

Selected Articles
on
EGAT Subjects
in
Front Lines
in the past year

EGAT



Dairy Initiative Raises Milk Output, Incomes



Land O'Lakes

A boy milks his family's shami goat in the West Bank as part of the Dairy Initiative. The initiative is currently working in 13 countries. New grants were recently awarded for work in Afghanistan, Nigeria, and Tanzania.

NAIROBI, Kenya—U.S. aid has helped the Siongiroi Dairy Plant in Kenya to triple its output since opening in 1998. The well-managed cooling plant pays its suppliers fair market prices and helps them take better care of their livestock. Quantity and quality of milk are up, as are farmers' incomes.

Like other projects funded under USAID's Dairy Directive, the Kenyan dairy program works with the U.S. dairy industry to help small dairy farmers produce more and improve quality, promote cooperatives and regional organizations so dairy farmers or processors market together to cut costs, transfer U.S. technologies and know-how, and raise consumer awareness about food safety and milk's nutritional value.

The Dairy Directive, managed by Senior Livestock Advisor Joyce Turk, helps farmers cope with problems that are part of the dairy industry worldwide, including keeping raw milk clean and cool during milking, storage, and transportation. The program assisted dairy industries in many parts of the world with marketing new dairy products and acquiring basic business skills that keep costs low and quality high.

Some of the Dairy Directive's accomplishments include the following:

- ◆ In Egypt, three out of eight targeted dairy plants now use proper hygiene and sanitation, and 675 small farmers improved hygiene on their dairy farms.
- ◆ In Zambia, 455 producers came together and established nine collection centers for milk, raising their average monthly income by more than \$20. The project also helped Zambian dairy farmers sell their products in Malawi and Congo.
- ◆ In Guyana, many farmers have learned how to produce yogurt, cheese, and

other dairy products. More than 800 agricultural students have studied dairy and pasture management.

In Kenya, the Siongiroi Dairy Plant offers advice to its suppliers and artificial insemination services so that their cows will produce more and better milk.

Productivity rose from two liters of milk per cow per day in 1998 to six liters in 2002. Overall, the plant's output jumped from 6,400 liters of milk per day in 1998 to 18,500 liters today.

USAID estimates that since the dairy plant opened in 1998, more than 25,000 people in the community have benefited, either directly or indirectly.

Bigger incomes have not only helped Siongiroi milk suppliers and their families, but also the schools, health clinics, and businesses that provide them with goods and services.

Siongiroi's business model is being copied by five other communities in Kenya, where 600,000 small farmers dominate dairy production. These small producers supply most of the country's annual 2.4 billion liters of production.

Almost half of the medium and high-quality agricultural land in Kenya is devoted to dairy production—more than any other single agricultural enterprise. So far, supply cannot keep up with the growing demand for milk, especially during drier months. ★

www.usaid.gov Keyword: *Agriculture*

By Kevin Smith, USAID/Nairobi

Cancun Talks End In Impasse

The world's trading countries—all 146 of them—sent representatives to Cancun, Mexico, in early September to try and cut barriers to trade and improve the access of all countries to international markets, a task that proved extremely difficult.

Poor and rich countries could not agree on cutting subsidies for cotton and other agricultural products. Further talks, possibly between the United States and individual countries, are likely.

One week before U.S. Trade Representative Robert Zoellick and USAID officials led the large U.S. delegation to the World Trade Organization (WTO) meeting in Cancun, the WTO decided that developing countries can buy low-cost generic copies of patented drugs that fight HIV/AIDS and malaria.

The agreement on drugs was seen by some as a sign the Cancun meeting might make progress on other thorny issues blocking free trade and thereby boost incomes in developing as well as industrialized countries.

For USAID, the talks in Cancun were an opportunity "for us to learn how to provide better advice to developing countries so we

can move the cause of free global trade down the road," said Emmy B. Simmons, Assistant Administrator for Economic Growth, Agriculture and Trade.

U.S. trade negotiators believe developing countries from India to Argentina would greatly benefit from increasing trade among themselves as well as with the industrial countries.

Assistant Administrator Adolfo Franco announced USAID was giving an additional \$200,000 to a trust fund that helps the least developed countries join the global trading system, bringing the Agency's total contribution to the trust fund up to \$600,000.

"USAID is convinced that assistance for trade capacity building—when combined with a strong commitment to openness and reform on the part of our developing country partners—is one of our most powerful tools for promoting economic growth and poverty reduction," Franco said.

Total U.S. funding for such trade capacity building activities totaled \$752 million in fiscal year 2003. ★

www.usaid.gov Keyword: *TCS Report*

Development Credit Authority Loan Guarantees Tap Into Local Private Capital

More than a decade after achieving independence from the former Soviet Union, Bulgaria's factories and power plants continued to pour costly energy out of smokestacks. Banks refused to lend the money needed to install more efficient machinery.

But United Bulgarian Bank became a key lender for such projects after USAID, under its Development Credit Authority (DCA), guaranteed \$6.25 million in loans for retrofitting plants with energy-efficient equipment.

On a different continent, Mexico's private credit union, FinComun, had trouble expanding its microlending to struggling entrepreneurs in Mexico City. Then a DCA guarantee of up to 25 percent of its outstanding loans enabled the credit union to double the number of microloans it made each month.

These are just two examples of how U.S.

foreign aid officials around the world are making use of DCA loan guarantees. DCA guarantees use less taxpayer money than outright loans or grants, and they encourage private lenders to see development as a business opportunity.

"It looks like it's really taking off," said John Wasielewski, Director of the Office of Development Credit. "I believe missions are beginning to appreciate the power of these partnerships." So far, 26 USAID missions worldwide have used the DCA tool to unlock some \$630 million in credit for worthy, economically viable projects.

Loan guarantees are fairly straightforward. USAID agrees to cover up to half of the bank's loss, should a borrower default. Each dollar the mission sets aside to cover the relatively small number of potential defaults can unleash an average of \$35 in local bank credit—far beyond the 2-to-1 ratio suggested by a 50 percent guarantee.

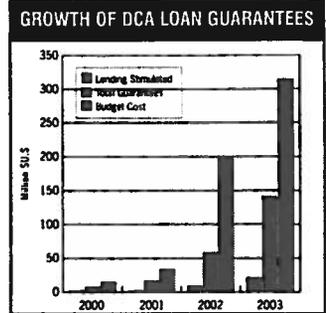
The DCA loan guarantees also help overcome lenders' fears of extending credit to less familiar categories of borrowers such as microlending institutions, or cities and towns looking to finance improved public services through the open market.

For instance, DCA guarantees helped municipal officials in Johannesburg, South Africa, expand water, electrical, and health services to poorer neighborhoods when the city had not yet established a strong international credit standing.

DCA guarantees can even support education, as in the case of a recent \$500,000 loan for advanced studies by Vietnamese economists and managers who are needed by the medium-sized companies leading Vietnam's brisk export expansion.

From large power plant projects to small home loans, however, all DCA projects must generate enough cash to meet loan payments.

In FY 2003, USAID missions and finan-



cial managers cleared loan guarantees for a total of \$141 million. The current budget allocation of \$10.8 million enabled private banks to make \$313 million in development-related loans. ★

www.usaid.gov Keyword: DCA

Small Business Loans Made Possible in Postwar Guatemala's Peace Zone

GUATEMALA CITY—As Guatemala's Peace Zone tried to recover from the 36-year civil conflict that ended with the 1996 Peace Accords, small entrepreneurs—many of them women and indigenous people—found it impossible to get bank loans.

U.S. foreign aid officials stepped into the market vacuum and used a Development Credit Authority (DCA) loan guarantee to persuade BANCAFE, a leading local financial institution, to focus its new microlending business in Mayan towns in the Peace Zone.

The Peace Zone is the name now given to the region where about 200,000 lives were lost in fighting between government and rebel forces from 1960 to 1996.

USAID's Guatemala mission, working with the Office of Development Credit, obtained authorization for a loan guarantee that would cover 50 percent of the outstanding balance of a collection of loans to

be made by BANCAFE, up to a total of \$5 million.

During its first 18 months of operation, the DCA program guaranteed 1,585 loans for more than \$10 million. Most of the loans were made through village banks and solidarity groups and benefited more than 10,000 clients.

One of the institutional borrowers of BANCAFE was Genesis Empresarial, a not-for-profit microlender. It estimates that its \$1 million loan guarantee from BANCAFE will reach approximately 2,065 clients.

The Guatemala City mission has provided technical assistance to the country's microlenders and smoothed the way for private voluntary organizations such as Genesis Empresarial to comply with government financial reporting requirements. ★

Loan Guarantees Helped Jo'burg Upgrade Services, Access Credit

JOHANNESBURG, South Africa—Development Credit Authority (DCA) loan guarantees help developing-world cities and public institutions gain access to global capital markets. One case in point is the Greater Johannesburg Municipal Council, which obtained a \$25 million DCA guarantee in 1999.

When the USAID-guaranteed loan was made, Johannesburg officials were disposing of certain public services to private operators to reduce the drain on the city budget. In the end, the city's financial responsibility for public utilities was halved.

"We knew it would come right," said Joel

Kolker, who was involved in that DCA deal and now heads the Private Sector and Economic Growth offices at the USAID mission in Pretoria.

Soon after the DCA guarantee was approved, Johannesburg won an investment-grade credit rating. Since then, the city has lined up hundreds of millions of dollars in bank loans without the need for further U.S. loan guarantees.

The original \$25 million loan is being paid down on schedule—after it funded sewers for new housing developments, water main replacements, electric grid upgrades, and other projects. ★

USAID Education and Training: 400,000 Steps Along the Bridge

Since USAID was founded four decades ago, it has educated and trained 400,000 citizens of developing countries, some of them ending up as presidents, prime ministers, judges, mayors, doctors, entrepreneurs, academics, NGO leaders, and agricultural researchers.

Education and training are vital steps along a bridge that leads toward economic growth and peace, giving poor countries expertise and sharing Western ideals while making good friends for the United States.

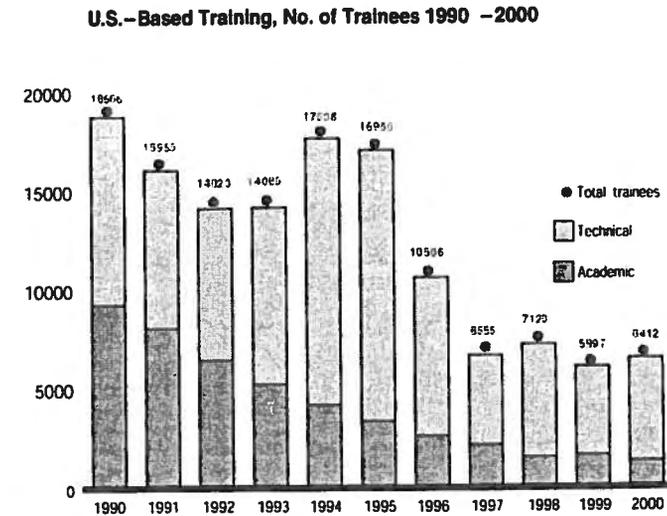
The vast majority of the 400,000, who took short courses or degree programs, have returned home to their jobs and contributed to their countries' development.

Education remains a U.S. foreign aid priority in the fight to reduce poverty, to counter anti-Western movements, to combat the spread of HIV/AIDS, and to replace professionals dying in the AIDS pandemic.

For example, a dozen Palestinians recently gathered in Washington at the offices of the Academy for Educational Development, a USAID contractor, to celebrate their impending graduation from master's degree programs in management and other fields at several universities around the United States.

Armed with their new degrees, the students are poised to play vital roles in developing the new Palestinian state expected to be established once the region is at peace.

In the mid 1980s, the heyday of USAID's education programs in the United States, about 10,000 visiting students attended academic programs in colleges and universi-



ties, and another 10,000 attended short-term technical training courses on topics ranging from management to agriculture to manufacturing to health.

The Agency's recent emphasis on short-term results has pushed missions to cut long-term academic training. From a high of nearly 20,000 participants, roughly 50 percent academic, trained yearly in the United States in the 1980s, the number has now fallen to

less than 7,000, about 8 percent academic.

This decline was greatly exacerbated by cuts in the foreign aid budget and the closing of USAID missions. Also, tough new visa policies since the September 11 attacks make it harder for students from many developing countries to enter the United States.

While fewer now come to the United States, USAID has also helped half a million people each year receive education or

training in their own countries—often from American teachers and trainers sent abroad—or in third countries at universities or centers such as the International Rice Research Institute in the Philippines.

Agency policymakers reasoned that many of the people already trained were capable of teaching others in their home countries at far lower expense than in the United States, where educational costs have skyrocketed and universities are increasingly unwilling to grant foreign students in-state tuition rates.

Many in USAID and its partner organizations are growing alarmed at the trend to reduce study opportunities in the United States, and there is strong interest in increasing the number of academic programs.

"This Agency has eviscerated its training programs that are one of the most valuable tools for development," said USAID education expert Diane Leach.

Education in the United States was once seen as part of the Cold War support for democracy and the collapse of the Soviet block reduced its importance. However, it is again seen as vital in fighting terrorism.

"Now as much as ever, education and training in the United States further our interests," said Ethel Brooks, an education specialist at USAID. "It builds alliances and partnerships for greater sustainability. There is concern that as the cohort of USAID-sponsored participants trained in the United States in the peak years retires, the U.S. will lose development allies." ★

www.usaid.gov Keyword: Education

U.S. EDUCATION PROPELS FOREIGN STUDENTS INTO LEADING ROLES

Below are just a few of thousands of students and professionals who received USAID-sponsored education and have played vital roles in their countries' development. They received either short-term technical training or longer-term, degree-earning academic training for professionals from the public and private sectors. Their most recent or highest position is listed.

Short-Term Training

Bosnia-Herzegovina Highest Position Achieved
Mirsa Muharemagic Ambassador

Bulgaria
Kostdin Paskalev Deputy Prime Minister
Solomon Passi Minister of Foreign Affairs

Colombia
Luis Carlos Restrepo High Commissioner for Peace
Sandra Ceballos Member of Congress

Croatia
Stjepan Mesić President
Ivica Racan Prime Minister
Eljka Antunovi Deputy Prime Minister

Ecuador
Jose Cordero Acosta President of the Congress

El Salvador
Walter Araujo Congressman

Balisario Amadeo Artiga
Carlos Quintanilla

Jordan

Michael Marfo Minister of Finance
Marwan Mu'asher Minister of Foreign Affairs

Kenya

George Anyona Member of Parliament
Phoebe Asiyo Member of Parliament
Joseph Mugalia Member of Parliament

Kyrgyzstan

Jalyp Abdurahmanov Minister of Justice

Madagascar

Narisoa Rajaonarivony Vice Prime Minister and Minister of Finance and Budget
Andrianalh AndriaRazafy Ambassador to the United States

Mexico

Julio Frenk Secretary of Health and Director of National Institute of Public Health

Morocco

Agzoul Ahmed Advisor and Chief of Cabinet Office of the House of Representatives

Peru

Jose Barba Congressman

Romania

Victor Aposolache Senator
Emil Calota Mayor and President of Municipalities

Zambia

Emmanuel Kasonde Minister of Finance

Long-Term Training

El Salvador Highest Position Achieved
Irnela Jaco de Magana Vice Minister of Commerce Blanc

Malawi

Yusuf Mwawa Minister of Health and Population

South Africa

William Motshibedi Director of the National Treasury

Zambia

Patrick N. Sinyinza Ambassador and Permanent Representative to the United Nations

225,000 Fulbrighters Since 1946 Include 28 Nobel Prize Winners

The flagship of U.S. government support for international education is the State Department's 57-year-old Fulbright Program. Twenty-eight Nobel laureates were once Fulbright scholars or fellows, including Paul Samuelson (1970) and Milton Friedman (1976).

In 2002, the program named after the late Sen. J. William Fulbright sent about 2,000 Americans abroad and brought some 2,200 foreign scholars to the United States. Close to 1,000 others renewed their grants.

Several hundred Fulbright teachers participate in one-for-one exchange programs with foreign teachers—exchanging jobs and even housing.

The September 11 terrorist attacks raised interest in the United States in increasing funding for studies in Muslim culture and

language, but the Fulbright program was already deeply involved in such work, according to Barry Ballow, director of the Office of Academic Exchange Programs at the State Department.

The Fulbright program sends new English-language teachers from Morocco, Jordan, Tunisia, and Turkey to the United States, where they are assigned to universities and colleges to set up language programs, Ballow said.

"They are teaching assistants in their language—Arabic or Turkish—and go home as better English teachers and credible explainers of U.S. culture and society," he said.

Some Fulbright grants send Americans to study Islamic civilization abroad as well.

Another branch of the Fulbright pro-

gram—the New Century Scholars—sends grantees abroad for a year to focus on vital topics such as global health, ethnic conflict, or women's empowerment.

The Fulbright program receives about \$120 million per year in federal funding plus about \$60 million from foreign governments and U.S. institutions. Another \$6 million is received in the form of 50–100 percent tuition cuts from state and private universities.

Despite its significant record over the past half century of sending abroad 255,000 "Fulbrighters"—99,400 from the United States and 158,600 from other countries—the budget for the program was cut in 1994 by about 20 percent, and it has never recovered.

On June 19, 1,125 U.S. graduate students

were awarded Fulbright grants to study and conduct research in 140 countries throughout the world.

Patricia S. Harrison, Assistant Secretary of State for Educational and Cultural Affairs, noted that Fulbrighters "contribute greatly to mutual understanding among people of different political and cultural backgrounds. Many have gone on to play influential leadership roles in virtually all fields."

This year's U.S. Fulbright students were selected from among more than 5,000 recommended applicants. Most are graduating seniors, but the group also includes graduate students and developing professionals and artists. Most will spend a full academic year in a host country overseas. ★

<http://exchanges.state.gov/education/fulbright/>

More than a Half-Million Foreign Students Enrolled in U.S. Colleges and Universities in 2002

In 2003, about 580,000 foreign students were enrolled in U.S. colleges and universities. However, less than 1 percent—about 35,000 students—received U.S. government funding, according to the Institute for International Education (IIE). The overwhelming majority are paying their own way.

Some 68 percent of foreign students in the United States either paid themselves or had their studies paid for by their families, the IIE reported in its latest annual *Open Doors* report. Their fees and living expenses bring about \$12 billion a year into the U.S. economy.

About 21 percent of the students received funding from a U.S. college or university. The remaining 10 percent were funded by their home governments, private sponsors,

or international organizations.

In the late 1970s, USAID brought close to 20,000 foreign students per year to U.S. colleges and universities. Though this number is small compared to the number of private foreign students, IIE Vice President Peggy Blumenthal said: "The USAID program was an important drop in the bucket because it targeted future leaders—people who otherwise would not have a chance to come to study in the United States."

"Those who come using family funds are from the elite in societies. USAID picks leaders coming from other sectors, so when leadership changes in a country and the elites are turned out of power, someone in the new government will have been trained in the United States."

While fewer developing-country students and academics come to the United States for higher education, USAID has continued to fund training in country or in region. The IIE, for example, administers large training programs in Egypt for USAID, using U.S. techniques, faculty, and staff.

The most recent annual inventory by the Inter-Agency Working Group on U.S. Government-Sponsored International Exchanges and Training (IAWG) reports 195 programs are sponsored by 52 federal organizations, involving more than 400,000 participants and nearly \$1.3 billion in federal funding.

Another issue in the evolving U.S. role in education for developing countries is that students from the poorest region of the

world—Africa—are not able to come here privately or through their own government aid. No African country is among the top 15 countries sending students to the United States.

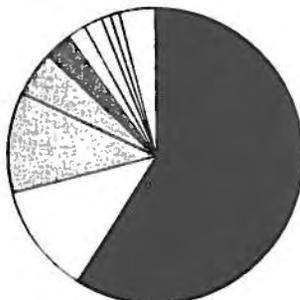
The new security concerns since September 11, 2001, have created another potential obstacle to foreign students heading for an American education. The IIE says, however, that only a few countries have been seriously affected by visa delays or rejections; these include Saudi Arabia, Indonesia, Pakistan, and Egypt.

Many students from those countries have instead been wooed aggressively by educational institutions in England, Australia, and Canada, the IIE reports. ★ www.iie.org

USAID Leads U.S. Government-Funded International Education and Training

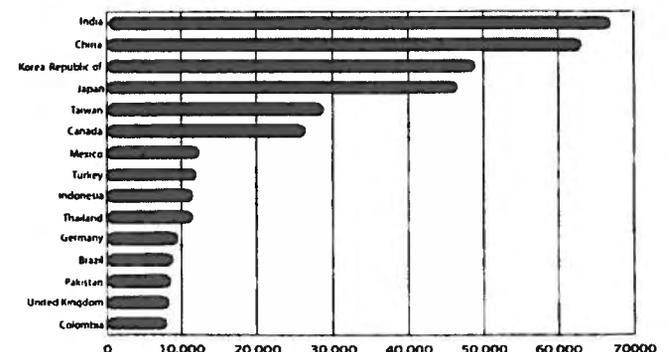
In 2001, more than 400,000 U.S. and foreign students were involved in U.S.-funded training and education programs in the United States and abroad, costing nearly \$1.3 billion. Some 52 federal agencies were involved.

- USAID 59%
- Defense 12%
- State 11%
- Justice 5%
- Education 3%
- Transportation 2%
- Peace Corps 2%
- Commerce 1%
- Health & Human Services 1%
- Other federal sponsors 4%



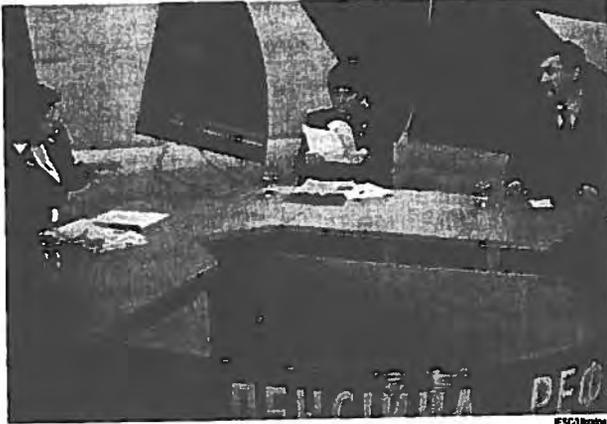
Source: Inter-Agency Working Group on U.S. Government-Sponsored International Exchanges and Training

Foreign Students in the United States by Country of Origin, 2002



Source: Institute of International Education (IIE)

Pension Advisors Take On Poverty Among Elderly in Asia, Africa



Pension reform from a woman's perspective was the topic of a Ukrainian TV program, "Pension Reform Step by Step," on March 8, 2003.

After a decade aiding Central European pension programs, U.S. specialists are extending their reach, assisting Indian planners and discussing pension reform in Africa.

USAID arranged a study tour to Poland and Sweden for Indian pension managers; they soaked up knowledge specific to pension systems.

About 90 percent of India's 400 million workers lack any pension coverage, and a great number work for informal enterprises that are hard to bring under a pensions umbrella.

Other Asian countries—such as China, Thailand, and Vietnam—are expected to get going on pensions before long, said Denise Lamaute, Senior Pension Reform Advisor in the Office of Poverty Reduction, Bureau for Economic Growth, Agriculture and Trade.

Workers in the large informal economies in such countries can't count on official old-age support, and traditional family-based safety nets are unraveling.

Africa represents even more of a challenge. The continent has "far more pressing problems," Lamaute said, who works as part of a poverty analysis and social safety net team.

HIV/AIDS adds a new urgency. But pension savings could make a big difference to surviving family members, especially children. For this and many other reasons, "Africa needs to begin looking at it," Lamaute said.

Old-age planning for Africans is on the agenda of an October training exercise in Egypt for economic growth officers in that region and Asia.

"These colleagues will probably be hearing about pension reform for the first time and saying, 'I didn't know we did this,'" said Lamaute.

In fact, USAID has lent expertise on pension systems since 1995. The Agency has worked with finance and labor officials across Europe and Central Asia, from fast-track economic heavyweights Poland and Hungary to Croatia, Macedonia, Latvia, Lithuania, Romania, Slovakia, Bulgaria, Montenegro, Kosovo, and Kazakhstan.

In developing countries and in advanced economies, dependable retirement plans are the best bulwark against poverty for the elderly.

Poland is now rolling along the pension reform path, with \$9 billion stored up in financial assets and a solid legal and regulatory framework. So is Hungary, with \$1.4 billion in assets and millions of people enrolled in 401(k)-type private savings plans as of 2001.

These countries were the low-hanging fruit. They moved quickly to free markets after the Soviet Bloc came apart, and are expected to join the European Union.

When USAID got involved in Ukraine in 1998, pension checks were nine months behind, benefits were beneath the poverty level, and the pension deficit was nearly half a billion dollars. Another challenge was to hold costs down while shifting to private 401(k)-type plans. Advisors also needed to develop a legislative, regulatory, and administrative framework to manage a national pension system.

Information technology is a big piece of the solution, but managers and elected officials also need to decide how to invest pension funds.

USAID's services now focus on second-tier transition or developing economies in Asia and Africa.

"Every country has its complexity," said Lamaute. ★

www.usaid.gov Keyword: Pension Reform

Credit Guarantees Spark Local Loans For New Projects



An Indian couple, ultimate beneficiaries of a USAID development credit guarantee project, hold up their water bill.

Within two years, some women in rural Upper Egypt will turn on a water tap in their homes, instead of walking long distances carrying heavy water pots or waiting for hours at public taps.

USAID is supporting projects that will provide municipal water that is clean, dependable, and cheap to Egyptian homes.

Throughout rural and impoverished urban areas of the country, water projects are being built through an imaginative loan guarantee tool provided to USAID's Egypt mission by the Development Credit Authority (DCA).

These guarantees mean that the U.S. government backs local private lending to encourage Egyptian capital to be invested in development projects.

Where access to credit is limited or unavailable, DCA is a way for USAID missions to encourage private sector financial institutions to provide local financing for development projects.

In Egypt's water sector, this will mean lower water bills, improved wastewater systems, better customer delivery services, increased water quality, more efficient water meters, and greater encouragement for private firms to compete with public utilities.

Through DCA, the Agency is able to go beyond traditional aid to the poor and stimulate Egypt's private finance sector. DCA guarantees give missions an innovative way to stimulate lending in the private sector without resorting to conventional grant-funded programs.

Using DCA's loan guarantee, USAID/Egypt committed about \$1 million, which sparked about \$56 million in loans by local banks to local businesses for contracts to provide water and wastewater services.

In July, USAID's Credit Review Board

approved nine new guarantees, each representing public-private partnerships between USAID and local financial institutions. Four of these guarantees are for projects in the water and sanitation sectors, and will result in \$73 million in local currency loans, including the \$56 million for Egypt.

The U.S. government backs local private lending to encourage Egyptian capital to be invested in development projects.

The guarantees supported President Bush's Water for the Poor Initiative announced last year at the World Summit on Sustainable Development in Johannesburg. The summit set a goal of cutting in half the proportion of people without access to basic sanitation by 2015.

The United States proposed investing almost \$1 billion in water projects over the next three years.

Responding to the president's plea, USAID missions in Morocco and Bolivia have created projects similar to Egypt. In both countries, small communities were formerly excluded from private lending sources and now find improvements in their water systems.

The overwhelming majority of Morocco's urban population is not connected to a sewage treatment facility.

Since its inception in April 1999, DCA has provided more than 50 guarantees enable the local private sector to channel needed resources to microenterprises, small businesses, farmers, mortgage markets, and now water utilities. ★

www.usaid.gov Keyword: Development Credit

Microservices Help the Poor Pull Themselves Up

Each year, millions of people receive business services and small loans through USAID's microenterprise programs.

When microenterprise pioneers offered loans as small as \$50 to poor people who had never had access to credit from banks, they turned out to be excellent credit risks, especially when given help with marketing and technology.

Programs may also offer business advice, market links, and savings accounts.

For example, the USAID-supported Bangladesh Rural Advancement Committee—which says it is the world's largest NGO—not only lends money to buy chickens. It sells appropriate varieties of birds and chicken feed, provides training on keeping the birds healthy, and provides a marketing system for eggs. Loans for handicrafts also include marketing assistance and training in spinning, weaving, and dyeing.

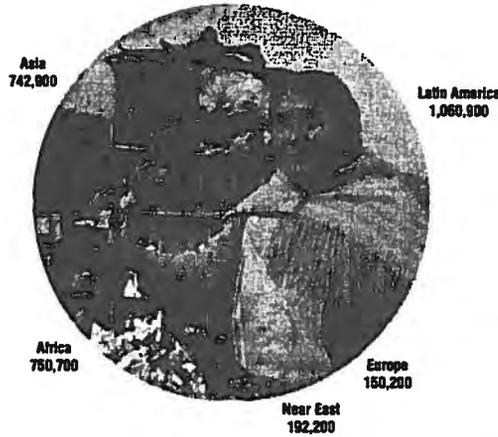
More than 70 percent of microloans have gone to women.

More than 98 percent of borrowers have managed to repay their loans on time—a rate far higher than in commercial lending.

Studies have shown that microenterprises receiving support increase productivity, profit, and growth. Owners are able to save more, their families eat better, and their children are more likely to attend school. Yet the number of people served by microenterprise programs worldwide is less than 10 percent of those who could benefit from them.

In June, President Bush signed a microenterprise assistance bill (H.R. 192) that sets a

TOTAL MICROENTERPRISE CLIENTS IN 2001



Notes: On average, 73 percent of clients are women. Figures do not include 2.6 million borrowers and 27 million savers of Indonesia's Bank Rakyat. Some banks track only numbers of loans, a proxy measure of clients.

combined \$375 million funding target for FY 2003 and FY 2004.

USAID's microenterprise program in the Bureau for Economic Growth, Agriculture and Trade works to improve the business climate for very small, informal businesses and the microenterprise institutions that serve them.

"We need to keep pushing the frontiers

to find ways to innovate—to reach deeper and further to poorer clients while retaining a focus on sustainability," said Kate McKee, director of USAID's microenterprise division.

In poorer, rural areas, access to credit is not enough to raise incomes without market access, better roads, or other improvements.

In Bolivia, microfinance increased the

number of borrowers from 195,000 to 616,000 between 1990 and 2000. Savers increased from 460,000 to 1.4 million.

As microfinance proved successful—with loans being fully repaid on time—commercial banks are getting into the business, especially when donors such as USAID share the risk and help train their staffs.

"Microentrepreneurs" are defined as self-employed, poor people who employ up to 10 other people, often unpaid family members.

Microentrepreneurs can do reasonably well in sectors such as handicrafts and agricultural produce, particularly if they join associations for better leverage with suppliers and buyers.

The new bill requires that at least half of all microenterprise assistance be targeted to the "very poor," defined as the poorest 50 percent of people living below a country's poverty line—or those who live on less than \$1 a day. ★

www.usaid.gov: keyword *microenterprise*

MICROENTERPRISE IN HAITI

Helping a microenterprise can also mean teaching people to read. In Haiti, one USAID-sponsored program helped a woman increase sales of fruits and vegetables in Port-au-Prince—as well as shoes and other items she sold in her home village—by teaching her to read. See full story on page 10.

Moroccan Microlender Helped Out When Banks Shunned Microloans

RABAT, Morocco—When USAID and the Moroccan Ministry of Industry started working together in the 1990s to assist microenterprises, only banks could make loans, choking off other sources of funds for micro and small businesses.

The government changed the law in 1995 with technical assistance from USAID. By 2002, the Moroccan microfinance sector was described as "young and dynamic" by the independent rating agency PlaNet Finance.

One of the strongest of the microlending groups is Al Amana, which targets customers who cannot secure a loan from a commercial bank.

In 2002, Al Amana made more than 115,000 loans, 54 percent of them went to women. Since the fund started in 1997, it has made 376,714 loans to microentrepreneurs.

The loans—ranging from \$100 to \$1,000—are used to purchase materials such as wool, leather, or small machinery. The average loan is repaid in four to nine months and the repayment rate is 99.6 percent.



Fatima El Bari, mother of seven children, owns a mini grocery store in Rabat. With funds borrowed from Al Amana, she doubled her stock of bottled gas for cooking. Now her customers do not have to shop elsewhere.

USAID helped launch Al Amana in 1997, providing seed capital and training to its staff. Recently, USAID guaranteed a \$1 million commercial loan that allowed Al Amana to make approximately 2,800 additional loans.

The microcredit sector has grown competitive in Morocco, so Al Amana is developing new products. It will offer loans for housing as soon as the government amends the microfinance law to allow it.

Given the strength of the organization, its excellent repayment rate, and high volume of loans, Al Amana is expected to grow with minimal donor assistance. ★

www.alamana.org

Microenterprise Program Aided Azerbaijan's Farm Animals

BAKU, Azerbaijan—Because rural families in Azerbaijan could no longer pay veterinarians after the Soviet system collapsed, their chickens, cows, and sheep were catching and spreading diseases.

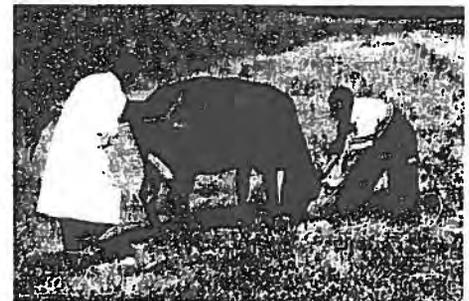
At market time, almost half of the animals they raised were being rejected by the state animal health board, forcing farmers to sell at low prices in the informal market. And veterinarians were quitting the business because they couldn't make a living providing occasional emergency care.

USAID's microenterprise program financed a plan for villagers in one region, most of them women, to buy what amounts to affordable healthcare for their livestock. In exchange for a monthly fee, paid jointly by all livestock producers in a village, veterinarians agreed to provide monthly, preventive care to their animals. Now, if a disease strikes, a quick response can prevent the spread from one barn and village to another.

So they can be alerted immediately, some veterinarians are giving villagers cellphones. These vets usually can make a diagnosis over the phone, arrange the necessary drugs for treatment, and save themselves an additional trip to very remote destinations.

The program expects to enroll 4,100 farmers and 54 veterinarians within three years. ★

www.usaid.gov: keyword *Azerbaijan*



Mercy Corps, Azerbaijan

A veterinarian cares for a cow. Villages employ one veterinarian to care for their chickens and other livestock in exchange for a flat fee paid by livestock owners, a scheme developed through a USAID microenterprise grant. This is an example of a business development service that structures business services so that microentrepreneurs can afford them.

AFRICA**Drip Irrigation Takes Root in Zimbabwe**

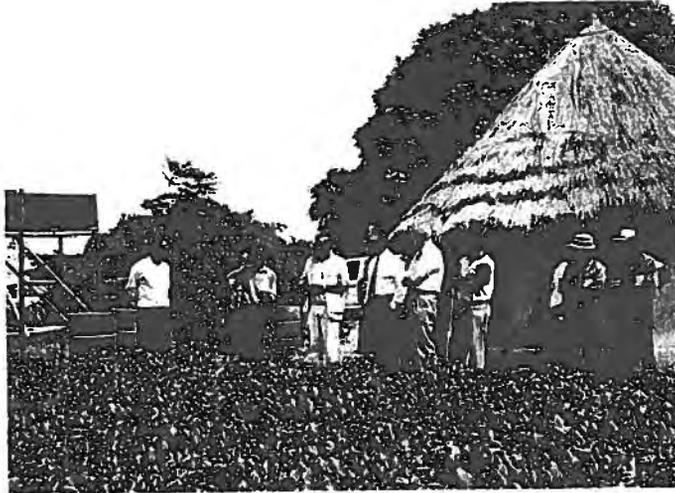
NYAMAZURA, Zimbabwe—Standing amid lush green paprika plants, John Matsangura showed a visitor the results from the drip irrigation system he installed—one that no one in his town had ever seen or used before.

The drip kit he installed cost about \$30. It uses half the water of traditional irrigation, almost doubles yields, and produces better quality vegetables. Because water is applied directly to the root system rather than the entire garden, weeds are reduced and fertilizer is not wasted.

The father of six used the new technology to water his small home garden. Since he started farming in 1971, Matsangura, like smallholder farmers all over Zimbabwe, had always hauled water in buckets to irrigate his crops.

Zimbabwe is in the midst of a political crisis and drought. It is reeling economically from President Mugabe's controversial land reform schemes and agricultural policies that have caused agricultural output to drop 50 percent.

Unemployment and inflation are on the rise, and productivity has plunged because of HIV/AIDS. A 34 percent infection rate—the second highest in the world—has orphaned nearly a million children and created a generation of elders who are raising their grandchildren. More than half the population now needs food aid.



John Matsangura (in blue shirt), talks about his paprika crop during a field visit by U.S. Ambassador to Zimbabwe Joseph Sullivan (fifth from left, in dark glasses). Matsangura's new drip irrigation system is visible on the far left. Other people in the photo are, from left, project director Gladman Kundhlande, project program officer Humphreys Nyoka, USAID/Zimbabwe Director Paul Weisenfeld, and USAID Project Officer Tichaona Mushayandevu.

In December 2002, USAID supplied Matsangura with a household garden drip kit.

"The drip-kit method of irrigating is simple, efficient, and effective. It has helped me to make the best use of land and water."

he said "It will help me grow high-value crops all year round and double my income."

In most parts of the country, water is the biggest constraint to small-scale agriculture. In 2003, the project, with the support of the Office of U.S. Foreign Disaster Assistance, will distribute 20,000 drip kits through a network of local NGOs, such as Southern Alliance for Indigenous Resources. Poor farmers in drought-prone areas will be trained in the use of the new technology.

"The drip kit is labor saving; it substantially reduces the amount of time and labor devoted to the hand watering of plots. It's ideal for those suffering from AIDS," said Paul Weisenfeld, USAID/Zimbabwe Mission Director.

Using the drip technology, a family of five can grow enough vegetables for the entire year on a small plot. These vegetables supplement maize meal and indigenous vegetables, the staple diet of rural Zimbabweans.

By selling some of the vegetables, the family can earn enough income to buy a year's supply of maize meal, even at current black market prices.

"I am not stopping. After the paprika, I will plant tomatoes," said Matsangura. "This system does not require fuel. The drip is number one." ★

www.usaid.gov: keyword Zimbabwe

LATIN AMERICA AND THE CARIBBEAN**Microcredit Programs Foster Literacy and Help Thousands of Microbusinesses in Haiti**

PORT-AU-PRINCE, Haiti—Magerit Dosen's biggest burden was not the load she carried to and from the market. It was that she could not read—a burden shared by 50 percent of Haitian women, according to the World Bank.

With her six children, Dosen lives in the

Rivye Sah region, on Haiti's southern peninsula. She buys cornmeal, fruits, and vegetables, and takes them to Port-au-Prince to sell. Then she buys shoes and other goods to take back home to sell.

Since she couldn't read numbers, she had to ask her clients to find their own shoe sizes.

Worst of all, she couldn't record the names of people who bought on credit.

Dosen received a loan from Fonkoze, a microcredit institution that offers training to its borrowers. One of her obligations was to take Fonkoze's literacy classes, free of charge, before she could get a second loan.

Dosen scored 100 percent on her final exam and got a second loan. Since then her business has grown, thanks to her new reading and bookkeeping skills and the credit she received.

Dosen is among 450,000 people—more than 6 percent of the country's population—who benefit from USAID microfinance programs in Haiti. Commercial banks, credit unions, village banks, and other lenders receiving USAID assistance lend from \$200 to \$3,000 each to more than 70,000 borrowers each year.

The program helped establish external audit standards and a credit information bureau on borrowers. It also launched a microfinance association, which promotes professionalism in microfinance and advocates for laws and regulations conducive to the expansion of the industry.

As a result of these efforts, the number of microentrepreneurs receiving credit

from USAID-assisted lenders has tripled since 2000.

By providing guarantees, USAID brought the Banque de l'Union Haitienne (BUH), the country's oldest private commercial bank, into the business of microcrediting in 1997. Within two years, the bank was offering small loans to Haiti's working poor in 14 sites, eight of them outside the capital city. Microcredit is one of BUH's major revenue and profit centers.

Two of Haiti's largest banks have followed suit and established microcredit programs with the support of other donors.

The multidonor Consultative Group to Assist the Poor praised USAID's microenterprise program in Haiti. It said the USAID program was successful because it provided support to a broad range of institutions and helped build the organizational capacity of banks.

After years of support, USAID stepped away from an unsuccessful microcredit effort in 1992. When Haiti's government agreed to float interest rates in 1995, USAID resumed a microcredit program—this time with much greater success. ★



Magerit Dosen is a client of Fonkoze, one of several microenterprise funds that USAID supported in Haiti. Dosen is one of 450,000 Haitians who has benefited from the Agency's microfinance programs.

Gabriel Ferrer, USAID/Haiti, contributed to this article.
www.usaid.gov: keyword Haiti

Sacramento Conference Tackles Biotech Food Controversy



Ann Veneman, Secretary of Agriculture, visits with Jacqueline Schafer, USAID Deputy Assistant Administrator of Economic Growth, Agriculture and Trade, at the Ministerial Conference and Expo on Agricultural Science and Technology. They are holding up *Improving Lives*, a publication USAID distributed at the conference.

SACRAMENTO, Calif.—The first high-level conference on the role of science and technology in reducing hunger and poverty in the developing world drew ministers of health, agriculture, and environment from more than 120 nations to Sacramento, California, June 23–25.

The Ministerial Conference and Expo on Agricultural Science and Technology, organized by USAID and the U.S. Department of Agriculture, included discussions about the use of “biotech” food—food that has been genetically engineered.

Biotech food, such as newly engineered varieties of corn and soybeans, are widely used in the United States and some other countries. But some European and African nations have raised concerns about food safety and environmental issues with this technology.

President Bush has urged those countries to allow such foods to be sold and consumed, in part because biotech foods can greatly increase food production by developing hardy plants resistant to drought and disease.

“The United States has identified three priorities for reducing global hunger: increasing agricultural productivity, ending famine, and improving nutrition,” Bush told the conference in a video presentation.

“Science and technology hold great promise in meeting these priorities. By combining new technology and good policy, all the nations of the world can work together to increase living standards.”

Agriculture Secretary Ann M. Veneman told reporters after the conference that there are four major areas for future work to cut hunger: solving water shortages; applying existing research to

poor areas; revitalizing research in staple crops of developing countries; and spurring governments, universities, and business to collaborate more closely.

The meeting also focused on ensuring access to technology, improving forest management, raising productivity, fighting hunger and poverty, and increasing trade capacity in the developing world.

NGOs and commercial companies set up displays showing ways to improve farm output in the developing world. USAID Assistant Administrator for Economic Growth, Agriculture and Trade Emmy Simmons said “We are moving forward with a focus on agricultural science and technology. We fully support the President’s commitment to end hunger in Africa.”

Outside the convention area, protestors said the conference had the sole purpose of supporting large agribusiness corporations and biotech companies. The demonstrators held their own events to emphasize organic farming methods, development of markets, and opposition to agribusiness development of biotech products.

Veneman said the conference was about feeding hungry people worldwide and biotechnology was only one issue discussed.

On the final day of the conference, there were a number of field trips to farms and agricultural research facilities in the Sacramento area. California has some of the most productive farmland in the world. Crops include oranges, rice, grapes, grains, fruits, and livestock. ★

By Harry Edwards, USAID LPA
www.usaid.gov: keyword ag ministerial

USAID Helps Reform Financial System



Customers line up outside a bank during the financial crisis that rocked Argentina, one of several countries destabilized by the failure of banking systems to produce stability and protect investors.

When banks begin to fail, panic soon spreads, leading depositors to withdraw their savings and pushing the institutions into collapse. In Bosnia-Herzegovina, Argentina, Indonesia, and Kyrgyzstan, shaky financial systems have faced this challenge.

In Bosnia-Herzegovina, failing banks were assigned to bankruptcy courts. But it was taking years for depositors to get back even a fraction of the money they were owed.

USAID helped the government draft laws and regulations that give the Federation banking agency legal authority to take over, sell, or liquidate troubled banks.

In several countries, the Agency has been working to fix financial systems to provide the basis for a sound, functioning economy and free markets.

In well-functioning economies, banks collect savings and channel them to the most lucrative economic activities. Leveraging money and investing it productively is crucial to the process.

However, if bank regulators do not have adequate staff, sufficient training, or legal authority, they can’t regulate the banks properly. Poorly regulated banks can make loans they cannot recover and lose their depositors’ money on defaulted loans. If shaky banks collapse, scared depositors lose confidence in remaining banks and stuff money in their mattresses instead of their savings accounts. Deposits and investment dry up.

World Bank and International Monetary Fund loans can be contingent on the government adopting specific reforms in its banking sector. Implementing these reforms often becomes the core objective of USAID projects. The Bureau for Economic Growth, Agriculture and Trade provides

technical support to field missions helping local partners sort out interlinked organizational and legal problems.

◆ In Bosnia-Herzegovina, since USAID got involved, private individuals and legal entities now get deposits back on a priority basis. The Federation Banking Agency now has the authority to take over troubled banks. It has done so several times and has returned balances to customers’ accounts. Within two years, private sector deposits were up 215 percent, implying greater confidence in the banking system.

◆ In Indonesia, the government had taken over several ailing banks with multiple branches—all operating at a loss. USAID provided a third-party review of the government’s technical plan to merge five of the most viable banks into a bigger institution. Bad assets were sold off and operations were restructured to rationalize five systems into one. Throughout the process, the branches continued to gather deposits and make loans. The government plans to privatize the new, merged bank, which is far more attractive to investors than the old banks.

◆ In Kyrgyzstan, customers had lost money in several bank failures, but the national bank, the regulatory supervisor of the system, lacked evidence to convince a skeptical court system that it should intervene to protect customers’ deposits in troubled banks. A multinational team that included USAID staff, consultants, and an information technology expert from the National Bank of Georgia came to Bishkek, the capital city. They modified software used by the central banks of Armenia and Georgia and set up a new offsite surveillance system that helps Kyrgyz regulatory supervisors manage and analyze data submitted by banks. ★

Free Markets and Better Infrastructure Will Reduce Africa's Chronic Food Shortages

The United States provided \$546 million in food aid in 2002 to assist 26 million people at risk of famine in southern Africa and the Horn of Africa. Drought is a significant factor in the food crisis, but chronic food shortages in these regions are partly due to the failure of governments to allow free, private markets to develop.

Rather than pinning their hopes on ample rainfall, African governments must develop marketing systems and roads to allow farmers to store surplus crops, ship produce to needy regions, and improve their agricultural techniques.

In Ethiopia, where 11.3 million people will require more than 1.4 million metric tons of food aid in 2003, U.S. food aid will reach \$300 million this fiscal year.

As Administrator Natsios told Congress April 1, "Food aid alone is clearly not the long-term solution for Ethiopia." He said that while the United States will provide \$300 million worth of food aid, it will provide only \$4 million of agricultural development assistance. "The Ethiopian government ... has been reluctant until very recently to embrace the policies that will stimulate growth and investment in its agricultural sector to avoid future famines," he added.

Meanwhile, in southern Africa, 14 million people in six countries were at risk in 2002-2003; millions more remain vulnerable. Contributing to the food crisis were the actions of Zimbabwe, previously one of the region's traditional grain exporters, whose government imposed price controls, blocked commercial trade in corn, and expropriated highly productive commercial farms belonging to white owners. The situation in Zimbabwe will likely worsen over the coming months, though Malawi and

Zambia expect better harvests this spring.

"If the conditions are created for agricultural growth to accelerate, the prospects for rural households in Africa are very promising—per capita incomes can triple," said Natsios, citing recent analysis by the International Food Policy Research Institute (IFPRI), with support from USAID.

When markets don't work, even bumper crops cause problems. In 2002, Ethiopia had a food surplus that resulted in crop prices collapsing, farmers going broke, and food rotting in the fields, said IFPRI researcher Eleni Gabre-Madhin. "Why didn't the surplus get stored by traders? Markets were not functioning," she said.

Many traders could not get financing to buy up the bumper crop. Those who shipped surplus food to drought-struck regions lost money due to the poor roads, unreliable telephone service, inaccurate weather reports, weak market information, and the lack of a system for enforcing contracts.

USAID is trying to bring small farmers into the market system through cooperatives which, working together, can cut costs of fertilizer and seed; arrange storage, shipping, and sales of excess produce; and extend credit to enable farmers to wait for food prices to rise after harvests.

Extending infrastructure into rural areas so that markets work should be a goal of development agencies, IFPRI Director General Joachim von Braun told *FrontLines*. "But getting markets right so they work does not solve the food security and hunger problem entirely because Ethiopia is so very poor. It requires large scale investment in education and in health" ★



James Weatherill, USAID
Wearing makeshift aprons made of USAID food bags, women chosen by their neighbors distribute monthly rations of corn and oil in February 2003 in the Mazowe District, Zimbabwe, one of the regions accessible to aid. Each household received up to five buckets of grain and up to five (smaller) buckets of oil. The women tore up the bags and tied them around their waists to protect their clothing from the dust and the oil. A local nonprofit, Christian Care, ran the distribution for the World Food Program.

Electronic Tools Assist Trade

Valuable new electronic and training instruments are now available for those working on trade issues at USAID. The trade and investment team at the Bureau for Economic Growth, Agriculture and Trade (EGAT) is offering the following:

Trade Capacity Building (TCB) Database—This database provides FY 1999–FY 2002 information on each USAID-assisted country and the TCB activities there. Available in an easy-to-use, web-based format, data can be retrieved by type of assistance, country, region, or U.S. government agency. A full report or selected databases can be downloaded as an Excel or Word file from <http://quesdb.cdie.org/tcb/index.html>.

TradeMap—This interactive market analysis tool cofinanced by USAID provides online access to the world's largest trade database. TradeMap uncovers market access barriers and reveals international trade flows. It includes all countries and products—excluding services—and presents indicators on national export performance, international demand, trends and market shares, alternative markets for export and sources of imports, role of competitors, potential for bilateral trade, as well as tariff-line level information on market access barriers.

TradeMap can provide valuable information for USAID missions and their local partners, including host governments, businesses, academia, and local trade promotion institutions. A customized version will be available in English, French, and Spanish starting in June 2003.

TradeMap is available at www.trademap.net/usaaid/login.htm. Enter the user name "usaaid" and "field" as the password.

Training—USAID missions or trade hubs can request training courses for themselves or have them tailored for their host government counterparts. More than 150 USAID officers have participated in a two-day survey course and 70 joined courses focused on the Free Trade Area of the Americas and the U.S.-Central American Free Trade Agreement.

TCB Assistance Instruments—Missions can buy into new mechanisms specializing in commercial law and institutional reform, trade diagnostics, sanitary and phytosanitary standards, liberalization and privatization of services, general support for trade capacity building, and WTO accession and implementation. ★

New Trade Strategy Helps Farmers And Factories Export More Goods

When farmers, craftsmen, and business owners try to increase their incomes by trading with distant regions and countries, they soon realize they need a lot of help.

Haitian farmers found that it was not enough for mangoes to be tawny and sweet. Foreign supermarkets also demanded uniform-sized fruit, picked green to ripen en route, fumigated to be pest free, and packaged neatly in insulated cardboard display boxes.

Bangladesh knitting factories discovered they had to deliver 10,000 identical sweaters, properly sized

and packaged, exactly three months before Christmas.

To help countries like Bangladesh and Haiti join the global economy, USAID spent \$423 million in FY 2001 and \$476 million in FY 2002 for Trade Capacity Building (TCB).

"In our lifetime, trade has helped lift millions of people, and whole nations, and entire regions, out of poverty and put them on the path to prosperity," President Bush proclaimed while signing the Trade Act of 2002.

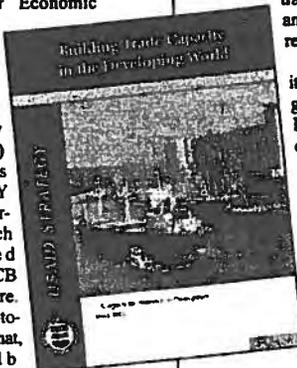
Secretary of State Colin L. Powell said: "Official development aid alone is not enough. Countries must be able to attract the trade and investment that account for 80 percent of the money that is available for development."

A new USAID strategy, *Building Trade Capacity in the Developing World*, suggests that USAID work in three areas:

- ◆ Educating negotiators from developing countries to participate in complex trade talks and agreements such as entry into the World Trade Organization (WTO).

- ◆ Helping countries carry out trade agreements that may require special reporting and institutions. Under the WTO, for example, governments must publish notices of all procurements. This requires coordination, information management, and oversight across ministries. USAID can help governments learn how to manage this process or assist by funding an information technology system.

- ◆ Improving economic responsiveness to opportunities for trade. USAID aims to help countries reduce the time it takes to set up a business and establish systems to enforce contracts. The Agency also can help measure, monitor, and improve the quality of exported goods. ★



USAID's *Building Trade Capacity in the Developing World*, published in March 2003. www.doc.org/pdf_docs/P048X241.pdf

Shrimp Quality Control Key to Bangladeshi Export Rise

The export of shrimp, primarily to Western Europe and North America, is Bangladesh's number-two currency earner. U.S. assistance is aiming to boost that export through a private sector-led Seal of Quality (SOQ) program that responds to emerging global market standards.

Efforts to expand and diversify Bangladesh's exports have been stymied by underdevelopment and lack of confidence in the quality of its products. The country's frozen food exports fell by 28 percent between 2001 and 2002, down to \$252 million.

Some recent shrimp deliveries fell short of established standards. As a result, the industry, with assistance from the United States, is focusing on eliminating substandard shipments, even though it is costly.

The lesson was learned a few years ago, when Bangladesh garments—the country's top export earner—faced a similar dilemma. Clothing manufacturers were forced to meet international and U.S. labor standards on child labor, but they corrected the problems and kept exports up.

Shrimp exports will soon become even more important to Bangladesh, since the garment industry is expected to decline when the Multi-Fiber Arrangement expires in 2005.

Having experienced a 28 percent drop in export earnings in 2002, shrimp producers and the government are facing up to the need to invest in raising quality, and meeting environmental and labor standards.

USAID and its partners suggested a strategy to privatize quality control. The

Vice President of the Aquaculture Certification Council (ACC), the international body responsible for developing and implementing codes of conduct for the export-oriented shrimp industry, recently visited Bangladesh. He estimated that the country's shrimp industry could increase earnings by more than 20 percent if it met international standards.

The ACC suggested that the Bangladesh private sector set up shrimp testing laboratories to establish international credibility for Bangladesh exports. The council also recommended that Bangladesh improve labor practices, raise quality, adopt environmental management, and institute ethical and fair trade practices. The ACC has added a Bangladeshi member to its board.

The private sector-led SOQ program is working to upgrade the image and marketability of Bangladesh shrimp.

"A privately operated Seal of Quality program alone can save the industry," said SOQ Program Director Dr. Mahmudul Karim.

He added, "The SOQ program also provides for an outside third-party certification system to further ensure that the Bangladeshi shrimp industry strictly adheres to the prescribed codes. Only entrepreneurs who can meet the international codes would be allowed to export."

If the quality problem is successfully addressed, Bangladesh should be able to turn around the drop in earnings, and create additional jobs and export income in the shrimp industry. ★



Under the Seal of Quality program, workers in a frozen food plant in Bangladesh carefully remove black tiger shrimp from ice and pack them into containers for export.

Trade Plus Aid Equals Growth

The landscape of foreign assistance has changed: trade is now recognized as being as powerful as foreign aid in promoting growth and development in poor countries.

The 2002 Monterrey Conference on Financing for Development acknowledged that the cash value of private investment now far outweighs that of foreign assistance.

Developing countries receive \$50 billion a year in aid from all donors—\$11.5 billion from the United States. This amount is dwarfed by foreign investments in those same countries, which total almost \$200 billion. Even U.S. capital flows from foundations, NGOs, religious groups, and remittances exceed "official development assistance," as aid from foreign governments is called.

The 2002 World Summit on Sustainable Development made public-private partnerships a key theme. Such alliances lead to successful long-term development work, not foreign assistance alone, the summit concluded.

The development dialogue has now shifted. Instead of foreign aid serving only to fill gaps in health, education, and other sectors, it is increasingly used to leverage vastly larger private money flows toward sustainable development investments.

USAID and other donors have embraced this shift and are increasingly using aid to promote trade and utilize the income from investment, remittances, and other private flows. For this reason, USAID is working more closely with the U.S. Trade Representative and other agencies that help U.S. firms invest abroad and help foreign firms enter the world marketplace. ★

USAID SPONSORS WTO PROSPECTS

The World Trade Organization (WTO) was created by the world's trading nations to set up and enforce rules of trade. WTO agreements are negotiated by member nations and ratified by their parliaments. The goal is to help producers of goods and services, exporters, and importers conduct business.

USAID has helped many countries—especially those in Eastern Europe and Eurasia—to enter the global trading system by providing technical assistance to meet WTO requirements. Some countries would have succeeded in entering WTO on their own, but USAID assistance helped speed the process. USAID is currently providing WTO-related assistance to Bosnia, Cape Verde, Kazakhstan, Lebanon, Russia, Serbia, and Ukraine.

USAID helped the countries below enter the WTO on the dates cited:

Albania: September 8, 2000

Chief imports: telecommunications equipment, heavy petroleum, electricity
Chief exports: footwear, menswear, apparel

Armenia: February 5, 2003

Chief imports: precious stones, natural gas, heavy petroleum, wheat
Chief exports: precious stones, alcoholic beverages, electricity, metal waste

Bulgaria: December 1, 1996

Chief imports: petroleum and crude oil, hydrocarbon gas, automobiles
Chief exports: heavy petroleum, copper, flat rolled iron

Estonia: November 13, 1999

Chief imports: heavy petroleum, telecommunications equipment, automobiles
Chief exports: telecommunications equipment, wood in rough and simply worked, furniture

Jordan: April 11, 2000

Chief imports: petroleum and crude oil, telecommunications equipment, automobiles
Chief exports: fertilizer, menswear, medicines

Kyrgyzstan: December 20, 1998

Chief imports: heavy petroleum, natural gas, telecommunications equipment
Chief exports: electricity, raw tobacco, cotton

Latvia: February 10, 1999

Chief imports: heavy petroleum, medicines, automobiles, natural gas
Chief exports: wood in rough and simply worked, iron and steel bars, plywood and veneer

Lithuania: May 31, 2001

Chief imports: petroleum, automobiles, medicines, natural gas
Chief exports: heavy petroleum, automobiles, women's clothing, fertilizer

Macedonia: April 4, 2003

Chief imports: petroleum, heavy petroleum, telecommunications equipment
Chief exports: women's clothing, menswear, flat rolled iron, raw tobacco

Moldova: July 26, 2001

Chief imports: heavy petroleum, natural gas, tobacco products
Chief exports: alcoholic beverages, women's clothing

WWW.WTO.ORG

From Doha To Cancún

Free trade brought jobs and economic growth to countries such as China and Thailand. But others, especially in Africa, have had trouble producing and selling goods in Europe, the United States, and other world markets.

At the meeting in 2001 of the 140-member World Trade Organization (WTO) in Doha, Qatar, the leading trade nations decided that development assistance was needed to encourage trade, help poor countries export goods, and teach them to negotiate trade agreements.

If U.S. T-shirt tariffs drop from 50 percent to zero, China could send 2 million T-shirts to the United States, but textile workers in Botswana might not see any benefits.

The developed countries did not commit funds at Doha, but they offered to help poor countries learn to trade. In that spirit, the United States boosted its FY 2002 support for trade capacity building (TCB) by 11 percent, to \$637 million. Some 75 percent of the total is spent through USAID.

U.S. trade and assistance experts say that helping farmers, producers, and exporters learn to meet the standards for world markets will create jobs and stability in countries that otherwise might tumble into anarchy, revolution, or violence.

The Doha meeting also recognized that reducing tariffs was not enough. Poor countries often have inefficient industries, old technology, stifling bureaucracies, high transport costs, unskilled labor forces, and corrupt or inept governments. They also need help in negotiating trade agreements.

Developing countries have their own complaints: they say U.S. and European farm subsidies are unfair, and that poor nations should be allowed to make cheap generic copies of drugs to fight AIDS and other diseases.

The Doha Declaration commits WTO members to cut agricultural export subsidies with a view to phasing them out, and to cut tariffs and other agricultural market access barriers. The declaration also calls for technical assistance for market access negotiations.

WTO members will report on what has been called "The Doha Development Agenda" during their Fifth Ministerial Conference, in Cancún, Mexico, September 10–14, 2003. ★

AGOA Boosts African Trade and Jobs

In the three years since the African Growth and Opportunity Act (AGOA) was adopted, sales of textiles to the United States from African countries have jumped from zero to \$800 million and created tens of thousands of new jobs.

In 2002, imports of textiles under AGOA jumped 123 percent, according to the U.S. International Trade Commission.

"Madagascar's exports of knit and woven apparel to the U.S. increased approximately 137 percent in the first year of AGOA alone, and it is estimated that the country's textile industry could employ more than 70,000 workers by the year 2005," said Greg Simpkins, who was with the Foundation for Democracy in Africa during the January 2003 AGOA Forum in Mauritius.

AGOA also "has encouraged foreign investment in two garment factories in Malawi, raising the total number of employees in the country's garment industry to 20,000," Simpkins said. "In South Africa, a new \$100 million clothing factory will employ 13,000 workers."

Employment in the apparel sector has gone from 8,000 jobs to 25,000 jobs because

of AGOA, said Ulhas Kamat, managing director of a Kenya-based company.

"AGOA has transformed the attitude toward globalization, and people now realize that new opportunities exist. Through AGOA, Mozambique and other African nations now believe they can become players," said Art Westneat, private sector advisor to the Bureau for Africa. "The spirit of AGOA is as important as details of the legislation."

AGOA allows African countries to sell products to the United States without paying entry duties. To qualify, countries must meet eligibility requirements, including an annual per capita income below \$1,500. They must also take steps to cut red tape, promote a market-based economy, adopt the rule of law, fight corruption, and protect the rights of workers, as well as children.

To date, 38 countries have qualified for AGOA trade benefits. AGOA countries are checked every year to be sure they continue to meet those goals. The Bush administration has made the AGOA governance standards a requirement for aid under the new \$5 billion Millennium Challenge Account.

More than 200 NGOs, 1,000 companies, and African ministers of finance, economics, and trade from 34 AGOA-eligible countries attended the AGOA Forum, as did a delegation from the United States. Administrator Natsios represented USAID.

U.S. Trade Representative Robert B. Zoellick told the forum there are "new AGOA success stories, such as new jobs and investments in Cape Verde, Senegal, Rwanda, and Uganda. ... We need to demonstrate that these words on papers become jobs in factories and farms."

President Bush told the forum in a videotaped message that he would ask Congress to extend AGOA beyond its 2008 expiration date.

In a move to help African farmers sell more products abroad, Bush told the audience that the U.S. government will assign agriculture officials to three regional trade hubs recently established by USAID. U.S. experts will help African producers meet food safety standards so they can sell produce to the United States. ★

Fish Return to Indonesian Reefs



Coastal Resources Center, University of Rhode Island

A villager in the Minahasa district participates in reef cleanup following an infestation of crown-of-thorns starfish. When a reef ecosystem gets out of balance, unchecked growth of starfish causes loss of live coral at an unsustainable rate. Then reef cleanups are critical—especially in areas where humans depend on marine resources for their food and livelihood. The community-based coastal zone management in North Sulawesi is boosting coral cover and fish populations.

Fishermen no longer use bombs to kill fish on the fragile coral reefs in the villages of Tumbak and Blongko in North Sulawesi, Indonesia, thanks to U.S. development programs that taught them how to better manage their resources.

"I haven't heard any bomb fishing for almost a year now," one fisherman said. "It used to be you heard it every day."

A community-based marine protected area was established three years ago in the two villages of North Sulawesi. Since then, a spearfisher said, "catches have increased from 5 kilograms per day to 7.5–10 kilograms per day."

Illegal coral mining is also on the decline. This practice, like bomb fishing, threatened highly productive coral reefs.

As a result of the end of bomb fishing, monitoring studies begun in 2000 show that coral cover is increasing and fish populations are recovering.

More than 1 billion people in Asia rely on healthy and productive marine ecosystems for their food and livelihoods. By co-managing their abundant coastal seas, Indonesian villagers and government officials are learning that they stand a better chance of preventing overharvesting and ending other destructive practices.

Decentralization is transferring marine stewardship to provinces and districts in Indonesia. As a result, the Coastal Resources Management Program supported by USAID works at the local level. Four villages in the Minahasa district of the North Sulawesi region serve as models USAID is now helping an additional 24 neighboring villages to follow

their lead in establishing marine protected areas.

The Minahasa district passed Indonesia's first-ever district coastal law in 2002, requiring community-based management: decisions about resources must be made publicly and with input from the community.

The Ministry of Marine Affairs and Fisheries predicts that another 16 districts will pass coastal management laws based on the Minahasa model.

The new national coastal policy draft legislation, which supports decentralized coastal management, reflects the more open political process in Indonesia in recent years. It was drawn up with input from local officials, NGOs, and the private sector.

One lesson USAID has learned is that alternative income is an essential ingredient for successful conservation. The village of Blongko collects enforcement fines to maintain the sanctuary and support economic development. In Talise, residents are diversifying household income by planting vegetables and planning ecotours to capitalize on the outstanding biodiversity that exists in the coral reefs and the upland forest areas.

Since 1997, USAID has supported the Coastal Resources Management Program, which operates in East Africa, Latin America, and the western Pacific. ★

www.usaid.gov/td

By Richard Iolk, USAID/EGAT Natural Resources Management

Bringing Water and Sanitation to the Urban Poor



The Community Water and Sanitation Facility will bring safe drinking water to the urban poor in South Africa, India, and Panama.

ILLEMBE, South Africa—Only one in five of Illembe, South Africa's 116,000 households enjoy water out of the faucet at home. The rest must find water at dams, rivers, or public taps and wells. Sanitation is no better: one-third of Illembe households use pit or bucket latrines.

The Bureau of Economic Growth, Agriculture and Trade and USAID/South Africa are working to improve water and sanitation for the people of Illembe as part of a new, worldwide push to increase access to clean drinking water.

USAID's Global Development Alliance contributed \$2 million to the new Community Water and Sanitation Facility, which will fund improvements in Illembe and elsewhere in the developing world.

Illembe is a very poor urban neighborhood—like many others where 90 percent of the world's population growth is expected to occur over the next 30 years.

Fast-growing cities and towns surpass the ability of national and local governments to provide adequate water and sanitation.

Already, roughly one-sixth of the world's population—1.1 billion people—live in poor urban areas without access to safe water. Even more people—2.4 billion urban residents—do not have adequate sanitation.

The Cities Alliance—a donor coalition supported by USAID—is running the Community Water and Sanitation Facility. Several USAID missions are already brokering public-private partner-

ships to take advantage of the facility's new funds.

For example, USAID/India is working with Shelter Associates, a community-based organization representing poor neighborhoods in Sangli, to upgrade services, improve drainage, and to construct toilets for thousands of households. The facility will be asked to fund technical assistance and construction materials.

In another example, USAID/Panama is brokering an alliance in Panama City to bring sanitation financed by the facility to 12,500 people. A partnership involving the Ministry of Health, the Panama Canal Authority, and the local community will construct sewerage lines and a treatment plant. The project will help protect the Panama Canal watershed.

The facility will fund projects designed with participation from benefiting communities, local authorities, and businesses.

Grants of \$500,000 or less will cover up to one-third of the total cost of the construction or financing activity.

The facility will increase access to water and sanitation in impoverished communities, and thus contribute to fulfilling a key goal of the World Summit for Sustainable Development—improving water and sanitation for the world's poor. ★

www.makingcitieswork.org
www.citiesalliance.org

ASIA AND THE NEAR EAST

Aid for Pakistani Schools to Rebuild Failing Education System

ISLAMABAD—The United States dropped its seven-year ban on aid to Pakistan in 2002 and granted more than \$600 million to the South Asian country. A five-year, \$100 million program will help rebuild the failing educational system that has sent thousands of youths to religious madrasa schools where terrorists found some of their recruits.

"Bringing better primary education, healthcare, and more jobs to Pakistan's growing poor is the best insurance for sustained support against Al Qaeda, and a direct assault on the recruiting grounds for the next generation of terrorists," said USAID/Pakistan Mission Director Mark Ward.

Only 24 percent of Pakistan's women and 50 percent of its men can read. One-third of the country's children do not attend elementary school. For every 100 children who begin first grade, only six complete grade 12.

One farmer, repairing a mud wall around his small plot of rice plants south of Lahore, said he could not send his children to school because they had only torn clothing and could not pay for notebooks and pencils. They also have to pay fees to attend. Many public schools charge the equivalent of \$1 to

\$4 per month, too much for many families.

The farmer sent one son to a madrasa, where the boy received a free shirt and food but was taught to memorize the Koran in Arabic—which he did not understand. Nor did he learn to read and write Urdu, Pakistan's national language.

A few madrasas also teach hatred of the United States and prepare students to fight jihad or holy war in Kashmir, Chechnya, Afghanistan, and other places.

The immense education sector in Pakistan is known for its resistance to change. Parents say the government schools do not teach very well and absentee rates for teachers are high. Some say salaries are so low it destroys the incentive to teach. Other reports say corrupt officials demand a portion of the teacher's salary as a kickback to get the job—with the understanding that the teacher will not be fired if he or she does not show up at work.

Pakistan spends slightly more than 2 percent of its GDP on education, but most experts agree it should spend twice that amount to achieve its goal of universal primary school completion by the year 2010.



USAID/Pakistan Mission Director Mark Ward can't resist teaching math during a primary school visit in Quetta, the capital of the province of Balochistan

USAID reopened its mission in Pakistan in July 2002. Less than a month later, USAID signed a five-year \$100 million agreement with the government of Pakistan that resolved to take on educational reform. This will include improved training for teachers and administrators and expanded youth and adult literacy programs. Equally

important will be work with communities and local governments to increase oversight and parental participation in schools. ★

By Sarah E. Wright, Senior Education Officer, USAID/Islamabad

EUROPE AND EURASIA

Kazakhstan Issues First Mortgage-Backed Security in the Former Soviet Union

ALMATY—Oleg Petrovich Rayenko, his wife, and two children lived in a one-bedroom apartment. Rayenko and his wife recently decided it was time their daughter had her own room.

With his stable income, Rayenko approached several banks about a loan to purchase a two-bedroom apartment. Rayenko chose the mortgage company that offered the best repayment schedule, commenting that the "company's employees were very attentive."

Chances are, until USAID got involved three years ago, Rayenko and his family would have had to come up with cash to buy the apartment. The total annual amount of mortgages given out by all banks across the country was only \$1 million.

Today, homebuyers can obtain a five- to ten-year loan at 17.5 percent interest with a 30 percent down payment. Despite the high rates, mortgage lending has jumped to between \$50 and 60 million a year. By 2008, Kazakhstan's National Bank projects mortgage lending will increase fivefold over today's levels.

The benefits are already significant. Mortgage loans enabled more than 5,000 middle-class families to buy their own homes last year. Bank portfolios are more robust, thanks to a stable stream of income from residential lending. And as of November 18, 2002, investors—including

the National Pension Fund, which must invest most of its capital domestically—can buy mortgage-backed securities.

How did this happen?

A mortgage system is supported by a web of institutions and professions, including credit bureaus, mortgage insurance companies, loan officers, real estate appraisers, and real estate agents. Three years ago, USAID and the National Bank of Kazakhstan set out to build the infrastructure to support a mortgage industry.

USAID's Financial Sector Initiative, adapting materials initially prepared for use in Russia, trained and certified 42 bankers in mortgage lending. Kazakhstanian loan officers learned proper underwriting practices. Applying international standards, they decided as a group how they would calculate minimum down payments and maximum monthly mortgage payments. USAID also trained the country's first appraisers.

The next step was to introduce the concept of secondary lending—selling mortgages to a wholesale "liquidity facility" (like Fannie Mae in the United States). Banks use the proceeds from selling mortgages or mortgage-backed bonds to negotiate additional mortgages. This increases the amount of capital available for lending, which, in turn, brings the price of mortgages down.

In November, the Kazakhstan Mortgage Company, a liquidity facility owned by the

National Bank, issued the first mortgage-backed security in the former Soviet Union. The USAID project pioneered virtually all of the major financial and legal provisions required.

The next steps to secure a robust and growing mortgage system include establishing a credit bureau and creating national mortgage insurance.

Credit reporting and mortgage insurance

will lower the risk of mortgage lending. This will make mortgage lending more attractive to banks, helping to make mortgages more affordable to more people.

Rayenko, busy renovating his new home, summed up the value of mortgages: "Despite the fact that the actual amount of repayments ... almost doubles the price, this is the only way to buy an apartment now and not in 10 years." ★



Oleg Petrovich Rayenko and his family purchased a two-bedroom apartment, thanks to a USAID initiative that helped Kazakhstan create a home financing system

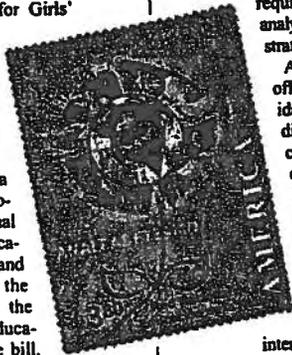
Peruvian Stamp Promotes Girls' Education

LIMA—Peru has created a postage stamp honoring girls' education after a campaign by a U.S.-assisted group of advocates, educators, and officials. The stamp shows smiling children on the petals the face of a flower and a motto that translates as "If our girls blossom...our country blossoms." Under the flower is the word *alfabetismo*, which means "illiteracy."

The Postmaster General of Peru announced he would release the new stamp in early 2003, in part to honor the National Network for Girls' Education (FLORECER), a group of 25 organizations that includes government ministries, the private sector, and local and international NGOs.

FLORECER made a major contribution toward granting girls equal rights and access to education when it drafted and presented a bill to the National Congress for the promotion of girls' education in rural areas. The bill, passed into law in 2001, sets a five-year timeline for achieving universal primary enrollment in rural areas.

FLORECER was created out of an initiative by USAID's Office of Women in Development to increase access of rural girls to primary school. Although USAID's financial support has ended, FLORECER continues to advocate on behalf of rural girls. ★



Women's Development A Key to the Future

The Women in Development (WID) Office supports the Agency's progress in making development more effective as well as more equitable.

"We will not achieve our development goals unless the entire Agency takes the roles of both women and men into account in development programming," said WID Office Director Katherine Blakeslee, who sees her office's role as a catalyst. WID helps build capacity to address gender in USAID mission programs throughout the world and helps meet Agency requirements for gender analysis in the development of strategic plans.

An important aspect of the office's recent work is the identification of the gender dimensions inherent in most cutting-edge development challenges—including HIV/AIDS, economic globalization and trade, the information communications technology revolution, trafficking in persons, and the continual flare-up of internal conflicts.

Significant gender dimensions that influence the achievement of development goals persist in such long-standing challenges as the elimination of poverty and the provision of education and basic healthcare.

WID announced in October 2002 the award of a five-year \$240 million agreement with six contractors for quick-response short- and long-term technical

services, training, research, communications, and outreach to support gender integration throughout the Agency's programs.

This indefinite quantity contract (IQC) affords missions and Washington, D.C., operating units a mechanism through which they can execute their own task orders to meet specific requirements.

The IQC can deal with issues such as the barriers women face in regional cross-border trade; gender-based violence in schools; the role of gender inequality in the HIV/AIDS epidemic; women in agro-industry, the social and economic aspects of demand for girls' education; women's legal rights to property; inheritance, and civil liberties; and the vulnerability of women and girls to human traffickers.

Beginning in 1974, USAID was one of the first bilateral donor agencies to focus attention on the importance of women's role in development. This commitment continues in the new millennium. ★

WOMEN IN DEVELOPMENT

The Office of Women in Development's activities cut across all areas of USAID's work. Four priorities are emphasized:

- ◆ reducing gender-based constraints to economic growth
- ◆ mobilizing local constituencies to improve girls' education
- ◆ increasing protection of women's legal rights
- ◆ increasing integration of gender considerations in USAID's programs

In FY 2002, WID had a budget of \$11 million.

West African Women Get Trade Help

West African women have long engaged in cross-border trade, but the growth of their businesses has been limited by gender-specific barriers. Women often lack credit, and may not have title to property or other assets needed as loan collateral.

Women traders also often lack the skills and knowledge needed to compete in modern, technologically advanced markets and to comply with laws and regulations. With the growth of globalization, the capacity to compete in emerging trade markets has become even more critical.

"The women are very glad to see that USAID has decided to put in place this needed project to address problems faced by women and support solutions to facilitate the development of their enterprises."

AMINA HASSANE WANGAR, President, West African Businesswomen's Network and the Network of Women Business Owners of Niger

A 30-month joint venture between the Bureau for Economic Growth, Agriculture and Trade, Office of Women in Development (WID), and the West Africa Regional Program will identify and reduce barriers to trade faced by businesswomen in seven countries. Women entrepreneurs will be linked to new resources that will enhance their international business skills and position them to participate more fully in new trade opportunities.

The current initiative will begin with an analysis, supported by WID, of regional flows of products traded by women, laws and regulations governing trade activities, and procedures for starting, operating, and expanding businesses.

International Business Initiatives will carry out studies in selected West African countries. Study results will help public and private stakeholders lobby for relevant policy and institutional changes for improving the business climate for women.

USAID has been helping African businesswomen in other ways. Fashion designer Salma Salifu, founder of Salma Garments, Ltd., in Accra, Ghana, received USAID-supported information technology training in 2002. After the training, Salifu purchased a computer and established an internet account to communicate with and send photographs to potential customers. Recently, a Philadelphia company signed her to a contract after seeing samples of her clothing. Now she is moving her business to larger quarters and projects hiring another 40 seamstresses in addition to the 10 she now employs.

Salifu says her training "has changed everything—it has been instrumental in helping me expand my business." ★

Fighting Slavery and Sex Trafficking

Since hundreds of thousands of people in countries that receive U.S. aid are bought, sold, or pressured into prostitution and slavery each year, the Agency has drawn up a strategy for an economic, legal, and moral fight against trafficking in human beings.

The new strategy will help draw attention to the dark and terrifying corners of the world where children toil in sweatshops and girls spend their youth in brothels.

USAID's Office of Women in Development in Washington, D.C. has the lead in drawing up the new strategy and coordinates the Agency's antitrafficking efforts.

Most people who are bought or sold into bondage are women and children. They become commodities, working as bonded laborers, prostitutes, maids, or child soldiers.

Trafficking is both an abuse of human rights and a development problem. Poverty, conflict, political transition, and inadequate educational and economic opportunities for women and girls help ensure a steady supply of desperate individuals and families on whom traffickers prey.

Missions in countries where trafficking is a serious problem should support direct anti-trafficking activities that are linked to

economic development, good governance, education, health, and human rights programs, the new strategy states.

To combat trafficking, USAID is:

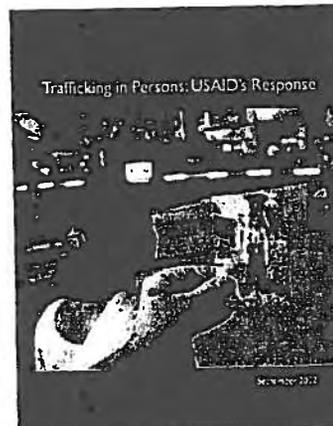
- ◆ collecting information on its scope, patterns, and routes
- ◆ promoting public awareness of the issue and its dangers
- ◆ expanding economic opportunity, girls' education, and information on legal rights
- ◆ supporting shelter, legal aid, vocational training, and social integration for those trafficked into child labor, prostitution, and other forms of slavery

The Victims of Trafficking and Violence Protection Act, enacted in 2000, requires the State Department to submit to Congress each year a list of countries of origin, transit, or destination for victims of "severe forms of trafficking."

Beginning next year, countries listed by the State Department as failing to meet minimum standards to end severe forms of trafficking on their territory are subject to a cutoff of nontrade, nonhumanitarian aid, unless granted a waiver for U.S. national security reasons.

In 2001, President Bush established the Interagency Task Force to Monitor and

Combat Trafficking in Persons. USAID assistance to fight trafficking has grown from over \$6 million in 2001 to more than \$10 million in 2002. ★



A description of USAID's FY 2002 efforts to combat trafficking can be found on www.usaid.gov/wid/pub/trafficking_pub_final.pdf

ASIA AND THE NEAR EAST

Bangladesh Imams to Study Human Rights, Women's Issues

DHAKA, Bangladesh—Although Muslim clerics may rail against American influence in some countries, 200 imams in Bangladesh were so impressed with a tour of U.S. development projects that they asked the USAID mission in Dhaka to offer instruction on human rights and women's issues to all of the country's 200,000 imams.

Bangladesh, a moderate Islamic country of 135 million, recently required its imams to take a 40-day retraining program to provide them with modern views of society, education, tolerance, and even agriculture and health.

As Minister of Finance and Planning Saifur Rahman told *FrontLines* in December: "The imams have been memorizing things to be imams. But they need to learn about human rights. We would like to see that imams have more worldly views. They must be up to date and come into the mainstream."

Soon after September 11, 2001, the USAID mission organized small luncheons with moderately fundamentalist Islamic leaders to discuss the terrorist attacks on the United States and the American response.

These freewheeling discussions established goodwill and useful contacts. The mission then took 14 Islamic leaders on a bus tour of USAID project sites.

Soon after, the government-run Islamic Foundation, which provides 45 days of inservice training to the imams, wrote to the U.S. Ambassador to request specific assistance to teach village imams about human rights, health, agriculture, and economic growth. The letter asked that USAID or its partners speak on these general themes and then arrange a tour of local project sites.

The mission then launched two two-day pilot sessions where mission staff and partners spoke about health and nutrition, HIV/AIDS, family planning, human trafficking, home gardening, aquaculture, and shrimp farming. Two hundred imams then visited several USAID project sites.

Somewhat surprisingly, the Islamic Foundation and its students were quite interested in learning more about such controversial issues as antitrafficking and family planning.

USAID is expanding its collaboration with the foundation, since it is a highly organized

forum for outreach activities and the project does not require significant funding. The plan is to reach 3,500 imams in 35 additional sessions over one year. ★



Moderate Imams in Bangladesh are studying human rights and women's issues with USAID's help.

EUROPE AND EURASIA

U.S. Farmers Help Moldovan Dairy Cooperative Double Output

Villagers in the small Moldovan village of Ignatei received land after the collapse of communism, but they were forced to lease it out and take jobs in town because they lacked farming skills—that is, until American farmers taught them how to produce more milk.

The U.S. farmers went to Moldova under the USAID-funded volunteer Farmer-to-Farmer Program that began in the summer of 2001. They helped the villagers turn Vita-Lact, their newly-created marketing cooperative of 140 suppliers, into a profitable enterprise.

The cooperative was formed after Moldova's Parliament adopted a law in 2001 that permitted creation of business cooperatives similar to those known in the West and that function on modern democratic principles.

A small group of Ignatei farmers decided to work together to search for a reliable buyer of milk, one of the few commodities that generates year-round income. Because larger quantities of produce mean better bargaining power for producers, they decided to attract more people into the group.

Merle Anderson of Iowa and Boyd Wolff of Pennsylvania taught the founding members about basic cooperative principles. Wisconsin's Richard Letner provided technical training on milk production. Thomas Kriegl of Wisconsin helped teach the group how to manage their finances effectively,

and Iowan Jim Nelson assisted the cooperative's management to develop new services, devise a growth strategy, and define activity priorities.

When Vita-Lact decided to launch a veterinary extension program for members, the newly hired doctor received training from Joe Buterweck of California.

Finally, with advice from Pennsylvania's Ken Bailey, the cooperative improved its marketing efforts and signed a favorable supply contract with a large dairy in Chisinau, the country's capital.

These seven ordinary Americans each donated about three weeks of time to work shoulder-to-shoulder with the Moldovan farmers. They were among more than 75 U.S. volunteers who went to Moldova under USAID contracts with the Citizens Network for Foreign Affairs.

When the Americans showed up to help, the fledgling cooperative began to show a profit. During its first year of operations, Vita-Lact members saw a 50 percent increase in their cash income. The average milk yield per cow doubled, and the average number of cows per farm grew from one to three.

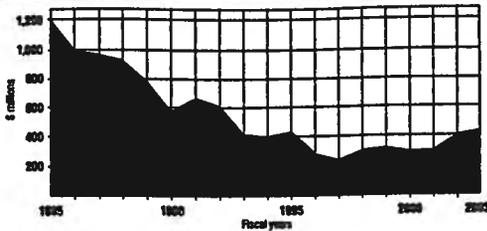
Utilizing U.S. volunteer expertise to support the development of farmer-owned marketing cooperatives, the Farmer-to-Farmer program helps farmers in developing countries increase incomes, while forming lasting friendships with their U.S. counterparts. ★



Farmer-to-Farmer volunteer Ken Bailey from Pennsylvania looks on as manager Vasilie Gheorghita makes a payment to one of the cooperative members.

Agriculture Returns to Front Burner

USAID AGRICULTURE FUNDING, FY 1985-FY 2003



Although year-to-year comparisons are difficult due to changes in the components of what is defined as agriculture, the overall trend is absolutely clear. USAID agricultural funding declined from a high in FY 1985 of about \$1.2 billion, bottomed out in FY 1997 at \$245 million, and has been trending upward in the last five years with an anticipated budget of \$444 million in FY 2003.

Agriculture is returning to the front burner at USAID—to grow rural economies and fight hunger—after more than a decade in which there was a loss of focus and funding.

"In the poorest countries of Latin America, sub-Saharan Africa, and south and central Asia," Administrator Natsios told *FrontLines*, "70 percent of the people are rural—farmers and herders. Economic growth depends on agriculture in many of these countries."

The Agency's strategy envisions agricul-

ture as a way to end hunger and assure balanced economic growth that lifts the poorest as well as the elite. "Since World War II, all of the countries that rose from poverty to wealth started by first increasing their agricultural production," said Natsios. "Industrial development followed."

The two greatest success stories of U.S. foreign aid—the Marshall Plan for Europe in the 1940s and the Green Revolution in Asia in the 1960s—saw agriculture as the foundation for improved health, education, and economic growth.

"President Bush has called for a new Green Revolution in Africa—so there will be no more hunger, so farm income will rise, so tax revenues will rise and support public services," Natsios said.

USAID's budget for agriculture nosedived from \$1.2 billion in 1985 to only \$245 million by 1997. The number of

Foreign Service agriculture officers fell from 260 to 42 by 2000. Since then, however, 19 new agricultural officers have been hired and a new International Development Intern program is set to begin.

"The new strategy aims to use agriculture as a way to reduce hunger and increase long-term income growth."

EMMY SIMMONS, Assistant Administrator
Bureau for Economic Growth, Agriculture and Trade

The new strategy targets four areas: linking farmers to domestic and foreign markets, fostering scientific innovation, promoting sound natural resource management, and getting technical and market information to farmers, processors, and traders.

A critical element of the strategy is increased funding for 16 international agriculture research centers, such as the one in Mexico that developed "miracle wheat" in the 1960s. U.S. assistance also will help agricultural workers boost incomes by selling their food, feed, livestock, fish, and fiber to wider markets at home and abroad. ★

Biotech Training Targets Concerns

U.S. biotech experts, who once traveled the world offering developing countries new seed varieties able to produce more food per acre, are now introducing textbooks and teaching systems to help assure the safety of the new crops.

Biotech expertise—that has enabled farmers to switch from withering, bug-infested crops to hardy, sturdy, and insect-resistant varieties—is now fighting a new enemy of hunger and poverty: fear of the new crop varieties and misperceptions about any dangers they may pose.

Opponents of bioengineered foods have spread fears in Europe and Africa of health and ecological threats posed by what they call "Frankenfood." To counteract those concerns, the emphasis these days has become safe and effective use of biotech. The goal is to assure that new varieties will not harm health or unleash plant variants that drive out indigenous varieties and kill helpful bugs and birds.

USAID is training agricultural research scientists in Africa and Asia to do the studies needed to dispel doubts and assure farmers of the safety and benefits of new varieties.

"Countries want to be part of the scientific revolution and also make their own decisions by having their own scientists trained—there is a strong demand for this," said Josette Lewis, a USAID specialist on agricultural biotechnology.

The cutting edge of biotech knowledge is in developing varieties that resist drought and pests or supply essential vitamins and minerals needed for health.

The private sector has invested in better biotech varieties of money-making crops such as cotton, but U.S. foreign assistance is needed to support research in basic food or subsistence crops such as lentils and vegetables, said Lewis. ★

Halting the Cassava Virus

When cassava—a mainstay of African agriculture—was attacked by a new and virulent form of the mosaic virus in the late 1980's, USAID contributed to a crash program to develop new plants resistant to the disease, which is spread by tiny whiteflies.

The pinhead-sized flies spread the virus as they move from plant to plant to feed. By introducing virus-resistant cassava in regions of Uganda, Kenya, and Tanzania that the whitefly had not yet reached, scientists built a firebreak to slow down and perhaps even stop the advance of the disease into new areas. The effort was a collaboration between the International Institute of Tropical Agriculture in Ibandan, Nigeria, and the Association for Strengthening Agricultural Research in Eastern and Central Africa. Partners and NGOs contributed, reaching hundreds of thousands of people growing the crop.

By 2001, Ugandan farmers harvested nearly five million tons of cassava. That's two-and-a-half times as much as they harvested at the height of the pandemic in 1994. Today, USAID is funding a similar disease-fighting program in the Democratic Republic of the Congo. These programs stand to help more than 300 million Africans who depend for survival on cassava, whose starchy root is prepared as a fluffy, white paste that is usually eaten with meat or vegetables. The leaves, rich in vitamins, are an important vegetable in the diets of low-income people in several countries. ★



USAID/Egypt is increasing agricultural export capacity by assisting farmer organizations and agribusinesses in processing and timely shipment of fruits and vegetables to European markets

Growing Trade

Farmers outside Cairo knew they could get top prices for their grapes, melons, green beans, and strawberries if they could only get them to European shops crisp and fresh while rival producers were too early or too late to harvest. But the burning sun at the airport wilted the produce before it was loaded.

So USAID helped a farmer's organization to persuade the government to let private firms set up efficient cold storage sheds at Cairo airport. The fruits and vegetables began to flow—tasty and cool—to shops throughout Europe.

Helping farmers produce, package, and ship their fruits, vegetables, meats and other goods to high-paying markets in big cities at home and abroad is a key part of our new agriculture strategy. ★

Banking Genes for the Future

The United States has pledged an initial \$5 million toward creation of a "gene bank" known as the Global Conservation Trust to ensure that the unique genes of plants that could be needed for agriculture in the future will not be lost as species become extinct.

Hundreds of thousands of seeds—each representing a unique variety of corn, wheat, rice, or other food crop—will be stored in weather-resistant structures meant to last for centuries.

The gene bank will exist in many places around the globe. It will seek support from corporations, trusts, foundations, and governments in addition to the USAID pledge of \$5 million and a Swiss Development Cooperation pledge of \$10 million.

The gene bank fund is expected to reach \$100 million by 2005. At that point, an independent board and scientific panel will review proposals and begin making a series of sustainability grants to support long-term seed conservation. ★

Brazilian Youth Learn to Build Computers



Crossing the digital divide. Unemployed youth build computers from scratch at a training center in the outskirts of Recife.

RECIFE, Brazil—It is fairly easy to take a computer apart. All you need is a screwdriver and a bit of courage. But imagine trying to put it all back together again. That's the challenge facing hundreds of unemployed youth in Brazil.

Coming from some of the poorest slums in Recife, these young people need jobs. To get a good job, they need skills. Right now, demand is booming in Brazil for computer technicians with just the most fundamental skills. Knowing how to break down and put back together a basic desktop computer is precisely the kind of ticket needed to get a good job.

Recife, the capital of the state of Pernambuco, is home to inviting sand beaches and gleaming office towers, as well as one of the highest proportions of *favela* (slum) residents in the country. Youth constitute the largest group in the population, and their prospects for future employment are cloudy at best. Girls and young women are particularly at risk.

"Their computer training will begin with the fundamentals," said Marcelo Fernandes, President of the Council for Democracy and Informatics (CDI). "Youth from the poorest neighborhoods will hold computer parts in their hands as they learn about their basic functions."

The parts will come from computers donated by Brazilian businesses and individuals who otherwise would have thrown them away. Instead, the trainees will learn to build new computers that will be donated to CDI internet training centers.

This innovative training program—and the network of internet centers that house it—are part of USAID/Brazil's work to address the employment needs of the country's disadvantaged youth.

The Alliance for Digital Opportunity for Technology and Communication (DOT-COM) program of the Bureau for

Economic Growth, Agriculture, and Trade will assist the mission in designing the curriculum, focusing in particular on the needs of girls and young women. Internships with the private sector will also be established to assure that the training leads to employment.

Each trainee will build at least one computer. If enough parts can be found, the student will build a second computer that he or she will receive as a graduation present. ★

To sign up for *DOT-Comments*, the DOT-COM newsletter, visit www.dol-com-alliance.org.

INFORMATION AND COMMUNICATION TECHNOLOGY

Information and communication technology (ICT) activities are not new to USAID. The Agency has been working to increase access to the means of communication in the most remote areas of the world: with the 1995 Leland Initiative, funded by Congress to bring the internet to Africa; the 1998 worldwide Internet for Economic Development Initiative; and the upcoming Bush Administration Digital Freedom Initiative. The work includes getting telecommunications policy right, opening competition, decreasing costs, and increasing services to underserved areas—both rural and urban.

ICTs have been tightly integrated into the following:

- ◆ a Mayan language teacher-training program in Guatemala
- ◆ handheld computers that track wildlife in Namibia
- ◆ training for Moroccan women parliamentarians
- ◆ e-commerce training for small and medium enterprises in Mexico
- ◆ online services in Romania

The DOT-COM program focuses as well on critical national policy reforms and learning systems that will make the information revolution more accessible to all.

Education for All: Facing the Challenges



Students improve language and math skills in USAID-supported schools where teachers have been trained in innovative student-centered teaching methods, such as cooperative learning.

ABUJA—U.S. officials at a meeting on education in Abuja, Nigeria, in November 2002 called for changes in assistance policies, in large part to meet two huge challenges in the coming years: HIV/AIDS and the doubling of world population by 2050.

The "Education for All" (EFA) strategy adopted by the global community at Dakar, Senegal, in 2000 pledged to offer quality basic education to all by 2015—a goal even then very difficult to meet.

But now, USAID officials say, the impending loss of thousands of teachers and other skilled people to AIDS requires a new focus. "Whole sectors are being hollowed out due to AIDS," said Greg Loos, a USAID education specialist who attended the Abuja meeting.

At the Abuja meeting of the High-Level Group on Education for All, the United States proposed that developing countries and their donor partners focus on all six EFA education goals: early childhood programs, universal primary and girls' education, lifeskills training, adult literacy, gender equity, and improved education quality.

Administrator Natsios, who represented the United States at the meeting, called for moving beyond foreign donor aid through expanded alliances and partnerships.

"Developing countries will need to bring more domestic stakeholders into EFA as active participants," said Natsios. Among these are parents, labor unions, the business community, universities, local and international NGOs, the media, and global diasporas.

Loos said that Official Development Assistance from donor governments cannot meet the educational needs of the developing world and will require private sector and civil society involvement—

especially in view of the huge population growth expected. "Unfortunately, engaging the business community as development partners is an approach not readily understood by many donors and developing countries," Loos stated.

The United States also called for developing countries to show good faith and match donor grants by putting 20 percent of their annual budgets into education—half of these amounts toward basic education.

Teacher Shortage: Of the 75,000 teachers in South Africa's Kwa Zulu-Natal Province, some 68,000 will need to be replaced by 2010.

The Bush Administration has shifted U.S. foreign assistance policy by viewing education as a route for economic growth and poverty reduction. As Loos said, "That's why the Administration sees educating a broad range of students beyond the primary levels."

Thailand, for example, put more than 95 percent of its elementary school age children into schools by 1990. But few of them went on to high school, and the lack of a skilled workforce led high-tech manufacturers to locate elsewhere.

Educated women bear fewer children—an additional benefit that reduces pressure on schools and other resources. As a mother's level of education rises, the success of her children in school also increases. Early childhood education has similar economic benefits—each year of attendance leads to a 7 to 14 percent increase in annual income when an adult. ★

www.usaid.gov/about/educationforall

AFRICA

Kids Love Radio Days

Guinea Program Sparks Students, Teachers

TOUNTOUROUN, Guinea—The fourth graders in Petel Lelouma Primary School in the Fouta Djallon highlands of Guinea come to school very early “because it’s a radio show day,” says teacher Koria Kouyaté. “The kids don’t want to miss it.”

For 90 minutes each week, children in grades 1 through 6 across Guinea listen to a USAID-sponsored interactive radio show called “Under the Kapok Tree.” The program is effective “because children learn by playing,” according to Kouyaté. “They don’t even realize it, but they are learning a lot.”

Developed by the U.S.-based Education Development Center in collaboration with the Guinean government, the radio show teaches children language, mathematics, science, community health, and other subjects.

During the broadcast, teachers follow the instructions of the “radio teachers,” who guide children to sing songs, answer questions, manipulate objects, draw pictures, and work in small groups to solve problems.

The broadcasts, entirely in French, began for first and second graders during the 1999–2000 school year. The next year, the broadcasts were expanded to cover grades 1 through 6. An estimated 22,000 teachers and

900,000 students benefit from the program nationally.

To support the broadcasts, windup radios have been distributed to all elementary schools. Teachers also received guides, student activity books, posters, and science kits. Workshops and bimonthly meetings give teachers additional support to adapt to an interactive style of teaching that is quite different from traditional teacher-centered methods.

According to Sow Abdoul Salam, Principal of the grade school in the village of Tountouroun, “Teachers are learning to be more active, and not just stand in front of the class, which was what they did before. They’re getting new ideas. With this project, each teacher is learning to become a true artisan of his or her own training.”

Although teachers are benefiting from the program, the biggest fans continue to be Guinean children who come to school early so they can clap and sing in the classroom on radio show days. ★

By Laura Larigue, Technical Writing Specialist.
USAID/Guinea
www.usaid.gov/gu/education/



Photo by Laura Larigue

These school girls, with their teacher, act out a lesson they learned on radio show day. Posters, school textbooks, and radios are part of the USAID-sponsored support materials now in their classroom.

LATIN AMERICA AND THE CARIBBEAN

U.S. Responds to Global Coffee Crisis



Photo by Lutz Campe

To mitigate the effects of the global coffee crisis, USAID is helping organic and gourmet coffee producers like Jose Maria (Don Jase) de la Cruz of the Dominican Republic

An oversupply of coffee on world markets has cut prices almost 70 percent in five years, to historic lows that are causing great hardship to coffee producers and coffee workers, particularly in Central America and East Africa.

Over the past year, coffee producers in Central America lost about \$1.5 billion, while some 600,000 coffee workers have lost their jobs. When combined with the drought that has plagued many parts of the region, the coffee crisis has added substantially to Central America’s poverty, malnutrition, and food insecurity.

As with Hurricane Mitch, the United States has responded quickly to these challenges. In FY 2002, USAID provided \$10.1 million in emergency drought assistance to Central America, most of which went to small coffee growers or coffee workers.

The Agency also launched new initiatives—worth \$8 million in Central America and \$7 million in Colombia—to help coffee producers improve the value of their crops so that they can earn more from the sale of higher-quality coffee beans. At the same time, USAID is working with other, less competitive producers to help them diversify into other crops.

USAID is also working with coffee producers in more than 15 other countries around the world, including East Africa and Asia. The Agency has invested \$2.8 million to help coffee producers in Uganda, Tanzania, Ethiopia, and Rwanda, and has put several million more dollars into helping producers in the new nation of East Timor.

To cope with the worldwide crisis affecting millions of people, the Agency is partnering with private companies through the Global Development Alliance.

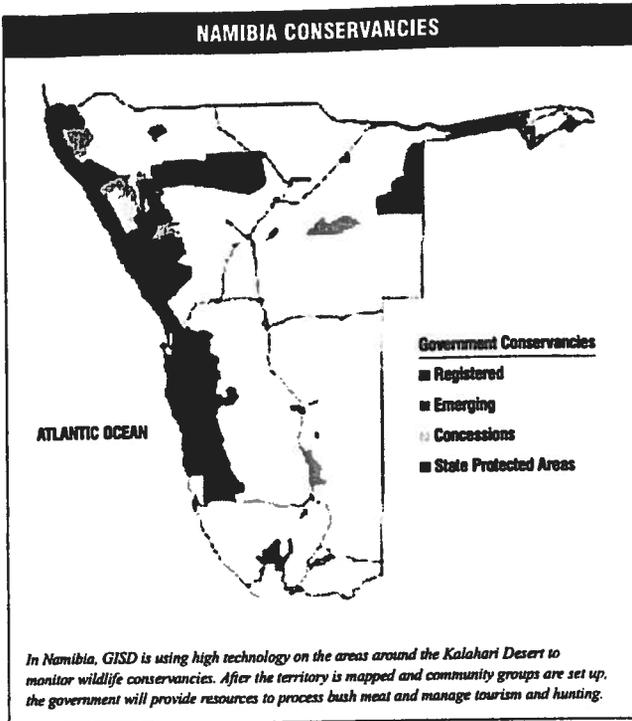
One of these new partnerships was formed with Green Mountain Coffee Roasters of Vermont. It will help mitigate the crisis by supporting the development of small- and medium-scale coffee production systems that are environmentally, socially, and economically sustainable. This, in turn, will help to ensure improved livelihoods and incomes for coffee farmers and their communities, while maintaining a reliable supply of coffee in the range of qualities demanded by consumers.

Green Mountain also will supply “fair trade” coffee, said to be produced in a socially responsible manner, to the U.S. Senate cafeterias under an agreement announced in December by Administrator Natsios and Sen. Patrick Leahy (D-Vt.).

The partnership with Green Mountain—and other coffee companies and associations that may join us in the future—will improve the lives of coffee producers and workers by focusing on quality standards, handling, processing, packaging, marketing, and modern business practices. Producers can become certified growers of organic, shade-grown, and specialty coffees, which fetch higher prices in today’s market. Assistance may also go to improving wet milling and patio-drying processes that help particular coffee beans retain their unique flavors during processing. ★

www.usaid.gov/about/coffee/

GISD Maps Threats and Resources



WASHINGTON, D.C.—A new partnership between USAID and the State Department is helping countries use the latest satellite and other technologies to track locusts, map landmines, monitor floods, combat drought and thereby avert the spread of famine and disease.

The Geographic Information for Sustainable Development (GISD) was formed through the combined efforts of U.S. agencies, non-governmental organizations (NGOs), universities and private-sector companies to demonstrate that high-tech satellite monitoring, Internet-mapping and other information and communications technologies have grown into a useful science. It was on display at the World Summit for Sustainable Development in Johannesburg this summer.

After the Sahel and Ethiopia were hit by drought in the mid-1970s, killing thousands of people and millions of farm animals, an early form of GISD was created—the Famine Early Warning System (FEWS). Its use of satellite imagery and other high technology prevented massive deaths in later African droughts and is today one of the most successful applications of Geographical Information Systems in Africa.

But the challenge has always been how to transfer technology and information in a usable form to decision-makers, such as the farmer who

needs to know the latest market price or the government irrigation planner. GISD is providing decision-makers with high-tech information and showing them how to interpret and utilize it. ★

www.opengis.org/gisd

GISD IN ACTION

GISD bridges the gap between technical knowledge and on-the-ground application:

- ◆ Recent use of video cameras combined with global positioning systems and lasers mounted in small planes—rather than satellites—have cut the cost of monitoring water, plant and other resources.
- ◆ Comparing new satellite photos with recently declassified satellite imagery going back decades is “turning out to be one of most effective tools for land management in Africa,” said Robert Ford, a USAID National Resource Advisor. The photos can verify which farmers are using improved land practices and which are not—a powerful visual tool for local and national policy.
- ◆ In Uganda, USAID has tripled the incomes of small, specialty coffee growers by tying them into global markets via an Internet auction, instead of leaving them at the mercy of local buyers offering bottom dollar.

USAID Exhibit

USAID produced a new traveling exhibit that was unveiled at the World Summit on Sustainable Development in August. The exhibit showcases our expertise in seven priority areas.



“The goal is to provide people in developing nations the tools they need to seize the opportunities of the global economy.”

PRESIDENT GEORGE W BUSH

“USAID’s efforts help our government shape an international environment where peace, prosperity and democracy can flourish.”

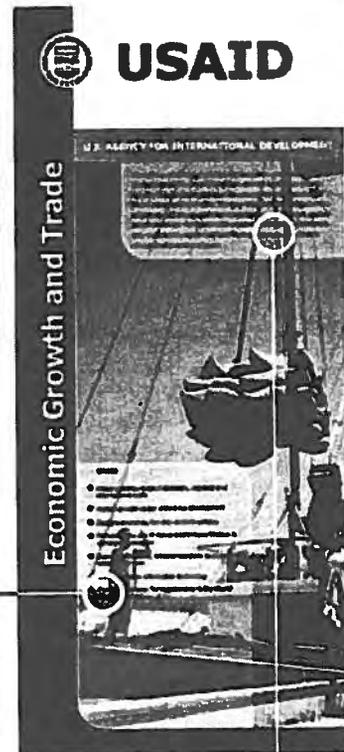
SECRETARY OF STATE COLIN L. POWELL

“To build a strong foundation for sustained economic growth, developing countries need peace and security, good governance and educated, healthy workers.”

USAID ADMINISTRATOR ANDREW S. NATSIOS

Economic Growth and Trade

More than a billion people live on less than one dollar a day.



Economic growth is the only long-term strategy to alleviate poverty. Yet, the 49 least-developed countries account for less than one-half of one percent of world trade. Our goal is to help developing countries build trade and attract capital by designing open, transparent, market-based economies. For countries to compete in the global marketplace they must realize capital that flows from commerce vastly exceeds official development assistance.

USAID

- ◆ Helps countries expand domestic, regional and international trade
- ◆ Fosters private-sector enterprise development
- ◆ Designs economic, tax and customs policies
- ◆ Pioneered the use of micro-credit/micro-finance in developing countries
- ◆ Explores affordable, national solutions to provide social safety nets
- ◆ Trains people in information technology
- ◆ Prepares countries for membership in the World Trade Organization

Exhibit panel text

Agriculture

More than 800 million people go to bed hungry every night



Three-quarters of the world’s poor live in rural areas and depend on farming and herding to feed their families. That’s why agricultural development is a top priority. Working with international agricultural research institutions, we were one of the driving forces behind the Green Revolution that proved so beneficial to southern Asia. Our goal now is to replicate that success around the world.

USAID

- ◆ Invests in developing seed varieties that are more nutritious, fight pests and diseases, and resist drought
- ◆ Strengthens countries’ current industries and develops new ones
- ◆ Improves soil management and irrigation systems
- ◆ Assists with bio-safety, phyto-sanitary codes and marketing strategies
- ◆ Helps expand agricultural trade to domestic, regional and international markets
- ◆ Works to build partnerships in agribusiness, science, trade and rural development
- ◆ Is training a new generation of agronomists

Democracy and Governance

There were 58 democratic nations in 1980; today, there are more than 115.



There is a direct and unmistakable relationship between sustainable development and just, representative government. For more than two decades, our democracy and governance programs have fostered transparency, accountability, and participation in government.

USAID

- ◆ Promotes free and fair elections
- ◆ Encourages political party development
- ◆ Fosters independent media
- ◆ Champions reformers and open institutions
- ◆ Supports civil society
- ◆ Advocates the rule of law
- ◆ Undertakes anti-corruption programs
- ◆ Protects human rights, especially women’s
- ◆ Assists conflict mitigation and management

Global Health

By 2020, more than 25 percent of the workforce, in severely affected countries, may be lost to AIDS

Education

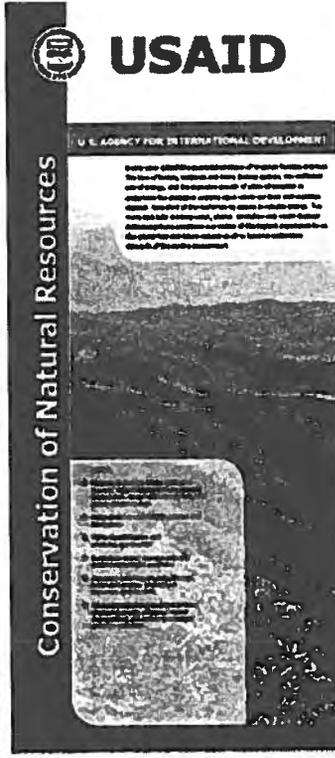
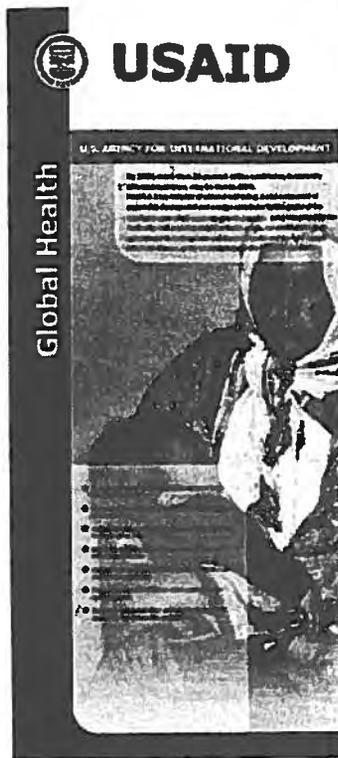
113 million children have never been to school. Sixty percent are girls

Conservation of Natural Resources

Every year 130,000 square kilometers of tropical forests are lost.

Humanitarian Assistance

Our work reflects the deep humanitarian instincts of the American people



We have developed an unmatched ability to respond when floods, droughts, hurricanes, earthquakes—even man-made disasters—strike the developing world. Our staff is on duty around the clock, and we go to great lengths to get millions of people the food, shelter, medicine, blankets and emergency supplies they need to survive and begin rebuilding their lives and communities.

- USAID**
- ◆ Monitors world food supplies to prevent famines
 - ◆ Is the single largest provider of emergency food aid in the world
 - ◆ Responds rapidly to major floods, earthquakes and other natural disasters
 - ◆ Helps countries develop own emergency management/disaster preparedness systems
 - ◆ Builds the capacity of non-governmental organizations in the developing world
 - ◆ Begins reconstruction efforts early and ensures host country participation

Health is a key indicator of national well-being, a vital component of social sustainable development and a major contributor to the quality of the workforce upon which economic growth depends. Long recognized for our leadership and expertise on global health issues, we continue our deep commitment to child survival and maternal health and the fight against infectious disease, under-nourishment, and the HIV/AIDS pandemic.

- USAID**
- ◆ Is a global leader in the HIV/AIDS crisis in the developing world
 - ◆ Pioneered the use of oral rehydration salts to save children's lives
 - ◆ Helped rid the planet of small pox and is a partner in eradicating polio
 - ◆ Works to fight malaria, tuberculosis and other infectious diseases
 - ◆ Helped reduce child mortality by 30 percent over the last two decades
 - ◆ Protects millions of children each year through immunizations
 - ◆ Supports better nutrition and improved hygiene, especial for vulnerable populations

Development depends on an educated population and a skilled, productive workforce. The first step is to provide every child a basic education. Over the past generation, we've helped cut illiteracy in the world by a third and encouraged growth in school attendance. Our goals today are equally ambitious. We work with countries to build strong school systems, where every child has a chance to learn and girls have the same opportunities as boys.

- USAID**
- ◆ Implements education programs—primary school to adult literacy
 - ◆ Expands partnerships between U. S. colleges/universities and the developing world
 - ◆ Strengthens workforce development with vocational training
 - ◆ Provides scholarships, raising education levels and spreading democratic values
 - ◆ Establishes centers of excellence for teacher training
 - ◆ Focuses on bridging the digital divide and the skills gap caused by HIV/AIDS
 - ◆ Promotes girls education by increasing attendance

The loss of forests, wetlands and many diverse species, the inefficient use of energy, and the explosive growth of cities, all threaten to undermine the ecological systems upon which our lives and countries depend. One-third of the world has no access to reliable energy. Too many lack safe drinking water, shelter, sanitation and waste disposal. Addressing these conditions is a matter of the highest importance to us. Our global fate and future require us all to become responsible stewards of the earth's environment.

- USAID**
- ◆ Focuses on five key areas: biological diversity, natural resource management, urbanization, sustainable energy use, and global climate change
 - ◆ Helps preserve rare wildlife species and ecosystems
 - ◆ Fights desertification and promotes eco-tourism
 - ◆ Runs clean water, sewage and solid waste management programs
 - ◆ Promotes clean fossil fuel technology, renewable energy and natural resources conservation
 - ◆ Advocates reforming laws and policies, improving energy efficiency, forest management and reducing industrial pollution reduction

CONTACT

- ◆ If you would like to have the new traveling exhibit at an event, contact Veronica Young, LPA, (202) 712-0336 vyoung@usaid.gov.

Microeconomics: Porter Calls Clusters a Development Tool

Sri Lanka, El Salvador and other countries have grown their economies by "clustering" related industries, building domestic markets and fighting corruption, Harvard Business School Professor Michael Porter told USAID employees during a talk on new development trends.

A "cluster" is a group of related industries that feed off each other's growth. Garment manufacturers, for example, function best when surrounded by producers of cloth, yarn, buttons, zippers and sewing machines, as well as by marketing, packaging, shipping, export, promotion and fashion design firms.

Government should try to create new clusters such as bio-tech or manufacturing if there is not already some domestic basis for such businesses. But Porter believes it can facilitate the growth of clusters around pre-existing industries or agricultural bases.

"Clusters allow business to operate more productively," said Porter. When there are changes in customer needs, technology, competition or the costs of inputs, business can quickly adapt when its partners are nearby, joined in trade and manufacturing associations and advised by academic institutions.

Porter also advises manufacturers in developing countries to seek local and regional customers. Guatemala, for

example, can sell only a few, highly sophisticated products to the U.S. market, but can offer a wider array and quality of goods to Honduras, he said.

"Growth depends on fixing microeconomic conditions: ending corruption, building domestic markets, fixing roads and power, improving health and education. These help make a country and its businesses competitive."

MICHAEL PORTER

It's also necessary to eliminate the microeconomic barriers to raising productivity such as local corruption, monopolies and poor roads or education.

"If you look at the business environment in many developing countries, everything is bad," said Porter. "There is no local demand, little local supply base, no clustering, a lack of investment, lack of incentives and distortion of inputs. You start at a low platform of productivity. The only thing to sell is bodies—cheap labor."

Attention to microeconomic issues could also be the answer to recent

protests against globalization and the painful effects of structural adjustment programs mandated by development banks. These include cuts in subsidies for food and power, job loss, privatization of state firms and opening up to cheap foreign goods.

"There is a horrible cost of adjustment and people identify globalization with this," said Porter. But microeconomic changes produce results people can see. "The end of monopolies does not create street demonstrations but gets people cheering," he said.

Developing countries must push responsibility for promoting clusters and fighting corruption and monopolies away from the central government toward mayors and other local authorities as a way to promote competitiveness. And governments must "shelter reforms from politics" and be sure that policies do not shift with each new change of government.

Economic development "is not a sprint—it's a marathon," he said. "It's a 10- to 20-year process." ★

To view the transcript and presentation slides of Porter's September 2 talk to Agency senior staff, go to inside.usaid.gov/LPA/porter.html. A videotape of the presentation was sent to each mission and bureau.



One of the world's leading authorities on competitive strategy and the economic development and competitiveness of nations, states, and regions, Michael E. Porter serves as the Bishop William Lawrence University Professor at the Harvard Business School. Porter leads Harvard's program for CEOs of billion dollar corporations and has authored 16 books and more than 85 articles.

Currently in its 60th printing in English and already translated into 19 other languages, Porter's *Competitive Strategy* introduces his three strategies—lowest cost, differentiation, and focus—thus bringing structure to strategic positioning. Read by more than a million managers, analysts and consultants, Porter imposed a disciplined structure to the critical question of how firms achieve superior profitability.



Competitive Advantage is Porter's complementary book to *Competitive Strategy*

where he introduces the manager to the groundbreaking concept of the value chain. By disaggregating a company into activities that represent the elemental building blocks of competitive advantage, Porter provides managers with the tools to segment industries strategically and access the competitive logic of diversification.



Michael Porter's *The Competitive Advantage of Nations*, has changed

completely our conception of how prosperity is created and sustained in the modern global economy. His concept of "clusters," or groups of interconnected firms, suppliers, related industries and institutions that arise in particular locations, has provided a new way to think about economies, assess the competitive advantage of locations and set public policy.

