

Talking Points for
Ambassador Alan Woods
for
Senate Foreign Relations Committee Hearing
on FY 1990 Foreign Assistance Request
Tuesday, May 2, 1989
10:00 a.m.
Room 419 Dirksen Bldg.

General

1. AIDS
2. ADCs
3. ASHA
4. Child Survival
5. Coastal Resources Mgt. Program (Univ. of RI)
6. Criminal Cases
7. Disaster Assistance Borrowing Authority
8. Disaster Assistance: Major Disasters
9. Disaster Assistance: Armenia Earthquake
10. Education: Basic Education
11. Elections Support
12. Immunization
13. Informal Sector
14. IFAD
15. Japan
16. Locust Control
17. Microenterprise
18. ~~Mixed Credits/Tied Aid~~
19. Narcotics Control
20. Operating Expenses
21. Participant Training & Scholarship Program
22. Participant Trainee Tax Liability
23. Pesticides
24. Pipeline
25. Private Sector Development
26. PRE Revolving Fund: Transfer of Funds to TDP
27. Women in Development
28. Work Force (A.I.D.)

Africa

29. Human Rights
30. Liberia
31. Mozambique
32. Southern Africa/SADCC
33. South Africa (Disadvantaged)

Asia and Near East

34. Cambodian Non-Communist Resistance
35. Cyprus
36. Israel
37. Jordan
38. Lebanon

Latin America and Caribbean

39. Central America
40. Chile
41. Jamaica
42. Panama

NUMBERS YOU SHOULD KNOW

(in Dollars Thousands)

International Affairs (Function 150)

	FY 1990	
	<u>Budget Authority</u>	<u>Outlays</u>
Bipartisan Accord	19,000,000	17,000,000
SBC and HBC marks	19,000,000	17,000,000
with Mandatory Offsets	18,300,000	16,700,000
Administration Request	18,897,856	17,462,504

Administration's Budget Request

	<u>FY 1989- Approp.</u>	<u>FY 1990 Request</u>
Function 150 Totals	16,134,038 *	18,897,856
A.I.D. Totals	5,617,398 *	5,967,125
(excludes TDP \$25m)		
Functional DA (excl. DFA)	1,243,026	1,234,000
DFA (incl. SADC)	550,000	565,000
ESF	3,258,500	3,349,100
SAI	--	200,000
OE	414,000 **	447,684
ASHA	35,000	30,000
Disaster Assistance	25,000	25,000

Major Increases

SAI (200,000)	--	200,000
ESF (72,600)	3,258,500	3,349,100
ESF deob-reob (18,000)	--	18,000
OE (33,684)	414,000	447,684
OE IG (2,594)	28,500	31,194
DFA (15,000)	550,000	565,000
HG Borrowing Auth. (15,000)	30,000	45,000
Education (9,459)	129,541	139,000
PSEE/106 (8,275)	120,709	128,984

Major Decreases

Agriculture (15,955) ***	493,715	477,760
ASHA (5,000)	35,000	30,000

Miscellaneous

Economic (including ESF)/Military ratio - 62:38

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- * Excludes \$50.5 million of deobs/reobs and OE for contra aid.
 - ** Excludes \$4 million of OE for contra aid
 - *** FY 90 agriculture request is \$16 million less than FY 89 approp. level but \$16 million above FY 89 request.

INTERNATIONAL AFFAIRS (\$ Thousands)	FY 1988	FY 1989	FY 1990
	ACTUAL	APPROP	REQUEST
MULTILATERAL ASSISTANCE			
Inter-American Dev. Bank	31,600	---	31,618
Fund for Special Operations	25,732	---	63,725
Inter-American Investment Corp	1,303	---	25,500
Subtotal: IADB	58,635	---	120,843
World Bank	40,176	50,001	90,252
International Finance Corp.	20,300	4,892	114,936
Int'l Development Association	915,000	995,000	965,000
Asian Development Bank	15,057	---	---
Asian Development Fund	28,000	152,392	230,712
African Development Fund	75,000	105,000	105,000
African Development Bank	8,999	7,345	10,641
MIGA	44,403	---	---
Subtotal: MDBs	1,205,570	1,314,630	1,637,384
Int'l Fund for Agricultural Dev. IO & P (Voluntary Contrib.)	[30,000] 244,648	[2,500] 226,115	--- 209,000
TOTAL: MULTILATERAL ASSISTANCE	1,450,218	1,540,745	1,846,384
BILATERAL ASSISTANCE - A.I.D.			
Ag., Rural Dev. & Nutrition	486,850	493,715	477,760
Population	195,045	197,940	201,600
Health	118,199	122,459	125,994
Child Survival Fund	66,000	71,000	71,000
AIDS Prevention & Control	30,000	40,000	42,000
Education & Human Resources	117,000	129,541	139,000
Private Sector, Env. & Energy	119,933	120,709	128,984
Science & Technology	8,662	8,662	8,662
FDAP Deob/Reob	104,956	59,000	39,000
Private Sector Rev. Fund	---	[8,500]	[5,000]
Total: Functional Dev. Asst.	1,246,645	1,243,026	1,234,000
Development Fund for Africa	500,000	500,000	565,000
SADCC	50,000	50,000	[50,000]
Private Sector Rev. Fund	8,523	[8,500]	[5,000]
Loan Guaranty Limitation	---	[50,000]	[50,000]
American Sch. & Hosp. Abroad	40,000	35,000	30,000
International Disaster Assistance	25,000	25,000	25,000
Humanitarian Relief Transport	3,000	3,000	---
Housing Guaranties Limitation	[125,000]	[125,000]	[100,000]
Housing Guaranty Borrowing Auth.	25,000	30,000	45,000
Foreign Service Ret. & Dis.	35,132	40,532	40,147
Trade Credit Insurance Program	[200,000]	[200,000]	[200,000]
Operating Expenses	408,500	418,000	447,684
Operating Expenses - IG	23,970	28,500	31,194
Subtotal: Development Assistance	2,365,770	2,373,058	2,418,025

INTERNATIONAL AFFAIRS (\$ Thousands)	FY 1988	FY 1989	FY 1990
	ACTUAL	APPROP	REQUEST
Economic Support Fund	3,188,320	3,258,500	3,331,100
ESF Deob/Reob	81,099	---	18,000
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ESF Total	3,269,419	3,258,500	3,349,100
Special Assistance Initiatives	---	---	200,000
Central Am. Reconciliation asst.	27,700	36,340	---
Subtotal: A.I.D.	5,662,889	5,667,898	5,967,125
Trade & Development Program	25,000	25,000	25,000
Peacekeeping Operations	31,689	31,689	33,377
International Narcotics Control	98,750	101,000	115,000
Inter-American Foundation	13,000	16,600	16,932
African Development Foundation	7,000	8,000	9,000
Peace Corps	146,200	153,500	163,614
Migration & Refugee Assistance	338,450	361,950	370,000
Emergency Refugee & Migration Fund	24,000	50,000	10,000
Anti-Terrorism Assistance	9,840	9,840	10,017
Overseas Priv. Invest. Corp (OPIC)			
(Limitation on direct loans)	[23,000]	[23,000]	[17,000]
(Limitation on Guar. Loans)	[200,000]	[175,000]	[175,000]
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TOTAL: BILATERAL ASSISTANCE	6,356,818	6,425,477	6,720,065
MILITARY ASSISTANCE			
Military Assistance Program	700,750	467,000	40,432
Int'l Military Ed. & Training	47,400	47,400	54,500
Special Defense Acq. Fund	[236,865]	[236,865]	[325,000]
Foreign Military Sales Credit	4,049,000	4,272,750	5,027,000
Direct Credit & Forgiven Loans	4,049,000	4,272,750	5,027,000
Guaranty Reserve Fund	532,000	594,027	719,545
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TOTAL: MILITARY ASSISTANCE	5,329,150	5,381,177	5,841,477
(Total BA)	5,329,150	5,381,177	5,841,477
(Total off budget)	---	---	---
IMF Enhanced Structural Adj. Fac.	---	---	150,000
EXPORT-IMPORT BANK	692,900	695,000	100,000
(Limitation on Direct Loans)	[692,900]	[695,000]	---
(Limitation on Guaranteed Loans)	[10,000,000]	[10,200,000]	[10,384,000]
	=====	=====	=====
TOTAL: FOREIGN OPERATIONS (GROSS BA)	13,829,086	14,042,399	14,657,926
(Scorekeeping adjust for tied aid)	(685,305)	(585,000)	---
Net Functional BA	13,143,781	13,457,399	14,657,926

INTERNATIONAL AFFAIRS (\$ Thousands)	FY 1988	FY 1989	FY 1990
	ACTUAL	APPROP	REQUEST
PL 480 Title I Program	763,600	851,900	817,000
Title I Receipts	(419,204)	(383,800)	(344,000)
Unobligated Balance	---	---	(207,055)
	-----	-----	-----
Title I BA	344,396	468,100	265,945
Title II BA	715,200	630,000	665,000
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Total Food Assistance (BA)	1,059,596	1,098,100	930,945
Total Food Assistance (Program)	1,478,800	1,481,900	1,482,000
STATE/JUSTICE/COMMERCE (153)	2,595,459	2,623,975	3,163,326
FOREIGN INFO & EXCHANGE ACT. (154)	1,056,145	1,127,213	1,385,958
IMF - Maintenance of value adj.	795,615	---	---
ADJUSTMENTS (TRUST FUNDS & RECEIPTS)	(1,465,041)	(2,122,149)	(1,240,299)
Misc. Trust Funds - A.I.D.	11,033	5,000	5,000
Misc. Trust Funds - Peace Corps	326	300	300
Misc. Trust Funds - DOT	2,150	3,695	3,737
Misc. Trust Funds Receipts - DOT	(2,237)	(2,960)	(2,892)
Misc. Trust Funds Receipts - A.I.D.	(11,033)	(5,000)	(5,000)
A.I.D. Loan Repayments	(433,939)	(430,000)	(455,000)
Treasury Loan Repayment (U.K.)	(90,441)	(92,250)	(94,095)
Foreign Currency Loan Repayments	(35,405)	(42,349)	(42,349)
FMS Receipts	(70,152)	(127,018)	(150,000)
Asset Sales Prepayment	---	(849,567)	---
FMS - Trust Funds	8,128,932	8,012,000	7,830,000
FMS - Advances, Deposits	(8,964,275)	(8,594,000)	(8,330,000)
	=====	=====	=====
TOTAL INTERNATIONAL AFFAIRS	17,185,555	16,184,538	18,897,856
(of which discretionary BA)	18,003,696	18,292,684	19,414,285

AIDS

Issue: This Committee is very concerned about the spread of the AIDS epidemic in developing countries, most particularly in Africa. Can you tell us what A.I.D. is doing to respond to this growing problem and how your bilateral program complements that of the World Health Organization? Also what has been the impact of the AIDS pandemic on development? Do you believe we should continue to fund the Agency's small program? What funding levels have been provided to the AIDS program from all A.I.D. accounts in FY 1987 through the FY 1990 request?

Talking Points:

The response of A.I.D. includes:

- support of World Health Organization Global Programme on AIDS (WHO/GPA), \$25.5 million, during FY 1989;
- continued development of the Agency's own bilateral assistance programs, designed to control the further spread of Human Immunodeficiency Virus (HIV);
 - o By the end of FY 1988, 60 of the 70 USAID Missions were involved in AIDS control efforts.
- support of private voluntary organization (PVO)-led activities in 32 countries;
- and, provision of commodities, which A.I.D. has supplied to 47 developing countries.
- In addition, A.I.D. carries out operations research activities, coordinates the international AIDS activities of all U.S. government agencies, and monitors the impact of the epidemic through a number of activities.

Complementarity of A.I.D. and WHO/GPA:

- WHO/GPA works internationally to mobilize and coordinate the global effort. The program works with individual host countries: to set up national AIDS Committees; to develop short-term and medium-term plans which aid in the coordination of donor activities; and to evaluate the implementation of these plans.
- The WHO/GPA program is built on the assumption that most of the support for developing country AIDS programs will come from bilateral sources. A.I.D. has designed its bilateral program to serve this implementation role.
- Through its 70 missions, A.I.D. works with both governmental and non-governmental organizations to provide technical assistance and commodities, such as condoms.

Impact of the AIDS pandemic on development:

- Globally, as many as ten million persons may be infected with HIV. Of those infected, approximately 25 percent will develop AIDS within five years of infection.
- Economic consequences include:
 - o increased direct health-care costs;
 - o lost wages, manpower, and production due to premature deaths in the 20-to-49 age group; and
 - o costs of lost business (e.g. tourism).
- Societal consequences include:
 - o decreased child survival rates, and changes in family structure due to increasing numbers of orphaned children.

Should funding continue for A.I.D.'s program?:

- The Agency's request for funding assumes a complementary balance between support for WHO/GPA and for the AIDS program at A.I.D. WHO/GPA's role has been to work internationally to mobilize and coordinate the global effort and to assist in setting up national AIDS programs in developing countries. A.I.D.'s role has been the implementation of country plans and activities.
- In FY 1988, Congress appropriated \$30 million to A.I.D. for AIDS prevention and control activities: \$15 million for WHO/GPA; and \$15 million for A.I.D. bilateral activities.
 - o However, in FY 1988 the demand for services was so great that A.I.D. obligated an additional \$10.7 million from other accounts for bilateral activities, including Development Fund for Africa, Economic Support Fund, Health, and Population.
- In FY 1989, Congress appropriated \$40 million to A.I.D.: \$25.5 million for WHO/GPA; and \$14.5 for A.I.D. bilateral activities.
 - o In FY 1989, the demand for services is again great, and we expect that other accounts will be drawn upon once again.

A.I.D.'s funding of AIDS program:

Funding in FY 1987, FY 1988, FY 1989,
and FY 1990 funding request
(\$ millions)

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
AIDS Account - Bilateral	8.4	12.0	11.9	-
Other Bilateral	-	10.7	*	-
Condoms	3.0	3.0	2.6	-
SUBTOTAL - BILATERAL	11.4	25.7	*	-
AIDS ACCOUNT - WHO/GPA	5.5	15.0	25.5	-
TOTAL	16.9	40.7	*	42.0

* - Unknown but assumed will exceed FY 1988 levels

1743G/1

Advanced Developing Countries

Issue: Last year, you indicated that you were developing a strategy that would form the basis for a U.S. relationship with a growing number of advanced developing countries that no longer require the types of assistance that A.I.D. can provide. What can you tell us about your work in this area?

Talking Points:

- Several developing countries (e.g., Mexico, Brazil, Chile) assisted by A.I.D. already are considered "advanced developing countries." Others, such as Thailand, are approaching advanced developing country (ADC) status. In these countries, A.I.D. is exploring different ways to build new, mutually beneficial bilateral relationships that make sense for more advanced developing countries.
- Over the past several months, select field missions and regional bureaus have been wrestling with some of the key issues involved. A.I.D. has learned some important lessons. For example: solutions to some problems are country specific, solutions to others are region specific. Thus, institutional mechanisms that may work well in Portugal may not work well in Mexico. Programmatic emphases that apply to ADCs in Latin America may be inappropriate in Asian ADCs.
- We continue to work on issues relating to ADCs and are preparing to pull together the experience gained and lessons learned so far. This work will subsequently lead to Agency guidance on ADC programs.

1743G/2

ASHA

Issue: We have received so many persistent allegations from unrelated sources over the past several years relating to the way the ASHA office deals with grant applicants, a number of whom have alleged to us that they have been dealt with in a deceptive and prejudicial manner. I have three institutions in mind -- the International School of Agriculture in Israel, the Jerusalem Elwin, and Shaarezedek Hospital. Given the similarity of the complaints, I suspect it may reflect a broader problem. Some of the allegations we have received include: (1) a refusal by ASHA to provide application forms; (2) the use of funding criteria by ASHA staff that are different from published guidelines; (3) that ASHA staff have told applications that they are not bound by Congressional directives; (4) that institutions in Israel are not favored because Israel receives large amounts of foreign aid from other accounts; and (5) that ASHA would not assist programs that assist the handicapped. If these reports are true, they reflect a callous and high-handed indifference towards ASHA grantees, and a cynical and unprofessional attitude.

I would appreciate any comments. Also, what is the current status of decisions on ASHA grant applications for this fiscal year?

Talking Points:

- I am aware of these three institutions and the unsuccessful attempts of two of them to establish their eligibility for ASHA support.
- With regard to these allegations, I would have to ask for specific, detailed and attributed documentation of each of them in order to make a judicious response.
- Concerning this fiscal year's ASHA grants, there are 76 applications totaling \$117 million. Applications are currently under review with decisions expected within the next few months.

Child Survival Activities

Issue: What are the Agency's plans for funding child survival activities in FYs 1988 through 1990 from all accounts (identify)?

Talking Points:

- A.I.D. plans to provide an estimated 512 million dollars from all accounts for child survival activities in FYs 1988 through 1990.
- This funding level includes an estimated cumulative total of 208 million dollars from the Child Survival Fund, 146 million dollars from the Health account, 101 million dollars from the Development Fund for Africa, 33 million dollars from the Economic Support Fund, and 26 million dollars from Agriculture, Rural Development and Nutrition. It does not include funds from the Population Account or from Public Law 480 that may be used in support of child survival activities.
- By region, during this period A.I.D. plans to provide a cumulative total of at least 105 million dollars to Africa, 134 million dollars to Asia and the Near East, and 134 million dollars to Latin America and the Caribbean. A.I.D. plans to provide additional central support for private voluntary organizations, technical assistance, and limited research that benefits country programs.
- This level of funding permits us to support child survival activities in 22 countries that have been selected for special emphasis because of high mortality rates relative to their region as well as activities on a more modest scale in over 35 additional countries.
- A detailed description of the program in FY 88 is included in Appendix One of Child Survival: A Fourth Report to Congress on the USAID Program (attached). Estimates of funding by year and trends between FY 85-90 are also attached.

PROJECT TITLE AND PURPOSE	CSF (\$1,000)	HE (\$1,000)	ARL (\$1,000)	DFA (\$1,000)	ESF (\$1,000)	AFRICA
Child Survival: The U.S. Centers for Disease Control provides nationwide services and training in diarrheal disease control, immunization, malaria control, health education, health information systems and health care financing to combat childhood communicable diseases.	0	0	0	255	0	BURUNDI
Maternal Child Health/Child Survival: A consortium including Harvard and Drew Universities and the Academy for Educational Development supports health care delivery service including ORT, immunization and nutrition in the southern province of Adamaoua.	0	0	0	900	0	CAMEROON
Africa Child Survival Initiative-CCCD: The U.S. Centers for Disease Control provides services and training in diarrheal disease control, immunization coverage, malaria control, health education, health information systems and health care financing.	0	0	0	305	0	CENTRAL AFRICAN REPUBLIC
Family Planning Services and Support: U.S. and local government agencies contribute to nationwide family planning efforts to promote child spacing.	0	0	0	2696	0	KENYA
Community-Based Child Survival: CORAT, a local church group, works to increase immunization coverage and train volunteers in ORT, nutrition and child spacing techniques.	0	0	0	300	0	
FY 88 Child Survival Grant to Minnesota International Health Volunteers: Supports child survival by training health workers in appropriate interventions and operating maternal and child health centers.	400	0	0	0	0	
FY 88 Grant to African Medical and Research Foundation: Provides immunization services and training in other child survival interventions in rural areas of the Kajiado District and the urban slums of Nairobi.	45	0	0	0	0	
Africa Child Survival Initiative-CCCD: The U.S. Centers for Disease Control assists in developing and expanding child survival services including control of diarrheal diseases, immunization, malaria, health education, health information systems and health care financing.	0	0	0	722	0	LIBERIA
Africa Child Survival Initiative-CCCD: The U.S. Centers for Disease Control conducts disease surveillance and training in control of diarrheal diseases, immunization and acute respiratory infections, and provides support in health education, health information systems and health care financing.	0	0	0	293	0	LESOTHO
Dioyo Child Survival: AFRICARE promotes child survival activities including ORT, immunization, nutrition education and high risk birth management.	0	0	0	982	0	MALI
FY 88 Grant to Save the Children Federation: Conducts "child-protective" behavior training for families and assists communities to organize, implement and monitor primary health care services.	1015	0	0	0	0	
Health Sector Support: Tulane University provides technical assistance and in-service training to strengthen local health service delivery systems that include child survival initiatives.	0	0	0	1930	0	NIGER
Family Health and Demography: The Ministry of Public Health, Social Affairs and Women's Status extends family health services to combat high risk births in three departments in Niger.	0	0	0	840	0	
AFRICARE Child Support: Provides ORT, nutrition counseling and growth monitoring programs in the Dosso and Diffa Districts.	0	0	0	770	0	
FY 88 Child Survival Grant to World Vision Relief and Development: Provides immunization, ORT, nutrition and high risk birth management services in the Ijesha Region in northern Nigeria in conjunction with the Christian Health Center.	400	0	0	0	0	NIGERIA

The funds in this table were obligated in Fiscal Year 1988 from various accounts: Health (HE); Child Survival Fund (CSF); Economic Support Fund (ESF); Agriculture, Rural Development and Nutrition (ARDN); and Development Fund for Africa (DFA). Amounts listed are estimates that can be attributed to child survival. A number of the projects have broader purposes, such as strengthening primary health care services or water and sanitation. FY 1988 funds for the latter are not included.

COUNTRY	PROJECT TITLE AND PURPOSE	CSF (\$1,000)	HE (\$1,000)	ARDN (\$1,000)	DFA (\$1,000)	ESF (\$1,000)
SUDAN	Africa Child Survival Initiative-CCCD: The U.S. Centers for Disease Control provides services and training in control of diarrheal diseases, immunization, malaria control, health education, health information systems and health care financing.	0	0	0	514	0
	Rural Health Support: Provides support in maternal and child health care, essential drug supply and water and sanitation, in the Kordofan and Darfur Regions through One America and in the town of Juba through AMREF.	0	0	0	700	0
	Child Survival Project: A grant to UNICEF promotes primary health care services, including ORT, immunization and nutrition education.	0	0	0	3000	0
SWAZILAND	Africa Child Survival Initiative-CCCD: The U.S. Centers for Disease Control provides services and training in child survival interventions to combat childhood communicable diseases.	0	0	0	1000	0
	Primary Health Care: Management Sciences for Health and Drew University support a national plan integrating immunization, ORT, growth monitoring and child spacing initiatives into health delivery service programs.	0	0	0	700	0
	Family Health Services: Promotes high risk birth management activities as an essential part of family health services through U.S. and local private voluntary organizations.	0	0	0	280	0
TOGO	Health Sector Support for Child Survival: Helps the Ministry of Health plan, administer and deliver primary health care services, including child survival interventions.	0	376	0	1458	0
	Africa Child Survival Initiative-CCCD: The U.S. Centers for Disease Control provides services and training in child survival interventions including control of diarrheal diseases, malaria, health education, health information systems and health care financing.	0	0	0	170	0
ZAIRE	Basic Rural Health II: Eglise du Christ au Zaire, a local private voluntary organization, promotes child survival through primary health care services in 75 rural health zones.	0	0	0	1400	0
	Africa Child Survival Initiative-CCCD: The U.S. Centers for Disease Control supports national programs in immunization, control of diarrheal diseases and malaria through training, disease surveillance, health care financing and operations research activities.	0	0	0	414	0
ZIMBABWE	FY 88 Child Survival Grant to Save the Children Federation: Assists local communities to organize, implement and monitor child survival services.	612	0	0	0	0
REGIONAL	Africa Child Survival Initiative-CCCD: A multi-donor effort by WHO, U.S. Centers for Disease Control and others combats childhood diseases in ten sub-Saharan African countries through appropriate diarrhea case management, immunization and malaria control activities and development of training, health education, health information systems and health care financing capabilities in those countries.	0	0	0	10929	0
	Africa Child Survival Initiative-CCCD, PRITECH: Technical assistance, through PRITECH, strengthens the diarrheal disease control programs of host country governments in the Sahel (Burkina Faso, Gambia, Mali and Niger).	0	0	0	885	0
	Operations Level Management: The MEDEX Group of the University of Hawaii provides health management training to mid-level health care workers in Botswana and Lesotho.	0	0	0	150	0
AFRICA SUBTOTAL		2472	376	0	31598	0

PROJECT TITLE AND PURPOSE	CSF (\$1,000)	HE (\$1,000)	ARDN (\$1,000)	DFA (\$1,000)	ESF (\$1,000)	ASIA AND THE NEAR EAST
Health Sector Support: Management Sciences for Health provides training and medical supplies to small health care units which support immunization services to Afghan mothers and children.	0	1260	0	0	196	AFGHANISTAN
Agricultural Sector Support: Volunteers in Technical Assistance provides nutrition-related services benefitting mothers and children.	0	139	0	0	0	
PVO Co-Financing: Expands child survival and health program activities through grants to U.S. and local private voluntary organizations.	0	504	0	0	0	
Family Planning and Health Services: Population Services International, working with the Ministry of Health and Family Planning (MOHFP), expands ORS marketing through maternal and child health programs and 100,000 outlets nationwide. John Snow, Inc. assists MOHFP and the Ministry of Local Government to expand immunization in the urban slums.	2000	1500	0	0	0	BANGLADESH
FY 88 Child Survival Grant to Save the Children Federation: Conducts training in child survival interventions for families and helps communities organize, implement and monitor health care services.	1000	0	0	0	0	
FY 88 Child Survival Grant to World Vision Relief and Development: Provides services in ORT, immunization, nutrition and high risk birth management in cooperation with the Christian Health Centre.	184	0	0	0	0	
Cost Recovery Health: Promotes a major initiative of the Ministry of Health to introduce cost recovery systems for child survival and public health services.	0	0	0	0	1000	EGYPT
Biomedical Research Support: Assists the Government of India in vaccine research and development in collaboration with WHO and the U.S. Centers for Disease Control.	0	98	0	0	0	INDIA
Child Survival Health Support: UNICEF and local non-governmental organizations assist the Ministry of Health in major expansion of child survival initiatives by promoting ORT, immunization and the control of acute respiratory infections.	0	8000	0	0	0	
Technical Assistance and Support: Assists local experts to train health workers, conduct biomedical research and strengthen child survival services such as ORT, immunization, growth monitoring, breast-feeding and child spacing.	0	240	0	0	0	
Contraceptive Development and Reproductive Immunology: Assists the Government of India in research and development of temporary methods of contraception used for child spacing in collaboration with U.S. investigators and institutions.	0	180	0	0	0	
Expanded Program on Immunization: The Ministry of Health, with assistance from the U.S. Centers for Disease Control and the Academy for Educational Development supports a national immunization program to increase immunization coverage.	0	320	0	0	0	INDONESIA
PVO Co-Financing II: Provides U.S. and local private voluntary organizations with support to integrate nutrition and other child survival activities with their Title II food distribution programs.	0	1027	0	0	0	
FY 88 Child Survival Grant to Project Concern International: Continues support to train health workers and traditional birth attendants serving north and south Sulawesi in child survival interventions.	1254	0	0	0	0	
FY 88 Child Survival Grant to CARE: Promotes child survival interventions such as ORT and immunization to women and children in low-income rural areas.	1178	0	0	0	0	
Marketing of Child Spacing: Using social marketing, promotes child spacing as key to high risk birth management.	0	0	0	0	2250	JORDAN
Family Planning Support III-Child Survival: Supports the Ministry of Health's programs for immunization, control of diarrheal diseases and nutrition education through information campaigns and mobilization of the private sector.	1500	0	0	0	0	MOROCCO

COUNTRY	PROJECT TITLE AND PURPOSE	CSF (\$1,000)	HE (\$1,000)	ARDN (\$1,000)	DFA (\$1,000)	ESF (\$1,000)
NEPAL	Integrated Rural Health/Family Planning Services: Incremental funding assists the Ministry of Health in providing ORT, immunization, malaria control and family planning services in rural areas.	0	53	0	0	0
	PVO Co-Financing II: Assists U.S. and local private voluntary organizations to extend health and child survival activities in Nepal.	0	211	0	0	0
PAKISTAN	Child Survival: Supports Ministry of Health's efforts to reduce infant mortality through key child survival interventions including technical assistance and commodities for expanding immunization coverage, diarrheal disease control programs and problems associated with acute respiratory infections.	10000	0	0	0	0
	Malaria Control II: The Ministry of Health administers a nationwide malaria control program including insecticide spraying, case detection, training health workers and operations research activities.	0	0	0	0	1400
PHILIPPINES	PVO Co-Financing II: Expands child survival and health program activities through grants to U.S. and local private voluntary organizations.	0	29	0	0	0
	Regional Development Fund: Strengthens infrastructure for potable water and sanitation systems to prevent diarrhea and waterborne diseases in children and adults.	0	687	0	0	0
THAILAND	Emerging Problems of Development II: Contributes support to the Government of Thailand's efforts to strengthen the health and child survival sector.	0	20	0	0	0
YEMEN	Small Rural Water Systems: Incremental funding through New Transcentury assists the Ministry of Health in improving water supply systems in rural Yemen.	0	24	0	0	0
	Accelerated Cooperation for Child Survival: The Ministry of Health, with assistance from the REACH and HEALTHCOM projects, expands child survival activities in five governorates, including implementing immunization programs, developing health education materials and training primary health care workers.	0	1164	0	0	0
REGIONAL	Program Development and Support: Supports the design and evaluation of child survival programs in the region.	0	363	0	0	0
	Regional Technical Services in Vitamin A: Multiple implementing agencies provide field support to countries in design, evaluation and implementation of vitamin A programs.	0	0	1000	0	0
	SPC Multi-Program Support: Trains health workers in child survival interventions through support to the South Pacific Commission.	0	80	0	0	0
	PVO Co-Financing: Assists U.S. and local private voluntary organizations to extend health and child survival services in the South Pacific.	0	384	0	0	0
ASIA AND THE NEAR EAST SUBTOTAL		17116	16185	1000	0	1846
LATIN AMERICA AND THE CARIBBEAN	Increased Productivity Through Better Health: The Ministries of Health and Natural Resources seek to reduce the morbidity and mortality of women and children by controlling the incidence of malaria, dengue fever and gastrointestinal diseases.	0	72	0	0	0
BELIZE	Child Survival Support: U.S. and local private voluntary organizations, in cooperation with the Ministry of Health, support nationwide efforts to provide child survival services including ORT, immunization, growth monitoring, improved infant/child feeding practices and the control of acute respiratory infections.	530	0	0	0	0
BOLIVIA	Child Survival PVO Network: Coordinate resources available through cooperating U.S. and local private voluntary organizations to strengthen capabilities of these organizations in providing basic health services to high risk rural populations.	1000	0	0	0	0

PROJECT TITLE AND PURPOSE	CSF	HE	ARDN	DFA	ESF	COUNTRY
	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	
ORT and Child Growth Monitoring: Catholic Relief Services and CARITAS/Bolivia promote primary health care services for children through 1,800 mothers' clubs in eight rural areas using growth monitoring techniques to identify children at risk.	400	0	0	0	0	
Self-Financing Primary Health Care: Management Sciences for Health expands low-cost primary health care services and programs such as ORT, immunization and nutrition education through the private sector.	0	49	0	0	0	
Program Development and Support: Supports design and evaluation of child survival projects.	440	0	0	0	0	
Improving Impact of PL 480 Resources: Supports local and U.S. private voluntary organizations in program management of child survival services related to Title II and Section 416 programs.	200	0	0	0	0	
Community and Child Health: The Ministry of Social Welfare and Public Health develops regional capacities to deliver sustainable primary health care services, including programs promoting immunization, ORT, high risk birth management, growth monitoring and water and sanitation activities.	2500	200	0	0	0	
FY 88 Child Survival Grant to Project Concern International: Delivers child survival services including nutrition and high risk birth management training and distribution of ORS packets.	850	0	0	0	0	
Health Systems Management: Incremental funding assists the Ministry of Health to improve health management systems and establish surveillance programs for dengue and yellow fever.	0	28	0	0	0	DOMINICAN REPUBLIC
Child Survival: The Ministry of Health, through U.S. and local private voluntary organizations, supports nationwide programs to reduce infant and child morbidity and mortality through ORT, nutrition education and prevention and control of acute respiratory infections.	500	810	0	0	0	
Program Development and Support: Supports design and evaluation of child survival projects.	46	9	0	0	0	ECUADOR
FY 88 Child Survival Grant to Catholic Relief Services: Supports self-sustaining health and nutrition programs serving 3,000 children under age six in the Manabí, Cotopaxi and Azuay Provinces.	250	0	0	0	0	
FY 88 Child Survival Grant to Freedom from Hunger Foundation: Promotes ORT, immunization and appropriate infant feeding through social marketing strategies in collaboration with the local government.	440	0	0	0	0	
Program Development and Support: Supports the design and evaluation of child survival programs.	0	15	0	0	0	EL SALVADOR
Community-Based Integrated Rural Development: In cooperation with the Ministry of Health, Save the Children Federation provides village families in eastern and northern regions with immunization, ORT, nutrition education and potable water.	1625	0	0	0	0	
Health Systems Support: Assists the Ministry of Health in supporting and strengthening public health care systems to ensure the delivery of maternal and child health services nationwide.	0	11824	0	0	0	
Public Service Restoration: Incremental funding assists the Ministry of Planning to keep basic water and sanitation and other public services operating in the wake of civil war.	0	40	0	0	0	
Program Development and Support: Supports the design and evaluation of child survival projects.	27	0	0	0	0	GUATEMALA
Expansion of Family Planning Services: In cooperation with indigenous private voluntary organizations and the private sector, assists the Ministry of Health to integrate child survival interventions into national family planning services.	2760	0	0	0	0	
FY 88 Child Survival Grant to Project HOPE: Expands ORT, immunization and nutrition services in rural communities of the San Marcos and Quetzaltenango Departments.	600	0	0	0	0	

COUNTRY	PROJECT TITLE AND PURPOSE	CSF (\$1,000)	HE (\$1,000)	ARDN (\$1,000)	DFA (\$1,000)	ESF (\$1,000)
	FY 88 Child Survival Grant to La Leche League: Promotes breast-feeding among pregnant and lactating women through women's groups.	144	0	0	0	0
	FY 88 Child Survival Grant to Foster Parents Plan: Promotes immunization, ORT and child spacing programs for mothers and their young children.	425	0	0	0	0
HAITI	Voluntary Agencies for Child Survival: Delivers nationwide child survival and health interventions through numerous local and U.S. private voluntary organizations.	1000	3013	0	0	0
	Community Water System Development: CARE contributes to child survival by providing rural areas with potable water, improved sanitation and health education.	0	0	188	0	0
	Urban Health and Community Development II: The Complexe Medico-Sociale de la Cite Soleil provides ORT, immunization, growth monitoring, malaria and AIDS control services in a poor, peri-urban community of Port au Prince.	0	649	0	0	0
	FY 88 Child Survival Grant to the Adventist Development Relief Agency: Promotes child survival focusing on immunization, ORT, growth monitoring, child spacing and prenatal care of pregnant women.	200	0	0	0	0
HONDURAS	Health Sector II: The Ministry of Health provides comprehensive health care services emphasizing child survival interventions and rural water and sanitation services.	4022	3809	0	0	0
	FY 88 Child Survival Grant to Project HOPE: Expands immunization coverage, the effective use of ORT and improved nutrition practices in the Tegucigalpa marginal urban areas.	500	0	0	0	0
	FY 88 Child Survival Grant to La Leche League: Promotes breast-feeding among pregnant and lactating women through the development of local women's groups.	144	0	0	0	0
JAMAICA	AIDS Prevention and Control: Supports child survival, including health education, through the Ministry of Health's AIDS prevention program.	0	43	0	0	0
	Low-Cost Shelter Development: Contributes to Jamaican National Water Commission efforts to provide better access to water and sanitation facilities serving mothers and young children.	0	1	0	0	0
PERU	Child Survival Action: The Ministry of Health supports the development of sustainable programs and expands health care services in diarrheal disease control, immunization, nutrition education and child spacing.	5114	0	0	0	0
	Andean Peace Scholarship: Supports studies in the U.S. for Peruvian health workers on topics including child survival.	0	15	0	0	0
	Nutrition and Food for Work: Local private voluntary organizations provide ORT, immunization, nutrition, high risk birth management and water and sanitation services in 14 departments of Peru.	102	0	160	0	0
	Program Development and Support: Supports the design and evaluation of child survival projects.	0	12	0	0	0
	Food Assisted Integrated Development: A grant to CARE provides child survival interventions including growth monitoring and nutrition education to mothers and children through a community kitchen feeding program.	115	0	0	0	0
	Integrated Food, Nutrition and Child Survival: A joint effort of PRISMA, a local private voluntary organization and the Ministry of Health, this project provides child survival services including ORT, immunization, nutrition, high risk birth management and acute respiratory infection control services nationwide.	0	350	38	0	0
	Central Selva Resource Management Phase II: A multi-sectoral effort providing training in child survival interventions including ORT, immunization and nutrition.	0	0	1564	0	0

PROJECT TITLE AND PURPOSE	CSF (\$1,000)	HE (\$1,000)	ARDN (\$1,000)	DFA (\$1,000)	ESF (\$1,000)	COUNTRY
East Caribbean Regional Immediate Health Care: Project HOPE provides technical support and in-service training to improve health and child survival service delivery in Grenada.	0	115	0	0	0	
Technical Support for Food Assistance: Strengthens nutrition programs in countries of the region through national policy development and disseminates maternal and child health and nutrition materials through agencies involved in food aid.	0	238	0	0	0	ROCAP
ORT, Growth Monitoring and Nutrition Education: Collaborative effort of the Institute for Nutrition in Central America and Panama, and the Ministries of Health in the region, the project promotes use of ORT/ORS, growth monitoring and nutrition education programs.	400	200	0	0	0	
Vitamin A: Grant to the Institute for Nutrition in Central America and Panama supports direct technical assistance, training and dissemination of new technologies for the control of vitamin A deficiency in Central America.	0	0	250	0	0	
Accelerated Immunization: Grant to the Pan American Health Organization assists countries in the region to control transmission of the polio virus and supports national immunization efforts.	3400	100	0	0	0	REGIONAL
Program Development and Support: Supports design and evaluation of child survival projects.	50	0	0	0	0	
Essential Drugs and Malaria: Strengthens malaria control efforts and supports improvement of an essential drugs program in the region.	0	123	0	0	0	
Intercountry Technology Transfer: Multiple implementing agents adapt existing technologies to support improvements in delivering health and child survival interventions, and provide vitamin A-related services through Project HOPE.	1000	510	275	0	0	
LATIN AMERICA AND THE CARIBBEAN SUBTOTAL	28784	22216	2475	0	0	
Technical Support/Child Survival: Johns Hopkins University, PRI-TECH and REACH provide technical assistance to private voluntary organizations in management and evaluation of child survival programs.	409	0	0	0	0	GLOBAL
Rotary Foundation: Incremental funding of a grant to Rotary International to support its worldwide immunization programs.	3305	3	0	0	0	
Matching Grant: Freedom from Hunger Foundation	0	113	0	0	0	
Matching Grant: Esperança	0	45	0	0	0	
Matching Grant: Adventist Development and Relief Agency	0	88	0	0	0	
Matching Grant: Aga Khan Foundation	0	100	0	0	0	
Matching Grant: Helen Keller International	0	38	0	0	0	
Matching Grant: Project Concern International	0	160	0	0	0	
Matching Grant: Project HOPE	0	100	0	0	0	
Matching Grant: National Council for International Health	45	49	0	0	0	
Matching Grant: African Medical and Research Foundation	0	20	0	0	0	
Matching Grant: Salvation Army World Service Office	0	225	0	0	0	
Matching Grant: World Vision Relief and Development	0	300	0	0	0	
Matching Grant: CARE	0	160	0	0	0	
PVO Vitamin A Support: Grants to U.S. private voluntary organizations to distribute vitamin A capsules to control nutritional blindness and to Helen Keller International to provide technical assistance to these organizations in the design, monitoring and implementation of their vitamin A programs.	0	0	2115	0	0	

COUNTRY	PROJECT TITLE AND PURPOSE	CSF (\$1,000)	HE (\$1,000)	ARDN (\$1,000)	DFA (\$1,000)	ESF (\$1,000)
GLOBAL	Operations Research in Primary Health Care II (PRICOR): Center for Human Services conducts operations research to study factors impeding the effective development and operation of health care systems delivering child survival interventions.	0	2210	0	0	0
	Health Resource Support: Assists developing countries in development, implementation and evaluation of health and child survival programs through an agreement with the U.S. Department of Health and Human Services.	34	0	0	0	0
	MEDEX Support: The University of Hawaii promotes training of health professionals with special emphasis on management skills required for effective health service delivery.	0	320	0	0	0
	Diagnostic Technology for Community Health: Program for Appropriate Technology in Health (PATH) and Johns Hopkins University develop and adapt simple, low-cost diagnostic technologies to treat and control malaria, acute respiratory infections and diarrheal diseases.	0	1997	0	0	0
	Child Survival Action Program-Support: Johns Hopkins University and other implementing agencies promote child survival programs through advisors and fellows, support for operations, applied and evaluation research and information dissemination.	1294	168	0	0	0
	Communication for Child Survival (HEALTHCOM): The Academy for Educational Development provides worldwide field support for communication and social marketing efforts in the health sector to increase the use of child survival interventions such as ORT and immunization.	2155	0	0	0	0
	Technologies for Child Health: PATH develops low-cost, appropriate tools for child survival programs, especially immunization.	800	0	0	0	0
	ORT Health Education and Long-Term Planning: Multiple implementing agencies support information exchange among developing country leaders and health providers on all aspects of diarrheal disease control.	525	939	0	0	0
	Maternal and Neonatal Health and Nutrition: Conducts operations research on critical issues related to mothers' problems and helps design cost-effective interventions to alleviate them.	0	582	0	0	0
	Technical Advisors in Child Survival: Technical advisors recruited from federal and state agencies and schools of public health through the U.S. Department of Health and Human Services assist in implementing child survival programs.	500	470	0	0	0
	Supply, Production and Promotion of ORT (Project SUPPORT): PATH provides technical assistance promoting local manufacturing and distribution of ORS through the private sector.	500	0	0	0	0
	Technologies for Primary Health Care (REACH): Worldwide technical field support for disease control programs emphasizing immunization and health care financing.	2000	0	0	0	0
	Technologies for Primary Health Care (WHO): Support for selected cost recovery studies in child survival.	100	0	0	0	0
	Technologies for Primary Health Care (Johns Hopkins): Provides technical support for child survival projects.	200	0	0	0	0
	Technologies for Primary Health Care II: Through Management Sciences for Health this project follows on to PRITECH, serving as a central resource for technical assistance in implementing ORT/diarrheal disease control programs worldwide.	3740	0	0	0	0
	Pediatric Clinic Diarrheal Disease Research: Children's Hospital, Buffalo, New York, supports research and training for improving the treatment of chronic diarrhea in children.	0	150	0	0	0
Vaccine Development and Health Research: Supports programs, through the U.S. Department of Health and Human Services, to test and improve vaccines to combat childhood diseases such as measles and rotavirus.	0	1003	0	0	0	

PROJECT TITLE AND PURPOSE	CSF (\$1,000)	HE (\$1,000)	ARDN (\$1,000)	DFA (\$1,000)	ESF (\$1,000)	COUNTRY
Vector Biology and Control: Medical Service Corporation International provides worldwide technical assistance supporting effective and cost efficient vector-borne disease control programs.	0	446	0	0	0	GLOBAL
Applied Diarrheal Disease Research: Harvard University supports country-specific applied research on priority diarrheal disease problems.	0	1523	0	0	0	
Diarrheal Disease Research: Supports research, training and information dissemination on the control and treatment of diarrheal diseases through the World Health Organization and the International Centre for Diarrhoeal Disease Research, Bangladesh.	0	2773	0	0	0	
Water and Sanitation for Health III (WASH): Camp Dresser and McKee International and other implementing agencies provide technical assistance on a broad range of services to help plan, implement and evaluate rural and urban water and sanitation programs.	0	200	0	0	0	
Demographic and Health Surveys: Westinghouse Institute for Resource Development assists countries in conducting demographic and health surveys providing data on the status of health and child survival interventions.	480	400	0	0	0	
Natural Family Planning: Georgetown University provides information and technical resources on breastfeeding and tests implementation of breastfeeding promotion in child survival programs.	260	0	0	0	0	
Family Health International: Conducts clinical research and collects and disseminates information on the return to fertility during breastfeeding.	50	0	0	0	0	
Combatting Iron Deficiency: Nutrition Foundation and Kansas University support efforts to reduce the incidence of iron deficiency anemia in mothers and children.	279	0	0	0	0	
Improvement of Maternal and Infant Diet: Multiple implementing agencies, including Wellstart International, promote breastfeeding, use of healthy weaning foods and better diets for pregnant and lactating women.	1400	1600	100	0	0	
Nutrition Surveys and Surveillance: Cornell University develops appropriate methodologies in the surveillance, design and implementation of nutrition programs.	0	0	400	0	0	
Vitamin A for Health: Private voluntary organizations and research foundations support service delivery and research activities on vitamin A.	0	0	4200	0	0	
Nutrition Education and Social Marketing: The Academy for Educational Development supports host country efforts to design, implement and evaluate nutrition education programs.	0	321	379	0	0	
HBCU Research Grants: Grants to historically black colleges and universities support biomedical and operational research activities related to child survival initiatives.	0	566	0	0	0	
Joint Health MOUs: Grants to historically black colleges and universities provide technical assistance to health and child survival programs.	0	456	0	0	0	
GLOBAL SUBTOTAL	18076	17526	7194	0	0	
TOTALS BY ACCOUNTS	66448	56306	10670	31598	4846	
GRAND TOTAL				\$169,868,000		

SUMMARY FUNDING FOR CHILD SURVIVAL, BY BUREAU, BY ACCOUNT
(\$000#)

TABLE I

BUREAU	ACCOUNT	FY85*	FY86*	FY87**	FY88***	FY89***	FY90***
		CS	CS	CS	CS	CS	CS
AFRICA							
	CSF	4906	8810	17244	2472	0	0
	HE	17843	18643	14639	376	0	0
	ARDN	772	0	398	0	0	0
	DFA	0	0	0	31598	34706	34185
	DG(AIDS)	0	0	0	0	0	0
	ESF	0	0	0	0	2000	0
	POP	0	0	0	0	0	0
	SAHEL	3721	2750	4370	0	0	0
	TOTAL	27242	30203	36651	34446	36706	34185
ASIA/NEAR EAST							
	CSF	5713	10000	15853	17116	14444	13104
	HE	13037	31013	20509	16185	15764	23596
	ARDN	1846	0	2965	1000	1000	1000
	ESF	6691	15170	20259	4846	16150	9466
	POP	0	0	0	0	30	38
	TOTAL	27287	56183	59586	39147	47388	47204
LATIN AM./CARIB.							
	CSF	5815	9450	26794	28784	25353	26000
	HE	25133	28371	10718	22219	12752	14289
	ARDN	1078	726	1067	2476	557	512
	DG(AIDS)	0	0	0	0	0	0
	EH	0	0	0	34	24	41
	ESF	38	0	10000	0	0	0
	POP	946	231	0	816	0	0
	TOTAL	33010	38778	48579	54328	38685	40842
GLOBAL							
	CSF	8565	8165	15103	18076	30493	31896
	HE	27665	16365	21270	17525	11065	11949
	ARDN	8465	5923	3282	7194	6400	5775
	DG(AIDS)	0	0	0	0	0	0
	POP	0	0	0	0	0	0
	TOTAL	44695	30453	39655	42795	47958	49620
TOTAL ALL ACCT.							
	CSF	24999	36425	74994	66448	70290	71000
	HE	83678	94392	67136	56306	39581	49834
	ARDN	12161	6649	7712	10670	7957	7287
	DFA	0	0	0	31598	34706	34185
	DG(AIDS)	0	0	0	0	0	0
	EH	0	0	0	34	24	41
	ESF	6729	15170	30259	4846	18150	9466
	POP	946	231	0	816	30	38
	SAHEL	3721	2750	4370	0	0	0
	TOTAL	132234	155617	184471	170717	170737	171851

*Final obligations; Child Survival attributions from FY86 Questionnaire.

**Final obligations; Child Survival attributions from FY87 Questionnaire.

***FY 90 CP level obligations; Child Survival attributions from FY88 Questionnaire, with the exception of the Development fund for Africa which identifies its child survival attributions from a new reporting procedure.

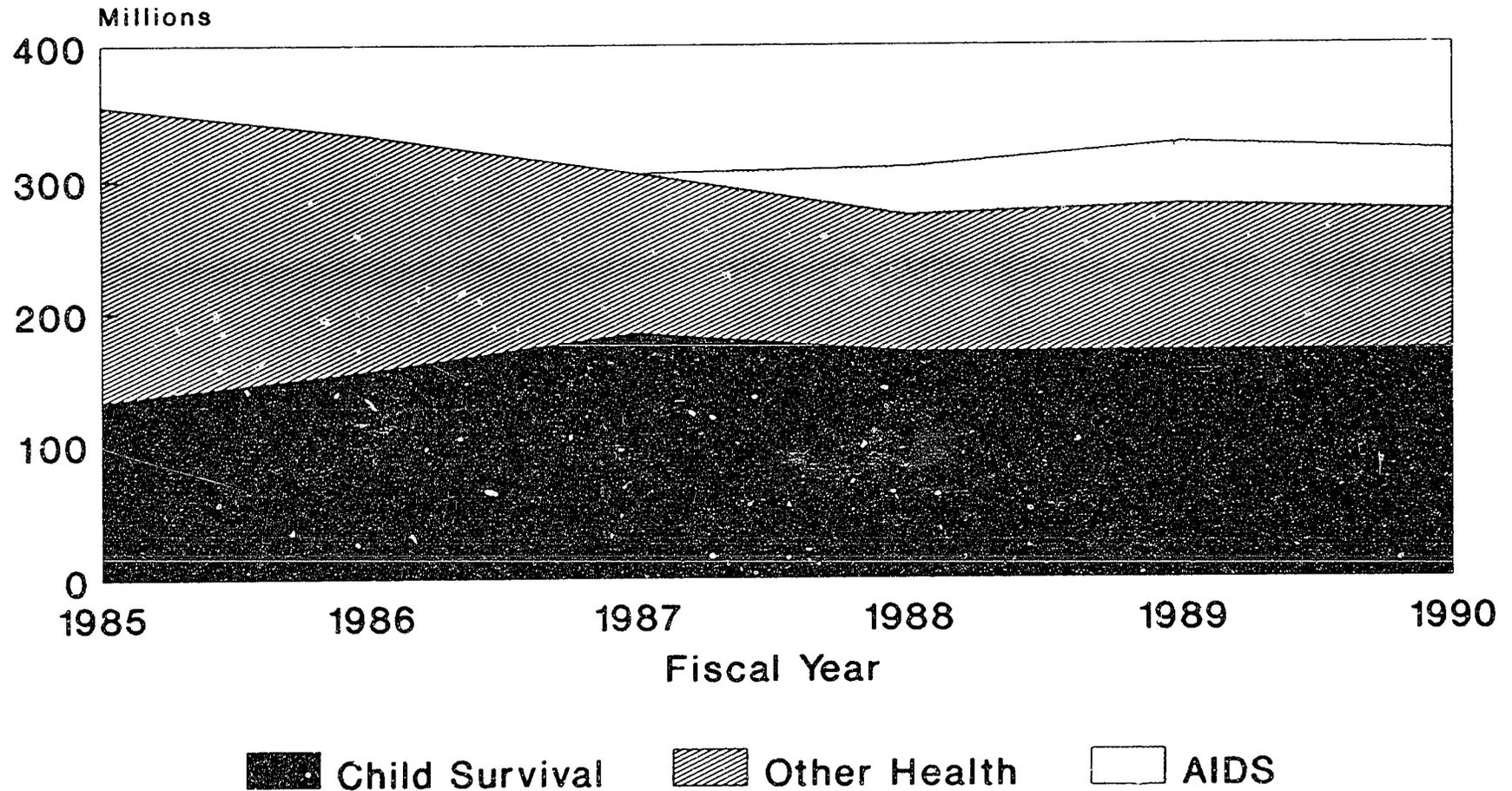
Note: FVA Child Survival Grants are allocated regionally in FY 85-88.

Note: FY88 Child Survival Fund for LAC does not include \$17.7 million of Nicaragua's "Children's Survival Assistance."

USAID Funding for Health

Child Survival, Other Health, and AIDS

All Accounts



Coastal Resources Management Project

Issue: The University of Rhode Island has contacted Senator Pell to express concern over the level of funding in the Coastal Resources Management project (936-5518) which is part of the S&T/FENR portfolio. The University was under the impression that its funding level for FY 90 would be \$1.2 million, whereas, the project is budgeted at \$647,000 in the FY 90 CP.

[Background: The Coastal Resources Management (CRM) project was designed in FY 83 and initiated in FY 85. On May 15, 1985, a cooperative agreement was signed with the University of Rhode Island (URI) and \$1.1 million was obligated to initiate a coastal resources management program. Three countries were selected as pilot nations: Ecuador, Sri Lanka, and Thailand. It is anticipated that other developing countries will wish to explore this successful resource conservation strategy and there will be a follow-on project.]

Talking Points:

- The cooperative agreement with URI, which expires on September 30, 1992, has a duration of seven years. In FY 88 the authorized funding ceiling was raised from \$8.0 million to \$9.250 million to allow for mission and regional buy-ins.
- To date, \$5.409 million has been obligated to URI. Of this amount, S&T/FENR has contributed \$4.1 million and the remainder of \$1.3 million has been in buy-ins from A.I.D. missions in Ecuador and Thailand, and the Asia and Near East Bureau.
- The CRM project is currently undergoing a mid-term evaluation to assess its design, implementation, and project progress. It will provide us with draft recommendations at the end of May for any possible project adjustments or redirection, as well as with recommendations for longer term future directions of A.I.D. support of coastal resource management activities.
- Due to budget constraints and other major thrusts in the S&T/FENR office portfolio of interest to the Congress, including conservation of biological diversity, tropical forestry, improved agroforestry farming practices, and strengthening other aspects of environmental management in developing countries, the S&T/FENR allocation for the coastal project has been budgeted at \$647,000 for FY 90 until the evaluation recommendations can be assessed.

-- URI's impression that it would receive \$1.2 million in FY 90 most probably stems from projected annual funding levels based on the recently raised funding ceiling (to \$9.25 million) divided by the number of years in the cooperative agreement (7 years). This impression is unrealistic, of course, because S&T/FENR's present and projected budget levels are not permitting fully funding projects at the authorized levels.

1743G/5

Criminal Cases Against U.S. Employees

Issue: Describe the steps A.I.D. is taking to prevent a recurrence of fraud and mismanagement of funds by employees.

Talking Points:

- In 1988, three A.I.D. employees were indicted and convicted on criminal charges.
- The most publicized case involved the arrest and conviction of William Burns, a supervisory financial analyst, for the embezzlement of \$1.2 million over a six-year period. The arrest of Mr. Burns brought to light several internal control weaknesses that have subsequently been addressed by:
 - o shutting off the dual accounting system against which Mr. Burns was charging expenditures;
 - o restricting employee access to only those modules of the accounting system required to perform their duties; and
 - o reconciling items in suspense accounts to prevent similar transactions.

In addition to these specific actions taken by the Office of Financial Management, internal control assessments are being conducted by all overseas missions and for most Washington offices during 1989. The chances of someone repeating such an embezzlement are substantially less now than a year ago.

- The second case involved a Mission Director convicted of employing his spouse. Since this conviction, the Agency has issued strict new guidance on conflict of interest and spousal employment. This guidance should ensure that similar situations do not occur.
- The third case involved an A.I.D. employee indicted for smuggling gold through customs under a diplomatic passport. There is not much more we can do as an agency to prevent such occurrences other than to impose severe personnel actions on such employees.
- These three incidents, it must be pointed out, were exceptional occurrences that should not be interpreted as a reflection on A.I.D. employees or the Agency as a whole.

Disaster Assistance Borrowing Authority

Issue: Under Section 492(b) borrowing authority for International Disaster Assistance, what amounts, from what accounts/countries, and for what purposes were funds borrowed by the Office of Foreign Disaster Assistance for disaster relief activities in FY 1986, FY 1987 and FY 1988? How much and from what sources have funds been reserved for anticipated borrowing under section 492(b) authority in FY 1989?

Talking Points:

- Section 492(b) of the FAA provides that up to \$50 million in any fiscal year may be borrowed for International Disaster Assistance (IDA) activities, and amounts subsequently appropriated for IDA with respect to a disaster may be used to reimburse any appropriation account against which obligations were incurred with respect to that disaster. (See attached tables.)
- As of May 1, A.I.D. had borrowed \$19.8 million against the \$50 million authority, leaving \$30.2 million of authority for future borrowing.
- A.I.D. has approximately \$9 million in an unencumbered reserve from appropriations to functional accounts which could be used to meet possible disaster requirements in FY 1989.
- We have also reserved \$20 million in FY 1989 for use only in sub-Saharan Africa should OFDA resources not prove sufficient:
 - \$13 million from the Development Fund for Africa,
 - \$5 million from the appropriation for SADCC, and
 - \$2 million in anticipated FY 1989 deobligations.
- As of May 1, of the reserved \$20 million, there is \$3.2 million still available for borrowing with the understanding that the Africa Bureau should have plans to provide more funding for any sub-Saharan disasters that exceeded the \$20 million.

TABLE 1

FY - 1988 OFDA Use of Borrowing Authority under Section 492(b)

<u>ACCOUNT</u>	<u>COUNTRY</u>	<u>AMOUNT BORROWED</u>	<u>PURPOSE</u>
DEVELOPMENT FUND FOR AFRICA (DFA)	Africa Reserve	5,500,000	Relief Programs for - Drought-Ethiopia - Africa Locust Infestation - Displaced Persons-Burundi - Floods-Benin - Civil Strife-Sudan
DA-HEALTH	Deob-Reob Africa Reg	1,779,441	Relief Programs for - Civil Strife-Mozambique - Drought-Ethiopia
	NOA-OYB Burma	480,000	- Floods-Niger & Bangladesh - Hurricane-Jamaica - Africa Locust Infestation
DA-POP POPULATION	NOA Contingency	3,436,000	Relief Programs for - Civil Strife-Mozambique & Burma
	Deob-Reob Africa Reg	28,882	- Earthquake-India & Nepal - Floods-Bangladesh & Dominican Republic
	Deob-Reob Liberia	11,868	- Hurricane-Jamaica & Cayman - Africa Locust Infestation
DA-SDA -PSEE	Deob-Reob Panama	5,700,000	Relief Programs for - Civil Strife-Mozambique & Burma
	Deob-Reob Burundi	326,950	- Drought-Ethiopia - Floods-Sudan & Bangladesh - Hurricane-Jamaica
	Deob-Reob Afr Regional	315,685	- Africa Locust Infestation

TABLE 1 (continued)

FY - 1988 OFDA Use of Borrowing Authority under Section 492(b)

<u>ACCOUNT</u>	<u>COUNTRY</u>	<u>AMOUNT BORROWED</u>	<u>PURPOSE</u>
DA-EHR FDAP	NOA Contingency	1,000,000	Relief Programs for - Civil Strife-Mozambique - Floods-Sudan & Bangladesh
	Deob-Reob Liberia	14,000	- Burkina Faso - Hurricane-Jamaica - Africa Locust Infestation
	Deob-Reob Tanzania	467,038	
	Deob-Reob Zaire	908,890	
DA-ARDN	Deob-Reob Africa Regional	3,228,858	Relief Programs for - Civil Strife-Mozambique & Somalia
	Deob-Reob Burma	1,770,000	- Displaced Persons-Uganda - Drought-Sudan & Ethiopia - Earthquake-Nepal
	Deob-Reob Thailand	250,000	- Floods-Sudan & Bangladesh - Hurricane-Jamaica - Africa Locust Infestation
	Deob-Reob Sudan	3,010,522	
	Deob-Reob Panama	14,099,878	

	TOTAL	42,328,012	

TABLE 2

FY - 1987 OFDA Use of Borrowing Authority under Section 492(b)

<u>ACCOUNT</u>	<u>COUNTRY</u>	<u>AMOUNT BORROWED</u>	<u>PURPOSE</u>
DA-ARDN	Reprogrammed India	\$2,000,000	Displaced Persons - Sri Lanka (\$1,000,000) Flood - Bangladesh (\$1,000,000)

TABLE 3

FY - 1986 OFDA Use of Borrowing Authority under Section 492(b)

<u>ACCOUNT</u>	<u>COUNTRY</u>	<u>AMOUNT BORROWED</u>	<u>PURPOSE</u>
DA-Health	Deob-Reob; Tanzania	\$1,355,145	Carried Over from 1985 to continue Mexico Earthquake Relief Program
DA-SDA	Deob-Reob; Zimbabwe	84,000	Relief Programs for Africa Insect Infestation Disasters
ESF	Deob-Reob; Swaziland	530,000	Africa Insect Infestation Disasters
DA-ARDN	Deob-Reob; Kenya	441,172	Africa Insect Infestation Disasters
DA-ARDN	Deob-Reob; Ghana	3,000,000	Africa Insect Infestation Disasters
DA-ARDN	Deob-Reob; Swaziland	375,000	Africa Insect Infestation Disasters
DA-ARDN	Deob-Reob; Tanzania	569,828	Africa Insect Infestation Disasters
	TOTAL	\$6,355,145	

Disaster Assistance: Major Disasters

Issue: Briefly discuss the U.S. Government assistance to the following disasters: Bangladesh floods, Jamaica hurricane, Soviet Armenia earthquake, Sudan civil strife, Africa locust.

Talking Points:

- Bangladesh Floods (Sept. 1988) - The U.S. contributed an initial \$25,000 to the national relief programs and \$1 million to the U.N. system for the purchase of maize and wheat seed. On Sept. 9, A.I.D. Deputy Administrator Jay Morris flew to Bangladesh on a C-5A relief flight, accompanied by a USG assessment team and OFDA relief commodities. The relief supplies on that and a subsequent C-141 flight consisted of two water purification units lent to the BDG and plastic sheeting, blankets, tents, water tanks, boats, and outboard motors from OFDA stockpiles. The commodities, transport, and the assessment team's operational expenses totaled \$892,994. DOD-donated goods also on the relief flights were valued at an additional \$20,000. As the waters receded, diarrheal and respiratory diseases afflicted thousands; OFDA responded by contracting with UNICEF and a private company to produce and send oral rehydration salts, water purification tablets, and other medicine at a cost of \$2,265,858. OFDA also provided grants to private voluntary agencies totaling \$402,000 and an allotment to the A.I.D. Mission in Dhaka of \$800,000 for rehabilitation projects. A.I.D.'s Office of Food for Peace provided wheat valued at \$33,129,300 (including ocean freight) under P.L. 480 Titles II and III as a direct response to the flood disaster. Total USG assistance (not including local currency expenditures) came to \$38,535,152.

- Jamaica Hurricane (Sept. 1988) - The Ambassador's \$25,000 disaster assistance authority was donated to the GOJ to purchase relief supplies locally. OFDA assembled an assessment team and arranged seven airlifts of relief items from A.I.D. stockpiles, including plastic sheeting, tents, water jugs and water tanks, chain saw kits and cotton blankets. A radio system was also provided on loan. The team's expenses, and the cost of the commodities and airlifts amounted to \$326,771. Additionally, OFDA purchased roofing material and airlifted it to Jamaica at a cost of \$708,243. Total USG assistance, including reprogrammed DA funds of \$20 million (FY 1988) and Congressional appropriations of \$35 million (FY 1989) for grants to the GOJ for rehabilitation and reconstruction projects, amounted to \$56,065,894.

- Soviet Armenia Earthquake (Dec. 1988) - OFDA sent a relief team to Armenia comprising representatives from OFDA and the State Department, search and rescue personnel, trauma specialists, a shelter specialist, and representatives of Armenian groups. A follow-on operations team was made up of representatives from AID/OFDA, private voluntary agencies, and Russian- and Armenian-speaking pharmacists. Relief items sent aboard six DOD flights arranged by OFDA included tents and plastic sheeting, water jugs, cots, blankets, hand tools, rescue gear, and medical supplies. OFDA also reimbursed CARE/U.S. for the transport of a planeload of CARE packages from Great Britain to Armenia. Total OFDA assistance was valued \$1,910,451. Additional DOD airlifts (arranged by DOD) to transport donated commodities to Armenia and to support Project Hope's medical evacuation of critically injured earthquake victims to the U.S. brought the total value of USG assistance to \$4,488,207.

- Sudan Civil Strife - Since early 1988, a total of over \$72 million has been committed to the civil strife emergency in Sudan, with heavy emphasis on food aid. Of the \$72 million, over \$41 million went for food aid, including two grain swaps with Kenya and the GOS. The Department of State's Bureau for Refugee Programs (RP) has provided an estimated \$17.5 million since February 1988 for assistance to the people of Sudan. OFDA has provided over \$13 million worth of assistance, which has included the following: a total of \$2.25 million to the League of Red Cross/Red Crescent Consortium in Southern Kordofan Province; a grant of \$2.1 million to Sudan's Relief and Rehabilitation Commission (RRC) for logistical support; communications and technical assistance to the RRC; grants to UNICEF (\$310,000), Sudanaid, CARE, and several other relief agencies to assist displaced persons; financial support for airlifts to Juba; the use of two Twin Otter aircraft and one Dash-7 for relief activities in Southern Kordofan and Bahr El Ghazal provinces; relief supplies, including parachutes for airdrops and plastic sheeting for the displaced in Khartoum; and operational and assessment teams.

- Africa Locusts - In the third year of an insect control campaign in Africa, OFDA provided assistance valued at \$9,616,938 in FY 1988. The benefiting countries were Algeria, Burkina Faso, Chad, Ethiopia, Mali, Mauritania, Morocco, Niger, Senegal, Sudan, and Tunisia. OFDA arranged technical assistance for local control programs and technical support for the Desert Locust Task Force; procured and shipped pesticides; supported aerial spraying programs;

supplied protective clothing and other equipment for field operations; and arranged with USGS for a feasibility study and technical assistance in greenness mapping to monitor vegetative conditions favorable to locust hatching in several affected countries.

1743G/8

Disaster Assistance: Soviet Armenia Earthquake

Issue: The Senate passed a resolution introduced by Senators Simon and Pressler of this Committee earlier this year calling for a report by April 1 by the Secretary of State on U.S. private and public assistance to Soviet Armenia following the devastating earthquake in December 1988. The resolution further asked the report address any other humanitarian efforts which could facilitate the recovery of the stricken area and the U.S. foreign policy implications of assisting Armenia. Please briefly summarize the key findings of this report which we received in late March.

Talking Points:

- The Armenia earthquake destroyed 21,000 residences and hundreds of schools, hospitals and public buildings in addition to imposing immense personal suffering on the population, including the loss of 25,000 lives. The earthquakes ravages will be felt for generations to come.
- On December 9, 1988, the Soviet Government accepted the U.S. Government's offer of relief assistance. Within 9 hours the first U.S. plane was airborne, carrying relief personnel, medical supplies, shelter and rescue materials. Over the next weeks the U.S. Government provided \$4.5 million worth of relief supplies, Department of Defense transportation, rescue teams and operations personnel.
- Under the joint auspices of the U.S. Geological Survey and the National Academy of Sciences a team of American geologists, seismologists and earthquake engineers assisted their Soviet counterparts in assessing the damage, its causes and future risk from earthquakes.
- The U.S. private sector was extremely generous in the outpouring of donated commodities and services. Union Carbide donated plastic housing materials which were constructed as storage by a volunteer team; the U.S. voluntary agency AmeriCares, Inc. sponsored the relief flight which carried Vice President Bush's son and grandson on their Christmas visit to Soviet Armenia. Over one half million pounds of privately donated goods, valued at \$34 million, were transported on 13 DOD C-141 flights. Additionally, 37 seriously ill children were transported to the U.S. for treatment.
- In the future, Armenian-American groups, which were extremely generous throughout the relief effort, are prepared to play a significant role in recovery, as are other U.S. private sector groups, including the American Red Cross, Project Hope and AmeriCares.

- U.S. Government follow-on activities include: NASA's "spacebridges", TV links between American and Soviet hospitals; HUD's proposed design project in "Residential Construction and Development"; the Centers for Disease Control's cooperative activities to improve Soviet health preparedness and response capabilities. The U.S. Geological Survey, in cooperation with the National Academy of Sciences and National Science Foundation, will share the results of their scientific analyses and participate in a UNESCO sponsored meeting in Soviet Armenia in May. Also in May, A.I.D.'s Office of U.S. Foreign Disaster Assistance and the Federal Emergency Management Agency are hosting a meeting of the international search and rescue teams which were active in Armenia.
- The U.S. Government, in these and other activities, will facilitate and incorporate the use of U.S. private sector resources for recovery and risk reduction.
- It is significant that the Soviets, in their hour of critical humanitarian need, broke down countless barriers to allow U.S. and other donor assistance to relieve the suffering of their population. The U.S. relief efforts generated a large amount of good will and demonstrated how natural disasters can stimulate cooperation in the common cause of humanitarian concern.

1743G/9

Basic Education

Issue: What does A.I.D. plan to spend for basic education programs in Africa, Latin America and the Caribbean, Asia and the Near East, and through centrally funded programs in FY 1989 and FY 1990?

Talking Points:

- A.I.D. has just submitted an interim report to Congress on its plans to meet the FY 1989 Basic Education Earmark. The report details planned obligations for each region and provides an annotated project list.
- In FY 1989, A.I.D. plans to obligate approximately \$65.5 million for basic education projects (formal primary and secondary education); approximately \$23.5 million in Africa, \$21 million in Asia and the Near East, \$16 million in Latin America and the Caribbean, and \$5 million through centrally funded programs.
- Two major new basic education programs are being developed in FY 1989: Pakistan (\$13 million) and Mali (\$8 million); a new start is also planned for Swaziland (\$1 million) and smaller projects will support radio education in Bolivia and Ecuador.
- In FY 1990, basic education support is projected at about the same level as FY 1989. Funding for primary and secondary education from our Education account (including Latin America and the Caribbean, Asia and the Near East and centrally funded activities) will be \$45 to \$50 million and an additional \$20 million is planned for basic education in Africa under the DFA.
- A.I.D.'s Office of Education is beginning a major new project in FY 1989 to provide field support for local education officials. The project will facilitate additional A.I.D. education reform efforts and assist in the design and implementation of new education projects.
- FY 1990 plans are tentative, but include new projects in Ghana, Malawi, and an expanded education program for Afghanistan.

A.I.D. Election Assistance FY 1988 & FY 1989

Issue: Describe A.I.D. assistance in support of elections abroad: what countries have been provided assistance, type of assistance provided, and funding levels for the activities for FY 1988 and FY 1989.

Talking Points:

- In 1988 A.I.D. provided approximately \$1.6 million for electoral assistance.
- In 1989 A.I.D. is providing approximately \$2.1 million.
- This funding is used primarily for technical electoral assistance activities such as voter education, registration, observation, poll watcher training, data collection, analysis, consultation and election commodities. Election commodities include security ballot paper, tamper proof ballot boxes and indelible ink for fraud prevention.
- The countries A.I.D. has provided assistance to are the following: El Salvador, Honduras, Guatemala, Paraguay, Panama, Bolivia and Chile.

The following are projects funded in FY 1988:

- \$1,200,000 to the Inter-American Institute of Human Rights' Center for Electoral Assistance and Promotion (CAPEL) for assistance to a local organization in Chile, Fundacion Civitas, in carrying out a nationwide voter education and registration program for the October 1988 plebiscite.
- \$100,000 to the National Democratic Institute in support of an international observer program for the October 1988 plebiscite in Chile.
- \$100,000 to the American Council of Young Political Leaders to finance travel of Central American participants to the United States to observe the November 1988 elections.
- \$200,000 to the U.S.-based International Foundation for Electoral Systems (IFES) for the second increment of a project which will assist in monitoring, supporting and strengthening the mechanics of the electoral process in developing democracies worldwide.
- \$21,000 to the Madripur Legal Aid Association of Bangladesh to fund the Voter Literacy Project, which will conduct research on voting laws, election abuses, and voter awareness, and develop materials for literate and non-literate people.

The following are projects being funded in FY 1989:

- \$150,000 Grant to NRI/NDI Panama Election Observers.
- \$500,000 NED Grant for Paraguay Democratic Transition.
- \$30,000 to finance an assessment in Haiti, seeking to determine opportunities for assistance to strengthen the democratization process.
- \$750,000 to Inter-American Institute of Human Rights in support of training, technical assistance, research and information dissemination programs of the Center for Electoral Assistance and Promotion (CAPEL).
- \$470,000 Grant for the Inter-American Institute for Human Rights for Civic Crusade for Voter Education in Chile.
- \$146,000 Grant for a Panama Election Information Center to provide services to all International Observers and political parties in the country. (Center for Democracy).
- \$48,000 for evaluation of Chile voter education project.

The following are FY 1989 bilateral assistance projects:

- \$800,000 (ESF generated local currency) to improve the capacity of Guatemala's Supreme Electoral Tribunal and administer elections more effectively.

1743G/11

Immunization

Issue: What steps have been taken by A.I.D. to meet the goal of universal access to childhood immunization by 1990?

Talking Points:

- Between 1985 and 1988, the Agency contributed \$170 million in support of immunization activities in 52 countries from all accounts. This annual funding level (42.5 million/year.) represents a significant increase over the approximately \$12 million spent in 1984 for immunization.
- Over 25% of all funds spent for child survival are devoted to immunization, with long-term activities in 48 countries.
- Worldwide immunization coverage has risen from approximately 20% in 1984 to approximately 50% in 1988. Malawi, Egypt, and Ecuador are among the countries that have now exceeded 80% coverage against at least one of the childhood diseases. Other countries may not reach 80% coverage before 1990, but even these countries with low coverage are showing progress and increasing rates.
- The Agency is the largest donor to the accelerated immunization initiative in Latin America and the Caribbean and is supporting a major initiative in 12 countries in Africa through the ACSI-CCCD project (Africa Child Survival Initiative-Combatting Childhood Communicable Diseases).
- The centrally funded REACH project has taken a leadership role in improving the effectiveness and the sustainability of national immunization programs through direct technical assistance to over 30 countries.
- Research on improved immunization technology remains an important Agency focus. (Examples: typhoid, bacterial pneumonia vaccines; non-reusable vaccine injectors; better cold chains; an improved DPT vaccine; measles vaccine that can be administered as early as 6 months.)
- The Agency provides support to PVOs participating in the worldwide immunization effort. For example, in FY 87, USAID committed \$6 million to Rotary's \$120 million worldwide PolioPlus vaccination campaign.
- Despite progress, much remains to be done. A new 10 year centrally funded project, CHILDTECH, specifically devoted to immunization activities, has been designed to assist in reaching the immunization targets.

-- Currently, one-quarter of all vaccine-preventable deaths are due to tetanus infection in the newborn. In order to prevent these deaths, it is necessary to vaccinate mothers with tetanus. Yet, tetanus coverage rates for women have been low. A new centrally funded activity, the Maternal and Neonatal Health and Nutrition project, is helping address this problem.

1743G/12

Informal Sector

Question: We now better understand LDC growth. De Soto documents an invisible economy of entrepreneurs who are suppressed and exploited by the formal businessmen who often survive by special privileges from their governments. Which is A.I.D. helping? If the informal sector is really where growth will come from, shouldn't we focus more of our debt relief and reform efforts on these informals where growth seems to have a real chance? Conversely, why should our aid support the formal sector when they increasingly appear to stand in the way of reform and be a roadblock to growth?

Answer:

- A.I.D. supports a broadly-balanced program in support of LDC private enterprise development, supporting micro, small, and medium-sized enterprises in both the formal and informal sectors. A.I.D. believes that it is important to promote a broad-based program in support of many private sector beneficiaries.
- Many developing country governments suppress economic activity by supporting inappropriate policies (such as overvalued exchange rates, interest rate controls, high tax rates, etc.) and regulations (excessive paperwork and licensing requirements). In some countries, this restrictive policy and regulatory structure is supported by large indigenous firms or foreign enterprises, often referred to as "crony capitalists", that have developed special relationships with government leaders and received special privileges and preferential treatment for their businesses, such as protected markets and subsidized credit.
- Although A.I.D. does not provide assistance to those large enterprises, the crony capitalist system they perpetuate discriminates against the tens of thousands of micro, small, and medium-sized firms that dominate developing country formal and informal sectors. It is that system that A.I.D. seeks to reform and those micro and smaller-scale enterprises in the formal and informal sector enterprises to whom A.I.D. provides its assistance.
- A.I.D. provides two primary types of assistance. First, A.I.D. pursues policy/administrative reform initiatives at both the sectoral and macro levels, encouraging the adoption of policies to promote broad-based economic growth and that encourage businesses to operate, from the start, in the formal sector.

- A.I.D. seeks to eliminate bias in trade policies, encourage proper valuation of currency, and reduce or eliminate administrative and regulatory bottlenecks. A.I.D. also seeks to address the policies that place penalties on, or inhibit graduation to, the formal sector, and those policies that affect growth to medium-sized businesses. These barriers may take the form of high marginal tax rates and onerous registration requirements, such as documented by Hernando de Soto.
- Second, A.I.D. seeks to help these enterprises through various forms of project assistance including provision of services such as training or technical assistance, provision of resources such as credit, and capacity-building among institutions that provide these services or resources. Such forms of assistance account for most of A.I.D.'s assistance to micro, small, and medium-sized enterprises.
- The LDC private sector is diverse. Most informal sector firms employ very poor persons, including the self-employed. These are people engaged in economic activities that provide the barest means of survival for themselves and their families. Their growth is often limited by such factors as the absence of property and contractual rights and the high interest rates that they pay for limited types of credit (i.e., short-term credit). Yet, recent studies also demonstrate that small and medium-sized formal enterprises are often the most economically efficient in developing countries, offering the greatest potential for increased productivity and employment.
- It is not correct to state that all formal sector enterprises stand in the way of reform and are a roadblock to growth. For example, the Private Sector Organization of Jamaica, a business group supported by A.I.D., has been in the forefront of encouraging policy and regulatory reform in Jamaica. In India, the chamber of commerce recently called for the government there to initiate new programs in support of intellectual property rights as a way of promoting investment and economic growth.

IFAD Replenishment

Issue: What is the current status of the replenishment negotiations for the International Fund for Agricultural Development (IFAD)? Given the size of the deficit, would any request for IFAD be taken from other economic assistance programs?

Talking Points:

- The negotiations have been delayed by the failure of the OPEC donor category to present a figure for its three-year contribution to IFAD.
- However, progress has recently been made, and now only three of the twelve OPEC donors have not indicated a proposed contribution level. We are hopeful that they will announce a level before or at a June 6-7 replenishment negotiating session.
- As to the U.S. contribution, clearly it will need to fit within the budget summit agreement for the 150 account. However, given current uncertainties about both the size and timing of the replenishment we can't determine now the timing and source of the U.S. contribution.

Japan

Issue: We are increasingly aware that Japan has become a world economic power. However, it doesn't appear that the U.S. foreign assistance program has fully factored in this reality. What are we doing to encourage Japanese bilateral and multilateral assistance to developing countries? How would you characterize the current Japanese aid program and how does it differ from the U.S. program? To what extent do the U.S. and Japanese aid programs encourage trade with their respective countries?

Talking Points:

- A.I.D. has long advocated that Japan could and should provide economic aid commensurate with its international role and economic resources. Japan is now pledged to provide ODA totaling at least \$50 billion over five years. I hold annual aid consultations with top Japanese aid officials. A.I.D. Washington and field staff frequently consult with Japanese counterparts on opportunities in our respective programs for complementarities and joint projects.
- We participate with Japan in multidonor negotiations on funding of multilateral organizations. U.S. multilateral funding has declined, while Japan is increasing its funding to multilateral organizations.
- The U.S. foreign assistance program carefully considers and draws up country programs and sector strategies which emphasize basic development problems such as LDC policy reform, food production, health and population. Our approach requires a substantial staff for program planning and management. Japan has many fewer people to administer a rapidly growing volume of aid that may soon exceed U.S. levels. U.S. bilateral aid is essentially all grant compared to only 30 percent in grant aid for Japan. Harder aid terms make it easier for Japan to finance a large volume of aid, but this system also poses greater burdens on recipients, especially those already stretched to meet existing debt service payments. Japan, however, has pledged to improve the quality of its aid; nascent signs indicate that Tokyo is moving in our program direction.
- Japanese aid is often seen as commercially oriented to benefit Japan's exports and investments. Japan ties, in part or in total, 48 percent of its bilateral aid to procurement of goods and services in Japan; 66 percent of U.S. aid is tied to U.S. sources. Japanese bilateral aid is largely concentrated in large-scale capital

infrastructure projects which the U.S. generally does not finance. Japanese private firms have played a large role in identifying projects (mostly in high tech areas of communications, energy, and transportation) for GOJ aid funding.

1743G/15

Locust Control

Issue: What is the current status of the locust plague that hit Africa and the Near East this past year? Do we expect a resurgence and spread this year? Were any studies performed on the pesticides used in the locust control programs to determine their potential long-term effects on people? If so, what did they show? Also, how does A.I.D. ensure the careful application of these pesticides? For example, has any of the groundwater in the treated areas been contaminated?

Talking Points:

Status of Locust Plague

- Based on the latest surveys and reports, our entomologists and FAO agree that there is a high degree of probability the locust plague is at or near its end. Resurgence and spread of the plague would depend on a combination of favorable breeding conditions and sufficient residual locust populations to take advantage of such conditions. With the rains just now beginning in West Africa, it is therefore vital that ongoing surveys be continued for the next few months. If, at the end of June, no significant propagation has occurred, we can be certain the plague is indeed over. Assuming this is the case, we have every reason to be proud of our major contribution to the locust control campaign. For the first time in history, it appears that man's efforts were the primary factor in overcoming a desert locust plague.

Pesticide Use

- The EPA-approved pesticides used in A.I.D.-funded programs did not have specific studies conducted to determine long-term effects on children. However, extensive laboratory tests were conducted on test animals by the pesticide companies prior to EPA registration, and the data gathered was extrapolated for humans.
- Further, both malathion and carbaryl, the only materials A.I.D. provided for locust programs, have been used for 30 years and 20 years respectively with no known adverse effect on humans when applied correctly.
- To assure proper handling, application, and monitoring, A.I.D. has funded \$600,000 in technical assistance over the past 18 months.
- Environmental monitoring of the A.I.D.-funded locust control programs has not shown any groundwater contamination or other significant adverse effects on the environment or humans.

- Public health agencies also carried out information programs directed toward people living within the targeted control areas. Precautions provided covered such specifics as safeguarding food and water, handling of agriculturally important bees, and prohibiting consumption of locusts.
- A.I.D. is continuing to work closely with responsible country agencies to reduce pesticide exposure still further.

1743G/16

Microenterprise Development

Issue: Describe A.I.D.'s microenterprise program, including funding levels for FY 1988, 1989 and 1990. Give specific examples of projects begun since FY 1988 when Congress first earmarked funds for this area.

Talking Points:

- A.I.D. surpassed the \$50 million earmark for FY 1988. A.I.D. committed \$56.6 million in appropriated funds and local currency equivalent to a worldwide program providing credit and technical assistance to microenterprises. We expect to surpass the requirements of the FY 1989 earmark as well.
- A.I.D.'s Microenterprise Development Advisory Committee met twice in FY 1988 and as recently as April 3, 1989.
- A.I.D.'s microenterprise development program guidelines, prepared with the assistance of the Advisory Committee, were finalized in October 1988. Copies of the guidelines were distributed widely to A.I.D. Missions, A.I.D./W offices, and outside groups.
- Late last year, A.I.D. initiated a stock-taking exercise that is taking a comprehensive look at what A.I.D. is doing in the microenterprise area, examining the delivery mechanisms and institutions used by A.I.D. to assist microenterprises, and determining how effective A.I.D. has been in creating jobs and increasing incomes. Initial drafts of ten field studies as well as a desk study have been completed. These papers will be finalized during the next two months.
- A.I.D.'s current principal microenterprise support project (ARIES) is nearing completion, and a wide range of teaching tools are being made available to Missions to help them design and implement microenterprise programs. A.I.D.'s new microenterprise support project (GEMINI), currently under development, will be a primary source of assistance for A.I.D. microenterprise development activities.
- A.I.D. and the Peace Corps have initiated a new joint program that, among other activities, will train new and experienced volunteers in the ways of, and resources available for, assisting communities and institutions that promote microenterprise development. In addition, new credit and technical assistance programs, in such countries as Jamaica and the Philippines, will be providing needed assistance to microenterprises.

Narcotics Control

Issue: I am sure you know that illicit narcotics control is a very high priority of this Committee and the Congress. Can you tell us what A.I.D. is doing to control the production and trafficking of narcotics by aid-recipient countries, including drug awareness programs, and what your plans are for increasing resources for this effort in the near future? Specifically, what incentives for drug eradication and control are provided for Bolivia, Peru, and Pakistan in particular? Also, how has the certification process, which requires that a country must be certified as having cooperated fully in narcotics control matters if it is to receive foreign assistance, affected A.I.D. programs?

Talking Points:

- Anti-narcotics programs are a priority at A.I.D. They take two forms: income substitution and narcotics education. In FY 1989, we plan to obligate \$36 million for narcotics education. This nearly doubles our overall figures for FY 1988. Our FY 1990 obligation figures should be \$39.1 million for income substitution and at least \$4.3 million for narcotics education. A new worldwide narcotics education, designed by our S&T Bureau, will boost the narcotics education figures.
- We currently have income substitution in four countries, and narcotics education in eleven countries, as well as an Asia regional and new worldwide project.
- Major income substitution efforts are underway in Bolivia, Peru and Pakistan. Narcotics education projects also are being implemented in each of those countries.
- We believe the certification process has emphasized U.S. concern about narcotics while it also has been helpful in focusing host country attention on the problem. Such efforts enhance A.I.D. projects by helping clear the air and prodding action in major narcotics producing and trafficking countries.

Operating Expenses

Issue: A.I.D.'s regular OE appropriation for FY 1989 (excluding sums made available for the special Central America Humanitarian Assistance program) was the amount you requested, \$414 million. A.I.D.'s request for the same account in FY 1990 is \$447.684 million, an increase of over 8 percent, or \$33.684 million. How can you justify this increase when your program accounts are either straight-lined or declining? Specifically: (1) What are the reasons for the increase? (2) What concrete steps have you personally taken to reduce the size of this account?

Also, how much local currency (total worldwide) will be made available for OE purposes in FY 1990, over and above the \$447 million figure, and how does this figure compares with the amount of local currency made available for OE purposes in FY 1988 and FY 1989, respectively.

Talking Points:

- One third of the total increase requested by A.I.D. for FY 1990 relates to mandatory changes in the Foreign Affairs Administrative Support (FAAS) system. In FY 1990 the Department of State is required to shift the funding responsibility for certain categories of administrative support (such as for the cost of operating the cable system) from the Department to the serviced agencies. The Department is transferring about \$77 million to other agencies under this process, of which \$11,248,000 is proposed to be transferred to A.I.D. Excluding this one-time transfer required by legislation, the increase requested for A.I.D.'s Operating Expense budget is \$22,436,000, or 5.4 percent.
- Of the \$22.4 million, \$12.6 million (56%) is required for U.S. direct-hire salaries and benefits. This increase consists of \$2.7 million for the annualized cost of the January 1985 pay raise, \$3.6 million for costs associated with the Federal Employees Retirement System, \$4.8 million to enable the Agency to resume hiring to fill critical vacancies, and \$1.5 million to cover the increase in the Social Security cap and other mandatory personnel cost increases.
- Overseas dollar allocations will increase by \$4.0 million, about 3% over the FY 1989 level. However, this increase will be offset by a \$3.9 million reduction in trust funds. This trust fund reduction was a conscious decision to reduce our dependence on this funding source. With this reduction in trust funds, we anticipate trust funds usage in FY 1990 of \$58.2 million, compared with a trust fund level of \$53.5 million in FY 1988 and \$62.1 million in FY

1989. In addition, our overseas WANG maintenance contract requires an increase of \$0.4 million to cover maintenance of existing equipment.

- The major areas of increase in Washington are \$1.1 million for replacement of old computer hardware and software; \$1.0 million for increased ADP maintenance costs for hardware and software; \$1.2 million to provide additional training in economics, private sector development, and other priority areas; and \$1.3 million to cover increased costs in areas such as rents, communications, travel, and payments to other Federal agencies.
- Finally, \$0.5 million is required to restore support provided to dependent education overseas to the traditional level of \$2.5 million, and \$0.2 million will be used to offset reductions in reimbursements from other agencies.
- The U.S. foreign assistance program is distinguished from that of other countries in large part by our practice of having employees stationed in individual countries. Having such an overseas presence results in incurring expenses for post assignments, housing, and other related overseas costs. In addition, our worldwide presence and operations in under-developed countries make it more difficult to maintain proper monitoring and accountability. Problems in these areas have been highlighted by our Inspector General, who has testified that we must provide additional personnel resources to the accountability and monitoring functions. Providing these additional personnel resources will require additional operating expense funds.
- I am very conscious of the need to hold costs down and, toward this end, have become personally involved in quarterly reviews of the operating expense account. These reviews are intended to ensure that the operating expense funds made available by Congress are put to the best possible use. However, they will not eliminate the need for funds to cover the high costs of maintaining our overseas presence.
- During the past year I have begun the process of reducing staff levels, where appropriate, so as to maximize the effective use of operating expense funds. Thus far, we have closed the missions in Djibouti and Sierra Leone and are in the process of reducing, and possibly closing, missions in Guinea Bissau and Burma. Program activities in these countries will be handled from missions in neighboring countries.

FY 1990 Operating Expenses Request
The Accountability Justification

- A large portion of A.I.D.'s FY 1990 OE increase is directly related to providing salary and support costs to enhance our accountability and monitoring functions, primarily overseas.
- By accountability, I am referring to both program accountability, i.e., verifying that the assistance achieved its intended results, as well as financial accountability, i.e., providing reasonable assurances that our assistance is not being used for corrupt purposes or for purposes other than which it was intended.
- With respect to program accountability, I have placed renewed emphasis on implementation and evaluation. I believe we have progressed in our ability to ensure that program objectives are being met, but there is certainly room for improvement. Continued emphasis is required.
- In the area of financial accountability, you are undoubtedly aware that in late 1987 I had an outside group of experts examine the financial management function within A.I.D. Based upon the findings of this group, I took several personnel and organizational actions to strengthen financial management across the board in A.I.D. Again, continued emphasis on financial accountability is a high priority to me.
- We have worked closely with the Inspector General on the issue of accountability. General Beckington and I share the basic conviction that increased accountability over our foreign assistance dollars and the currencies generated from those dollars is essential. We do differ in certain respects, in particular relating to the issue of end-use tracking of local currencies and the responsibilities of the host government vs. A.I.D. for oversight and monitoring.
- However, I agree with General Beckington that shortages of direct-hire staff have impeded our ability to achieve the level of accountability we all desire.
- The FY 1990 OE increase in large part will allow us to hire up to our authorized direct-hire ceiling and to get these people out into the field and in critical vacancies in Washington. The minimal increase in OE in FY 1989 (only \$8 million above 1988) forced me to impose a partial hiring freeze in order to make it through the year without supplemental funds. The filling of these positions with the emphasis on improving our accountability is my highest priority in FY 1990.

Participant Training/Scholarship Program

Issue: What does AID plan to provide for scholarship programs in the three regions (AFR, ANE and LAC) for FY 1989 and FY 1990.

Talking Points:

- o AID sponsored participants in the United States for training, some of whom may be categorized as in "scholarship" programs, are projected as follows:

<u>Region</u>	<u>FY 1989</u>	<u>FY 1990</u>
AFR	2,993	3,101
ANE	7,424	7,475
LAC	7,396	6,531
Total	17,813	17,107

- About half these participants will be in programs leading to academic degrees and half will be in technical programs consisting of short courses, observation tours or on-the-job training.
- In addition, at least 3,000 participants will be in academic and technical training in other developing ("third") countries, and over 100,000 will receive AID financed training in their own countries.
- Most AID-sponsored participants are in training related to their current jobs in development institutions.

- o Funding for specific "scholarship" programs (where the training is not, in all cases, related to a current job) is projected in FY 1989 and FY 1990 as follows:

		<u>FY 89</u>	<u>FY 90</u>
AFR -	Training of Disadvantaged South Africans	10.0	5.6
	South African Bursaries Program	10.0	5.4
	AFGRAD	7.0	5.0
ANE -	Cyprus Scholarship Program	15.0	4.0
	Tunisia Technology Transfer	5.0	5.0
LAC -	Caribbean and Latin American Scholarship Program (CLASP)	63.7	42.1

Participant Trainee Tax Liability

Issue: I understand that the Tax Reform Act of 1986 is having an adverse affect on A.I.D.'s Participant Training Program. Can you provide the committee with a brief description of the tax problems.

Talking Points:

- The Tax Reform Act of 1986 changed the treatment of scholarship and fellowship grants for both U.S. and foreign recipients. The result is that students must pay taxes on the amounts received that are for other than tuition, books, and related educational expenses. A.I.D. grants normally pay for the following:

Tuition/Training Fees	
Books	Excludable
Equipment/supplies	
Living Allowances	
Health Insurance	
Domestic Travel	
Orientation	Taxable
Professional Memberships	
Mid-Winter Community Seminars	
Activities designed for students to experience American culture	

- The taxable items listed above normally represent 65 percent of the grant. No consideration is given to the differences in recipients and source of funding. U.S. citizens and permanent residents are allowed to utilize the standard deduction when calculating their tax; non-resident aliens are not.
- The results for A.I.D. are:
 1. All A.I.D. participant trainees (approximately 18,000) are required to file tax returns whether they owe money or not. This includes individuals who are covered by tax treaties.
 2. 3,000 of these students are categorized as scholarship/fellowship recipients and have estimated tax liabilities of \$1,346 each or \$4,038,000 for all students in this category.

3. 14,000 of these students may be allowed to deduct the total cost of the training (all of the items listed above) based on the fact that their training is job related; the expenses related to the training are considered business expenses. I use the word may because the determination regarding job related expenses is done on a case by case basis by the IRS. Some auditors have agreed with our assessment and some have not.
 4. 1,000 students, because of IRS definitions, are not eligible for any deductions other than a personal exemption. The individual estimated liability is \$536 or a total liability of \$536,000.
 5. The estimated administrative cost to our contractors for processing the papers involved is approximately \$2,240,000 per year. This doesn't count the A.I.D. or IRS staff time.
 6. Current total financial impact for A.I.D.:
 - Payment of \$6.8 million in taxes and related costs each year.
 - If the IRS disagrees with our interpretation of the law in regard to students in job related training, the impact could be as high as \$20 million per year.
- Since the amount of money we provide trainees for living is very close to what they must spend for the basics, there is no money available in their grants to pay taxes. In addition, since these are sponsored students, generally they are not allowed to work. This means that A.I.D. must foot the bill for the tax liability and administration.
- The ultimate impact on A.I.D. will be the need to reduce the numbers of individuals served in order to meet the tax obligations.
- \$6.8 million would provide:
 - 378 people one year of college (\$18,000 per yr)
 - or
 - 1,133 short-term training opportunities (\$6,000 per person).
- I have prepared charts showing how we arrived at these figures and would be pleased to submit them for the record.

FINANCIAL CONSEQUENCES OF PAYING INCOME TAXES AND WITHHOLDING FOR A.I.D. PARTICIPANT TRAINEES

Type of Student	Scholarship/Fellowship Recipient with no Current Job Attachment	Recipient in Training for New Type of Work	Job Required Training (May or May not be Scholarship/Fellowship)	Not Job Required and Not Scholarship/Fellowship
Definition	Student enrolled in an educational facility (regularly scheduled classes and a faculty) who has no job attachment. Educational facilities include public and private schools as well as some training institutions that are accredited or licenced. Whether the school awards a degree is immaterial.	Student is training to qualify for a new type of work, such as an accountant studying to become an engineer, health worker or public administrator.	Student in training required by the employer or to improve current job performance. May train for a new job in same general type of work such as a primary teacher studying for high certificate or to be a guidance counselor.	Student who is being trained for a new type of work in a setting or institution that does not qualify as an educational institution.
Tax Application	Both of these categories are the same for tax purposes. The student may exclude from gross income tuition, fees, books and required supplies and equipment as scholarship/fellowship expenses.		The student may deduct all expenses related to training including room, board and travel.	The student must pay taxes on all of the money received for living and training.
Number in A.I.D.'s Caseload	Between these two categories it is estimated that there are 3,000 participants. (All CAPS undergraduates, Tunisians, Yemeni, Cypriots, and 200 other.		14,000 (6,000 academics & 8,000 technical)	1,000
Tax Calculation	<p>12 Month Average Public School Cost.....\$16,886</p> <p>Exclude:</p> <p style="padding-left: 40px;">Tuition.....\$5,000</p> <p style="padding-left: 40px;">Books..... 780</p> <p style="padding-left: 40px;">Equipment..... 200</p> <p>Adjusted Gross Income.....\$10,906 (Maintenance, Insurance, Travel, etc.)</p> <p>Less Personal Exemption \$ 1,950</p> <p>Taxable Income \$ 8,956</p> <p>Tax \$ 1,346*</p> <p>\$1,346 x 3,000 Trainees = \$4,038,000</p> <p>* Because this tax will be paid by A.I.D. it will be income to the participant in the year paid and thus will be taxed.</p>		No significant tax liability	<p>Short Program Cost \$3,750</p> <p>\$ 164 Personal Exemp (\$5.45/day x 30d)</p> <p>\$3,586 Taxable</p> <p>\$ 536 Tax*</p> <p>\$536 x 1,000 Trainees = \$536,000</p>

FINANCIAL CONSEQUENCES OF PAYING INCOME TAXES AND WITHHOLDING
FOR A.I.D. PARTICIPANT TRAINEES

Type of Student	Scholarship/Fellowship Recipient with no Current Job Attachment	Recipient in Training for New Type of Work	Job Required Training (May or May not be Scholarship/Fellowship)	Not Job Required and Not Scholarship/Fellowship
Admin. Cost	<p>It is estimated that withholding, tax reporting and participant assistance will cost \$240 per year or \$20 per month.</p> <p style="text-align: center;">$3,000 \times 11 \text{ months (average)} \times \\$20 = \\$660,000$</p>		<p>$6,000 \times 11\text{mo.} \times \\$20 =$ \$1,320,000</p> <p>$8,000 \times 1.5\text{mo} \times \\$20 =$ \$ 240,000</p>	<p>$1,000 \times 1 \text{ mo.} \times \\$20 =$ \$20,000</p> <p style="text-align: right;">4/25/89</p>

Pesticides

Issue: After our bad experience with the Mediterranean fruitfly eradication project in Guatemala, I am concerned about the lack of policy, procedures and general sensitivity over shipping toxic chemicals and pesticides to developing countries. A.I.D.'s Committee on Health and Environment (CHE) submitted a report last year with a number of recommendations to A.I.D. on ways to assist developing countries in the proper use of agricultural and industrial chemicals. Can you briefly describe the actions A.I.D. has taken to implement these recommendations? Also, what is the status of the MOSCAMED project? Finally, what steps is A.I.D. taking to discourage other donors from providing toxic pesticides to developing countries? What steps has A.I.D. taken to promote cooperation among the U.S. agencies that have programs which could influence the use of pesticides in developing countries?

Talking Points:

In addressing the CHE recommendations A.I.D.:

- has identified and used alternatives to the chlorinated hydrocarbon pesticides used against locusts in Africa;
- led a successful campaign with the EPA and the environmental community to remove dieldrin and BHC from the internationally approved list of pesticides;
- with EPA is conducting a survey of A.I.D. Missions to identify priority areas of concern related to pesticides and toxic industrial chemicals. They plan to collaborate in supplying TA to address identified problems;
- with EPA plans to develop:
 - 1) a pesticide information system,
 - 2) assessment of exposure to toxic pesticides by small farmers,
 - 3) technical assistance to missions in pesticide disposal methods.
- has encouraged restricted use of the more highly toxic pesticides by small farmers. The World Bank has adopted similar guidelines and other multilateral donors are expected to follow suite;
- is exploring the use of rotary cement kiln incineration and chemical detoxification to dispose of large quantities of old pesticides presently being stored in leaking containers;

Other developments:

- The MOSCAMED Project is being redesigned by USDA. A.I.D. recently declined use of local currency funds for the project as a result of A.I.D.'s environmental assessment (EA). A.I.D. will support the project only if it is economically and environmentally sound. No A.I.D. funds are planned.
- Training-of-trainers components in the safe use of pesticides by small farmers are now routine in all new A.I.D. projects in which pesticides will be used. Several training sessions have been completed in conjunction with African locust programs.
- A number of environmental assessments are in process in various countries to address the use of pesticides in A.I.D. projects.

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Pipeline.

Issue: There clearly is a lack of budget resources to adequately fund all of the worthwhile foreign assistance programs that demand our attention. It seems to me that we have to prioritize our objectives and to limit our assistance in the coming years only to those programs that are most important. For example, I would include in this category military assistance to our NATO allies, security assistance for certain key countries such as Israel and Egypt, and economic assistance to countries where the U.S. has access to military bases. Given the budget reality, wouldn't it make sense to fully fund the most important countries and programs and to live off the pipeline in the other less strategically important countries? I believe I am correct in stating that you have a substantial pipeline in almost every country that receives economic assistance. Why couldn't we just continue to operate existing programs with the money that is in the pipeline and tell those countries that, because of our budget situation, there will be no new starts until the pipelines are drawn down? Wouldn't this be preferable to spreading our limited budget resources so thinly that in fact we fail to satisfy anyone with the levels that we provide? Please identify the countries with major pipeline problems and discuss what steps are being taken to address those problems.

Talking Points:

- The Agency's pipeline as of the end of FY 1988 was \$8.641 billion.
- ESF accounts for 51% of the total pipeline and the ARDN account is another 20%.
- Regional bureaus account for 92% of the Agency's total pipeline: Africa with 19%; ANE with 55%; and Lac with 18%.
- Priority areas account for 53% of the Agency's total pipeline: Middle East peace 28%; base rights countries 3%; front line/military access countries 7%; Central America 12%; and the Caribbean Basin countries 3%.
- Just because a program has a large pipeline does not necessarily mean that there is a problem. Pipeline based on the planned obligation schedule is a natural and desirable feature of project assistance. However, the Agency regularly monitors the pipeline in each of our projects. If our analysis shows that there are problems we take steps to remedy the situation.
- A list of countries with pipelines exceeding \$100 million at the end of FY 1988 is attached, followed by a brief explanation of status of each country pipeline.

Country Pipelines

<u>Country</u>	<u>Pipeline (\$ Millions)</u>
Egypt	\$2,243
Pakistan	773
El Salvador	464
India	266
Philippines	262
Indonesia	239
Bangladesh	199
Jordan	165
Sudan	160
Honduras	159
Guatemala	138
Kenya	132
Costa Rica	112

Explanation of Pipelines

Egypt:

- Approximately 90 to 95 percent of the \$2.24 million pipeline is being implemented normally. The Mission continually focusses upon the remaining portion of the pipeline which is experiencing unusual implementation difficulties. Deobligations by USAID/Cairo for the past three years have varied between \$8 to \$13 million annually.

Pakistan:

- As of September 30, 1988, USAID/Pakistan's pipeline was \$773 million. USAID/Pakistan plans to significantly reduce this pipeline in FY 1989. The pace of expenditures increased significantly in FY 1988 to \$226 million and is expected to climb to \$510 million in FY 1989. This means that, based upon planned obligations of \$345 million this year, the total pipeline will be reduced by \$166 million.
- Nearly two-thirds of the pipeline represents forward funding of recently initiated projects. Commodity procurement, especially for U.S. wheat, accounts for a sizable portion of remaining pipeline. As the wheat shipments now underway arrive and are paid for, this commodity pipeline will shrink dramatically.

El Salvador:

- As of September 30, 1988, El Salvador's DA and ESF projectized pipeline was \$464 million. The \$125.0 million pipeline in ESF Balance of Payments as of September 30, 1988, has since been completely disbursed as El Salvador met the conditionality of the FY 1988 ESF package signed late in fiscal year 1988.
- With over 96 percent of the project pipeline made up of funds obligated during the past three fiscal years, the Mission is experiencing good project implementation progress. A large portion of this pipeline (\$97 million) obligated in FY 1987 and FY 1988 is to finance major earthquake recovery initiatives and is currently being contracted for large reconstruction activities.

India:

- The Mission steadily reduced the pipeline from the high of \$360 million in FY 1985 to \$266 million by the end of FY 1988. The pipeline reduction resulted from limiting new OYB levels, deobligations and restructuring of several projects, as well as more attention to implementation, and, consequently, increased expenditure rates on a number of previously slow-disbursing projects. With the modest OYBs expected in the next few years, the pipeline should continue to decrease significantly. By the end of FY 1989, the Mission expects the pipeline to be under \$200 million--nearly half of what it was four years before.

Philippines:

- At the end of FY 1988, the Philippines' pipeline was \$262 million.
- Important factors contributing to the pipeline include:
 - the economic crisis of the early 1980s that resulted in IMF-imposed restrictive fiscal policies that have increased the difficulty in accessing funds;
 - the political turmoil of the mid-1980s that ended the Marcos era;
 - the subsequent transition period marked by changes in government staff, policy and priorities;

- a highly centralized process for approving and funding project activities;
 - the recent rapid influx of funding from all donors; and
 - the heavy front-end funding of many projects.
- The GOP and A.I.D. are working to improve policies and procedures to accelerate project expenditures, and the increase in FY 1988 project expenditures to \$50 million from \$16 million in FY 87 is encouraging. We also expect that a larger proportion of new funds in the future will be provided as rapid disbursing non-project assistance.

Indonesia:

- The Indonesia pipeline is \$239 million. The substantial Indonesia pipeline has been caused in large part by fully funding slow-disbursing, long-term institutional development projects. It was exacerbated by an unexpected decline in oil revenues which caused significant financial disruption.
- However, in FY 1988, there was a reversal of the previous trend toward larger pipelines as the pipeline dropped by \$40 million. The Mission's increased emphasis on good implementation performance and a move to restructure funding into faster disbursing activities have largely been responsible for the improvement to date. We expect expenditures to continue above new obligations resulting in further declines in the pipeline this fiscal year.

Bangladesh:

- The Bangladesh program had a pipeline as of September 30, 1988, of \$199 million.
- A large part of the pipeline is in projects that were originally designed to be relatively fast-disbursing (Fertilizer, Rural Electrification III and Family Planning and Health Services). However, the pipeline is primarily a result of Bangladesh (BDG) difficulty in timely contributions of their counterpart share of project financing and difficulties in start-up of new project components (e.g., BDG clearance of technical assistance and delays in implementing essential policy changes).

- The Mission is exploring various options for dealing with the pipeline which include: (a) continued discussion with the BDG and other donors on overcoming delays in BDG approval of already agreed upon expatriate technical assistance; (b) greater use of deob/reob authority to move funds from slower moving projects or components to those that are disbursing faster; (c) new modes of assistance which disburse on the basis of policy reform or physical accomplishment benchmarks; and (d) curtailing projects with large pipelines if early termination can be undertaken without jeopardizing the successes already achieved.
- The Mission projects approximately \$80 million in expenditures during FY 1989--more than double the actual expenditure for FY 1988. This should result in a decrease in the overall pipeline of approximately \$27 million by the end of the fiscal year.

Jordan:

- Jordan's pipeline as of September 30, 1988, was \$165 million, down from \$252 million a year earlier.
- The pipeline reflects past trends in obligations; a supplemental appropriation of \$250 million, obligated over FYs 1985-1987, increased the program substantially from its previous average of around \$20 million, rapidly increasing the pipeline. These funds were used in large part in a Commodity Import Program which is now largely expended.
- Intensive implementation efforts in FY 1989 are projected to reduce pipeline still further to \$60.7 million by the end of the year. With forward funding projected at 17 months, pipeline is no longer considered to be a problem.

Sudan:

- Fifty percent of the \$108 million Sudan project portfolio is greater than three years old. Over half of it is attributable to the Western Sudan Agriculture Marketing Road project, which experienced early delays but is progressing well now.
- Sudan also has a \$52 million non-project assistance (NPA) pipeline, which is made up of five Commodity Import Programs (CIP). The bulk (\$38.4 million) is from the \$111 million FY 1985 CIP, of which \$25 million is being held in guarantee of Sudan's IMF arrears. The remaining pipeline funds are being allocated to Sudanese public and private sector importers.

Honduras:

- As of September 30, 1988, Honduras had a DA and projectized ESF project pipeline of \$119 million. Under the Balance of Payments program, Honduras had an ESF pipeline of \$40 million as of September 30, 1988. Over 92 percent of the project pipeline corresponds to obligations made during the last three years; hence Honduras is experiencing a good project implementation pace. During early FY 1989, \$25 million in ESF Balance of Payments was disbursed. The remaining \$15 million is being withheld at congressional request pending the resolution of the Ramirez expropriation case.

Guatemala:

- As of September 30, 1988, Guatemala had a DA and projectized ESF project pipeline of \$138 million. There is no pipeline for ESF Balance of Payments. With over 77 percent of the pipeline made up of funds obligated during the last three fiscal years, Guatemala is experiencing normal project implementation progress. A devaluation in 1986 resulted in a temporary reduction in planned pipeline drawdown rates of some of the older projects but expenditure projections are now on track.

Kenya:

- Thirty percent of the \$93.6 million Kenya project pipeline comes from one project, Rural Private Enterprise, authorized in August 1983. Expenditures on the project are expected to increase now that problems delaying the major credit component are being resolved. The remainder of the project pipeline is attributable to relatively new projects and should be reduced as the projects are implemented.
- The \$38.4 million non-project assistance pipeline comes from the FY 1983 and FY 1986 structural adjustment programs; the former has been successful and is winding down, and the latter is off to a good start.

Costa Rica:

- As of September 30, 1988, Costa Rica's DA and ESF projectized pipeline stood at \$72.0 million. The project portfolio in general is experiencing normal pipeline drawdown with over 82 percent of its pipeline made up of funds obligated during the last three fiscal years. Some slowdown in expenditures has occurred as the Costa Rican private sector becomes hesitant to take on additional A.I.D.-financed dollar loans.

-- Also, as of September 30, 1988, the Costa Rica Economic Stabilization and Recovery VII Program had an undisbursed balance of \$40.0 million which has subsequently been disbursed as Costa Rica met conditions for this final tranced disbursement.

1743G/24

Private Sector Development

Issue: I understand there has been minimal progress by A.I.D. in shifting the focus of the foreign assistance program from that of providing government-to-government assistance to one which encourages free enterprise. What have been the major obstacles facing A.I.D. in its effort to promote private sector development in developing countries? Provide examples of where A.I.D. has been particularly successful in developing the private sector.

Talking Points:

- Actually, A.I.D. has made substantial gains in the last eight years in reorienting its program in a market-based, private sector direction.
- This shift is seen in increased spending, which reaches a record high in A.I.D.'s FY 1990 request for \$776 million to encourage private sector growth.
- Evidence that the private sector initiative is taking hold is also seen in the increased demand by missions for market-oriented expertise to privatize state-owned enterprises, build private capital markets, and clear other roadblocks to private enterprise.
- And these mission requests in turn are driven by demand from the developing countries themselves as they come to recognize that bottom-up, sustainable growth and mobilization of private investment are vital to handling their foreign debt burden and raising living standards.
- However, there are still obstacles. Policies still on the books in many developing countries inhibit private sector development and monopolize the economy through state-owned enterprises. We are working continually to reform those policies.
- Another obstacle is the uniqueness of each country and therefore the factors inhibiting economic growth. We can't design a textbook answer for all countries.
- I would say, also, that some of the functional account limitations, earmarks and other features of the current FAA limit our flexibility to develop private sector programs.
- As for successes, A.I.D. leadership and support has led to several dozen privatizations in every region, from Honduras to Gambia and from Tunis to the Philippines. In Honduras alone, nearly 1,000 new jobs were created when failed state enterprises were revitalized.

- Financial market development has included reform of Bolivia's banking system, establishment of a capital market authority in Kenya and improvement of Indonsia's stock market.
- A.I.D. has been a pioneer among donors in highlighting the enormous potential of the informal sector. A.I.D. has also twice exceeded its earmark for microenterprise support.

1743G/25

Transfer of Private Sector Revolving Funds to TDP

Question: Ambassador Woods, as you know, the Administration's budget request for the Private Sector Revolving Fund is \$5 million in transfer authority for FY 1990. A proposal has been made in the House to transfer this amount in each of fiscal years 1990 and 1991 from the Revolving Fund to the Trade and Development Program. Can you tell this Committee why that \$5 million is needed for the Revolving Fund in FY 1990 and should not be transferred to the Trade and Development Program?

Secondly, what has been the success and failure rate of the program, and what development strides have been made because of the Fund?

Thirdly, what impact, if any, does the Revolving Fund have on U.S. business and trade?

And finally, considering TDP's new responsibilities, as outlined in the Omnibus Trade Act of 1988, do you believe the Administration's \$25 million request for that program will be sufficient to carry out those added responsibilities?

Answer:

Justification for Revolving Fund Resources

-- The authority for A.I.D. to transfer \$5 million in 1990 to the Private Sector Revolving Fund is needed to ensure that adequate resources are available for the growth of the Fund. The proposal that this transfer be made, instead, to the Trade and Development Program assumes that these funds will not be required for immediate use by the Revolving Fund for direct loans, and that the Revolving Fund's guarantee authority of \$25 million per year will be straight-lined from FY 1989 in FYs 1990 and 1991. This assumption is incorrect, given the Administrator's request of \$50 million for the revolving fund and the evidence of strong demand for the guarantee program. The Revolving Fund allows us to highly leverage taxpayer dollars devoted to private sector development overseas. The \$5 million is expected to be required to provide contingent liability reserves needed for the future growth of the guarantee program.

Successes of Revolving Fund

- Since its inception in 1984, the Revolving Fund has sustained one \$500,000 loss. It represents .007% of the total \$67,350,000 portfolio of the Revolving Fund.
- The success of the Revolving Fund, which was established to give A.I.D. an opportunity to engage in financial transactions directly with private financial institutions and private businesses operating in LDCs, can be measured by a number of different yardsticks. Through loan guarantee transactions, A.I.D. has caused LDC financial institutions to serve small business customers which otherwise might not have had access to credit. For example, Thai Danu Bank in Thailand is now making credit available to rural borrowers, and Bank Niaga in Indonesia is making credit available to new small business clients outside Jakarta as a result of the Revolving Fund.
- Over 80% of the Revolving Fund's portfolio is targeted at increasing credit available to small enterprises, the sector of the economy which most efficiently generates jobs. Further, the Revolving Fund has made a significant impact on overall employment generation. For example:
 - Thai Meat (a meat-packing plant in Thailand) has generated 300 direct jobs, plus substantial indirect employment;
 - The Serum Institute (a pharmaceutical company in India) expects 75 new jobs to be generated, as well as much indirect employment at the distribution level;
 - Trident Foods, Ltd. will create approximately 200 new jobs; and
 - Masstock Ltd.(and farming operation in Zambia) will result in 400 new jobs.
- Revolving Fund investments have also brought about other developmental objectives. Operational requirements of the loan to Leather Industries of Kenya (a pre-Revolving Fund loan) provided the model for the environmental standards adopted for the leather processing industry in Kenya. The Serum Institute loan has facilitated improvements in the health sector by making measles vaccine more readily available for children.

Funds Impact on U.S. Business and Trade

- The Revolving Fund has had a legislative mandate to involve the U.S. business community as much as possible in Revolving Fund efforts to promote private sector development in A.I.D.-assisted countries, and it has done so. Revolving Fund projects are directly stimulating in excess of \$20 million in U.S. exports of goods and services. In FYs 1989 and 1990, the Revolving Fund, under its new guarantee authority, will place guarantees with four financial institutions specializing in trade finance which will finance additional exports from the U.S. totaling at least \$20 million. The Revolving Fund is also operating through U.S. financial institutions which hold, or soon will hold, over \$40 million in Revolving Fund resources.

TDP Responsibilities and Resources

[PRE's response to last question]

- The Administration has carefully reviewed the requirements of the Trade and Development Program, especially in light of the new responsibilities outlined in the Omnibus Trade Act of 1988. The Administration has concluded that the \$25 million requested is the proper amount, in its considered judgment, required to implement this very successful program.

[TDP' response to last question]

- TDP's program is expanding as a result of its new authorities and a growing need to monitor and evaluate the ongoing projects. The expansions include:
 - A modest program of trade-related training;
 - Conducting a greater number of project-related reverse trade missions;
 - Developing methods to follow up and evaluate our feasibility studies and the projects which are implemented as a result of those studies;
 - Developing methods to disseminate project information to the private sector and to the states;
 - Administering a cooperative program with the states;
 - Selecting members for TDP's advisory board and setting up the first meeting;

- Carrying out mixed credit responsibilities; and
 - Increasing TDP cooperating with the World Bank and the Multilateral Development Banks.
- TDP is continually striving to refine its mission to make existing resources go further and be more effective. However, as the program matures and the staff fully implements the evaluation and follow-on activities which are important to TDP's effectiveness, there are new projects which will not be approved due to limits on staff and financial resources.

1743G/26

Women in Development

Issue: The Congress included a provision and funds (\$5 million) in the FY 1989 appropriations bill to encourage and promote the participation and integration of women in the development process in developing countries. What is A.I.D. doing to increase support for Third World women in development?

Talking Points:

- The Agency has developed a comprehensive WID Strategic Plan which details how these funds may be used. Of the \$5 million allocated to A.I.D.'s WID Office, \$2 million is being used to support technical assistance efforts to field missions, train agency staff, and provide research materials of interest to Agency activities.
- The \$3 million in matching funds has been designated for those activities that support the following criteria:
 - o Research, technical assistance, training and information resource management activities in the following sectors: agriculture and natural resources; private enterprise development, including small and micro scale enterprises; education; and other sectors where women deserve additional attention.
 - o Activities that are replicable, self-sustaining and cost effective.
 - o Activities that contribute to the overall goal of using and/or expanding women's productive capacity.
- Examples of WID projects using \$3 million in matching funds:
 - o Contract for two WID technical experts to provide assistance to the Institute for Agricultural and Animal Sciences (IAAS) in Nepal to strengthen career development training by introducing gender role perspectives into research and extension programs.
 - o A contract to do research for and produce a major paper on "Natural Resource Issues for the Asia and Near East Region: Gender Considerations."
 - o A contract for technical assistance to obtain economic consultant and advisory services that will enhance A.I.D.'s capacity to introduce and maintain appropriate economic policies at the macro, sectoral, and project levels.

A.I.D. Workforce

Issue: Provide a breakout of the A.I.D. direct-hire workforce by A.I.D./Washington and overseas missions for FY 1988, FY 1989, and FY 1990.

Talking Points:

-- The Full Time Equivalent (FTE) levels for FY 1988 through FY 1990, excluding personnel funded from the separate IG Operating Expense appropriation, are:

	FY 1988 <u>Actual</u>	FY 1989 <u>Estimate</u>	FY 1990 <u>Estimate</u>
U.S. Direct Hire Employees:			
Washington	2,058	1,976	2,040
Overseas	<u>1,196</u>	<u>1,165</u>	<u>1,221</u>
Total U.S. Direct Hire	3,254	3,141	3,261
Foreign National Direct Hire	<u>1,138</u>	<u>1,139</u>	<u>1,139</u>
Total Direct Hire	<u>4,392</u>	<u>4,280</u>	<u>4,400</u>

-- The reduced FTE levels estimated for FY 1989 reflect anticipated changes resulting from the partial hiring freeze the Agency has implemented in FY 1989 to operate within the FY 1989 funding levels.

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Human Rights in Africa

Issue: At a time of proven human rights abuses by the Governments of Somalia, Sudan, Kenya, Liberia and others, why is the Administration continuing to request assistance to these countries in its FY 1990 budget?

Talking Points:

- The United States has strategic and political interests in Somalia, Sudan, Kenya and Liberia. Moreover, there are sound humanitarian and developmental reasons for assisting these countries in FY 1990. Effective use of ESF, for example, has brought positive action on human rights in Somalia.
- It is important to note that the situations in these countries are different. Kenya and Liberia are at peace. Civil conflict marks Sudan and Somalia but with different implications for human rights.

Somalia

- The Government of Somalia (GSDR) has been accused of serious human rights abuses, some arising out of the civil war in the North. This includes allegations of summary executions, torture of political prisoners, strafing of civilian populations and other failures to observe the basic human rights of its citizens. Some of these actions may have been officially sanctioned.
- Consequently, non-projectized ESF resources were put on hold by the Congress. This action, along with other donor pressure, has been effective in underlining to the Somalis the costs of failing to work on reconciliation in the North. Thankfully, progress has been made on this front since November, including: the release of several hundred political prisoners; agreement to a visit by Amnesty International in May; talks with disaffected northerners; and endorsement by Somalia's President of recommendations to restore Constitutional guarantees against arbitrary state action. The Hill's recent agreement to release its informal hold on the FY 87 ESF may have been influenced by these moves. However, the FY 88 ESF continues to be formally held up by the Hill.
- On a parallel track, A.I.D. has worked to make progress on economic reform and stabilization. Political reconciliation is supported and sustained by economic stabilization.

- The GSDR has taken difficult economic reform measures since last summer (exchange rate adjustments, revenue enhancement and liberalization of key sectors). These bode well for reestablishment of a formal IMF program. The reform program is the essential foundation for stopping the economy's slide and for fostering self-sustaining growth and development over the medium to long term.
- A.I.D. proposes \$20 million for the FY 1990 ESF program for Somalia. This assistance is critical in keeping the economic reform program on track. The ultimate success of this restructuring will require additional technical and financial assistance from the West. Currently programmed ESF resources are by themselves insufficient to solve all of Somalia's severe economic problems.
- Additionally, A.I.D. is proposing \$4 million in Development Fund for Africa assistance to continue ongoing activities which seek to address expansion of domestic production, increase private investment and public sector efficiency and human resources development.
- In the early 1980's when Somalia was in compliance with an economic reform program, there were significant improvements in the domestic economy, including increased food production. Therefore, A.I.D. is hopeful that the Somalis will maintain the momentum they have begun on this current IMF shadow program.

Sudan

- There have been reports of serious human rights problems in Sudan during the last year. All of these have been connected with the civil war in the south, such as allegations of massacres by Government troops, ethnic violence by tribal militias, the enslavement of southerners and the use of food as a weapon. There have been similar allegations about the actions of the SPLA. Both the SPLA and the Government have denied responsibility.
- The Government, as a matter of policy, does not promote or endorse violations of human rights. Difficult logistical constraints, great distances, political disarray and the war impair Government efforts to control abuses of human rights. Nonetheless, it could do a better job. The United States presses for improvements in human rights, peace and relief at the highest levels of the Government.

- There have been many deaths as a result of the man-made disaster in Sudan (estimates range from 250,000 to one million). Greater precision is not possible. Logistics and security problems have hampered the delivery of food to the many displaced in Sudan. It is currently estimated that approximately 2.5 million people are at-risk in total. A.I.D. is doing its best to ensure that an adequate amount of food is prepositioned in or close to the South before the rains begin so that mass starvation does not recur.

- In light of these difficulties and lack of effective economic reform and budgetary constraints, DA, DFA and ESF levels for Sudan have dropped precipitously in the last several years. Resources are being requested for FY 1990 to maintain existing programs which focus on basic human needs. These include important projects in child survival, family planning, and natural resources management, all activities which have a direct impact upon improving the living conditions of the Sudanese people.

- ESF is requested in order to have resources available to encourage positive developments regarding peace and economic reform. Some initial steps have already been taken on both; U.S. support is very important from the Sudanese perspective.

Kenya

- The USG is concerned about the apparent erosion of the rule of law in Kenya and about lessened respect for basic human rights, especially in contrast to Kenya's admirable record since independence.

- It is also concerned that Kenya's population growth rate of 4%, the world's highest, is causing the standard of living to fall and putting increased pressure on the limited arable land.

- Kenya has an extremely high unemployment and underemployment rate, estimated at 25 - 45% of the work force. Almost 50% of its population is under 15 years of age.

- Kenya has a growth with equity development strategy, emphasizing reaching the rural poor to increase agricultural production and income.

- On a per capita basis, Kenya receives only slightly more DFA than the average for all of Sub-Saharan Africa.

- U.S. assistance is successfully assisting policy reform, increasing agricultural production, reducing the population growth rate and strengthening the private sector.
- Kenya is one of the few African states in which the private sector operates with limited government interference.

Liberia

Mixed human rights picture in Liberia:

- Liberia has shown some degree of institutional pluralism, as demonstrated by the existence of a number of different newspapers, opposition political parties and a legislature that has at times exhibited independence vis-a-vis the executive.
- Nevertheless, Liberia's overall performance regarding respect for the rule of law and adherence to Western human rights standards is uneven. Over the past year, two newspapers have been banned, two coup attempts have resulted in the death of alleged conspirators and a politically charged trial, and student organizations have been banned in the wake of student unrest. On the other hand, two Americans detained in connection with a coup attempt have been released.

Justification for Maintaining Assistance to Liberia:

- Liberia is home to a number of important USG facilities and access rights. Over at least the medium term, it is essential that the USG provide an adequate level of assistance in order to preserve the USG presence.
- Given the political importance of maintaining assistance to Liberia, A.I.D. will focus its program in the near future on improving social services and standards of living for the majority of the Liberian people whose development needs remain large and unmet by GOL programs. PVOs will be used to the extent possible to implement this program.
- In FY 1990, Liberia is programmed to receive only ESF and P.L. 480 assistance; no DFA is planned. The proposed FY 1990 levels for Liberia (\$15 million in ESF and \$7.5 million in P.L. 480) represent a continuation in the sharply declining levels for the country over the last several years and the bare minimum required to sustain this bilateral relationship in its current form.

Liberia

Issue: Starting in 1987 at the strong behest of then-Administrator Peter McPherson, A.I.D. took the extraordinary step of placing what you call "operational experts" into Deputy Ministerial positions in the Liberian government. This step was taken in the hope of helping the Government of Liberia out of its serious financial mess. You have now admitted defeat and pulled these operational experts out of their positions and cancelled the project more than a year early. Can you tell us what, if any, were the accomplishments of this team and whether any successes will be maintained now that the team is gone? What progress was made in addressing the fiscal requirements? Given the problems of gross fiscal mismanagement and substantial human rights abuses, how can you justify maintaining assistance to Liberia at one of the highest levels in sub-Saharan Africa?

Talking Points:

Accomplishments of the "Operational Experts" (OPEX):

- The OPEX team met with some success in fiscal management during their one year in Liberia. Among the primary accomplishments were:
 - assisting the Government of Liberia (GOL) in preparation of the 1989 budget which is the most realistic budget in recent years,
 - successfully computerizing the civil services payroll and keeping civil service salaries current,
 - operating the Ministry of Finance on a cash basis,
 - reducing domestic arrears, and
 - increasing direct and indirect tax revenues from previous years.
- As the team was in country only one year, we cannot be certain these successes will be fully institutionalized now that the team has left.
- In March 1989, President Doe signed an executive order that contains many of the reforms advocated by the now departed OPEX team, including the requirements that all government revenues be channeled into general GOL accounts, and banning extrabudgetary expenditures and revenue encumbrances.

-- While A.I.D. is disappointed that the GOL was not more committed to achieving the objectives of this project, we do not see its termination as "admitting defeat." The Administration entered into this agreement with its eyes wide open i.e., it acknowledged from the outset that the project was risky because of the operational role OPEX would play. The Administration took the risks because the payoff could be correspondingly large. When President Doe took no action to curb extrabudgetary expenditures and to bring all revenues and expenditures within the scope of OPEX controls, it became obvious that the project could not meet its objectives. The Administration, therefore, decided not to renew the project.

Justification for Maintaining Assistance to Liberia:

- The Administration continues to believe that U.S. economic assistance to Liberia makes sense in view of our foreign policy interests in that country. Liberia is home to a number of important U.S. facilities and to over 4,000 resident U.S. citizens. We have access rights to Liberia's air and port facilities. Over the medium term, it is essential that the U.S. provide an adequate level of assistance in order to preserve the U.S. presence.
- Given the political importance of maintaining assistance to Liberia and the uncertain economic policy climate there, A.I.D. will focus primarily on improving social services and standards of living for the majority of the Liberian people whose development needs remain unmet by GOL programs. To pursue this program, we plan to channel more resources through PVOs and the numerous non-governmental organizations effectively providing services in health, education, family planning and assisting the development of small and medium private enterprises.
- In FY 1990, Liberia is programmed to receive only ESF and P.L. 480 assistance; no DFA is planned. The proposed FY 1990 levels for Liberia (\$15 million in ESF and \$7.5 million in P.L. 480) represent a continuation in the sharply declining levels for the country over the last several years and the bare minimum required to sustain this bilateral relationship in its current form.
- We would like to have the features of FAA Section 123(e) extended to ESF so we can fund the PVO program with ESF in Liberia.

Mozambique

Issue: I understand that Mozambique is the largest recipient of U.S. assistance in sub-Saharan Africa. Discuss A.I.D.'s assistance to Mozambique, including development and emergency assistance, as well as assistance levels from all sources. Note the current country situation and any major problems of concern.

Talking Points:

- A.I.D. goals in Mozambique include:
 - Increasing the efficiency and effectiveness of the private sector, particularly private agriculture, through the provision of foreign exchange resources.
 - Improving the efficiency of health services, through the strengthening of GPRM's maternal child care and childbirth programs.
 - Assisting the Government in dealing with its severe food security problem, by providing food and other humanitarian assistance to the victims of civil strife, natural disasters and agricultural production shortfalls.
- U.S. assistance to Mozambique in FY 1988 totaled \$74.5 million. That includes \$15 million in development assistance, \$49.7 million in food aid, and \$9.8 million in disaster assistance.
- We expect U.S. assistance to Mozambique to total approximately \$78.8 million in FY 1989. That includes \$15 million in development assistance, \$53.8 million in food aid and \$10 million in disaster assistance.
- At this point, for FY 1989, the U.S. has approved 202,921 MT of food aid, valued at approximately \$48.8 million. In addition, subject to funding and commodity availability, we are considering additional requests for approximately 10,000 MT of food aid, valued at about \$5 million.
- The disaster assistance level of \$10 million for FY 1989 includes approximately \$2 million in prosthetics activities from the \$5 million Congressional earmark, available worldwide, for artificial limbs for civilian casualties of warfare and civil strife.
- In addition to our bilateral assistance to Mozambique, approximately \$21 million will be made available through our program of assistance to SADCC for the rehabilitation of the Mozambique Railway System.

- At the Third Annual UN Sponsored Donors Meeting on the Emergency Situation in Mozambique held in New York, April 13-14, 1989, pledges totaling \$352 million were received against a two-year target request of \$382 million.
- The percentage of displaced and affected has increased throughout the country since last year's appeal (from 22.7% to 30.1% of the population) especially in the southern provinces. A high level of insecurity persists throughout the rural areas as the RENAMO insurgency continues unabated.
- For the current crop year (May 1, 1988 to April 30, 1989) we and other donors revised downward the overall Government food need estimates from 914,000 MT to 588,000 MT, by factoring out the proposed import of sugar and those stocks already on hand. Based on this revision, over 96% of the requirements were pledged (572,818 MT) and nearly 75% (431,257 MT) had been delivered through January 15, 1989. Last year, the U.S. pledged 176,396 MT and delivered 162,018 MT through January 15, 1989.
- Food distribution in the rural areas continued to be constrained in 1988 both by civil strife and an inadequate number of trucks. Actual distribution to rural areas reached only 42% of the planned level of 260,000 MT. The capacity of the truck fleet available was only 53% of the estimated capacity needed to transport this amount.
- Clearly not all the people at risk are being reached, and malnutrition is on the rise in both rural and urban areas. There are also reports of several thousand deaths due to famine in the Northern Mozambican district of Memba, which is currently under RENAMO control, while the holding of four ICRC officials by RENAMO is indicative of the operational problems ICRC has been having since the resumption of its relief activities in January.
- Reports by our CARE food monitor of alleged diversions and losses of U.S.G. food are being vigorously investigated by the GPRM, which has made the issue public. The Inspector General's office is also involved.
- Of the 7,641,600 persons which the GPRM considers "at risk" this year, 1,689,900 are displaced people requiring free distribution of food, 2,874,700 are adversely affected people needing either food relief or commercial food through market channels, and 3,077,000 are urban dwellers eligible for rations under the commercial distribution program. The UN/GPRM appeal document assumes the displaced

are 30% self-sufficient in food; the affected are 40% self sufficient; and 80% of the affected can be reached through market channels.

- For the May 1, 1989 to April 30, 1990 period (next crop year) the GPRM is requesting 916,000 MT of cereals, pulses, edible oil and sugar. (Excluding sugar, the appeal is for 875,000 MT.) Of the 916,000 MT, 618,000 MT is for commercial sales to the urban population, 224,000 MT for free distribution, and the remaining 74,000 MT is for a food bank scheme. Our initial analysis is that these estimates are valid and more realistic than previous estimates.

- The one bright spot in this otherwise discouraging picture is the continued upsurge in the overall economy of Mozambique. Last year's real growth rate of 4.5% (following the 4% growth reported in 1987) is a clear indication that the economy is responding to the Comprehensive Economic Recovery Program launched by the Mozambican government in early 1987. The World Bank estimates that the economy would expand at 9 or 10% per annum -- double the current rate -- if peace were restored throughout the country.

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Southern Africa Program

Issue: This Committee supports assistance to the Southern Africa Front Line States and Mozambique. Could you tell us how A.I.D. is assisting this region? Also, would you explain to this Committee how the Southern Africa Development Coordination Conference (SADCC) countries set the priorities for the projects funded by this program. Particularly, we are interested in the methods used for these projects within the priorities that the United States is emphasizing: transportation, agriculture, and trade development. What efforts, if any, does A.I.D. make to ensure that procurement under this account is directed toward United States companies?

Talking Points:

- U.S. assistance to Southern Africa in FY 1988 (excluding our SADCC Program) totaled \$262.3 million. Of this total, \$139.2 million or 51% was provided in development assistance and \$119.3 million or 45% was provided in the form of food aid. The remainder was provided in the form of emergency disaster assistance.
- U.S. assistance to Southern Africa in FY 1989 (again, excluding our SADCC Program) is planned for \$138.2 million. Of this total, \$112.6 million or 81.5% will be provided in development assistance and \$25.6 million or 18.5% in food aid.
- Cumulative obligations to date for our SADCC Program since its inception total \$163.4 million. A.I.D. will obligate a total of \$50.0 million in FY 1989.
- A.I.D. goals in supporting the Southern Africa Development Coordinating Conference include:
 - Strengthening transport facilities that provide more efficient, cost effective alternatives to South African routes;
 - Increasing agricultural productivity and regional food security; and
 - * Promoting increased exports and greater investment in production.
- Each SADCC country has been assigned responsibility for establishing the regional strategy and setting project priorities for a number of sectors and sub-sectors, as follows:

Angola	energy
Botswana	agricultural research, livestock production and animal disease control

Lesotho	soil and water conservation, land utilization and tourism
Malawi	fisheries, wildlife and forestry
Mozambique	transport and communications
Swaziland	manpower
Tanzania	industry and trade
Zambia	mining
Zimbabwe	food security

- The methods used by the SADCC countries to establish project priorities include:
- o preparation of a regional sector strategy paper, discussion of the paper with other SADCC members, and final approval by the Council of Ministers;
 - o identification of projects by the sectoral coordinating unit (in the lead country) or by the country or countries directly concerned;
 - o appraisal of proposed projects by the coordinating unit (and, in some sectors, by technical committees), to ascertain that the project is consistent with the objectives, strategy and criteria for the particular SADCC sector;
 - o review of projects that pass the initial appraisal stage by a sectoral committee of officials, with a screened list then being submitted to the sectoral committee of Ministers; and
 - o a final screening and approval by the SADCC Council of Ministers.
- The USAID Mission in Harare, Zimbabwe manages the Southern Africa Regional Program (SARP) and consults with the SADCC institutions regarding the projects which the U.S. will fund from the SARP account.
- All procurement funded from the SARP account is subject to the full range of source and origin requirements as pertain to regular DA funds. SARP project agreements stipulate either the U.S. or developing countries (Code 941) for financing the foreign exchange costs of both commodities and services. We estimate that 85-90 percent of the foreign exchange procurement with SARP funds goes to U.S. firms, because no other industrialized nation is eligible under 941.

Assistance to Disadvantaged South Africans

Issue: Please describe A.I.D.'s programs to assist disadvantaged South Africans, including funding levels for FY 1988, 1989, and 1990. Describe A.I.D.'s scholarship programs for disadvantaged South Africans and A.I.D.'s efforts to enlist private sector support in this area.

Talking Points:

- Since 1980 A.I.D. has been assisting disadvantaged South Africans to resist apartheid and to prepare themselves for leadership in a post-apartheid nonracial democracy.
- A.I.D.-funded programs are being successfully implemented by South African nongovernmental organizations in these areas:
 - human rights (including legal assistance),
 - education (including university scholarships),
 - black private enterprise development,
 - labor union training, and
 - community development
- In 1988 we provided \$25 million for these programs. In FY 1989 we requested \$24.9 million, but Congress earmarked an additional \$10 million in ESF for the scholarship programs. Our request for FY 90 is again \$24.9 million. Within this total, the scholarship programs will continue to be our highest priority.
- I am particularly proud of our scholarship programs. Since 1982 A.I.D. has funded over 600 disadvantaged South African students to pursue undergraduate and graduate degrees at American colleges and universities. We have also provided scholarships to about 600 students to attend South African universities. These black, "coloured," and Asian citizens will be better equipped to wage the nonviolent struggle against apartheid and better prepared for leadership roles in a post-apartheid nonracial democracy.
- As the number of qualified black South African students far exceeds the number of university scholarships that A.I.D. and other donors can provide, we are exploring the possibilities for enlisting more private sector support for this purpose. Last summer A.I.D. and the State Department formed a working group to examine the prospects for creating a private foundation to raise funds for South African scholarships. That working group has consulted widely outside the government on the feasibility of public fundraising for South African scholarships. They have nearly finished their deliberations and will be ready to report their findings to Congress in May.

Background:

- A more detailed listing of current A.I.D.-funded programs in South Africa is attached.

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ATTACHMENT

A.I.D.'s Current Program of
Assistance to Disadvantaged South Africans

A.I.D.-funded programs are being successfully implemented by South African NGOs in the following areas:

1. Human Rights \$1.5 million in FY 89

Over 80 grants in FY 1988. Examples:

- legal assistance for political detainees and those opposing apartheid laws
- funding for legal advice centers
- support for conferences and journals on human rights
- assistance for the families of the victims of violence
- support for press freedom

2. Education

a. Scholarships to U.S. Universities \$10 million in FY 89

80-100 new students each year, selected on the basis of merit, at both graduate and undergraduate levels. An additional \$5 million in FY 89 (half a \$10 million ESF earmark) will raise the number of new students in 1990 to about 185. Our FY 90 budget reverts to \$5.6 million in DFA for this project.

b. Scholarships in South Africa \$10 million in FY 89

200 new undergraduate students each year. An additional \$5 million in FY 89 (half a \$10 million ESF earmark) will raise the number of new students in 1990 to about 300. Our FY 90 budget reverts to \$5.4 million for this project.

c. Innovations in Education \$3.3 million in FY 89

Gives resources to disadvantaged South Africans to define their priorities and test their ideas about improving the education system. Examples:

- nonracial secondary schools
- alternative community-based schools
- secondary school scholarships
- pre-school programs
- teacher training
- literacy programs
- a publisher of alternative school books

3. Black Private Enterprise Development \$3.3 million in FY 89

- credit program for small black businesses
- assistance to advocacy and support institutions that advise black entrepreneurs and work to change the laws that discriminate against black businesses
- support (feasibility studies, assistance in financing) for a few larger black enterprises in areas dominated by whites. Examples: an insurance company, a bank, a shopping mall

4. Labor Union Training \$1.5 million in FY 89

Technical assistance and training for black trade unions in areas such as:

- union organization and membership drives
- collective bargaining
- handling grievances
- health and occupational safety

5. Community Development \$5.3 million in FY 89

Small grants to develop community leadership and build local democratic institutions. Examples:

- neighborhood advice centers
- women's organizations
- career counseling centers
- short-term training
- conferences and publications

Cambodia

Issue: The Administration is increasing its request for assistance to the Cambodian Non-Communist Resistance Forces from \$5 million of ESF in FY 1989 to \$7 million in FY 1990. How will these additional funds be used? Will any of the money be used for lethal assistance? Can you comment on allegations of fraud in this program?

Talking Points:

- The Cambodian Non-Communist Resistance Program is at a critical point. With the announced withdrawal of Vietnamese troops from Cambodia, and a possible political settlement being discussed among the Cambodian parties, it is necessary to strengthen the capacity of the Cambodian Non-Communist Resistance to participate actively in any settlement. This will also enhance its ability to compete successfully against the Khmer Rouge and an entrenched Communist regime in Phnom Penh.
- A portion of the additional resources will be used to provide non-lethal training, medical services and commodities required by new recruits, and the expanded Cambodian Non-Communist Resistance Forces.
- The balance will be used to help the Cambodian Non-Communist Resistance Forces to enlist political support among civilian populations within Cambodia.
- **(NOTE: If pressed for additional detail.)** While the Cambodian Non-Communist Resistance Program is a public program, we would prefer to provide additional information in a closed briefing or via written testimony.
- We expect to continue to provide non-lethal assistance to the Cambodian Resistance Forces, and the Administration will continue to consult with Congressional leaders, other friends and allies, and the Cambodian Non-Communist Resistance Forces themselves on the level and types of assistance needed to improve their effectiveness.
- Any allegations of fraud in the Cambodian Non-Communist Resistance Program are difficult to verify. We investigate such allegations to the best of our ability, and report our findings to Congress. We shall continue to do so in the future. I am prepared to discuss, in a closed hearing or directly with concerned members, steps we have taken to improve program management.

Cyprus

Question: On March 15, fifteen members of the Senate Foreign Relations Committee wrote to Secretary Baker requesting that he give the Cyprus problem his personal attention and make "resolution of the long-standing Cyprus impasse a major priority." In view of this Committee's strong interest in this problem, please explain why A.I.D. has reduced its FY 1990 request to \$7 million, from \$15 million in FY 1989.

Answer:

- Over the years, Congress has maintained the level at \$15 million. The \$7 million assistance proposal request for FY 1990 in no way reflects any attempt to diminish the political commitment of the U.S. to assist the Cyprus settlement.
- This level corresponds to the shrinking resource base in recent years and brings our Cyprus program into line with this regrettable, but real overall downward trend. Within the confines of our ESF portfolio, we have compromised on the level of \$7 million which we believe is sufficient to satisfy the requirements of the program.
- The refugee assistance efforts, which began in 1974, focused upon revitalizing the economy, construction of housing and hospitals, restoration of cultural/historical sites, and many other worthwhile projects. We have reached a point, however, where such assistance is no longer sorely needed.

Israel's Use of Cash Transfer Assistance Funds

Issue: What did Israel use its cash transfer assistance funds for in FY 1988 and FY 1989? What does it plan to use them for in FY 1990? Does A.I.D. believe any of this assistance has been used by the GOI for purposes of settling and maintaining control in the occupied territories?

Talking Points:

- In 1988 Israel used its cash transfer funds for repayment of its FMS and D.O.D. debt; (\$993 million +) for U.S. grain transport and purchases; (\$34 million) for A.I.D. loan repayments; (\$39 million +) for U.S. agriculture surplus purchases; (\$18 million +) and for Export-Import commercial loan repayments (\$15 million +).
- Israel will use its FY 1989 funds for the same categories as it used its FY 1988 funds. These understandings are spelled out in written agreements between the GOI and the USG.
- It is anticipated that the 1990 agreements for funds use will continue to reflect the same pattern. This agreement will be formally negotiated and signed in September of this year prior to funds disbursement.
- The Government of Israel continues to give us yearly assurances that none of our aid will be used in the occupied territories (i.e., outside the "green line"). Additionally we have always been very clear with the GOI in our belief that Israeli settlements in the occupied territories are an obstacle to peace.

Jordan

Issue: Please describe our A.I.D, assistance to Jordan, highlighting any problems or concerns.

Talking Points:

- Our economic aid level for Jordan in FY 1989 is earmarked at \$15 million ESF grant. Our current portfolio comprises:
 - 16 active projects,
 - a commodity import program,
 - a West Bank local currency program which is winding out,
 - \$75 million in authorized housing guaranty activities,
 - \$27 million in grant sorghum under Section 416 soon to be signed up.

- All recent new projects (agricultural marketing, marketing of birth spacing, and loan guaranty for small enterprise) and all of the upcoming planned FY 1990 projects (private sector commodity import program, trade and investment, and financial market improvement) reinforce our strategy to support the government of Jordan in its efforts to build on the private sector as the engine for growth and employment.

- Our biggest concern is that Jordan's economy is suffering severely:
 - Gulf-based workers' remittances are declining, Arab aid flows are way down, and phosphate earnings are down.
 - Unemployment is up to 12% and more acute among young men, while the labor force is expanding at 4%-5% a year
 - GNP growth has average less than 1% annually since 1984, implying a steady loss in real per capita income as population grows at 3.6% a year.
 - The Government has been in serious budgetary deficit, foreign exchange reserves are at their lowest levels in Jordan's history, and Jordan's debt service this year will be at its highest level ever.

- The Government of Jordan continues to demonstrate its resolve to adjust responsibly to these adverse developments beyond its control by:
 - liberalizing the economy, stimulating foreign investment and export, and discouraging luxury imports,
 - allowing more flexible domestic interest rate policies,
 - allowing the Jordanian Dinar to float (and thereby depreciate by over one-third),
 - advancing a market-oriented strategy,
 - keeping growth in government budget and inflation low.
- Jordan continues to be a friend of the U.S. and a force for moderation and stability in the Middle East, as well as a key player in any new initiatives for Arab-Israeli peace. Our FY 1990 level request of \$35 million is based on the recognition that despite our budgetary constraints, we must do more for Jordan to help it through these difficult times.

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Lebanon

Question: Ambassador Woods, Lebanon is experiencing an incredible amount of devastation. The people are suffering and its systems are collapsing. What can A.I.D. do? How can you respond to this emergency?

Secondly, to what extent does A.I.D. continue to provide assistance to Lebanon and how many Americans are in Lebanon?

Finally, why is the Lebanese YMCA not receiving funds in FY 1989 and FY 1990? (NOTE: Funding for the Lebanese YMCA is supported by Senator Simon. U.S. YMCA headquarters are in Chicago. The FY 1989 Appropriation Act provides "up to \$5,000,000 [of Economic Support Funds] ... for the people of Lebanon." The Conference Report on the Act states that the YMCA "shall not be excluded from receiving funds under this provision.")

Answer:

Emergency Assistance

- We are deeply saddened by this tragedy and we continue to assist the Lebanese people in this most difficult of times. Before the March 14 increase in violence, we were providing food relief to approximately 135,000 families, or between 25%-33% of the total population. Currently violence has made orderly distribution impossible in the Beirut area. We are shifting our distribution to institutions (as opposed to families) in need, such as orphanages and nursing homes. We will, of course, continue family distribution as soon as the situation permits.
- Additionally, we are considering restructuring or amending existing grants to PVOs to make funding available to assist in their relief efforts (an extension of CRS valued at \$100,000 and making \$50,000 available by extending YMCA).
- Very significantly, through our Office of Foreign Disaster Assistance, we are prepared to respond to an emergency declaration of disaster based on the American Embassy in Beirut's assessment of the situation.
- Finally, we will continue to work with our existing PVOs to seek ways to assist in these terrible times.
- These efforts are very important and touch the lives of the Lebanese people daily. They don't grab headlines but these actions save lives and ease suffering, quietly, every single day.

A.I.D. Staff in Lebanon

- The A.I.D. Representative has been withdrawn from Lebanon. Presently, we have a local staff of five Lebanese professionals: 3 project officers, 1 controller and 1 bookkeeper.

Lebanon Assistance Program

- We are continuing support for (1) a major feeding program through Save the Children, (2) American-based educational institutions such as the American University of Beirut (AUB), and (3) other PVO relief activities.

Assistance Levels (in \$000)

	1988 <u>(actual)</u>	1989 <u>(estimate)</u>	1990 <u>(request)</u>
DA	2,250 <u>a/c/</u>	2,496 <u>a/c/</u>	-
Intl Dev Asst	384 <u>a/</u>	-	-
ESF	2,448 <u>a/</u>	300	2,000
Title II <u>b/</u>	7,900	14,112	12,744
ASHA	6,300 <u>c/</u>	tbd	tbd

- o Working with Save the Children Federation, AID provides emergency food assistance targeted to 135,000 families (about 800,000 people or over 1/4 of the Lebanese population).
 - o Ongoing programs have the flexibility to be responsive in emergency situations.
 - o Four PVOs (Save the Children, Catholic Relief Service, World Rehabilitation Fund, Lebanese YMCA) implement AID's relief and rehabilitation programs and small grants have been provided to various indigenous non-governmental organizations. These grants cover the administrative costs of the food program, provide medical supplies and rehabilitation services, provide grants for reconstruction of damaged institutions, and fund a small revolving grant facility for small businesses and farmers.
 - o AUB received \$8.5 million in FY 1988. In FY 1989 they have received \$2.5 million and will be receiving an ASHA grant.
- Funds requested for FY 1990 will enable us to continue some of the PVO emergency relief programs.

a/ includes funds reobligated from prior year appropriations

b/ includes ocean freight costs

c/ DA funds for AUB; ASHA funds for AUB, BUC and IC

Support for the YMCA

- Although the Appropriation Act provided up to \$5 million for Lebanon, the Administration was not able to meet all ESF requirements and subsequently allocated an OYB of \$300,000 for Lebanon. These funds are critical to help cover the administrative cost of a much needed AID-supported feeding program managed by Save the Children. As a consequence, funding for the YMCA is not available within this level. Additionally, the Lebanese YMCA has a pipeline of U.S. funds of over \$700,000 which will run through the end of October 1989.
- The YMCA, however, is under consideration for FY 1990 but YMCA officials understand that it will be very difficult to accommodate their program within the \$2 million request level. The first priority for FY 1990 will be meeting the operation expenses to carry out the targeted feeding program.
- It is noteworthy that the Lebanese YMCA has been very successful in raising funds from other donors. Last year, the YMCA general director indicated that the YMCA budget had increased from \$1 million to \$10 million annually.
- Also, there are other PVOs which have an equally urgent need for funds (e.g. Catholic Relief Service, Save the Children, the World Rehabilitation Fund, Lebanese Red Cross). Each of these organizations provides relief services to the Lebanese people -- both directly and through local organizations -- including medical supplies and equipment, shelter repair grants, and grants to enable small businessmen and farmers to stay in operation.

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Central America - ESF

Issue: The United States has provided \$3.5 billion in the last eight years for ESF assistance to Central America. Much of this ESF has been provided as balance-of-payments support. I don't believe the U.S. has received an adequate return on this substantial investment in Central America. At a time when our own deficit is mounting, can you explain why we should continue to supply such large amounts of funds to Central America? Moreover, why should we not stipulate that most ESF for Central America be used for project assistance instead of balance-of-payments support? Discuss the general concept and some specific examples of A.I.D.'s economic policy reform program in the region.

Talking points:

- The U.S. has received a significant return on the substantial investment made in Central America. In the early 1980's the countries in the region were in an economic nosedive, with negative rates of growth. Since 1984, when Congress adopted the recommendations of the Kissinger Commission and the U.S. increased aid levels substantially, the decline has been arrested and positive growth is now occurring in the four countries receiving large amounts of ESF. While the magnitude of the growth varies and economic policy problems persist in El Salvador and Honduras, it is clear that our balance of payments support and the improved policies we have fostered are the major causes of the turnaround.
- A.I.D.'s effectiveness in the four countries is contrasted by the failure of Nicaragua where the economy continues to plummet with hyperinflation (20,000% in 1988) and negative growth rates. This is in spite of more foreign economic aid than El Salvador or any other Central American country.

Average Annual Real GDP Growth

<u>Country</u>	<u>1980-83</u>	<u>1984-88</u>	<u>Change</u>
Costa Rica	-1.6%	+4.5%	+6.1%
El Salvador	-5.5%	+1.7%	+7.2%
Guatemala	-0.5%	+1.4%	+1.9%
Honduras	0.0%	+3.1%	+3.1%
Nicaragua	+5.0%	-3.2%	-8.2%

Source: IMF; and A.I.D. estimates for 1988.

- In per capita growth terms these gains are still small, given high population growth rates. Higher rates of growth on a rapid and sustainable basis are still needed.

- A.I.D. ESF provides a vital economic stability to these countries and creating a more favorable environment for democratic development and for the continuing attempts to bring peace to the region.
- The general concept of A.I.D.'s ESF policy reform program is to provide fast-disbursing non-project assistance in return for economic policy reforms which stabilize the economies and lay the foundation for renewed growth. Each ESF program is rigorously reviewed within A.I.D. and negotiated with host country governments. Release of funds is contingent upon achievement of agreed targets and program implementation.
- Conditionality has varied considerably from country to country but generally has included (1) measures to restore financial stability through reduced fiscal deficits and monetary policy restraint; (2) realistic exchange rate policy; and (3) a variety of actions to promote structural change in the economy, thus facilitating more rapid, sustainable, and broad-based economic growth.
 - For example, Costa Rica has implemented major policy reforms, in compliance with the terms of our ESF agreements. Conditions set included promoting long term growth through a series of financial and microeconomic restraints, completing ongoing privatization activities and promoting exports and investment. The results were positive: in 1988 GDP grew at a rate of 3.4%; the 1988 balance of payments deficit was reduced by \$141.0 million; non-traditional exports increased by \$125.0 million.
 - Major policy reforms in El Salvador have come more slowly because of wartime conditions and the government's emphasis on democracy. Conditions set include limiting Central Bank financing of government fiscal deficit and holding down deficit with expenditure cuts and revenue increases. The results: inflation rate dropped from 32% in 1986 to 25% in 1987 and to 20% in 1988; the internally financed deficit has been held at or below 1.5% of GDP.
- Under the Full Funding Report, submitted to Congress in 1987, A.I.D. laid out a plan which calls for gradually declining ESF levels and a shift toward development assistance focused more on long-term development programs. This is based upon the framework for growth of sound economic policies, often achieved through negotiations of ESF agreements.
- 16.5% of ESF is currently projectized. In El Salvador 25% of ESF resources are projectized. However, the vital contribution of ESF in stabilizing the economies through balance of payments assistance continues to be essential.

Chile

Issue: Describe what A.I.D. is doing in Chile, including its efforts to support democracy.

Talking Points:

- A.I.D. initiated an Advanced Developing Country program in Chile in August 1988. The bilateral A.I.D. program was phased out in FY 1981.
- All projects are carried out through private and non-governmental organizations; no support is provided through the Chilean Government.
- The program concentrates on two critical concerns:
 - (a) Support of Chile's return to democracy. We are currently developing projects to support non-partisan civic education for the December, 1989 elections, training of judges and court staff through a private sector judges association, and the establishment of a legislative research center to support Chile's new Congress which will be seated in March 1990.
 - (b) Promoting the responsiveness of the private sector to help resolve social and environmental problems. We are currently developing projects in environmental awareness promotion, support to help micro-enterprises improve their management abilities, and development of vocational/technical education.
- Before the ADC program got under way, A.I.D. had provided:
 - o \$1.2 million for Chile's very successful voter registration program, which resulted in a large voter turnout for the October 1988 plebiscite;
 - o section 416 commodities primarily for school feeding;
 - o a \$5 million Housing Guarantee to private S&Ls;
 - o a \$1.3 million grant to the Chilean "Civitas Foundation" to promote voter registration;
 - o a \$1 million Earmarked ESF grant to the National Endowment for Democracy (NED) to support democratic groups engaged in promoting free elections;
 - o and several research grants from the Bureau for Science and Technology and the Office of the Science Advisor.

Jamaica

Issue: Discuss the A.I.D. program in Jamaica, highlighting any special programs and concerns.

Talking Points:

-- Purpose of A.I.D. Program:

- o Solidify economic growth resulting from stabilization program.
- o Bring about greater economic and social equity.
- o Encourage continued focus on private sector activity.
- o Strengthen democratic institutions.
- o Bolster narcotics awareness/interdiction cooperation.
- o Assist in recovery from Hurricane Gilbert.

-- U.S. assistance for Jamaica's hurricane recovery:

- o The U.S. response to Hurricane Gilbert has been something in which we take pride. We are providing a total of \$67.8 million in assistance: \$2.8 million in emergency relief; \$25 million for rehabilitation; and \$30 million for longer-term reconstruction activities.
- o (1) Relief. In the immediate aftermath of the storm, OFDA provided emergency feeding, supplies and services.
- o (2) Rehabilitation. Our \$20 million program (later increased to \$25 million), signed on September 28 - barely 2 weeks after the hurricane - was the first major donor response to rebuilding needs. Electric power was restored on an emergency basis throughout the island (with UK and Canadian assistance as well as U.S.) by the end of December (see attached sheet for complete breakdown).
- o (3) Reconstruction. Agreement for \$30 million, under Congressional earmark of \$35 million, was signed February 15 with the new Manley government, and will be used over the next 12 to 18 months (see attached sheet for complete breakdown).

-- Position of the Manley government:

- Manley has indicated his support for private enterprise, sound economic policies and cordial relations with the U.S.; he has promised to continue narcotics interdiction programs and will work with the opposition to keep a full court press on the traffickers; he has appointed moderates to all Cabinet posts announced to date; and he repeated these assurances to President Bush and Secretary Baker in the course of his visit to Washington ASAP to coordinate policies with the U.S.

USG Financial Support for Hurricane Gilbert Relief,
Rehabilitation and Reconstruction

Relief

Subtotal \$2.8 million

Development Assistance (DA)

Electric Power	\$24.0 million
Shelter	5.3 million
Water	7.0 million
Agriculture and Health	5.5 million
Schools and Courthouses	4.7 million
Small/micro Business	4.0 million
Telecommunications	1.0 million
United Way of Jamaica	3.0 million
Monitoring/Auditing	0.5 million

Subtotal \$55 million

Additional PL 480 Title I

Construction lumber	\$5.0 million
Food	5.0 million

Subtotal \$10 million

GRAND TOTAL \$67.8 million

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Panama - Elections

Issue: What is A.I.D. doing to ensure free and fair elections scheduled in early May?

Talking Points:

- A.I.D. has authorized two grants to finance observer missions in connection with the May 7 elections in Panama.
- The first is a \$146,000 grant to the Center for Democracy to establish an International Elections Information Center in Panama to brief observer groups, media and foreign dignitaries on the elections, provide a communications link to the various political groups within the country, and prepare a report to the Senate Subcommittee on Western Hemisphere Affairs on the fairness of the Panama elections process.
- The second grant of \$150,000 to the National Democratic Institute and the National Republican Institute is designed to finance a non-U.S. led international observer delegation composed of 60-65 Latin American and European democratic leaders to assess the elections in Panama. The observers will also prepare a report assessing fairness, validity, and integrity of Panama's election process.
- At present the outlook for the successful completion of these activities is not good because of the Noriega regime's use of visa controls and limiting access to hotel space (e.g. by reserving entire hotels in the regime's name) and in-country transportation to prevent international observers from monitoring the fairness of the elections.