World Bank and the Asian Development Bank (ADB), often acting in concert, have worked with the Government of Mongolia to accomplish many of the key economic reforms taken to date and to establish detailed policy agendas that will guide much of the reform program over the next three years. In addition, the World Bank and the Asian Development Bank are working on sectoral policy agendas, including transportation and energy--both critical to ensuring the success of the transition to a market economy and democratic government. As a follow-on to USAID emergency energy assistance, other donors are now providing most energy sector commodity and renovation assistance. In 1995, the World Bank provided about $35 million to the mining sector to ensure that the coal mines are producing and, thus, supplying energy to the urban economic areas. The Asian Development Bank upgraded a major power plant at a cost of approximately $35 million, and will build roads from the mining areas to the urban areas. The International Fund for Agricultural Development (IFAD) is organizing a $5.04 million loan to combat rural poverty, while the Germans and the ADB are collaborating with USAID in the area of judicial training.

In 1995 Mongolia received $210 million in overseas development assistance (ODA). The principal donors, who together contributed 75% of this ODA, were the ADB, with $60 million, Japan, with $63 million; and the World Bank, with $35 million. Besides USAID, other donors include the United Nations Development Programme, Germany, the Netherlands, Australia, and France.

FY 1998 Program

USAID seeks to support Mongolia's emerging market economy while fostering new democratic institutions. An important aspect of Mongolia's economic recovery is providing emergency and long-term solutions to its continuing energy crisis.

Agency Goal: Encouraging Broad-based Economic Growth

Strategic Objective 1: A policy and institutional framework conducive to rapid private sector expansion created

After years of negative growth, Mongolia's economy has turned around, with strong growth in GDP, industrial output (20.7%), exports (22%) and budget surplus (4.1% of GDP). While the transition to a market economy has been difficult, the economy has been growing for the past two years. However, more than 20 % of the population live in poverty, and unemployment -- unknown during the Communist era -- is at least 9%. Much of the credit for the macro-level improvements is attributable to the Government's willingness to embark on rapid economic policy reform. USAID has enabled Mongolia to implement economic reform by funding a policy advisor in the Prime Minister's Office to assist in the development of a macroeconomic plan, later endorsed by the IMF. USAID-funded research led to a decision to significantly expand privatization efforts. USAID technical assistance helped Mongolia arrive at a solution to its enormous Russian ruble debt burden in a way that does not hamper future economic development. Training by U.S. bankers to the nascent banking community has helped develop sound banking procedures and internationally-compatible standards.

USAID's objective to encourage broad-based economic growth anticipates the following results:

- Improved macroeconomic management;
- Improved economic policy analysis in both the public and private sectors;
- Improved asset and credit management among small commercial banks.

Promoting the development of Mongolia's nascent private sector is USAID's most important support for a successful transition to a market economy. It is the key to the ultimate success and sustainability of the Mongolian economic restructuring effort. Failure of the private sector to deliver progressively stronger results will enormously increase the risk that Mongolia's economic and political reform efforts will fail. Accelerated private sector development will generate additional employment opportunities and increase the incomes of owners and workers. Successful performance will generate additional investment and employment which, in turn, will contribute to broad-based and sustainable economic growth. Consumers with increased disposable income will spend more, further stimulating the economy.

USAID will assist the Government of Mongolia to establish and implement sound, growth-oriented, market economic policies and practices. USAID will strengthen public and private sector institutions that will help sustain a market economy; provide technical advisory services to the Vice Prime Minister's Office; provide technical training in the United States and third countries to the public and private sector; provide short-term training to the banking sector and lastly, provide academic training in the United States in the areas of banking and business development as well as assistance to the Mongolian legal profession and the Parliament.

Special Objective: Emergency support provided to the Mongolian power production system

Energy is important to prospects of economic growth in Mongolia. Given the severity and long duration of the winter season in Mongolia, adequate energy is a key concern. Without continued adequate heat and electricity during the winter months, both the shift to market economics and the process of democratization are threatened.

USAID's activities under this specific objective will contribute to the following results:

- Minimum, reliable power generated for household, commercial and industrial purposes;
- Disruption averted to the energy production system;
- Sustainable improvements to the energy sector; and
- Emergency energy assistance no longer required.

Mongolia's growth has been seriously hampered by its outdated and inefficient energy system. During FYs 1993-1996, USAID's emergency energy assistance delivered enough spare parts, equipment and materials to keep a vital power plant and coal mines from collapse. USAID's leading role in energy assistance helped mobilize other donors to similar efforts and to plan and initiate interim and long-term capital improvements which will eventually restore adequate energy services for Mongolia's sustainable economic growth. USAID FY 1998 energy sector support will improve system management and operations and will help make efficient use of growing capital project investments from other donors.

Agency Goal: Building Democracy

Strategic Objective 2: Gains in the transparency, accountability, competency, and responsiveness of Mongolia's primary institutions of democracy consolidated

Mongolia is still very much a country in transition and risks setbacks without focused support, particularly in the areas of civic education, an independent judiciary, and operations of elected representative bodies. Juxtaposed against the concurrent economic transition and the resultant breakdown in some social support systems which Mongolians had come to expect, democratic reforms can be seen as somewhat at risk. Hence, the process of building a democratic society is at a critical point, and donor assistance is essential to see the reforms through.

USAID's strategic objective of consolidating Mongolia's democratic instititutions has three results:

- A robust and self-sustaining community of indigenous NGOs exists;
- And independent court and judicial system make and disseminate informed legal rulings;
- The electorate is given access and a voice in national and local legislatures.

USAID has supported the Mongolian democratization process primarily in the areas of strengthening the democratic party capacities and judiciary, assisting in the development of citizen initiated non-governmental organizations, and encouraging greater participation of women in politics. The June 1996 elections, won by the democratic opposition, have given urgency to instituting government accountability, citizen participation, and training political parties in democratic governance. Although judicial reform and capacity building remain a priority, future activities in this sector will need to be closely coordinated with other donor programs to ensure consistency, and assessed for effectiveness.

The Asia Foundation (TAF), which has worked in Mongolia since 1990, has carried out a broad set of activities aimed at training legislative and judicial branches, as well as the NGO sector. The TAF program is now focussed on assisting NGOs to engage in policy advocacy and link with rural communities, carry out civic education programs, and support policy reforms that strengthen the role of civil society.

Mongolia's fledgling democracy, following decades of communist rule, still features deep differences between urban and rural society, a lack of information available to the citizenry (especially in the rural areas), and a lack of experience with the norms of parliamentary democracy. The International Republican Institute (IRI) has been instrumental in the development of a successful political strategy for the democratic coalition. It has implemented capacity building programs to enable democratic parties to communicate their messages and establish a defined reform agenda. It has now initiated democratic process educational programs for the formerly ruling Mongolian Peoples Revolutionary Party. IRI's institutional experience and strength will be highly useful in assisting the parties to strengthen and train provincial and local level party organizations, and assisting parliamentarians to set standards for staff and constituency service.

MONGOLIA
FY 1998 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. A policy and institutional framework conducive to rapid private-sector expansion created.	3,000,000					3,000,000
2. Gains in the transparency, accountability, competency, and responsiveness of Mongolia's primary institutions of democracy consolidated.				2,000,000		2,000,000
USAID Special Objective: 1. Support provided to the Mongolian power production system.	2,000,000					2,000,000
Total Economic Support Funds	5,000,000	0	0	2,000,000	0	7,000,000

USAID Representative: (A) Sidney Chernenkoff

ACTIVITY DATA SHEET

PROGRAM: MONGOLIA
TITLE AND NUMBER: Mongolia Economic Policy Support Project,438-SO01
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $3,000,000 ESF
INITIAL OBLIGATION: FY 1994; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: To (a) provide technical assistance and carefully targeted training to both the Government of Mongolia (GOM) and Mongolia's private sector that will facilitate the identification and adoption of growth-oriented economic policies and (b) develop and/or strengthen those public and private institutions which can support and sustain a market-oriented economy.

Background: Mongolia's lengthy relationship with Soviet-style economics and the initial absence of western assistance in transitioning to market-oriented principles leaves a substantial agenda of macro-economic policy reforms. Unlike most developing countries, Mongolia is confronting the task of creating entirely new economic structures. The degree to which Mongolia successfully implements these policies will establish the direction and pace of its economic development for years to come. USAID's extensive experience with economic policy reform, coupled with the GOM's desire for U.S. technical assistance and training efforts affords an opportunity to make a high return investment in this country's social and economic development.

Mongolian macroeconomic reforms, such as economic policy, laws and regulations, are incomplete in all of the critical economic sectors such as privatization, banking, taxation, foreign and domestic investment, and international trade. Given the nature of implementing economic policy reforms, economic policy development must follow a logical progression since virtually all of the key economic sectors are interrelated. Moreover, these new measures must be complementary to achieve positive and sustainable economic growth.

USAID Role and Achievements to Date: After years of negative growth, Mongolia's economy may be turning around. In 1995, GDP grew by 6.3%, industrial output grew by 20.7 % in real terms, exports grew by 22% in real dollar terms, the current account deficit declined to $63.7 million, and the current budget surplus rose to 4.1% of GDP. USAID has contributed to economic reforms by: 1) providing technical support in the formulation of the GOM's macroeconomic plan (later approved by the IMF); 2) carrying out research necessary for privatization; and 3) assisting the GOM deal with its large Russian ruble debt burden in a way that does not hamper future economic growth.

Training constitutes an important part of USAID's efforts under this activity. Twelve Mongolians are in the United States on long-term economics training, and up to 15 more will also be sent. More than 120 bankers have received short-term training in banking procedures and practices affecting small to medium-sized businesses. Training topics included credit analysis, trade finance, accounting, and asset-liability management.

Description: The Economic Policy Support Project is a $7.5 million activity launched in 1994. Development Alternatives Incorporated (DAI) is USAID's sole partner responsible for achieving the three Intermediate Results supporting this Strategic Objective, namely to: 1) improve macroeconomic management; 2) improve economic policy analysis capabilities; and 3) develop sound procedures in the Mongolian banking sector.

Host Country and Other Donors: The International Monetary Fund, the World Bank, and the Asian Development Bank are working with the GOM in establishing a detailed policy agenda for reform.

Beneficiaries: 2.2 million Mongolians who will enjoy a better standard of living as the result of a private sector led, market-oriented economy.

Principle Contractors, Grantees, or Agencies: USAID implements this activity through Development Alternatives Inc., a contractor, the GOM's Prime Minister's Office, and the banking sector.

Major Results Indicators:

1. Macroeconomic management improved

2. Economic policy analysis improved

3. Asset/credit management among small commercial banks improved

ACTIVITY DATA SHEET

PROGRAM: MONGOLIA
TITLE AND NUMBER: Gains in the Transparency, Accountability, Competency and Responsiveness of Mongolia's Primary Institutions of Democracy Consolidated, 438-SO02
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $2,000,000 ESF
INITIAL OBLIGATION: FY 1993; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: To consolidate gains in the transparency, accountability, competency and responsiveness of Mongolia's primary institutions of democracy.

Background: Mongolia is presiding over an emerging market economy, and a large portion of its populace is committed to democracy. Strong and influential segments of society, however, are tied to behavior patterns from pre-democratic times. The country is relatively isolated geographically as well as ideologically. Understanding of the prevailing trends in political development and thought throughout the world are very limited. Foreign influences have historically been China, Russia, and the Soviet Union. In addition, accurate information on political processes and governmental actions are generally not available. Information is poorly organized and does not effectively reach the rural populations. This situation is compounded by a lack of transparency, which is a residual from past communist practices. There are frequent and recurrent incidents of governmental officials refusing to provide timely and accurate information to the public, even while under obligation of law to do so.

Democratic reforms since 1990 have been significant. In the recent June 1996 national elections, the democratic coalition won a majority of seats in the new parliament for the first time. Nonetheless, while the general political situation remains encouraging, these gains are vulnerable to slippage. Authoritarian recidivism is an ever-present danger. The former communist Mongolian People's Revolutionary Party (MPRP) recently won majorities in 70% of the provincial assemblies. There is also a growing threat to national integration as the cultural gap between urban and rural populations continues to grow.

USAID Role and Achievements to Date: USAID activities significantly contributed to the institutionalization of democracy in Mongolia. The first phase of USAID support, a direct grant to The Asia Foundation (TAF), began in 1991 and opened Mongolia's doors to the West. The grant was used to organize seminars in Mongolia and study tours abroad for key government and non-government leaders to learn about democratic systems in the U.S., Europe, and democratic neighbors in Asia. Other contributions included the International Republican Institute (IRI) activities during the 1996 elections, the creation of an independent judiciary, and seed support to the NGO community.

Description: USAID's democracy activities in Mongolia are mainly channeled through TAF. Presently, the Foundation is working to enhance NGOs' capability to serve as a potential firewall against governmental encroachments on civil liberties and political freedom. TAF will also continue to strengthen civil society, especially beyond Ulaanbaatar. Other USAID-funded groups include IRI, which will assist major political parties to strengthen their organizations in order to understand better their responsibilities, work more effectively with central, provincial and local governments, and improve constituency services.

Host Country and Other Donors: Several other donors are very actively involved in commercial and general legal reform and education. The Asian Development Bank is initiating a sector-wide training

program. Gesellschaft Fur Technische Zusammenarbeit (GTZ) is supporting major training of existing judges.

Beneficiaries: All of the Mongolian electorate - those individuals on whose behalf a democratic state is supposed to govern - stand to benefit from these activities, especially young people and women who are expected to play an increasingly important role in determining Mongolia's future.

Principal Contractors, Grantees, or Agencies: USAID implements the program through NGOs, including the Asia Foundation and the International Republican Institute, and a private U.S. consulting firm, ARD/Checchi.

Major Results Indicators:

1. A robust and self-sustaining community of indigenous NGOs exists

2. An independent court and judicial system makes and disseminates informed legal rulings

3. The electorate is given access and a voice in national and local legislatures

ACTIVITY DATA SHEET

PROGRAM: MONGOLIA
TITLE AND NUMBER: Support Provided to the Mongolian Power Production System, 438-SP01
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $2,000,000 ESF
INITIAL OBLIGATION: FY 1992; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: To increase the reliability of the Ulaanbaatar electricity and district heating systems through the provision of spare parts, commodities and limited technical assistance.

Background: In 1991, the Russians withdrew their support to operate the Mongolian energy systems when much of the equipment was becoming unserviceable. Simultaneously, the country lacked the foreign exchange to purchase critically needed spare parts in international markets. Thus, USAID's strategy was to help the Mongolians maintain existing levels of power production and improve the reliability of their energy systems.

USAID Role and Achievements to Date: The USAID project provided critical spare parts, technical assistance and training to shore up energy production at Mongolia's key power plants and coal mines. Over the past three years, approximately $20 million has been spent on needed spare parts and equipment, such as coal conveyor belts, truck tires, boiler components and other items. This equipment enabled Mongolian coal mines and power plants to maintain energy production services. In addition, Mongolians were trained in power plant operations and management.

Although USAID made a substantial investment and achieved its objective of sustaining energy production over the recent winters, the power plants, district heating systems and coal production facilities are old, heavily depreciated and require major capital investments to provide replacement capacity. Meanwhile, the same potential of system breakdown exists for this winter and following winters. Our response is to focus on emergency measures while encouraging other donors to make the necessary capital improvements to maintain immediate energy production.

Description: This project will assist the Government of Mongolia (GOM) to maintain energy production through the winters of 1996/1997 and 1997/1998. Commodities, including fuel oil and tires, will be provided as well as critical spare parts to maintain operations at the coal mines and power plants. Technical assistance will be provided to procure and install these materials. After addressing these critical needs, limited remaining funds will be used to address longer term needs such as privatization of the energy system.

Host Country and Other Donors: The GOM has increased electricity and coal tariffs by 60% and 45%, respectively, during 1996; however, this still does not cover the cost of operations. The Asian Development Bank (ADB) is providing technical assistance to improve the financial management of the Mongolian energy utility.

The World Bank is considering a loan to improve coal mining operations while the Government of Japan and ADB are addressing some of the needs at the power plants ($80 million of the estimated need of $110-135 million required to rehabilitate boilers). Two ADB loans ($10 million in 1996 and a programmed amount of $40 million for 1998) will also improve the district heating systems.

Beneficiaries: Beneficiaries are all residents who are serviced by Ulaanbaatar electricity and district heating systems.

Principal Contractors, Grantees, or Agencies: USAID implements the program through the GOM Ministry of Infrastructure and a U.S. contractor, Morrison-Knudsen.

Major Results Indicators:	Baselines	Targets
1. Disruption averted to the energy production system		No disruption
2. Sustainable improvements to the energy sector	TBD following phase out of emergency assistance	

MOROCCO

FY 1998 Development Assistance $15,672,000

Introduction

Morocco continues to actively support the Middle East Peace Process and enforcement of United Nations sanctions against Iraq and Libya. As a temperate voice in this volatile region, Morocco is a role model for economic and political moderation among Islamic nations, and a bulwark against anti-Western Islamic fundamentalism as reflected in neighboring Algeria. Nevertheless, Morocco remains vulnerable to threats from internal and external radicalism, and the pace of political reform remains slow. Both Morocco and the United States have an important stake in Morocco's stability, and THEIR facilitative regional role. As Morocco liberalizes its economy and opens up its political systems, it is showing increased interest in institutional approaches and policies utilized in the United States. The United States and Morocco are committed to broadening business and institutional relationships through a new Trade and Investment Framework Agreement (TIFA). Commercial and political linkages between the U.S. and Morocco continue to accelerate, fostered by assistance initiatives and a continuing dialogue on areas of mutual interest.

The Development Challenge

Morocco, a country of 27 million inhabitants, including 38% under 15 years of age, continues to make global economic progress. 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 is expected to reach 10% in 1996 (largely as the result of an exceptional cereal harvest), although the country only averaged a -0.25% growth rate over the previous four years, essentially due 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 25% of exports in 1995. Only 20% of the land is arable, and stable agricultural production is largely dependent on irrigation. Morocco's successful structural adjustment program is producing results: the budget deficit was about 5% of GDP in 1995, 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 is expected to be below 4.5% in 1996.

In spite of recent progress at the macro level in economic stabilization and more reasonable patterns of growth, Morocco's development is not shared equitably, nor is the rate of growth keeping pace with expansion of the labor force. Lack of jobs and inadequate access to housing, land, credit, and other productive resources remain the chief causes of poverty and are major contributors to social instability. Low labor demand contributes to the creation of 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. Morocco's problems are reflected in its social indicators, which generally lag behind those of similar nations: (1) an infant mortality rate at 57 per thousand compares to 39 as the average for LMI countries; (2) the annual population growth rate is still 2.1% versus 1.5% in LMI countries, and will double the country's population in approximately 33 years; (3) the illiteracy rate is 48% of the adult population, compared to 19% for LMI countries; (4) an estimated 5.9 million people, or 22% of the population, live at or near the poverty level, with two-thirds of the poor in rural areas; and (5) nearly 20% of the labor force is unemployed, and this percentage is increasing at a rate of 7% annually. In short, social indicators have not kept pace with economic progress.

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Morocco's development progress is still fragile and requires considerable support from the Western world. Current planning for USAID's transition to a smaller program by FY 1999 focuses on building a sustainable institutional capacity to address equity problems. That capacity should be substantially developed during the following decade. By 1999, USAID plans to successfully complete its bilateral programs of assistance for family planning, health service delivery support, small business development, and agribusiness promotion. More recent initiatives in water resource sustainability, microenterprise finance, and basic education for girls will require more time to establish lasting, fully-sustainable programs. At the national level, Morocco requires support in making the tough decisions necessary to establish policy and institutional frameworks which redress social inequities, poverty, environmental degradation, and gender or regional disparities in education. USAID's program focuses on helping Morocco make those decisions by developing the local capacity to understand and to analyze the reform options and potential outcomes of those options, and to build a consensus for implementing the required regulatory and institutional changes.

Other Donors

Donor assistance to Morocco totals somewhat more than $1 billion per year. An estimated 80% of donor assistance, mostly in the form of loans, loan guarantees, or commercial credit is utilized for infrastructure development (roads, ports, dams, railroads, electricity, water, housing, sewerage, telecommunications). The largest donor programs in Morocco are those of the World Bank, the European Union, France, the African Development Bank and Spain.

The United States is a relatively small provider of assistance (grants and housing guarantees), currently accounting for perhaps 10% of total grant assistance. Nevertheless, it remains one of the most visible and active donor programs, and plays a role far larger than the size of its assistance size would indicate, including substantial leveraging of other donor resources. This influence has been possible because of (1) a strong USAID field presence, (2) the ability to address problems in the context of local policy, (3) the risk-taking and innovative nature of U.S. assistance, and, (4) the Moroccan realization that the United States can provide world leadership in technical and managerial innovation.

FY 1998 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" is built around four carefully focused strategic objectives: (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; and (4) increased basic educational attainment for rural girls. The USAID/Morocco program has been very substantially restructured over the last two years, in response to significant resource reductions and changed Agency program priorities. As is noted below, these four strategic objectives for Morocco are themselves explicitly linked with global USAID program priorities. Restructuring of the program has also meant the closure of several successful activities from the previous portfolio, and the start-up of a new generation of more strategically relevant ones. No new activities are proposed to be initiated during FY 1998.

Finally, several cross-cutting themes of specific importance to the local Moroccan development context have been integrated into program strategy where relevant, including appropriate attention to policy frameworks, emphasis on the integration and empowerment of women, and the use of non-governmental and private agencies in portfolio implementation.

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

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 reducing family size, especially as a large cohort of young Moroccans reaches child-bearing years.

Over the last 25 years, USAID has become the Government of Morocco's (GOM) principal external partner in family planning and maternal child health (FP/MCH). This FP/MCH collaboration has become one of the most successful such programs in the Arab world, including strong results in contraceptive prevalence (rising from 42% to 50% in just the last three years) and a similarly rapid decline in total fertility (down 25% between 1987 and 1995). The total fertility rate in Morocco's urban areas is, in fact, now approaching replacement levels. 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% to 29% over the same timeframe. The private sector now increasingly is providing family planning services, and social marketing of oral contraceptives has reduced the cost of contraceptives to the consumer by 27% since 1991. Private sector sales of contraceptives has grown by 50% over the last three years.

In spite of this progress in extending FP/MCH services, there remain many weaknesses in the health care delivery system, especially in rural areas. The gap between desired childbearing and use of family planning services persists. User rates are still low for long-term and permanent methods of contraception, and infant mortality continues to be high due to diarrheal disease and acute respiratory infection. To enhance the sustainability of health service delivery, progress has been made on several major initiatives, including: decentralization of integrated service delivery management, encouragement of rapid expansion of private sector participation in the provision of health services, strengthening of management and logistics system, and an increasing assumption of costs for preventive health care activities (the GOM now meets about 60% of our combined program costs).

Funding is requested in FY 1998 to continue the momentum of this integrated activity, and to fund a challenging transition plan out of our current program of bilateral assistance for service delivery by the end of the decade, to one of more modest, centrally-funded assistance in support of the sustainability of FP/MCH systems. As more women enter their reproductive years, the sustaining and expanding of current rates of contraceptive prevalence and FP/MCH service utilization will be critical. Supportive policy signals from the highest levels of the GOM are providing an opportunity for USAID to move farther and faster in this sector than previously had been thought possible. The Ministry of Public Health is developing a policy and regulatory environment that encourages sustainable service delivery. USAID will continue to support such an environment, and the array of service delivery models that translate this high-level commitment into cost-effective results.

Agency Goal: Protecting the Environment

- Strategic Objective 2: Improved Water Resources Management in the Agricultural, Urban, and Industrial Sectors

Morocco's lack of water is a key limiting factor for economic growth and for meeting basic human needs. With water demand expected to exceed supply by 2020, the sound management of water resources is key to their future economic success. 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.

Despite the relative newness of this strategic objective, USAID environmental programs already are registering substantial results. Clean technology activities have reduced surface water pollution in targeted areas, and offer the potential for future marketing of U.S. systems in Morocco. New laser land-levelling and level-basin irrigation technologies, as well as canal construction and management, have demonstrated potential improvements in water use efficiency of 20% in one of Morocco's largest irrigation areas, and nation-wide replication is already planned for other irrigated perimeters. Modern sewerage and potable water systems have been brought to over 450,000 people (70% of whom earn a below-median income). Benefits such as reduced seasonal flooding and related water-borne diseases have reached an additional 250,000 low-income people. Initiatives are under way to improve toxic effluent controls, safe wastewater reuse, and reduction of soil erosion.

USAID's most recent efforts focus on policy and institutional strengthening, pilot activities and leveraging of USAID resources. 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. In connection with reduced funding availability for this strategic area, the timeframe for initiating and completing most activities will be accelerated significantly. The ability to replicate successful initiatives under this Strategic Objective also will be affected.

Agency Goal: Encouraging Broad-Based Economic Growth (Expanding Access and Opportunity)

- Strategic Objective 3: Expanded base of stakeholders in the economy, targeting people of below median income.

Morocco's highly dualistic development has led to low growth, low employment and low incomes for the poorer segments of the population. Poverty is a persistent phenomenon in Morocco, with about 22% of the population living at the World Bank-defined poverty level during a good rainfall year, and more during drought years. Sustainable economic growth must address equity issues. If the numbers of economic stakeholders are not expanded in Morocco, political and economic instability are more likely to ensue. Higher employment levels and better living conditions also are closely linked to broader USAID efforts for reducing fertility, improving family health, and realizing a more rational, efficient utilization of water resources.

In response to changing resource availability, the maturation of certain past efforts, and evolving partnerships with other donors, USAID's initiatives recently have been re-focused upon microenterprise finance, small and medium-sized enterprise development, export-oriented agribusiness expansion, and urban infrastructure improvements. USAID activities concentrate on ameliorating policy and institutional constraints which generate disincentives, costs and administrative burdens for businesses. The program provides access to credit (to start and expand businesses and to finance home construction for the poor), and enhances the competitiveness of Moroccan firms to enable export-led growth and job creation. It also strengthens business associations and NGOs that bring the disadvantaged into the economic mainstream. Current efforts have produced substantial results, including some $80 million of exports (mostly to non-tradtional markets), which have led to over 10,000 person-years of employment, largely for women and other members of lower-income groups. The potential for future, sustainable, benefits is substantial and can be expected to grow rapidly over the next few years.

The lack of a positive enabling environment imposes limits on the performance of the economy and on 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. All elements of the existing portfolio contain components which will continue to address

policy and institutional constraints. The availability of financial services also will be addressed so that efficient micro- and small-scale entrepreneurs can invest, generate employment for themselves and others, and finance home construction. Due to anticipated funding shortfalls, USAID/Morocco will re-evaluate the breadth of its objectives under the recently launched (FY 1995) Microenterprise Finance Activity, and will accelerate the effort to reach sustainability of its pilot microcredit institutions by FY 1999.

Agency Goal: Encouraging Broad-Based Economic Growth (Investing in People)

- Strategic Objective 4: Increased Basic Educational Attainment Among Girls in Selected Rural Areas

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 have an enhanced awareness of their rights and responsibilities as citizens in the economic, social and political arenas. Investment in girls' education reduces susceptibility to Islamic extremism, which often argues for restrictions on women's societal roles. Educating girls also enhances women's contributions to: the economy and to their families' 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's poor performance in education is a major contributing factor to perpetuating poverty and larger family size, especially in rural areas. Morocco's low ranking in the United Nations Development Program human development index is largely based on the nation's poor performance in basic education. For example, the average length of schooling barely reached three 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 a net 9% complete five years of primary education. USAID assistance is targeting rural primary education for girls in 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.

Funding is requested to continue this initiative, launched in 1996. Improvements in girls' education will contribute to the achievement of the Mission's strategic objectives in population and health, environment and economic growth. Several factors helped convince USAID that this is an opportune moment to address basic education constraints for rural girls in Morocco: (1) low levels of attainment and the marked disparity in education participation between boys and girls in rural areas; (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 assisting the GOM in basic education); (4) USAID's successful experience and expertise in other 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.

MOROCCO
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. *Reduced Fertility and* Improved Health in Children Under Five and Women		$7,672,000				$7,672,000
2. Improved Water Resources Management			$2,500,000			$2,500,000
3. Expanded Base of Stakeholders in the Economy	$2,480,000					$2,480,000
4. *Increased Basic* Educational Attainment for Rural Girls	$3,020,000					$3,020,000
Total Dev. Assistance	$5,500,000	$7,672,000	$2,500,000			$15,672,000

USAID Mission Director : Michael Farbman

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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 1998: $7,672,000 DA
INITIAL OBLIGATION: FY 1995 **ESTIMATED COMPLETION DATE:** FY 1999

Purpose: To reduce fertility and improve the health of children under five and women of childbearing age.

Background: While extensive progress has been made in increasing and improving family planning/maternal and child health (FP/MCH) services, constraints to access and use of these services continue and are shown by gaps between desired childbearing and use of family planning services, limited use of prenatal and postpartum services, high child and infant mortality due to diarrheal disease and acute respiratory infections, and 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 has become the priority focus of Strategic Objective 1 (SO1) during the past year, as USAID prepares for bilateral assistance exit from the health/population sector by the year 2000 ("Transition Plan: Achieving Sustainability in FP/MCH Services", April, 1996). As part of the transition, the program also must increasingly address Ministry of Public Health (MOPH) capabilities and actions in establishing decentralization, integration of service activities, policy reform for expanded private sector participation in health services, institutional and systems strengthening, and diversification of funding resources.

USAID Role and Achievements to Date: USAID initiated support for FP/MCH in Morocco in 1971, and since has become the Government of Morocco's (GOM) principal external partner in this program. Most recently, 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. USAID's assistance has also supported GOM efforts to increase childhood immunizations from 76% to 85% since 1992, and to promote increasing private sector participation in family planning activities, with social marketing of contraceptives reducing the costs of contraceptives available to the consumer and resulting in approximately 450,000 couple years of protection achieved through private sector sales of contraceptives in 1995. With the finalization of USAID/Morocco's health/population sector Transition Plan, more recent efforts focussing on institutional capabilities required for sustainable programs have resulted in USAID support of in-country, inter-institutional partnerships for the channeling of synergistic resources to capacity building within the FP/MCH service delivery system. Most notable among these include schools of medicine being brought into the public health fold through family planning/reproductive health curriculum development as defined by public health needs; the MOPH's training expertise being applied to FP/MCH programs; and management expertise located within Morocco's School of Public Health (INAS) being applied to actual field program management situations. In addition, traditional areas of long-term USAID support in the management of the voluntary surgical contraception (VSC) program are being systematically transferred to and institutionalized within MOPH structures which now have the required expertise and resources for continuation. Finally, the substantial private sector physician population is being mobilized, through training and market incentives, to offer reasonably accessible FP/MCH services.

Description: USAID focuses on increasing use of quality FP/MCH services and on their longer-term sustainability through four activity areas: establishment of greater access to quality FP/MCH services responsive to client demand; re-enforcement of the institutional capacity to manage FP/MCH programs, with particular emphasis on decentralized approaches responsive to client need; improvement of the

policy environment to support expansion of FP/MCH services; and promotion of 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 and quality safe motherhood services. 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 and family planning services. The GOM has been assuming an increasing percentage of contraceptive and local cost requirements for the FP/MCH program.

Host Country and Other Donors: USAID has, for the last three decades, 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 oral rehydration salts (ORS) social marketing activity. UNICEF also supports acute respiratory infection control, safe motherhood and breastfeeding programs. UNFPA is an important 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 and 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 currently negotiating sector support with the GOM.

The MOPH continues to develop national plans and strategies for the sector, for which it seeks donor support. MOPH contributions include infrastructure, personnel, operating costs, pharmaceuticals, health facilities, etc. Family planning is a priority for the sector, and as an "engine" that promotes services and systems development in related areas. The GOM is currently financing 60% of all USAID-GOM program costs.

Beneficiaries: Children under five years and married women of child-bearing age in Morocco represent approximately 28% (7.6 million) of Morocco's population of 27 million. USAID-supported programs, which operate at the national-level, are reaching these beneficiaries in numerous ways.

Principal Contractors, Grantees, or Agencies: USAID implements most activities through a U.S. consulting firm, but important subactivities are being carried out by numerous U.S. companies.

Major Results Indicators	Baseline	Target
Total Fertility Rate(1)	4.2 (1992)	3.2 (1999)
Infant Mortality Rate(2)	57.0 (1992)	52.0 (1999)
Child Mortality Rate(3)	20.0 (1992)	18.0 (1999)
Maternal Mortality Rate(4)	332.0 (1992)	245.0 (1999)
Contraceptive Prevalence Rate(5)	41.5 (1992)	58.0 (1999)

Source: Demographic and Health Survey, 1992

(1) Total Fertility Rate (TFR) - Average number of children that would be born alive to a woman during her lifetime if she were to pass through all her childbearing years.
(2) Infant Mortality Rate (IMR) - Annual number of deaths of children ages 0-11 months per thousandlive births.
(3) Child Mortality Rate (CMR) - Annual number of deaths of children ages 1-4 years per thousand live births.
(4) Maternal Mortality Rate (MMR) - Annual number of deaths of women per 100,000 live births.
(5) Contraceptive Prevalence Rate (CPR) - Percentage of married women of childbearing age (15-49) currently using contraceptives.

ACTIVITY DATA SHEET

PROGRAM: Morocco
TITLE AND NUMBER: Improved Water Resources Management, 608-SO02
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $2,500,000 DA
INITIAL OBLIGATION: FY 1995 **ESTIMATED COMPLETION DATE:** FY 1999

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 for meeting basic human needs. With water demand expected to exceed supply by 2020, improved management of water resources is key to Morocco's future sustainable development. This "new" SO was developed in 1994-1995 and was the outgrowth of successful programs of assistance in energy demand management and agriculture improvements. The following activities are included in this Strategic Objective: Water Resources Sustainability (WRS), Urban and Environmental Services (UES), Housing Guarantee program (HG), and Tadla Resources Management (TRM).

USAID Role and Achievements to Date: USAID supports programs related to water management in the agricultural, industrial, and urban sectors. In the current SO form, activities were first initiated in 1995. Therefore, achievements to date are limited, but do include the following: (a) Improved system-level irrigation canal construction and management, as well as laser leveling and level-basin irrigation technologies, have demonstrated significant improvements in water use efficiency in one of Morocco's largest irrigation perimeters, which is now seen as a model for the national irrigation system. Irrigated agriculture is responsible for nearly 90% of Morocco's water use. (b) Public participation in irrigation management has expanded rapidly in the past year to include a significantly more important role for water user associations in local decision-making. (c) Environmental audits have reduced toxic emissions from the tannery sector. Clean technology activities will continue to reduce surface water pollution in targeted areas, and to improve conditions for both workers and the public. (d) Under USAID's urban environmental programs, modern sewerage and potable water systems have been brought to over 450,000 people (70% for whom are below median income), with indirect benefits such as reduced seasonal flooding and related water-borne diseases for an additional 225,000 low income people over the last decade.

Description: USAID's WRS activity focuses on policy and institutional strengthening, with pilot activities demonstrating improved technologies relating to erosion control, urban wastewater reuse for agriculture, and reduction of heavy metal effluent from the tannery and metal plating industries. One demonstration activity will not be initiated if adequate funding is not forthcoming. Also, the timeframe of the initiatives that are undertaken will need to be accelerated. Activities were first initiated in 1996 and are largely in the planning/feasibility assessment stages. Partial implementation of pilot activities will commence in 1997.

The UES activity, started in 1996, works with national institutions, local governments and citizens on improving environmental services delivery, strengthening key urban development institutions, and providing basic environmental infrastructure, such as sewers, potable water and sanitary landfills. Measurements of progress directly tied to this activity will be provided in 1997. Owing to unexpected funding shortfalls, all UES activities will be completed by FY 1999, and the breadth of initiatives will be decreased correspondingly.

The TRM activity was initiated in 1993. It concentrates assistance in the irrigated agriculture sector for the promotion of water-savings and water quality improvements through integrated pest and

fertilizer management technologies and strengthening of participation by farmer water user groups in decision-making related to water management.

Host Country and Other Donors: The World Bank supports complementary programs in irrigated agriculture and municipal finance. They are planning a new loan which will be able to take advantage of USAID program models for pollution reduction and water savings. European donors -- especially France -- are increasing their support for this sector. The host country contributes at least 25% of the 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). Benefiting families for all aspects of the program* currently total over 120,000 (600,000 people), with a potential for several times that amount over the next four years.

Principal Contractors, Grantees or Agencies: Numerous U.S. firms and local organizations, including NGOs, are involved in implementing this activity. U.S. firms include Chemonics, Environmental Alternatives Unlimited, and Technical Support Services as principal contractors. Subcontractors include various U.S. and local firms.

Major Results Indicators:	Baseline	Target
Amount of water pollution in target areas (chromium, nitrates, other pollutants)	100% (1994)	25% reduction (1999)
Volume of water savings in target areas	0 million m^3/yr (1994)	70 million m^3/yr (1999)
Percent of poor urban household units connected to sewerage and potable water	35% (1994)	70% (1999)
Amount of soil erosion in target areas	740 tons/km^2 (1993)	580 tons/km^2 (1999)
Number of farmers in viable water users associations effectively managing water resources at the local level	200 (1995)	10,000 (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 1998; $2,480,000 DA
INITIAL OBLIGATION: FY 1995 **ESTIMATED COMPLETION DATE:** FY 1999

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, and contrasts with middle and upper-income portions of the population are stark. Morocco has recognized the need to integrate its poorer citizens into the mainstream of the economy, but has not yet demonstrated the institutional capacity to formulate and implement reforms required to effect this change. Although the country continues to make progress, and its leaders remain committed to economic reform, continued USAID assistance will serve as an important catalyst promoting an enabling market economy, business environment, competitiveness of employment-generating firms, and access to financial resources of micro- and small-scale enterprises. The "Economic Growth" objective currently comprises three activities: (1) New Enterprise Development (NED); (2) Morocco Agribusiness Promotion (MAP); and (3) Microenterprise Finance (MFA). Some of the relevant results of the Mission's urban housing activities also will be reported under this SO, as will certain policy-related initiatives under the Development Studies and Technical Support (DSTS) Project.

USAID Role and Achievements to Date: Approved activities have focused on a set of direct, bilateral interventions, including policy, institutional, and regulatory reform actions, to stimulate micro-, small- and medium-sized enterprise development, access to credit for entrepreneurs, agricultural product, market, and export diversification, and low-cost housing construction. USAID's policy dialogue has resulted in several important reforms being adopted, elaborated, or undergoing official review, including the opening of a business registration center, a law for agricultural intellectual property rights (now pending in Parliament), and submission to the Ministry of Finance of a new law easing the legal requirements to create non-governmental associations that do micro-lending, and exonerating such associations from certain taxes. Through program efforts, the cost of road transport of agricultural exports has been reduced by 20 percent. MFA will begin operations in three cities, and will serve almost exclusively female clients during 1997.

Other achievements include helping Moroccan firms export $77.5 million worth of horticultural and other products through the program, which in turn generated 10,700 person-years of employment (60 percent women and nearly all for people from lower-income strata). Through the housing activities, urban households of below-median income are becoming home owners (about 50,000 families to date). An estimated 35,000 person-years of employment were created. Some 26 small business associations have been strengthened as advocates for member interests, policy reforms, and new market opportunities. USAID support has been crucial in the privatization of 45 companies (yielding $1.1 billion in revenues to the government), with an increase nationally from 10,000 to over 300,000 shareholders. Through housing and urban improvement initiatives, over 50,000 new homes have been built in the last decade -- most belonging to poorer families -- and many basic urban services installed (water, electricity, sewerage, etc.).

Description: The establishment of the original pilot lending programs during FY 1997 will catalyze the creation of additional associations of microenterprise lenders, and will encourage traditional banks to offer formal banking services to microentrepreneurs. However, the scope of MFA as originally planned, may need to be reduced, and the sustainability point may need to be advanced significantly, in the event adequate funding is not forthcoming.

The NED project assists small and medium-sized enterprises (SMEs), and has promoted several reform initiatives, including creating a one-stop business registration center, a simplified tax reporting format, and association law to expand the NGO movement serving disadvantaged Moroccans. NED has a working capital loan guarantee component which will be fully institutionalized and will provide credit facilities to several thousand SMEs.

The MAP project will continue to expand markets and create jobs for the poor within Moroccan horticultural growing, processing and exporting firms, and will place increasing emphasis on strengthening key institutions and regulatory functions.

Through use of DSTS, USAID/Morocco will work with the GOM and private sector in the formation and operation of a policy formulation and reform "think tanks" largely in those areas relating to the Mission's strategic objectives. The emphasis will be on building linkages between U.S. analytical institutions and universities and their Moroccan counterparts.

Through housing loan guaranties and leveraging of private sector financing, USAID supports a program that provides squatter families access to serviced, titled housing lots, which upgrades urban environmental conditions for the urban poor in selected communities.

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, and MFA 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. The European Union has pledged 30 million ECUs for microenterprise, and its project is being designed as a complement to USAID's Microenterprise Finance activity. Spain provides limited funds targeted to NGO development and support. One U.S. NGO -- Catholic Relief Services -- implements microenterprise development activities in Morocco.

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-scale entrepreneurs acquire improved access to credit and other business development 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, the University of Minnesota, Chemonics International, and Volunteers in Technical Assistance. Numerous subcontractors also are supported through these activities.

Major Results Indicators:	Baseline	Target
Person-years of employment for below-median-income people (60% women)	15,847 (1993)	97,710 (1998)
Increased number of below-median-income households owning homes (urban)	24,250 (1993)	70,000 (1998)
Business licenses issued to small and medium-sized enterprises	16,000 (1993)	102,000 (1998)

ACTIVITY DATA SHEET

PROGRAM: Morocco
TITLE AND NUMBER: Increased Basic Educational Attainment among Girls in Selected Rural Areas. 608-S004
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998; $3,020,000 DA
INITIAL OBLIGATION: FY 1996 **ESTIMATED COMPLETION DATE:** FY 2002

Purpose: To improve opportunities for educational attainment for rural girls by increasing their participation in primary schooling.

Background: Approximately 70% of Moroccan women are illiterate (50% of all adults). The primary school enrollment rate for both sexes in urban areas is 89.4%, but only 36.7% for rural populations. The enrollment rate for rural girls is a dismal 22% (50.4% for rural boys). Of the minority of rural girls who enroll in primary school, only four out of ten complete the fifth year of schooling. The GOM has acknowledged that the existing education system cannot meet Morocco's future development needs. Viable alternatives are being sought to address some of the existing problems, one of the most pressing of which is the vast disparity in educational attainment between rural and urban girls. Within the context of Morocco's strategy for rural primary education, the Ministry of National Education (MNE) is prepared and eager to test new approaches to primary education that can improve access, retention, attainment and achievement of both girls and boys in rural primary schools. USAID, based on successful experience in other predominantly Islamic countries, is committed to working with the MNE on interventions which focus on girls. This program was just started in 1996 and is not yet fully operational.

USAID Role and Achievements to Date: In 1996, USAID began helping the MNE to test ways of improving retention of rural girls during primary school, in support of the MNE strategy for rural education. The MNE views USAID's role as critical to providing the necessary credibility to their strategy. USAID plays the role of "lead donor" in terms of its presence in-country and its use of Agency international experience to identify innovative interventions which will have impact and visibility in the pilot rural areas. Achievements to date have notably included the finalization of MNE national strategy and the completion of mutually acceptable agreements between the MNE and relevant community leaders to coordinate on the implementation of the strategy for improved rural primary education. USAID and the MNE now have signed a bilateral commitment to carry out our strategic objective in this area, including its intermediate results, targets and indicators. USAID assistance will be tried first in pilot schools in five provinces and then expanded to nine additional provinces.

Description: USAID assistance will support the broader application and improvement of multi-grade curricula in rural primary schools, and will train teachers and administrators in the use of multi-grade instruction and curriculum adaptation. It will promote pilot education programs which strive to remove obstacles to girls' access and retention. It will improve teacher training within the system of teacher colleges, with an emphasis on increasing the number of female primary school teachers and the introduction of systematic methods for performing operations research for primary education. It will develop processes for quantifying gender-desegregated, impact-of-education reform efforts and for evaluating progress toward pre-identified goals for girls and boys. Finally, it will support technical exchanges of U.S. and international experience on successful techniques for improving primary education for girls.

Host Country and Other Donors: The World Bank has worked in close collaboration with USAID to prepare a complementary assistance package in basic education within the same rural provinces. The GOM and the World Bank signed the Loan Agreement for the Social Priorities Program in September 1996, which includes an important basic education component ($54 million). UNICEF, UNESCO and

the UNDP all have modest programs that support elements of the MNE strategy for rural education. The host country will finance virtually all domestic staffing and other local costs associated with implementing pilot primary education efforts. The GOM has allowed for flexible school calendars in the selected areas and has developed a performance-based financial incentive award system for teachers, to make teaching in the selected rural areas more attractive. The expansion of primary school reforms beyond the pilot areas to the national level will also be funded by the GOM. The GOM will meet at least 25% of all program-related costs.

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. institutional contractors. Current contractors for ongoing activities include AMIDEAST and the Institute for International Research (both have U.S. subcontractors). The principal grantee is the Ministry of National Education.

Major Results Indicators:	Baseline (1992)	Target (1998)
Percentage of total number of eligible rural girls enrolled in primary school in selected rural areas	22.3%	30%
Retention rate for rural girls through the sixth year	39.6%	45%
Percentage of girls who complete at least six years of primary schooling	8.8%	20% (1999)

NEPAL

FY 1998 Development Assistance $23,115,000

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. The country was never colonized. Seven centuries of authoritarian rule ended only in 1990 with the establishment of a constitutional monarchy and multiparty 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. U.S. assistance, which has been provided for the past 45 years, has directly and substantially contributed to establishing a framework for achieving sustainable development and longer-term stability.

The Development Challenge

With an annual per capita income level of $210 (the September 1996 UNICEF Situation Report shows a figure of $190), Nepal is one of the world's poorest countries: half of Nepal's 21.4 million citizens live in absolute poverty. Average life expectancy is estimated to be only 54 years; infant and maternal mortality rates remain among the highest in the world; and the 1991 census shows only 40% of the population is literate (22% for adult women).

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 21.4 million over the past 20 years, and it is expected to double within the next 27 years. The Government of Nepal (GON) strategy to reduce population growth recognizes that there is a large unmet need 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, voluntary 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 28.9% over the past 20 years; desired family size has declined from five children per family to 2.9; the under-five child mortality rate declined from 165 in 1991 to 118 per 1,000 live births in 1996; and the average life expectancy for women (lower than that of men) has risen from 49 years a decade ago to 53 currently. As a 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 of people with high-risk behaviors.

The poor are predominately rural subsistence farmers. Agriculture is the primary occupation for 80% of the economically-active population, and women perform approximately 70% of farm-related work. 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. Cultivated land constitutes only 18% of the total land area of Nepal, and opportunities to bring additional land into cultivation are limited. However, the Government of Nepal (GON) is giving priority, with good results and promise, to irrigation crop intensification, diversification, and commercialization.

USAID's strategic vision is to raise the annual agricultural growth rate from the current 3% to about 5%. Coupled with efforts to reduce the population growth rate to 2%, this will have significant impact on poverty reduction. Over a 20 year period, rural poverty could be reduced to 30% of present levels benefitting some 5.5 million people.

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For development programs to be effective, the central role of women in the economic and social advancement of Nepal must be recognized and strengthened. While women are very disadvantaged in Nepal they are also key agents for change. As guardians of family health and primary providers of agricultural production, they shape the welfare of future generations. Since the 1950s the female labor force has grown twice as fast as the male labor force. However, low levels of literacy, limited access to resources, and limited knowledge of legal rights depress women's quality of life and hinder their participation in the economy. Twice as many men as women are literate and only two out of every 100 women have participated in legal rights education, community mediation, and local advocacy activities. USAID is working to strengthen women's capacity to be effective change agents by increasing women's literacy, knowledge of their legal rights, and access to economic opportunity.

Finally, progress in the energy sector is essential for Nepal's development, because the power shortage has constrained overall economic development and accelerated environmental degradation. Nepal has focused on developing its hydropower potential by encouraging private investment in power development and distribution, and by signing the Mahakali Treaty which allows for energy to be exported to India. To this end USAID has been assisting the Energy Development Center to establish procedures for attracting private investment to provide the financial resources and engineering expertise needed to develop Nepal's impressive hydroenergy potential. Already these GON measures, coupled with USAID assistance, have helped foster the single largest U.S. investment in the history of Nepal.

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 provides about 5% of all donor assistance to Nepal.

FY 1998 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 HIV/AIDS.

Development assistance is requested for the continued implementation of a focused, results-oriented program that builds upon the successes of past investments and capitalizes on current opportunities. Over 70% of the FY 1998 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 higher portion allocated to economic growth. Over the next two years, the Mission plans to reduce its focus on Agency goals from its current level of four to two.

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 Strategic 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. New standards for contraceptive services were developed and are being used in new curricula for service

providers, while national medical standards for reproductive health are still being developed. Through a distance education program, radio broadcasts keep health workers current and the public informed on family planning concepts and methods. Approximately 90% of births are taking place in Nepali homes. As many as 20% of these home births were made safer through the distribution of a home birthing kit designed to promote cleaner birth practices.

The frequent transfer of Ministry of Health staff from district and central offices is the major constraint to increasing the availability of family planning and maternal and child health services in the public sector. However, the very active and enthusiastic participation of international and indigenous nongovernmental organizations, private practitioners, and commercial retail outlets in extending services to the community has resulted in a productive public-private sector partnership in fulfilling demand for family planning and maternal and child health services.

Vitamin A capsule distribution to children has been phased into 32 of Nepal's 75 districts, with over 14,000 female community health volunteers providing life saving capsules twice a year to 1.4 million children. This results in a 30% reduction in the risk of mortality among children receiving capsules. USAID is also supporting efforts to combat diarrheal diseases and acute respiratory infections, the two major causes of death for young children.

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 family size of 2.9 children. Funding for Maternal and Child Health would support interventions designed to 1) promote treatment of diarrheal diseases, acute respiratory infections, and vitamin A deficiency; 2) encourage safer birthing practices and services; and 3) increase awareness and use of AIDS/HIV prevention and control services.

- Strategic Objective 2: Reduced Fertility and Improved Maternal and 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 require rational use of the natural resource base. A USAID objective in Nepal is to achieve a sustainable increase in production and sales of forest and high-value agricultural products.

In 1996, Nepal's agricultural gross domestic product (GDP) grew by 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 commodities were produced, and commercial sales totaled $8.1 million in the Midwestern 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 25% increase in incomes for 12,000 farm households. In another activity, USAID's support to 600 community forestry user groups improved management and productivity of 64,700 hectares of forest land. The value of biomass produced in forests under community and private management is increasing by over $10 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 the new legislation. USAID experience suggests that expanding production and sales of forest and high value cash crops holds considerable promise for empowering women; because an increasing proportion of community-based economic and natural resource associations are comprised of women.

USAID is encouraging the GON to further liberalize economic policies, privatize state-owned agricultural enterprises, and develop efficient agricultural research capability to provide the technology which is essential for achieving a sustainable increase in the agricultural growth rate. In addition, USAID proposes to continue working with the GON to identify private sector investment opportunities for rural hydropower development.

- Strategic Objective 1: Sustainable Increase in Production and Sales of Forest and High-value Agricultural Products.

Agency Goal: Building Democracy

The promotion of democracy through women's empowerment is a USAID objective in Nepal. For democracy to be effective at the local level, women must meet their basic needs and the needs of their families. The family is the nucleus of Nepali society. To organize the family through women's empowerment is to organize society, and to democratize the family is to democratize society.

The USAID strategy of empowering Nepali women focuses on three critical areas: literacy, legal rights and representation, and economic participation. There is a direct and positive link between literacy, awareness of legal rights, and income for empowering women to act for their well-being and that of the family. Program interventions address three key constraints to women's democratic participation: access to and control of personal income, access to education, and access to information. Women who become literate know their legal rights and participate in income-generating activities which improve their status within their households and communities. This new status allows women to participate in advocating issues affecting their lives and the lives of their families.

Results have been impressive. Over the past year, the literacy rate among adult women aged 15-44 increased to an estimated 35%; in 1991, it was 22%. USAID, with its partner organizations, continues to be the major player in this nationwide effort, and is directly accountable for almost half of this achievement--USAID assistance made 100,000 of these women literate in 1996 alone. This literacy program is showing results beyond the acquisition of basic literacy and numeracy skills: women take jobs which they could not get while illiterate, thereby bringing more income into the household to support their families; they feel more confident to participate in community advocacy and user groups; and they seek additional training opportunities, such as legal and business literacy.

Nearly 43,000 women were provided legal awareness and advocacy skills, which led to the formation of 800 new women's advocacy groups in several districts. Mediation committees and legal aid provided through three satellite offices helped about 500 women to seek redress and resolve their conflicts. Advocacy organizations have advanced women's inheritance and property rights as a national issue of unprecedented importance.

Between 1995 and 1996, the number of women borrowers tripled, resulting in a total of 13,450 borrowers investing in microenterprise activities. An increasing number of women are learning basic business skills. A total of 1,900 women passed a basic business literacy test. For economic participation, access to productive resources is critical to improving women's choices. Empowerment means women have a greater choice in how productive resources are allocated at the household level, and this choice usually has a positive impact on the health and education of their children.

- Strategic Objective 3: Empowerment of Women.

NEPAL
FY 1998 PROGRAM SUMMARY
($000)

	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assist.	Total
USAID Strategic Objectives						
1. Sustainable Increase in Production and Sales of Forest and High-Value Agricultural Products. Development Asst	$3,110		$2,200			$4,310
2. Reduced Fertility and Improved Maternal-Child Health. Development Asst		$16,805				$16,805
3. Empowerment of Women. Development Asst	$500			$500		$1,000
Total Development Asst	$3,610	$16,805	$2,200	$500		$23,115

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
G SOURCE: FY 1998; $4,310,000 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 Midwestern Development Region of Nepal. Donors are 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 over $18 million in 1996; production of vegetable seeds and apples in the Midwestern Development Region 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 been established. This has resulted in the turnover of over 64,700 hectares of forest land 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 significant income increases (approximately 25%) 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 models being employed by the Overseas Development Administration (British) in eastern

Nepal, and by German Technical Aid (GTZ) and the Swiss Development Cooperation in central Nepal are 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 1.2 million people (210,000 farm households) in the Midwestern Development Region will directly benefit from increased production and marketing of forest and high-value agricultural products. Many additional people throughout Nepal will benefit from the introduction of improved varieties, increased trade, off-farm employment opportunities, and increased access to high-quality/lower-cost agricultural products. Women make up 35% of the participants in the high-value agriculture program, and have traditionally been involved in production, processing and marketing of fruits and vegetables. USAID also will improve the nutritional status of women and preschool children in the Midwestern Development Region. 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 Agroenterprise Center of the Federation of Nepalese Chambers of Commerce and Industry, and U.S. and local NGOs.

Major Results Indicators:

	Baseline	Target
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 ($ 000)	3,200 (1993)	40,000 (2002)

ACTIVITY DATA SHEET

PROGRAM: NEPAL
TITLE AND NUMBER: Reduced Fertility and Improved Maternal and Child Health, 367-SO2A1
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: 16,805,000 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, voluntary 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 maternal health and child survival interventions. The total fertility rate has dropped from 5.6 children per woman in 1991 to an estimated 4.6 children in 1996. Contraceptive prevalence has increased from 24% in 1991 to an estimated 28.9% in 1996, and under-five child mortality has decreased from 165 deaths per 1,000 live births in 1991 to an estimated 118 deaths per 1,000 live births in 1996.

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 to cooperating agencies through an integrated program of USAID bilateral and centrally funded field support. 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 to increase awareness and use of FP/MCH and HIV/AIDS services through effective communications and counseling. USAID supports a private, nonprofit Nepali company that markets contraceptives and health products, accounting for 45% of the distribution of oral contraceptives and condoms in Nepal. USAID provides 60% of the contraceptives to Nepal for distribution by the GON, private commercial outlets, and NGOs. A network of U.S. and Nepal 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 post-literacy classes provide information and community-level services for diarrheal diseases, acute respiratory infections, vitamin A deficiency, child spacing, safe birthing practices and HIV/AIDS. This forms the basis for long-term sustainability of changed health behaviors and practices.

Host Country and Other Donors: USAID is the lead donor for family planning service delivery, a major contributor to selected maternal and child health programs (vitamin A, diarrheal disease control, and acute respiratory infection), and is the only donor supporting private sector family planning, HIV/AIDS, and other sexually transmitted disease interventions. The United Nations Children's Fund (UNICEF) assists with the national immunization program, control of diarrheal diseases, acute respiratory infections, vitamin A capsule supply, water and sanitation, nutrition, and basic education programs. The United Nations Fund for Population Activities (UNFPA) provides the balance of the contraceptive supplies, promotes population awareness, and supports family planning and safe motherhood programs. The World Bank supports construction and renovation of health facilities and warehouses. Host country contributions include procurement of some essential drugs and vaccines, payment of staff salaries and maintenance of facilities. USAID works closely with these donors and the host country in implementing its program.

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, Ministry of Population and Environment, USAID Global Bureau Cooperating Agencies, a U.S. firm, private nonprofit companies, and U.S. and local NGOs.

Major Results Indicators:

	Baseline	Target
Total Fertility Rate[1]	5.6 (1991)	4.0 (2002)
Under-five Mortality Rate per 1,000 Live Births[1]	165 (1991)	85 (2002)

[1] Source: 1991 *Demographic and* Health Survey. Preliminary Report: 1996 Nepal Family Health Survey, September, 1996.

ACTIVITY DATA SHEET

PROGRAM: NEPAL
TITLE AND NUMBER: Empowerment of Women, 367-SO03
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1997: $1,000,000 DA
INITIAL OBLIGATION: FY 1996; **ESTIMATED COMPLETION DATE:** FY 2002

Purpose: To enable women to improve their own and their families' well-being by facilitating their access to literacy, income generating opportunities, and legal rights.

Background: Nepal needs the full participation 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 much 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 Nepal's ability to participate in the increasingly complex global economy and to redress the overwhelming poverty enveloping the country.

USAID Role and Achievements to Date: USAID chairs and shapes the agenda for a large donor working group on women and in this capacity has become recognized as the lead donor agency addressing women's issues in Nepal. USAID interventions--literacy, legal rights, and economic participation--are inextricably linked to the empowerment of Nepali women and their strengthened participation in the overall economy. Numerous studies support this premise.

In the past year the programmatic linkages between USAID interventions and women's empowerment have been refined and strengthened. Activities are currently being implemented by eight nongovernmental organizations. These organizations are coordinating their activities to ensure that participating women benefit from multiple interventions. For example, women participating in microenterprise programs are often graduates of basic literacy classes. Women who have completed basic literacy classes are also provided the opportunity to participate in legal literacy classes and advocacy groups.

In 1996 100,000 women became literate, 43,000 women learned of their legal rights, and 34,500 women participated in savings and credit programs. These women are empowered by their successful participation in these programs: they are better able to direct the allocation of household expenditures toward investment or consumption which improves their own and their families' well-being.

Description: USAID will continue to 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, which is central to the process of empowering women, is an agent for awareness and change. Women's literacy groups are 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 works 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 can better confront the challenges of poverty in Nepal. Empowered women will support poverty reduction efforts, achieve significant productivity gains, and have a positive influence on their children's health and education. Their improved status is pivotal to political and economic change and the ability of Nepal to participate in the increasingly complex global economy.

Host Country and Other Donors: USAID has become the recognized leader in supporting empowerment of Nepali women. UNICEF believes that to help children, women must be empowered. Their programs target women for health, water, education, and advocacy. The Asian Development Bank has a comprehensive program in microcredit for women through Nepali NGOs. USAID is the lead donor in adult female literacy and for legal rights as a post-literacy activity. Formal collaboration occurs through the USAID-chaired donor group in which representatives of the Ministry of Women and Social Affairs participate.

Beneficiaries: The direct beneficiaries are primarily adult women of Nepal aged 15-44. On a nation-wide scale they constitute 22% of the population or 4.7 million people. Indirect beneficiaries are their families.

Principal Contractors, Grantees, or Agencies: USAID implements activities through a combination of U.S. and Nepali NGOs.

Major Results Indicators:

	Baseline	Target (Cumulative)
Adult females between ages 15-44 who are literate (000)	900 (1991)	1,500 (2000)
Adult females between ages 15-44 who have legal literacy (000)	43 (1995)	150 (2000)
Number of small enterprise loans to women (000)	2 (1994)	100 (2000)

PHILIPPINES

FY 1998 Development Assistance: $50,561,000

Introduction

Twenty years of the Marcos dictatorship, which ended in 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 (MAI), under which the United States and other major donors have played a critical role in support of the ongoing economic and political transition.

One of the most obvious results of this transition so far has been the increase in gross national product (GNP) growth, which exceeded 5% in 1994 and 1995, and accelerated further to over 7% in the first half of 1996. Concurrently, trade with the U.S. has blossomed, doubling overall since 1990 and with the Philippines importing over $5 billion of U.S. exports in 1995. The United States also maintained its position in 1995 as the largest foreign equity 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, and $1.3 billion in FY 1996.

The Government of the Philippines (GOP) continues to implement the terms of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT). The GOP has initiated a seven-year process to convert quotas to tariffs and reduce tariffs from an average rate of 31% to 5%, and has 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.

Concomitant with economic reform has been substantial progress in recognizing the tremendous social and environmental challenges to sustainable progress. The Philippines Local Government Code, already widely regarded as dramatic reform in decentralization, is being used to mobilize local communities to address pressing problems in environmental management, health services and infrastructure development. Simultaneously, the most disadvantaged groups are finding new ways to "weigh in" during crucial debates and resource allocation decisions on both the national and local levels. In addition to support for the empowerment process itself, U.S. assistance is helping to assure that the outcomes of enhanced democracy will be clearly perceived as effectively addressing such critical concerns of the most vulnerable sectors of society as overpopulation, HIV/AIDS, degradation of forest and coastal resource, and lack of access to financial credit.

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 8.4%. Improved economic conditions have resulted in a reduction in poverty incidence from 44% in 1991 to 41% in 1994. However, Philippine poverty incidence is still high compared to other Association of Southeast Asian Nations (ASEAN).

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 29% in 1995. In the first eight months of 1996, export growth decelerated to 16.5% but this is still above the single digit export growth of the Asian tiger economies. The inflation rate slowed further from 9% in 1994 to 8.1% in 1995, and has remained single digit in the first 10 months of 1996. The balance of payments showed an all time high ($4 billion) surplus in the first ten months of 1996 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 55% in 1995. In 1996, the ratio is forecast to decline further to 43%. The debt service ratio to exports has declined from 31.8% in 1990 to 14.6% in 1995 and to 12.8% in the first semester of 1996. In absolute dollar terms, however, total debt ($37.9 billion as of mid-1996) is still high.

Notwithstanding recent successes, democracy in the Philippines is still in the process of consolidation, and its economy lags behind its ASEAN partners in competitiveness, size, quality of basic infrastructure, rate of economic growth, and success in reducing poverty. Public confidence in the 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. The 2.32% population growth rate, cast against rapid natural resource depletion, represents a national and global issue 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 Mindanao peace initiative signed in September 1996 is a vital step in creating a welcoming environment for private investment and trade in an area of high growth potential. With an ongoing Mindanao-wide program, the United States is well positioned to be helpful in assisting this historic process, and in facilitating increased participation of other donors. The United States faces the challenge of helping implement measures that will lower the risk to private investment, expand commerce, and break bottlenecks for businessmen and investors, thus ultimately contributing to the peace initiative itself.

The GOP has set ambitious goals to direct the country toward newly industrialized country 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 representing over 25% of the population, which is a regional source of political unrest and poverty, and which contains vast agricultural and natural resource-based 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 1991 to 3.1 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 impressive growth in family incomes.

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 and policy influence at the regional and national levels. In addition, the USAID/Philippines provides regional administrative and program support for Mongolia and Vietnam and administrative support for Cambodia.

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 1998 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. The recent signing of the Mindanao Peace Agreement presents an opportunity for the United States to contribute to the strengthening of the fledgling peace initiative, and at the same time, boost the participation of American firms in the economic growth that is expected to result from the improved security situation. 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. This is expected to create expanded opportunities for U.S. businesses. Indeed, U.S. 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 is also assisting the GOP to deregulate the Philippines telecommunications sector. Through USAID's continued support to the 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.

The United States will pursue additional trade and investment liberalization and promotion programs including those beyond the World Trade Organization agreement and in the context of the Asia Pacific Economic Cooperation initiatives. USAID will implement these activities toward accelerating new markets and expanding investment options for U.S. business to take full advantage of opportunities in areas including environmental protection; BOT activities in power, transportation, water supply and solid waste management; telecommunications and information technology; and in the fishing, trucking and shipping, agribusiness and infrastructure sectors in Mindanao.

- Strategic Objective 1: Broad-based economic growth in Mindanao.

- Strategic Objective 2: Improved national systems for 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 in this largely Catholic country. Given this commitment, the United States has an opportunity to help expand rapidly maternal and child health and family planning programs 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 for 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 with U.S. assistance performance-based management systems for delivering health care services at the local government level. Under this system, the United States, the GOP and local government units define objectives and achieve results collaboratively.

Actual results have exceeded targets. A recent survey shows that the overall contraceptive prevalence rate has increased from 40% in 1993 to 48.1% in 1996; for modern methods, the rate has risen from 25.2% in 1993 to 30.2% in 1996. Infant mortality has dropped to 49 in 1995, below the target of 53. In 1995, 86.4%

of children between 12 and 23 months old were fully immunized. With respect to HIV/AIDS activities, the sixth 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, below 1%, compared with prevalence rates in the Asian region. (The alarm level for these populations as identified by the World Health Organization 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. A pledge of commitment to support population programs was signed by the heads of 12 major government departments and President Fidel Ramos in February 1996. 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.

- Strategic Objective 3: Reduced fertility rate and improved maternal and child health.

- *Special Objective: Rapid Increase of HIV/AIDS 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 policies now emphasize equitable 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, in October 1996, the GOP formally adopted community-based approaches as its principal strategy for public forest management and put in place several key policy changes that facilitate more rapid expansion of area under direct community management.

The Local Government Code of 1991 has devolved the control over municipal waters to the local government units who can implement more sound and meaningful resource management ordinances and programs. Two critical laws geared towards effective resource management are being reviewed by the Philippine Congress. U.S. technical assistance is providing support to the GOP to put these key policies in place.

With U.S. assistance, coverage of forested area under community forest management has increased from 5,000 hectares in 1994 to approximately 250,000 hectares in 1996. Also with U.S. assistance, the GOP has issued to indigenous cultural communities certificates of ancestral domain covering almost one million hectares, the first step in allocating resource rights to upland indigenous communities.

In August 1996, USAID funded the establishment of a Center of Excellence in Coastal Resources Management. As a Center, it will relate to other USAID activities and assistance being provided to the GOP under the Natural Resources Management Program. The GOP hosted the International Coral Reef Initiative Workshop in 1995. Subsequently, USAID has supported a number of participatory coastal resources management activities to help coastal communities and their local governments develop and adopt sustainable management systems over their fishery resources along 3,000 km of coastline. USAID is

coordinating the efforts with other donor initiatives to achieve the strategic spread of sustainable fishery management.

The GOP's emphasis on the brown sector is indicated by the support of the Philippine's House of Representatives for the Philippine Environmental Code. The Code grants the GOP's Department of Natural Resources the legal mandate to fundamentally change environmental management in the Philippines. The Industrial Environment Management activity of USAID showed that 143 industrial firms volunteering for pollution management appraisals invested more than $32 million in pollution abatement technologies. This resulted in a 26% reduction in pollution discharge of participating firms. There is a trade component as well. The U.S.-Asia Environmental Partnership encourages the adoption of advanced U.S. environmental technologies, while also promoting cost savings at the level of the firm, through the promotion of Clean Technology and Environmental Management to key industries.

The United States has been in the forefront in providing support to the GOP Department of Energy to improve energy sector policies. U.S assistance has been instrumental in promoting BOT financing mechanisms that have opened the door to private investment in power generation, and in the introduction of new, commercially viable, renewable energy and energy conservation technologies. The GOP has enacted several policies designed to reduce pollutants and emission of greenhouse gases. A tough clean air bill, with enforcement guidelines and penalties, an omnibus energy bill and an indigenous energy resources bill are all under consideration. The United States is working closely with the GOP to implement methodology that measures the impact of revised energy polices and approaches on global and local greenhouse gas emissions.

Despite progress in environmental policy and regulation, there remain gaps between problem recognition and resolution, policy issuance and implementation, regulation and management. Over the next few years, the United States will seek to introduce technologies, incentives, and information to narrow or eliminate these gaps.

- 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 President is a well-respected spokesperson for democracy and human rights. His formulation of democracy emphasizes empowerment through civil society and development of local government. Countries of the South East Asian region are looking more and more to the Philippines for ideas on stimulating 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 building democracy in the Philippines. These capacities include a recognized pioneering role among donors in promoting democracy, an established credibility and role in supporting the local government movement, and a long-standing strategic role and credibility in working with non-governmental organizations. The U.S. program now also focuses on opening 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 with the launching of USAID's Governance and Local Democracy activity to provide technical assistance to select provinces and municipalities in priority areas. USAID is also helping to strengthen the Leagues of Provinces, Cities, and Municipalities. USAID is now working actively with 212 local government units (provinces, cities and municipalities) to plan and implement hundreds of activities they have identified. The Leagues, with U.S. support, are collaborating with the Philippine Congress and executive branch departments to conduct a

thorough review of the Local Government Code after five years of actual implementation. They also are introducing innovations in environmental management, participatory planning, local revenue generation, credit financing, and local BOT mechanisms.

Achievements to date under the civil society program illustrate how the coalitions of the disadvantaged are participating and influencing public policy formulation and implementation. USAID support improves the coalitions' skills in research and analysis, informed and organized deliberations, and consensus building. Some of the public policies addressed by the coalitions include: 1) marginalized fisherfolk and the review of the government's Fisheries Sector Project; passage of the Fisheries Code; 2) urban poor and the Marcos decree which criminalizes squatting; and 3) indigenous peoples and the implementing rules of the Mining Act; passage of the Indigenous Peoples Rights Act.

- Strategic Objective 6: Broadened participation in formulation and implementation of public policies in selected areas.

PHILIPPINES
FY 1998 PROGRAM SUMMARY

	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assist	Total
USAID Strategic Objectives						
1. Broad-based Economic Growth in Mindanao	5,800,000					5,800,000
2. Improved National Systems for Trade and Investment	3,005,000					3,005,000
3. Reduced Fertility Rate and Improved Maternal and Child Health		20,506,000				20,506,000
4. Enhanced Management of Renewable Natural Resources			4,800,000			4,800,000
5. Reduced Emission of Greenhouse Gases			3,400,000			3,400,000
6. Broadened Participation in the Formulation and Implementation of Public Policies in Selected Areas				10,700,000		10,700,000
7. Special Objective: Rapid Increase of HIV/AIDS Prevented		2,350,000				2,350,000
Total Development Assistance	8,805,000	22,856,000	8,200,000	10,700,000	---	50,561,000

Mission Director: Kenneth G. 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 1998: $5,800,000 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 to 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 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:

	Baseline	Target
Real growth in gross regional domestic Product in Mindanao (GDP)	1.4(1984/85)[1]	5.0 (2000)
Real growth in income of families in the lower 50% income class in Mindanao	0.9(1985/93)[2]	3.0 (2000)

[1]Source: Philippine National Accounts, National Statistics Board
[2]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 1998: $3,005,000 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 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 (GATT); 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 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 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 2.01 (1995) per 100 population. In 1996, liberalization was advanced further with the legislation of Republic Act 8181 changing the basis for import valuation from home consumption value to the GATT valuation code of transaction value; elimination of negative list "c" of the Foreign Investment Act making permanent exceptions to the list; and elimination of remaining quota restrictions on sensitive agricultural items. USAID provided technical assistance that served as basis for advocacy efforts and legislative hearings. 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. USAID will also support the implementation of these reform policies to upgrade the capability of local institutions to implement and sustain policy reform efforts.

Host Country and Other Donors: The following donors provide technical assistance and commodities in the following sectors: the Asian Development Bank for capital markets development, the World Bank for tax administration and also capital markets development, and Canadian International Development Agency 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.

Major Results Indicators:	Baseline*	Target
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)

*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 1998 $20,506,000 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 survival 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. When the current President assumed office, the family planning program was revived. In 1993, the use of modern contraceptives was only 25.2%. 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 Philippine 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 1996 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's Department of Health, the Commission on Population, local government units, 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 Department of Health to: 1) promote and support the family planning and maternal child health programs at the local level; and 2) carry out functions, such as contraceptive logistics, that are more efficiently handled at 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 results of the 1996 national family planning rider survey, actual overall usage increased from 40.0% in 1993 to 48.1% in 1996. Modern contraceptive method use, including modern natural family planning methods, increased from 25.2% to 30.2%. 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 has examined closely the constraints faced by the private sector and has redesigned its NGO and private commercial sector efforts to expand their role in the family planning marketplace.

USAID support helps sustain the gains achieved by the GOP's maternal child health programs in the last five years. The 1995 estimate of infant mortality is 49, lower than the target of 53. Also, the percent of births to women in high risk groups declined from 62.4% in 1993 to 59.2% in 1996. The Philippines has attained over 90% vaccination rates for children under 5; after devolution, these rates have declined slightly but are still above the WHO recommended level of 80%. The local performance-based program 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 1998 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. Thirteen U.S. cooperating agencies will assist the Department of Health, the Commission on Population, NGOs 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 secondary analysis of the 1998 demographic and health survey results.

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, Australian AID, Asian Development Bank, European Union, and Germany Loan/Grant Agreement supports a five year $120 million 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 10.0 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 1.9 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:

	Baseline[1]	Target
Total Fertility Rate[1]	4.1 (1991)	3.1 (2000)
Infant Mortality Rate[2]	57.0 (1990)	49.0 (2000)
Maternal Mortality Ratio[1]	209.0 (1990)	90.0 (2000)
Contraceptive Prevalence Rate(all methods)[1]	40.0% (1993)	50.5% (2000)
Contraceptive Prevalence Rate (modern methods)[3]	25.2% (1993)	35.7% (2000)
Percent of Births in High-Risk Groups[1]	62.4% (1993)	56.0% (2000)

[1]1993 Demographic and Health Survey
[2]GOP Infant Mortality Task Force
[3]1993 Demographic and Health Survey, including modern natural family planning methods in the baseline and target

ACTIVITY DATA SHEET

PROGRAM: PHILIPPINES
TITLE AND NUMBER: Enhanced Management of Renewable Natural Resources, 492-SO04
STATUS: *Continuing*
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998 $4,800,000 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 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 policies that encourage 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, and an ever-increasing number of commercial businesses are now committing capital and labor 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 to help the GOP conceptualize and implement policies that support community-based resource management. The activity has three components: Coastal Resources Management, Forest Resources Management and Industrial Environmental Management. USAID's efforts are supporting community-based management for coastal and forest resources, and are promoting pollution abatement among the country's major industrial sectors. The following results have been achieved under the strategic objective:

Forestry Resources Management: USAID efforts have resulted in the development and publication of major policies that support the widespread implementation of community-based forest resource management. As a result of these policy changes and USAID's direct support, the GOP has signed 17 agreements that transfer management control of approximately 250,000 hectares to more than 200 different upland communities. In addition, the GOP has recognized the claims of indigenous tribal groups to more than one-million hectares of forest lands as ancestral domains. USAID also 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.

Coastal Resources Management: Under this activity, the management of coastal resources will be assumed by local, community-based user groups with support from the local governments. The Program conducted a participatory planning workshop with 32 local governments and secured their commitment and financial support for coastal resources management in their area. In the next five years, success will be achieved when a growing number of communities develop the necessary skills to identify resource and environmental problems and initiate coordinated local actions that bring about sustainable management of coastal resources. The program is aggressively pursing donor coordination to achieve sufficient coverage to avert the collapse of the Philippines' fishery resources.

Industrial Environmental Management: In the industrial sector, 127 corporations have successfully reduced wastes and have increased efficiency and profits. U.S. expertise and technologies were critical in this success. A policy framework for programmatic compliance of the Philippines' environmental impact assessment system and strengthening of the Environmental Impact Statement system was developed with the participation of industries and concerned national and regional government agencies. A management plan for toxic substances and hazardous wastes was developed for the GOP. Pollution discharge system is being tested to provide market-based instruments of pollution reduction.

Description: USAID channels its efforts mainly through U.S. contractors to achieve the following:

Forestry Resources Management: Assist upland communities to secure management authority and responsibility for at least 500,000 hectares of 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, program beneficiaries will provide approximately 10% 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 with 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, Inc.; PRC-Environment Inc. and the Academy for Educational Development.

Major Results Indicators:

	Baseline	Target
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)	3,000 (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-SO05
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998 $3,400,000 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. 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. Power industry emissions are expected to increase four-fold in the next 10 years as a result of the country's economic and population growth. USAID has developed a strategy for slowing this significant growth in GHG emissions from the power sector by expanding the use of cleaner fuels, and promoting more efficient generation, distribution and consumption of electricity. The program builds on USAID's past policy and program support to the GOP's National Electrification Administration and the Department of Energy, extensive U.S. experience in the promotion of environmentally-friendly and efficient power, that combined provide 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.

USAID is experimenting with a methodology to measure the impacts of global and local emissions of various mitigation efforts. Impact is measured in terms of metric tons of carbon dioxide (CO_2) equivalents and sulphur dioxide (SO_2) avoided by the use of cleaner fuels (such as natural gas, hydro and geothermal), and by improved efficiency in power generation, transmission, distribution and consumption.

USAID Role and Achievements to Date: Since 1995, USAID's efforts in the power sector have directly led to contracts to construct 5.6 megawatts of new power plants using renewable energy and the formation of the GOP team that will lead the development of an indigenous natural gas industry. USAID's past support for improved efficiency of the rural electrification system has helped eliminate about 400,000 metric tons (MT) of CO_2 equivalent and 2,000 MT of SO_2 emissions. Line losses have been reduced by an average of 3% by electric cooperatives, thereby avoiding needed investment of approximately $50 million to construct 50 megawatts of additional electricity generating capacity. In addition, the GOP has now incorporated Demand Side Management into its electricity regulatory framework. This change will encourage utilities to invest in end-use efficiency as well as power generation and distribution networks.

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-line. They contribute to the objective of reduced GHG emissions to the extent that these plants use cleaner burning fuels than coal and operate efficiently.

Description: Effective and efficient achievement of this activity's results will require $3.0 million per year. Efforts will target the development of natural gas, renewable energy, and clean coal, and greater end-use efficiency by industrial and commercial enterprises. 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 will allow USAID and the GOP to

adjust activities for maximum impact. USAID's partnership with the GOP has enhanced its position to lead in climate change mitigation efforts.

Host Country and Other Donors: USAID is collaborating with 10 other U.S. Government agencies in implementing the country studies program to reduce GHG emissions, with 12 GOP agencies in the Inter-Agency Climate Change Committee (IACCC), and with several environment sector non-governmental and private sector 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, to extend energy loans to the Philippines. USAID also collaborates with the U.N. Development Program, Economic and Social Cooperation in Asia and the Pacific, and bilateral agencies of Germany, Australia, Switzerland, the Netherlands, United Kingdom, and Japan in efforts to reduce GHG emissions from the power industry.

Beneficiaries: The implementation of this program is expected to reduce projected emission levels for 2005 by 18%. The 12 IACCC agencies tasked with this GOP mandate will receive USAID assistance. Indirect beneficiaries include those firms and agencies that 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, 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 also will directly benefit in avoided health care costs from reduced local air-borne pollutants.

Principal Contractors, Grantees or Agencies: USAID implements activities through GOP agencies, U.S. contractors, and NGOs. Major contractors include Resource Management and Winrock International.

Major Results Indicators:

	Baseline	Target
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 through the use of Cleaner Fuels	0 (1995)	225 (2002)
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-SO06
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: *FY 1998 $10,700,000 DA*
INITIAL OBLIGATION: FY 1995; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: To broaden participation in the formulation and implementation of public policies in selected areas.

Background: In 1986, the Filipino people ended 14 years of authoritarian rule. Today, the 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 processes. 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's assistance helped the GOP implement the 1991 Local Government Code. As a result, revenue-sharing rose from $400 million in 1991 to more than $2.0 billion in 1995 and approximately 70,000 government employees were transferred from the national to local governments. Non-governmental organizations (NGOs) are being incorporated into local councils to ensure broad-based participation. Under provisions of the 1991 legislation, the Code is currently being reviewed for possible revisions. USAID is assisting local government leagues in analytical work, and changes that will strengthen local autonomy and effectiveness seem virtually assured.

USAID's past assistance to over 200 non-profit organizations 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 current strategy supports coalitions of marginalized groups by increasing their participation in the public policy arena. Involvement of PVOs and peoples' organizations in planning is allowing the integration of community needs in local development plans and national legislation. Several provinces and dozens of municipalities are undertaking highly participatory investment planning exercises, and several municipalities have agreed to participatory management assessments that involve elected leaders, local government employees, and NGOs.

Achievements to date under the civil society program show how coalitions are influencing public policy formulation and implementation. Through USAID's assistance, a coalition of marginalized fisherfolk prompted a Congressional inquiry on the GOP's Fisheries Sector Project through an evaluation of the project and the supporting media campaign. The same coalition successfully pushed for a Congressional investigation of a major Manila Bay fish kill which highlighted the issue of industrial pollution. USAID's assistance has allowed the coalition to strengthen its research division, conduct crucial investigative work, monitor Congressional activities, and consequently has bolstered its credibility as a legitimate spokesgroup for the marginalized fisherfolk.

Through USAID's assistance, an urban poor coalition was able to participate in a major Anti-Poverty Summit of the Philippine government. Despite pressure from the GOP agencies to exclude the issue of squatting in the summit agenda, the coalition successfully argued its position to repeal Presidential Decree 772 which

criminalizes squatting. This led to the certification by the Office of the President as a legislative priority the repeal of PD 722. USAID assistance helped tip the balance in the urban poor's ten-year battle for the repeal of this Marcos era decree.

USAID's assistance financed consultations with various indigenous groups on mining issues in Nueva Viscaya. Opposition to mining firms' operations stems from non-compliance with the Mining Act's implementing rules and regulations, lack of consultations with communities, or mining operations in lands claimed to be ancestral domains. Consequently, the indigenous groups are poised to participate in deliberations regarding the Act's implementation and to monitor compliance with implementing rules.

Description: USAID is providing assistance to local government units of ten provinces and their municipalities and cities. Premised on "assisted self-reliance," the assistance uses participatory mechanisms to innovate and implement service delivery systems that establish new performance standards. These include resource mobilization, investment prioritization and environmental planning and management. Participatory processes will revolve around the Local Government Code provision for local special bodies wherein not less than 25% of membership should come from NGOs.

USAID is assisting disadvantaged groups to unite into coalitions of member-controlled associations working to promote under-represented interests. Over four years, nine major coalitions or alliances will be established, broadened, and strengthened. The coalitions will be linked to centers of power, and strengthened to the point where they are able to analyze and debate public policy issues and to participate in the public policy arena. Illustrative of the respective critical issues are: repeal of inappropriate laws, land rights and tenure, and equitable management of resources.

In a special 18-month initiative, USAID is assisting pro-democracy groups to formulate a Philippine democratic action agenda leading to a better articulated and broadly supported policy recommendation for the protection and promotion of the democratic process.

Host Country and Other Donors: The Ford Foundation supports research on local governance and capacity strengthening of indigenous people's groups. The local government leagues are assuming leadership in decentralized government policy and practices. Major NGOs are putting in substantial matching resources to strengthen civil society. Canada supports capacity building of local governments and NGOs; and various local academic institutions serve as democracy and decentralization monitors and policy option generators.

Beneficiaries: Beneficiaries are: (1) the citizens of 10% of Philippine local governments that have committed to work with USAID to improve governance with broad participation; (2) coalitions and coalition members of socio-economically disadvantaged and under-represented groups and interests; and (3) those interested in expanding their understanding of and assistance to democracy in the Philippines.

Principal Contractors, Grantee or Agencies: USAID implements activities through U.S. and Philippine private consulting firms, U.S. and local NGOs, and the Philippine Leagues of city, provincial and municipal governments.

Results Indicators:

	Baseline (1995)	Target
Number of NGO representatives actively participating in local special bodies	296 NGOs	778 NGOs(1999)
Percent of people who feel their priority concerns are being addressed by local govt .	45%	over 50%(1999)
Number of total disadvantaged impacted by coalitions		
- Fisherfolk	600,000	8.0 Million (1998)
- Urban Poor	75,000	10.0 Million (1998)
- Indigenous people	65,000	6.0 Million (1998)
Informal Sector		13.0 Million (1998)
Coconut Farmers		3.4 Million (1999)
Microfinance Borrowers		5.0 Million (1998)
Major issues addressed by coalition documented in narratives	NA	NA

ACTIVITY DATA SHEET

PROGRAM: PHILIPPINES
TITLE AND NUMBER: Rapid Increase of HIV/AIDS Prevented, 492-SP01
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $2,350,000 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 GOP's 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 sixth round of the national HIV sentinel surveillance system of the GOP's Department of Health was conducted in April 1996. Survey results show that HIV prevalence rate among target risk groups has been maintained at a low level (below 1% among the target risk groups). The percentage of women and men at risk who adopt safe sex practices also has increased from 23% (1993) to 36% (1995) for women and from 2% (1993) to 9% (1995) for men. Sentinel surveillance systems have been established in ten geographic sites.

Close coordination between the United States and Japan on the AIDS program enables them to do complementary activities. Japan's HIV/AIDS project provides laboratory equipment, training and technical assistance to the 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 program. 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 sites. Expansion of HIV/AIDS prevention education programs and STD interventions for target risk groups at additional areas will require additional funding in FY 1998 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 $1.45 million in 1996. USAID meets frequently with other donors to ensure complementarity of activities that are 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 and grants to local NGOs.

Major Results Indicators:

	Baseline	Target
Percent HIV seroprevalence rate among target risk groups	<1.0% (1993)*	<1.0% (2000)

* Source: Field Epidemiology Training Program - Department of Health National HIV Sentinel Surveillance Surveys

SRI LANKA

FY 1998 Development Assistance: $7,000,000

Introduction

The USAID program supports U.S. interests through promoting U.S. economic opportunities, enhancing prospects for peace in the 14-year-old ethnic conflict, and mitigating the humanitarian effects of the ongoing conflict. With the Government of Sri Lanka (GSL) focusing on bringing an end to the conflict, and with clear potential for achieving sustainable economic growth, USAID is helping to move the country through an important economic transition.

The Development Challenge

Human development progress notwithstanding, poverty persists. The civil war has severely limited development, incurring high human and economic costs. 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. Although Sri Lankans are better educated than people in other South Asian countries, there is a disconnect between their levels of education and the extent to which they actively participate in defining their own problems, and become integrally involved in solving them.

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 11%, 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 ethnic conflict based in the North and East Provinces of the country. An escalation of this violence in 1996, including major military offensives by the Sri Lankan military and the rebel Tamil Tigers, resulted in a loss of productive lives, an ever-increasing strain on budgetary resources, and lackluster economic performance. The civil war will continue to place a strain on limited Government resources and threaten overall economic and political stability. The need for humanitarian assistance, to provide relief to the estimated one million internally displaced persons, much of it furnished by the Government itself, will continue to grow over the next two years.

The budget deficit stood at 8.4% of GDP in 1995. Sri Lanka's total outstanding debt increased to around $11.7 billion at the end of 1995, primarily because of accumulated foreign debt and increased domestic borrowing. Sri Lanka, however, has maintained an unblemished record for servicing its debt. This year, the cost of the war has significantly increased the budget deficit to around 10% of GDP. The adverse impact of a prolonged drought on the production of paddy and coconut, interruption in manufacturing and selected service industries because of long hours of power cuts, and setbacks in the tourist industry because of terrorist incidents in Colombo have imposed further strains on the performance of key sectors of the economy.

However, the economic performance in 1996 underscored the strong resilience of the country's private sector, with moderate increases in GDP growth and exports. Late in the year there were slight signs of recovery in portfolio investment (both foreign and domestic). Performance was disappointing in terms of the increased budget deficit, increasing inflation, stagnant foreign direct investment, and lower than expected proceeds from an ambitious privatization program.

Sri Lanka is a responsible and accountable development partner. However, without significant additional progress in economic growth and the development of better functioning democratic

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institutions, Sri Lanka will not be able to bring more of its people into the economic mainstream and sustain its gains to date. In summary, the country's main constraints to equitable, sustainable development are: the ongoing civil war, persistent poverty, macroeconomic imbalances, fragile economic growth, inadequate economic infrastructure, and weak democratic institutions.

Other Donors

In 1995, total donor assistance to Sri Lanka was about $617 million. The United States, with about 5.7% of total assistance, was the second largest bilateral donor, behind Japan, and the fifth largest overall. The leading donors are Japan, the World Bank, the Asian Development Bank, the International Monetary Fund, and the United States. There are 13 bilateral and five multilateral donors active 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 1995 to about 4.8% of the GNP, or about $34 per capita.

FY 1998 Program

USAID's goal in Sri Lanka is expanded broad-based participation in sustainable economic growth and development. To achieve this goal, USAID has a single Strategic Objective for economic growth to increase private sector employment and income. This strategic objective is closely complemented by a Special Objective for humanitarian assistance and participatory development.

Agency Goal: Encouraging Broad-based Economic Growth

USAID has a successful track record of efficiency, effectiveness and results in addressing these economic growth constraints. USAID's program activity results are impressive in terms of employment generation, enterprise start-ups and expansion, and economic policy reform and implementation. Sri Lankan counterparts in both the public and private sectors highly value USAID's economic growth activities. In addition, USAID's program activities help support U.S. political and commercial interests in Sri Lanka by reducing business risks and improving the overall business enabling environment.

As of FY 1998, USAID will focus on two economic growth themes:

1) Expanding Private Enterprise Growth. In order to expand private enterprise growth, USAID will improve Sri Lankan enterprises' access to new technology, markets and finance, thus increasing their productivity and competitiveness. The end result is to directly assist people through increases in employment and improved income opportunities. The central thrust of the Sustainable Economic Growth Program (SEGP) will be direct assistance to micro- (less than 10 employees), small- (10-50 employees) and medium-sized (51-500 employees) enterprises, through the ongoing and highly successful Technology Initiative for the Private Sector (TIPS) and Agro-Enterprises (AgEnt) activities. TIPS will focus on manufactured exports and environmental technology, while AgEnt will focus on agro-based production, processing and marketing. TIPS and AgEnt will consolidate certain cross-sectoral activities, including those related to quality improvement, productivity and rural outreach. Both TIPS and AgEnt have a strong focus on promoting U.S.-Sri Lankan business linkages, thereby supporting U.S. commercial interests. The Mission will continue to support microenterprise development activities through SEGP's Micro-Enterprise Support Activity. This will help to facilitate the provision of financial services to the poor and micro-enterprises.

2) Improving the Enabling Environment for Accelerated Economic Growth. By improving the enabling environment for economic growth, USAID will help create better conditions for broader participation (across all sectors and sizes of enterprises, socio-economic strata, and among foreign and domestic investors) in the growth process. Under the TIPS and AgEnt activities, USAID will also help to: (i) increase private sector savings and investment; and (ii) implement key economic policy reforms related to financial markets, privatization, agriculture and trade liberalization. In addition to USAID/Sri Lanka

resources to improve the enabling environment for economic growth, USAID/Washington resources to be utilized include the following programs: Housing Guaranty (housing finance for below-median income families), Loan Portfolio Guaranty (commercial bank loans for small enterprises) and the U.S.-Asia Environmental Partnership (access to U.S. environmental technology goods and services).

By the end of 1998 employment opportunities in targeted enterprises are expected to increase by an additional 12,750. 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; 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, finding new and expanded markets, strengthening formal market institutions and mechanisms, and encouraging free market agricultural reforms..

- Strategic Objective 1 : Increased Private Sector Employment and Income

Agency Goals: Providing Humanitarian Assistance and Building Democracy

USAID's Strategic Objective for economic growth will be reinforced by its Special Objective to provide humanitarian assistance and grants to enable rural people to participate more effectively in their local communities and economies.

To date, humanitarian assistance has benefitted 85,566 people affected by the ethnic conflict in the Northern and Eastern provinces. 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. From 1995 through 1996, USAID provided assistance, including preventive mobile health services to 55,000 displaced persons living in 220 camps and assistance to 1,350 displaced children in the East. In 1997, USAID expects to support the production of prosthetic limbs for approximately 1,500 civilian war victims, and to expand its support to the internally displaced.

- Special Objective 1: Improved Quality of Life for Disadvantaged People

SRI LANKA
FY 1998 PROGRAM SUMMARY
($ 000)

	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Total
USAID Strategic Objective					
1. Increased Private Sector Employment and Income Dev. Assistance	$6,000				$6,000
SpO 1. Improved Quality of Life for Disadvantaged People Dev. Assistance	$1,000				$1,000
Total Dev. Assistance	$7,000				$7,000

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 1998 $6,000,000 DA
INITIAL OBLIGATION: FY 1996; **ESTIMATED COMPLETION DATE:** FY 2000

Purpose: To increase private sector employment opportunities and improve incomes.

Background: Unemployment and underemployment are high in Sri Lanka with the estimated unemployment rate at 13%. Average income is less than $50 a month. 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 30,000 people have increased their income through full or part time employment from micro-enterprises, self employment, and medium and large enterprise development. $5.37 million in matching technology grants have been completed, and business assistance to approximately 574 private firms has been provided. USAID has also worked with over 4,700 clients on business planning and new techniques in crop production, processing, marketing and financing. Through USAID agro-business activities $10.5 million in investment has been facilitated, including the introduction of new technologies to Sri Lanka. To date, over $421 million in Government assets have been transferred to private control. Finally, over 65,700 below median income families (with an income of less than $113 per month) have received long term credit for housing, with an average loan size of approximately $250.

Description: USAID activities will support enterprise development and job creation via direct grants for technology, technical assistance in 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 financial markets reforms, openness to trade and investment, privatization, and support agricultural rural sector reforms. In order to expand employment, activities will 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 and the World Bank has a major private finance development project which is aimed at improving macro-economic management. USAID maintains active policy dialogue with the World Bank and GSL counterparts to assist the GSL privatization objectives.

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 work with non-government organizations, for profit contractors, government counterpart agencies and the private sector.

Major Results Indicators:	Baseline	Target
Jobs created in targeted enterprises	17,642 cumulative (1994)	5,800 additional (1998)
Jobs generated by companies raising new capital on the Stock Exchange	10,000 additional (1994)	11,000 additional (1998)

ACTIVITY DATA SHEET

PROGRAM: SRI LANKA
TITLE AND NUMBER: Improved Quality of Life for Disadvantaged People 383-SP001
STATUS: Ongoing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998 $1,000,000 DA
INITIAL OBLIGATION: FY 1998; ESTIMATED COMPLETION DATE: FY 2000

Purpose: To provide humanitarian assistance and assist rural people to participate more effectively in their local communities and economies.

Background: Approximately 57,000 civilians have been killed by the North & East conflict and thousands more injured, left homeless and unemployed. There are more than one million internally displaced persons, most of whom are living in camps and other temporary holding areas.

The GSL has proposed a political settlement of the conflict through a devolution of power to the provincial, municipal and local levels. If this ambitious devolution proposal is implemented, and in the event of peace, there will be an urgent need for rehabilitation of the war-torn areas. USAID has a continuing role to play in both facilitating the devolution, and in supporting relief and rehabilitation programs.

USAID assistance has also included support for activities such as HIV/AIDS public education, counseling and vocational training to return disadvantaged persons to productive lives. Even outside of the war circumstances, ordinary Sri Lankans have relatively limited opportunities to participate in, let alone influence, decision making that affects their political, social, and economic well-being. Broader participation is essential for citizen empowerment and Sri Lanka's goal of becoming a modern developed society.

USAID Role and Achievements to Date:

To date, humanitarian assistance has benefitted 85,566 people affected by the ethnic conflict in the Northern and Eastern provinces. 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. From 1995 through 1996, USAID provided assistance, including preventive mobile health services to 55,000 displaced persons living in 220 camps and assistance to 1,350 displaced children in the East.

In encouraging empowerment and participation by ordinary Sri Lankans, USAID has assisted during FY 1996 four communities to join with their local government counterparts to both create community employment and income generating activities, while at the same time agreeing on means to conserve their natural resources. Under such participatory grants, 91 new, rural commercial activities have been linked to larger markets; 12,942 hectares of targeted land has come under conservation practices; and 11,145 rural households have obtained secure land tenure and natural resource rights to enable their increased employment and incomes with sustainable practices.

Description: Humanitarian assistance and participatory development activities will be implemented through continued grants to international and non-governmental organizations. These activities complement the Strategic Objective by responding to situations of urgent human need, and enabling the disadvantaged to again productively participate in the economy. These grants are currently helping to save lives, reduce suffering, and return war victims to self-sufficiency.

Citizens will work with local authorities for community based management of natural resources--thus ensuring their sustainable economic use. Grants will also help communities to freely associate for identifying their common problems and formulating solutions. Modest policy reform activities, for example workshops to discuss devolved systems of governance as well as practical recommendations that would lead to fiscal and administrative devolution of authority will be provided.

Host Country and Other Donors: USAID assistance for displaced children and families affected by war, and HIV/AIDS awareness programs are carried out in the conflict and non-conflict areas. Other donors involved in these activities include UNHCR, UNDP, Canadian CIDA, NORAD, ODA, JICA and the World Bank.

Beneficiaries: Direct beneficiaries include displaced persons and children, war victims, HIV/AIDS victims and rural community groups.

Principal Contractors, Grantees, or Agencies: USAID will implement activities through non-government organizations and government counterpart agencies.

Major Results Indicators:

Baseline	Target
Number of people benefitted by humanitarian assistance	379,450 (1998)

WEST BANK AND GAZA

FY 1998 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. At that time, 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). 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 the West Bank and Gaza in January 1996 to select a Legislative Council and a Head of the Executive Authority. Final status negotiations between the Palestinians and Israelis began in May 1996. However, after a series of suicide bombings in Israel in early 1996 and the change of government that followed the Israeli elections held in May, such discussions have not progressed beyond their formal opening. Indeed, in recent months, implementation of several aspects of the Interim Agreement has stalled. The U.S. Government, acting within its role as the primary facilitator for the overall Middle East Peace Process, has been actively engaged in defusing tensions and seeking compromises that are acceptable to both parties.

The Development Challenge

According to estimates by the Palestinian Bureau of Statistics and the United Nations, the current population in West Bank and Gaza is estimated to be 2.4 million, with approximately 1 million residents in Gaza and 1.4 million residents in the West Bank. Annual population growth rates are estimated at 5%-6%. By mid-1996, formal unemployment stood at 29% (24% in the West Bank and 39% in Gaza), and per capita GNP (which includes wages earned in Israel) was about $1,500 ($1,700 in the West Bank and $1,100 in Gaza), a decline of nearly 40% in real terms since 1992. It is now estimated that the PA's recurrent budget deficit for 1996 will reach $112 million, up from earlier estimates of $75 million. Since this and many macro-economic indicators are extremely sensitive to the level of access of the Palestinian labor force and products to markets in Israel, the frequent and extensive border closures over the last year have been a major factor in a general downturn of the Palestinian economy.

While activities financed under the U.S. Government pledge for support to the peace process were only initiated within the last 2 1/2 years, tangible benefits have already resulted from USAID assistance. In the period FY 1996 - FY 1997, results have been achieved and further impact can be expected in each of the Mission's areas of strategic focus. Through this period, accomplishments related to Expanding Economic Opportunities will have included: operations initiated at a pilot industrial estate, which will eventually lead directly to 22,000 new jobs; exports increased by 10% and production by 20% among 150 assisted firms; 1,600 Palestinians trained in vocational and technical skills, resulting in 1,000 new jobs; $10 million in credit delivered to small and microenterprises, resulting in at least 1,500 permanent jobs. Likewise, accomplishments related to Improving Access to and Use of Water Resources will have included: storm and waste water management improved through the cleaning, upgrading and expansion of sewer lines and facilities in Gaza City; through the initial phase of USAID's water resources program in the West Bank, access provided to more than 100,000 residents in 21 villages and small municipalities to safe water, and the water system for the 120,000 residents of Hebron overhauled; through longer-term water initiatives, several monitoring and production wells will

be constructed, providing 5 to 6 million cubic meters of water per year, and 50% of transmission lines for the Hebron-Bethlehem and Jenin areas will be completed. Through FY 1997, accomplishments related to promoting More Responsive and Accountable Governance will include: elections for the Palestinian Legislative Council, Head of the Executive Authority, and local councils/mayors held; Palestinian civil society organizations strengthened to play an active role in the decision-making process; and the Legislative Council's and Executive Authority's structures, procedures, and skills developed to permit a more technically sound and transparent legislative process. In addition, FY 1996 - FY 1997 accomplishments associated with the completion of activities designed to address short-term development needs will include: approximately 250,000 person-days of emergency employment generated, primarily in Gaza; 25 schools rehabilitated/constructed and playgrounds/boundary walls at as many as 50 schools improved, directly benefitting approximately 35,000 students; 192 apartments for lower-income Gazans constructed and occupied; more than 650 shelters upgraded in refugee camps; up to 12 kilometers of roads, sidewalks and sewer lines in Gaza City renovated. Six hundred home improvement loans will be provided, and a fund will be capitalized with approximately $4 million of reflows to continue the loan program through a Palestinian entity.

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. Of the total donor pledge, approximately $1.3 billion had been made available through late FY 1996 for activities primarily related to infrastructure and housing, public finance, education, institution building and health.

FY 1998 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 expanded private sector economic opportunities, greater access to limited water resources, and more responsive and accountable governance. 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 in the West Bank and Gaza. These efforts will help lay the groundwork for long-term economic growth, a *sine qua non* for the viability of the new Palestinian entity and its peaceful relations with Israel and its neighbors.

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 have been considerably restricted as Israel's security concerns have led to frequent border closings and reduced commercial activity. Furthermore, the transition to democracy is taking place within the context of complex formulas for the transfer of authority from Israel, and some 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, and therefore political and social stability, in the West Bank and Gaza. Donor programs designed to promote private sector development must be responsive to the special circumstances which define the Palestinian economy. These include the predominance of small and microenterprises (90% of businesses have less than 10 employees), the dependance on Israel for access to markets for labor and goods, and the absence of a transparent and

comprehensive legal and regulatory framework. FY 1998 funding will address these obstacles to development through the following:

- Strategic Objective 1: Expanded Income Opportunities

Agency Goal: Protecting the Environment

Patterns of water allocation and use are 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 initiated immediately after the signing of the DOP, water systems and related neighborhood/village infrastructure have been upgraded. However, in response to the recognition within the Interim Agreement that Palestinians require an additional 70 - 80 million cubic meters of water per year, 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, and USAID has developed a broad program of assistance in the sector. Activities designed to address immediate water needs must be carried out within the context of longer-term master planning that accounts for water from all sources and for all uses as an economic resource, to be developed and exploited in an integrated fashion within a water-scarce region. FY 1998 funding will address these obstacles to development through the following:

- Strategic Objective 2: Increased Access to and More Effective Use of Scarce Water Resources

Agency Goal: Building Democracy

In January 1996, Palestinians elected an Executive Authority Head and a Legislative Council. Municipal elections have been delayed, but are expected to take place in the first quarter of 1997. These elections, per se, can be considered an accomplishment of the peace process as supported by the USAID program. However, continuing the process of democratic development in the West Bank and Gaza will encourage investment and broad-based economic growth, and facilitate steady progress towards a final settlement between the Palestinians and Israelis. 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. In order to achieve this, a vibrant civil society with an active role in the decision-making process must emerge, the branches of government must develop technical proficiency, constituency outreach and institutional stability, and appropriate management responsibilities must be divested to entities of local governance. USAID assistance provided in FY 1998 will finance efforts that will focus on the following:

- Strategic Objective No. 3: More Responsive and Accountable Governance

WEST BANK AND GAZA
FY 1998 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. Expanded Income Opportunities ESF	$6,700,000					$6,700,000
2. Improved Access to Extremely Limited Water Resources ESF			$58,000,000			$58,000,000
3. Improved Key Democratic Practices and Processes ESF				$10,300,000		$10,300,000
TOTAL **ESF**	**$6,700,000**		**$58,000,000**	**$10,300,000**		**$75,000,000**

USAID Mission Director: Christopher D. Crowley

Activity Data Sheet

PROGRAM: WEST BANK AND GAZA
TITLE AND NUMBER: Expanded Economic Opportunities, 294-SO01
STATUS: Continuing
PROPOSED OBLIGATION/FUNDING SOURCE: FY 1998 $6,700,000/ESF
INITIAL OBLIGATION: FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To expand economic opportunities for Palestinians in the West Bank and Gaza.

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 economic opportunities will provide perhaps the most tangible evidence that the peace process is leading to improvements in the daily lives of Palestinians. However, economic indicators in the West Bank and Gaza have worsened in recent years, in large part because of border closures and diminishing remittances from abroad. Donor programs have provided some temporary alleviation through emergency employment creation, but approaches that provide longer-term solutions are required.

USAID Role and Achievements to Date: Ongoing USAID activities include technical support to small businesses and the Federation of Palestinian Chambers of Commerce, vocational training, and small business lending. In late FY 1996, activities to provide technical assistance for the establishment of industrial zones and credit for microenterprises were initiated. To date, USAID has helped over 50 firms increase their productivity and access to markets, and strengthened the business skills of more than 1,800 Palestinians. In addition, 200 loans have been provided to small businesses in Gaza, resulting in the creation of 600 permanent jobs. USAID technical assistance has been central to preliminary agreements and actions related to the legal and regulatory framework, institutional arrangements, planning for off-site infrastructure, environmental impact assessment, and security options for the pilot industrial estate in Gaza. Based on this and subsequent USAID assistance, construction at the site will begin in 1997.

Description: USAID activities help: (1) improve the access of small and microenterprises to financial products and services by expanding technical assistance mechanisms and credit; (2) develop new and expanded markets for Palestinian goods and services through market information and technical assistance/construction for industrial zone development; (3) enhance the productivity of Palestinian enterprises through training in entrepreneurial skills and appropriate technologies; and (4) encourage an appropriate policy framework for private sector development.

Host Country and Other Donors: The European Union and the UK have funded programs providing loans to small businesses, but not microenterprises, and the World Bank is commencing a major small business project. The World Bank and USAID are playing a lead role in providing assistance for joint Israeli and Palestinian efforts related to industrial zone development.

Beneficiaries: Primary beneficiaries of the activities will be the majority of Palestinians working in micro, small and medium-sized firms. More specifically, it is estimated that 150,000 microenterprises will be eligible for loans though programs assisted by USAID, either through capitalization of credit funds or technical assistance and training to establish credit for such enterprises through the formal financial sector. Up to 22,000 jobs will be created at the pilot industrial estate which will be partially financed by USAID.

Principal Contractors, Grantees, or Agencies: USAID will implement activities through U.S. firms (currently Development Alternatives International), the United Nations Relief and Works Agency, U.S. NGOs (currently the Save the Children Federation and the YMCA), and the Palestinian private sector.

Major Results Indicators: Indicators of success will include: private sector employment; wages; and private sector revenue or value added.

Activity Data Sheet

PROGRAM: WEST BANK AND GAZA
TITLE AND NUMBER: Greater Access to and More Effective Use of Scarce Water Resources, 294-SO02
STATUS: Continuing
PROPOSED OBLIGATION/FUNDING SOURCE: FY 1998 $58,000,000 ESF
INITIAL OBLIGATION: FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To provide greater access to, and facilitate more effective use of, scarce water resources.

Background: Water supply is a major constraint to sustainable economic growth in the West Bank and Gaza, and a highly political issue within the peace process. The Interim Agreement recognized this situation by establishing a long-term target of increasing annual water supply to Palestinians by 70-80 million cubic meters. The lack of water represents a critical constraint to economic growth, as it relates to household, industrial and agriculture uses. It also has significant, although less immediate, impacts on environmental conditions and health indicators.

USAID Role and Achievements to Date: Beginning in FY 1995, USAID has financed the rehabilitation of the storm water and sewage collection systems in Gaza City through the cleaning/replacement of approximately 50 kilometers of sewer lines and stormwater culverts, renovation of the Sheik Radwan Pump Station, and improvements of a central drainage area. As a result, flooding and sewage overflow has already been reduced in certain neighborhoods. Work is more than 50% completed on water networks in 21 villages in the West Bank and improvements to the water system in Hebron. When completed, approximately 220,000 Palestinians will have improved access to potable water as a result of these activities. Overall water master planning and designs for well development, transmission and distribution lines are underway. Planning for the expansion of the waste/storm water system in Gaza is also in process.

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: Significant resources have been committed by the United Nations Development Program, Germany, Norway, the European Union and Italy. 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. USAID will work directly with the Palestinian Water Authority, the Municipality of Gaza and the West Bank Water Department to respond to the provisions of the Interim Agreement. All activities are coordinated through the Joint Water Committee (co-chaired by Israeli and Palestinian water officials).

Beneficiaries: The bulk of the population of the West Bank and Gaza will benefit from increased supplies and improved management of water resources. USAID support for the development of specific wells and transmission/distribution lines will be focused initially in the Bethlehem-Hebron and Jenin areas, and financing for storm/waste water activities is concentrated in Gaza.

Principal Contractors, Grantees, or Agencies: USAID expects to implement activities primarily through U.S. firms (currently Camp, Dresser and McKee, and Metcalf and Eddy are the two prime contractors), with the United Nations Relief and Works Agency (UNRWA), the United Nations Development Program (UNDP), and U.S. non-governmental organizations (currently, the Save the Children Federation and Catholic Relief Services) also playing significant roles.

Major Results Indicators: Indicators of success will include: Palestinians with access to piped, potable water; users consuming a minimum requirement; non-domestic needs met with non-potable sources.

Activity Data Sheet

PROGRAM: WEST BANK AND GAZA
TITLE AND NUMBER: More Responsive and Accountable Governance, 294-SO03
STATUS: Continuing
PROPOSED OBLIGATION/FUNDING SOURCE: FY 1998 $10,300,000/ESF
INITIAL OBLIGATION: FY 1996; **ESTIMATED COMPLETION DATE:** FY 2001

Purpose: To facilitate more responsive and accountable governance.

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. Municipal elections were delayed and are now scheduled for early 1997. This series of elections is only a preliminary step in the establishment of open, transparent and effective governance in Palestinian self-rule areas. The Palestinian Authority is now challenged to create a functioning self-government structure that is responsive to the needs and expectations of its people.

USAID Role and Achievements to Date: USAID support, which included voter training, civic fora, election observation, and technical assistance to the Elections Commission, was instrumental in the successful execution of the January 1996 elections. Multi-donor assistance to the Holst Fund, including a final USAID tranche of $10 million scheduled to be provided in FY 1997, has been critical in financing government services in the West Bank and Gaza. Initial assistance related to USAID's longer-term program in this sector was instrumental in drafting the Palestinian Basic Law (the equivalent of the PA's constitution), which remains in process, and equipping the Legislative Council's 16 district offices.

Description: USAID will support civil society's role in policy analysis, advocacy and government oversight. In addition, USAID activities will strengthen the Executive Authority's public policy-making capability and support Legislative Council functions related to executive oversight, legislative drafting and review, and constituency relations. Following the local government elections, USAID expects to design activities to strengthen local governance.

Host Country and Other Donors: The World Bank, the UK and Australia 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 UK have financed public administration training for the Palestinian Authority, and twenty-five countries including the U.S. have provided resources to the Holst Fund. The European Union is supporting the administrative strengthening of the new Legislative 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. contractors and grantees (currently the National Democratic Institute, the International Foundation for Electoral Systems, the International Republican Institute, and Associates in Rural Development). Several of these organizations have or will form partnerships with local institutions. In FY 1997, USAID expects to sign grants with local non-governmental advocacy groups and a contract with a U.S. firm to carry out activities with the Executive Authority.

Major Results Indicators: Indicators of success will include: citizens' confidence in key institutions; quality and quantity of legislative proposals and actions; the number of civic society interventions in policy-making processes; and uniform roles and procedures for legislative and policy-making functions.

ASIA AND THE NEAR EAST REGIONAL ACTIVITIES

FY 1998 Development Assistance $52,647,000
FY 1998 Economic Support Fund Request $93,000,000

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 supporting Middle East peace objectives; by reducing pressures on water supplies and quality of life by limiting population growth pressures on resources in ANE countries; 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 increasing the U.S.-Asia Environmental Partnership through 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 Oman, the South Pacific, Thailand and Tunisia.

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. High population growth rates exacerbate resource shortages. Rapid rates of spread of HIV/AIDS infection already have high human and economic costs and threaten 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. 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, business, professional and technological communities, to deal with the environmental challenges of rapid industrial and urban growth in Asia. While continuing to support environmental activities to ameliorate the harmful effects of industrial pollution and to help provide urban infrastructure to Asia's teeming cities, US-AEP now helps introduce U.S.-developed highly efficient and inherently less polluting process technologies to Asians. US-AEP brings together U.S. environmental technology and Asian private and governmental entities to develop clean technologies for future Asian growth.

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 ($52,500,000,of Economic Support Funds) to the Department of State will support establishment of the Middle East Development Bank. Transfers totalling $9,500,000 of Economic Support Funds to the Department of State will support economic assistance for Asia, including support for democracy in South Asia and for regional security in East Asia. Also, transfers totalling $17,000,000 of Economic Support Funds) to the Department of State will support the Middle East Peace Process and joint economic and technical activities to designed to strengthen 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. Regional activities also support operational research on innovative ways of: providing health and family planning services, such as integration of family planning and women's health services; and tackling sensitive regional issues, like the spread of HIV/AIDS, especially in marginalized populations under-served in national programs.

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. Responsibility for the Pakistan Nongovernmental Organization Initiative has been assumed by the ANE Bureau and other residual matters by the USAID Mission in Manila.

The Thailand program closed in FY 1995, and the USAID Regional Support Mission in Bangkok closed in FY 1996. Responsibilities for the U. S.-Thai Partnership have been assumed by the ANE Bureau, and other residual responsibiilties have been assumed by the USAID Mission in Manila.

The Tunisia program closed in FY 1995. Responsibilities for residual matters have been assumed by the USAID Mission in Cairo.

The Oman and Yemen programs closed in FY 1996. Residual responsibilities have been assumed by the USAID Mission in Cairo.

ASIA AND THE NEAR EAST REGIONAL
FY 1998 PROGRAM SUMMARY
($000)

	Encouraging Economic Growth	Stabilizing Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Providing Humanitarian Assist	Total
1. U.S.-Asia Environmental Partnership/ASEAN Dev. Assistance			19,000			19,000
2. Reengineering Dev. and Support Dev. Assistance	2,365	19,793	1,900	1,400		25,458
3. ANE Regional HIV/AIDS Dev. Assistance		8,189				8,189
Middle East Development Bank Econ. Support Fund	52,500					52,500
Asia Economic Assistance/So. Asia Democracy Econ. Support Fund	6,500			3,000		9,500
South Pacific Fisheries Treaty Econ. Support Fund	14,000					14,000
Middle East Peace Process/Democracy Building Econ. Support Fund	12,000			5,000		17,000
Total Dev. Assistance Econ. Support Fund	2,365 85,000	27,982	20,900	1,400 8,000		52,647 93,000

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 1998: $19,000,000 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. The Region 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 and 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:

	Baseline	Target
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

ACTIVITY DATA SHEET

PROGRAM: Asia and the Near East Regional
TITLE AND NUMBER: Reengineering Development and Support (398-SO02)
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $25,458,000 DA
INITIAL OBLIGATION: FY 1995 **ESTIMATED COMPLETION DATE:** Continuing

Purpose: To support country and regional programs in the operation of 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 Asia 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 1996, the advisers strengthened the first annual review of reengineered performance reports on country and regional activities. These annual reviews are 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.

Major Results Indicators	Baseline 1996	Target 1997
Contractors perform effectively (percent) as measured against contract requirments.	100%	100%

ACTIVITY DATA SHEET

PROGRAM: Asia and the Near East Regional
TITLE AND NUMBER: Asia Near East Regional HIV/AIDS (398-SO03)
STATUS: Continuing
PROPOSED OBLIGATION AND FUNDING SOURCE: FY 1998: $8,189,000 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:

	Baseline 1993	Target 2001
Assessments in countries at risk	2	10
Prevention programs initiated	2	10
Advocacy/policy training workshops	0	30
Cross border/cutting edge interventions	0	25