



U.S. Agency for
International
Development

FISCAL YEAR

2003

Budget Justification to the Congress



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

The Administrator

February 26, 2002

TO THE CONGRESS OF THE UNITED STATES

On behalf of the U.S. Agency for International Development, I am pleased to transmit to the Congress the Administration's budget justification for authorization and appropriations for fiscal year 2003 for the U.S. Agency for International Development (USAID).

Through its economic assistance programs, USAID plays an active and critical role in the promotion of U.S. foreign policy. The investment this agency makes in developing and transition countries has long-term benefits for America and the American people. This past year, I set the Agency on a new strategic orientation to ensure that development and humanitarian assistance programs better address the changing international environment.

The Administration's budget request will enable our agency to continue its fundamental mission: promoting prosperity, improving health, strengthening political stability, and providing humanitarian assistance to countries facing crises.

USAID programs, objectives and results are described in detail in the following chapters and accompanying annexes. I request favorable consideration by the Congress of the Administration's economic assistance budget request.

Andrew S. Natsios

INTRODUCTION

The U.S. Agency for International Development's (USAID) FY 2003 budget justification to the Congress reflects the Administration's program and budget request for bilateral foreign economic assistance appropriations.

The **Main Volume** of the budget justification summarizes the budget request and discusses the programs and activities implemented through USAID's centrally funded programs and through the four geographic regions.

A separate **Summary Tables** volume includes tables that illustrate the foreign assistance budget request for FY 2003 and provide a detailed tabular breakout of the economic assistance budget for FY 2000 (actual), FY 2001 (actual), FY 2002 estimate, and FY 2003 (request).

Five annexes to the Main Volume discuss USAID programs in the geographic regions and the central programs, including program narratives and data sheets.

Annex I details programs and activities for Africa.

Annex II details the programs for Asia and the Near East, consisting of East and South Asia, the Middle East, and North Africa.

Annex III details the programs for Europe and Eurasia, consisting of Europe and Eurasia (the Independent States of the former Soviet Union).

Annex IV details the Latin America and Caribbean programs, consisting of Central and South America and the Caribbean.

Annex V details programs of the Agency's central and pillar bureaus, including Democracy, Conflict and Humanitarian Assistance; Economic Growth, Agriculture, and Trade; Global Health; Management; Policy and Program Coordination; and Global Development Alliance.

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
FY 2003 BUDGET JUSTIFICATION**

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STATEMENT OF THE ADMINISTRATOR

Overview

Even before September 11, the United States' interests in the developing world had changed, becoming more pressing and more relevant to its overall economic and security interests. We have moved from an era dominated by Cold War politics and issues of containment to one where globalization and the challenges of terrorism and world economic growth occupy our agenda. The issues of this new era center on promoting good governance and managing conflict across the globe, as well as erasing illiteracy and stemming the spread of infectious disease. At this time in history, U.S. foreign policy interests are predicated not only on traditional security concerns, but also on maintaining a liberalized international economic system and democratic capitalism as the preferred model of governance.

The tragic events of September 11 underscore the threats such a system faces, and the need to confront those threats, in part, by confronting the problems of the developing world, home to more than three-quarters of the earth's population. This is not a new charge. For the past 40 years, the United States has sought with substantial success to better the lives of the world's poorest citizens. Yet as the forces of globalization bring the world closer together, the problems of the developing world from a national and economic security perspective become more acute. In terms of national security, the National Intelligence Council predicted in its *Global Trends 2015* report, published in December 2000, that "states with poor governance; ethnic, cultural, or religious tensions; weak economies; and porous borders will be prime breeding grounds for terrorism." Economically, states that fail to realize tangible benefits from globalization in trade could derail further economic openness in multilateral trade negotiations or face greater internal conflict domestically from those opposed to globalization.

The President's National Security Goals

Last summer President Bush, in an address to the World Bank, laid out three national security goals:

- First, for America and her friends and allies to pursue policies that keep the peace and promote prosperity;
- Second, to ignite a new era of global economic growth through a world trading system that is dramatically more free and open;
- Third, to work in partnership with developing countries to remove obstacles to economic growth; to help them fight illiteracy, disease, and unsustainable debt.

These goals confirm that it is in our interest to have strong and stable countries as neighbors and partners. The President stressed that:

A world where some live in comfort and plenty, while half of the human race lives on less than \$2 a day is neither just, nor stable. World poverty is ancient, yet the hope of real progress against poverty is new... [globalization] holds the promise of delivering billions of the world's citizens from disease and hunger and want. We have the opportunity to include all of the world's poor in an expanding circle of development.

While poverty does not, on its own, spawn extremist responses, the very word *development* means more than enhanced economic well-being. It is about putting into practice the universal values of individual freedom, economic opportunity, and upward mobility, and the resolution of disputes through democratic governance. American national interests are most secure in a world built on these values.

At a time when a large measure of public resources must necessarily be directed toward immediate security concerns, a well-focused and economical foreign assistance program can help anchor the longer-term future that our diplomacy and military action have delivered but not yet secured. While no program transferring resources or skills can promise a world free of threats such as terrorism, a world in which development of the type we seek remains absent for hundreds of millions of people remains a world susceptible to extremism.

USAID's Contribution

USAID's programs and staff in developing and transition countries contribute to the President's goals directly by:

- Fighting hunger and poverty, and promoting prosperity and sustainable management of the world's natural resources;
- Improving health, especially by addressing the devastating effects of HIV/AIDS and other infectious diseases;
- Strengthening the quality of democratic governance and reducing the sources of conflict; and
- Responding to international disasters and delivering humanitarian assistance to countries facing crises.

USAID programs achieve a broad range of outcomes from improving agricultural productivity to strengthening democratic institutions to protecting tropical forests.

Specific examples include establishing a mission in Afghanistan to help that war-torn country move from relief to reconstruction, launching a multiyear basic education program in Pakistan to increase literacy and lay the foundation for sustained growth, and aggressively fighting HIV/AIDS in Africa. We are encouraging the adoption of market-oriented economic policies in eastern Europe, helping African nations qualify to join the World Trade Organization, financing job creation programs in rural central America to expand economic opportunity and help stem the flow of illegal immigration to the United States, and using agricultural research to increase food production in Africa. USAID works in a variety of ways, including delivering services directly, providing technical assistance and training to strengthen institutions, sponsoring policy analysis, and facilitating the sharing of ideas and approaches among people facing similar problems.

Ultimate success depends on connecting developing countries to the global economy, where they can benefit from market-driven capital flows far in excess of those the donor community can provide. Private capital flows to the developing world have reached a point where they total nearly six times the amount of all official assistance. Yet not all developing countries shared in this bounty, and faced with a serious global recession, negative capital flows to the developed economies have been draining developing world economies for the first time in many decades.

To reverse this trend and build the foundation for sustained economic growth, developing countries need peace and security, good governance, and educated and healthy workers. Where these conditions exist, development has progressed measurably, expanding markets for American goods and services and expanding the middle class supportive of open and free societies. Unfortunately, for much of the developing world these conditions are absent or just now emerging, requiring careful nurturing to become a robust part of society.

Building Blocks of Development

Our budget request addresses these fundamental building blocks of development. We have increased efforts in conflict prevention, good governance, and fighting corruption. To build and protect a productive workforce, we are requesting more funding to fight HIV/AIDS, a disease that attacks the most productive segments of society, the nascent middle class, and particularly the teachers, health care workers, and public servants of developing countries. We plan to launch an initiative in Africa to cut hunger through agricultural development. We have increased the request for education by 65% over the last two years. We are building our trade and investment programs, such as those pursuant to the Africa Growth and Opportunities Act, that focus on building policy environments and institutional capacity to allow African nations to enter the global economy. Finally, we plan to increase our efforts in central and south Asia to enhance the peace and stability of this region critical to the war against terrorism. These six areas are highlighted below.

Fighting HIV/AIDS

The HIV/AIDS pandemic is devastating Africa and its middle class, including educators, business leaders and government officials. The disease is also poised to escalate dramatically, especially in parts of Europe and Eurasia, and some Asian countries. In addition to untold human suffering, the disease directly threatens stability in these regions and achievements of development objectives. In response to these challenges, USAID is dramatically escalating its support for HIV/AIDS by funding both the bilateral programs and the Global Fund to Fight AIDS, Tuberculosis and Malaria. This budget increases funding from \$429 million in FY 2001 to \$485 million in FY 2002 to a request of \$640 million in FY 2003 from all accounts. The increases will allow USAID to strengthen and expand the critical assistance it provides to prevention, care and support, and treatment activities in countries most affected by the pandemic.

Attacking Illiteracy

Basic education provides children and young adults with core skills essential to success in all aspects of later life: finding or creating a decent job; raising healthy, educated children in turn; and participating constructively in the democratic process and the wider world. The benefits of girls' education are particularly high. Educational failure and ignorance contribute to broader failure at the national level, both economic and political. Despite universal recognition of these facts, over 110 million primary-school-age children in developing countries remain out of school, and more than 60% of these unenrolled children are girls. This budget includes a substantial increase in funding for basic education programs, from \$102 million in Development Assistance in FY 2001 to \$165 million in FY 2003.

Promoting Trade and Investment

International flows of trade and investment resulting from globalization produced extraordinary levels of growth and employment in the United States and many other countries over the last decade. However, most developing and transition countries, which account for about 90% of global poverty, hunger, and illiteracy, have not been able to capitalize on this phenomenon. This is due to a variety of reasons ranging from poor policies and ineffective governance to a lack of training and technological infrastructure. Poor countries are sometimes politically unstable and make risky economic partners. USAID plans to re-energize programs that improve local business environments, stimulate agriculture, lead to income growth for families, and increase trade, as well as address important environmental issues. The environment, particularly forestry and energy, is a critical element of any trade and investment strategy, and this budget request addresses important environmental issues to which economic growth gives rise.

Cutting Hunger in Africa

The problem of hunger in Africa is widespread, and it is getting worse. One out of three men, women, and children in Africa go to bed hungry, and it is estimated that Africa will account for 73% of the world's undernourished by 2015 if more aggressive action is not taken. In response, USAID plans to launch an initiative in FY 2003 to concentrate on agricultural productivity on the continent, where research indicates investments have a stronger impact per dollar on poverty than investments in any other sector. The initiative will stress African ownership of the drive to cut hunger and poverty, stronger regional trade links, and the opportunities offered by new science, such as biotechnology.

Mitigating Conflict and Improving Governance

Corruption, ideological extremism, and the absence of responsible governments in many countries present the United States with emerging challenges to our development assistance efforts and overall national security interests. An effective U.S. response must be comprehensive in scope and sustained over an extended period. Consequently, USAID is developing a strategy that better links and sequences programs for security, rule of law, democracy, economic growth, and humanitarian relief. Under its conflict management initiative, approximately \$50 million in FY 2003 funds are for this priority that integrates all tools and programs more effectively among each of the agency's regional and functional bureaus. Ultimately, this initiative will better focus U.S. foreign assistance to problem countries so that their capacities for self-governance and the peaceful resolution of their own conflicts are strengthened.

Stabilizing Front Line States of Central and South Asia

Central and south Asian countries are playing a central role in the war on terrorism. However, many of these countries face challenges that threaten the region's prospects for long-term development and stability. Most south Asian countries are characterized by poor governance, as well as tenuous civil liberties and individual rights, especially for women. South Asia's adult literacy rates, especially for women, are the lowest in the world, and child mortality rates are incredibly high. Even before September 11, a broad consensus had emerged that U.S. re-engagement in south Asia was necessary to improve the region's social and economic conditions, and thereby reduce the risk of regional and global instability. USAID will respond to pressing needs in Afghanistan, Pakistan, and the rest of south Asia by focusing on basic education and health, agriculture and rural economic vitality, and governance programs, with special emphasis on improving the status of women. To help reduce poverty and threats to stability in the central Asian republics, increased budget resources have been allocated for a variety of programs including infectious disease, conflict mitigation, economic governance, and democracy.

Changing to Meet the Challenge—Management and Organization

Helping people in the developing world through effective assistance requires a transparent, agile, and skillful organization. It must have adequate security to safeguard employees frequently working in difficult situations. We are focused on performance-based management to ensure that every tax dollar will be spent wisely, leveraging the Agency's funds to help build local capacity and attract private investment. What today's challenges demand of USAID in Washington is fundamental management reforms in key areas and an organizational structure that can bring necessary technical expertise to bear on problems in the field in a flexible and efficient manner. We must also ensure that necessary investments to enhance security are made at all USAID locations, especially those that are high threat.

Management Reforms

Reform of USAID's business systems is key to improving the Agency's performance and will require sustained, disciplined, well coordinated, agency-wide action. To strengthen agency-wide leadership and management capacity, we have established a Business Transformation Executive Committee, based on commercial best management practices, to oversee management improvement initiatives and investments. It will set an aggressive pace in developing and implementing new business systems, processes, and structures, and "sunsetting" outdated or redundant ones.

During FY 2001, planning of reforms was begun and some results were achieved, but much work remains:

- In the area of **financial management**, the Agency plans to enhance the core accounting system, installed last year, to provide more accurate and timely financial information, and improve accountability and regulatory compliance.
- In **human resources management**, we will expand the Agency's talent pool by recruiting junior-level Foreign Service professionals and focusing on key skill areas in the Civil Service like procurement and information technology.
- In **information technology**, having ensured last year that all overseas posts have reliable access to Agency systems and to e-mail, we will initiate actions to improve our systems' security in order to reduce the possibility of unauthorized access.
- In the **procurement** field, in addition to the new, automated contract-writing system implemented last year, we are preparing a competition plan to facilitate out-sourcing of selected functions currently carried out by USAID staff.

- In the area of **strategic budgeting**, we have consolidated the budgeting function into the Policy and Program Coordination Bureau to more closely link resources with policy priorities.

In the area of performance measurement and reporting, we are streamlining, simplifying, and improving our annual performance reporting process beginning with our field missions and operating units through to our Agency-level reporting. The result will be an improved ability to collect and report on performance and to relate performance to budget requests and allocations.

Development Partnerships and the Global Development Alliance

USAID recognizes that it is only one piece of the puzzle needed to overcome the challenges to economic growth in the developing world. Four decades ago, Official Development Assistance (ODA) comprised 70% of all U.S. financial flows to developing countries; in today's globalized world, they comprise 20%. To be effective in carrying out our mission and our foreign policy responsibilities, USAID must recognize its niche as a catalyst for enabling private trade and investment. We need strategies and approaches that allow us to work cooperatively with other entities investing in and providing development and humanitarian resources to the developing world. To start this process, last year we established the Global Development Alliance (GDA).

The Global Development Alliance is a commitment to improve the way the Agency implements its assistance and foreign policy mandate through better and increased collaboration with private sector, government, and nongovernmental organization (NGO) partners. It signals a new era of cooperation where we work together to get projects accomplished on a much larger scale than USAID could do with only its own resources. In the past, USAID has brokered alliances that pooled resources with matching grants such as the Children International program that collaborated with Smith-Klein Beecham in nine Latin American and Asian countries to support integrated health and nutrition programs. One example of a new alliance under active consideration at this time is with leading U.S. coffee buyers and is designed to help stabilize local economies while improving the quality of product available to consumers.

The GDA Secretariat was officially established as an operating unit on November 26, 2001 with a separate staff and a limited budget to initiate new alliances. As this model is integrated into our routine operations across the Agency, separate staff and funding will be phased out.

Agency Reorganization

We are modifying many of our program priorities, business practices, and our organization to better address the new challenges of the changing international

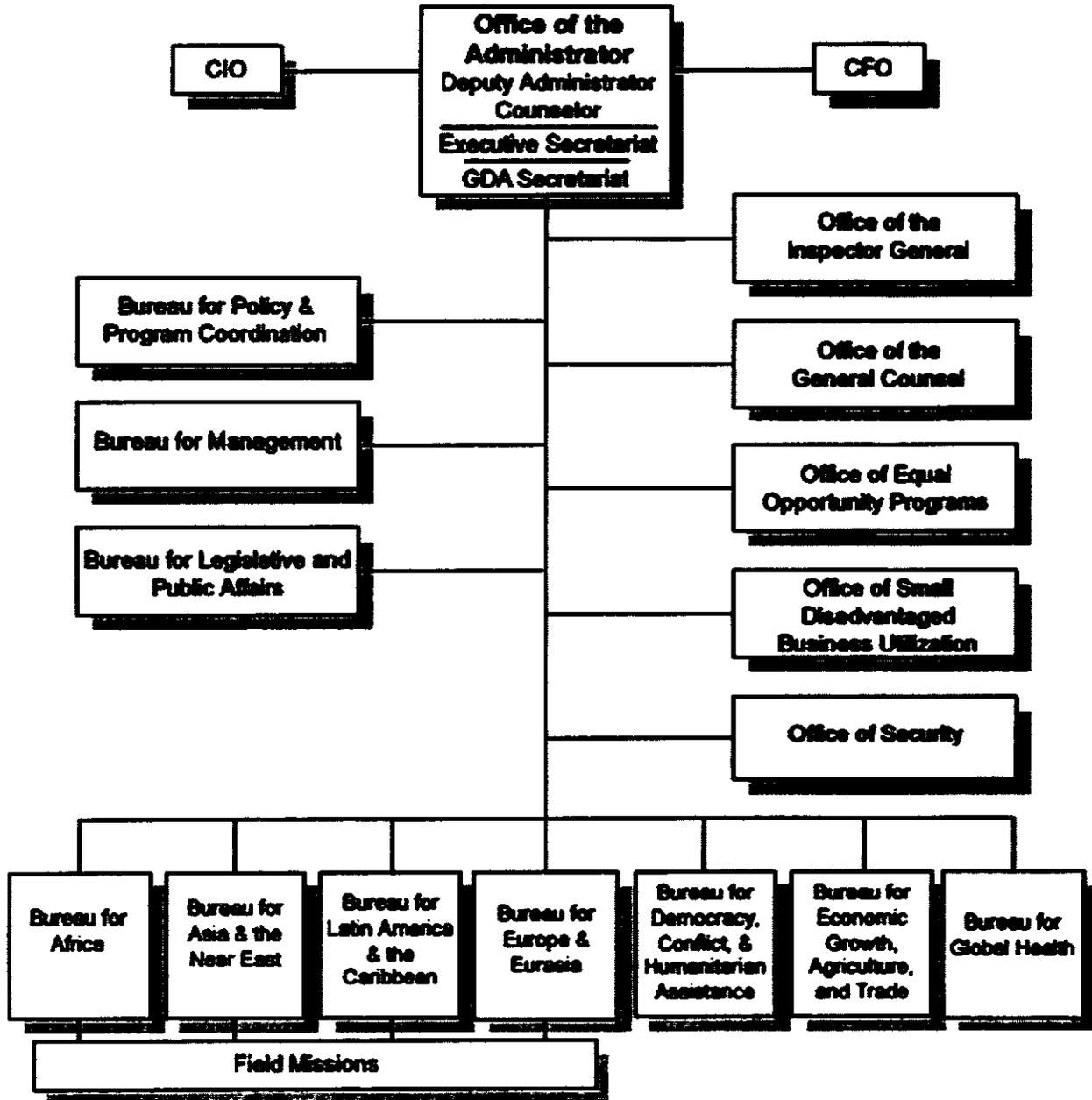
environment, especially those related to globalization. This includes the creation of three technical pillar bureaus and the merger of our central budget function into our policy bureau.

- The **Bureau for Economic Growth, Agriculture and Trade** will allow us to give increased attention to economic issues of globalization, trade capacity building, and agriculture. It will be at the forefront in leading and coordinating our programs that contribute to global economic security. The bureau also has central responsibility for the important areas of environmental protection and education and adult training.
- The **Bureau for Global Health** will give greater focus to evolving health issues, especially our increased emphasis on HIV/AIDS and other infectious diseases. This bureau will be the point of technical leadership within the Agency for all of our traditional health, nutrition and family planning programs, including those that address maternal and child health and infectious diseases.
- The **Bureau for Democracy, Conflict and Humanitarian Assistance** will allow us to tighten the links between these related issues that are being drawn increasingly into the spotlight as the number of collapsed states, internal violent conflicts, and complex humanitarian emergencies grows. Our current conflict prevention task force, which leads the conflict prevention, management, and resolution initiative announced last year, will be folded into this bureau by September 2002. We intend to build on our experience in post-conflict countries like Afghanistan to learn how long-term engagement and political assistance can help states formerly in conflict create effective institutions and peaceful development.

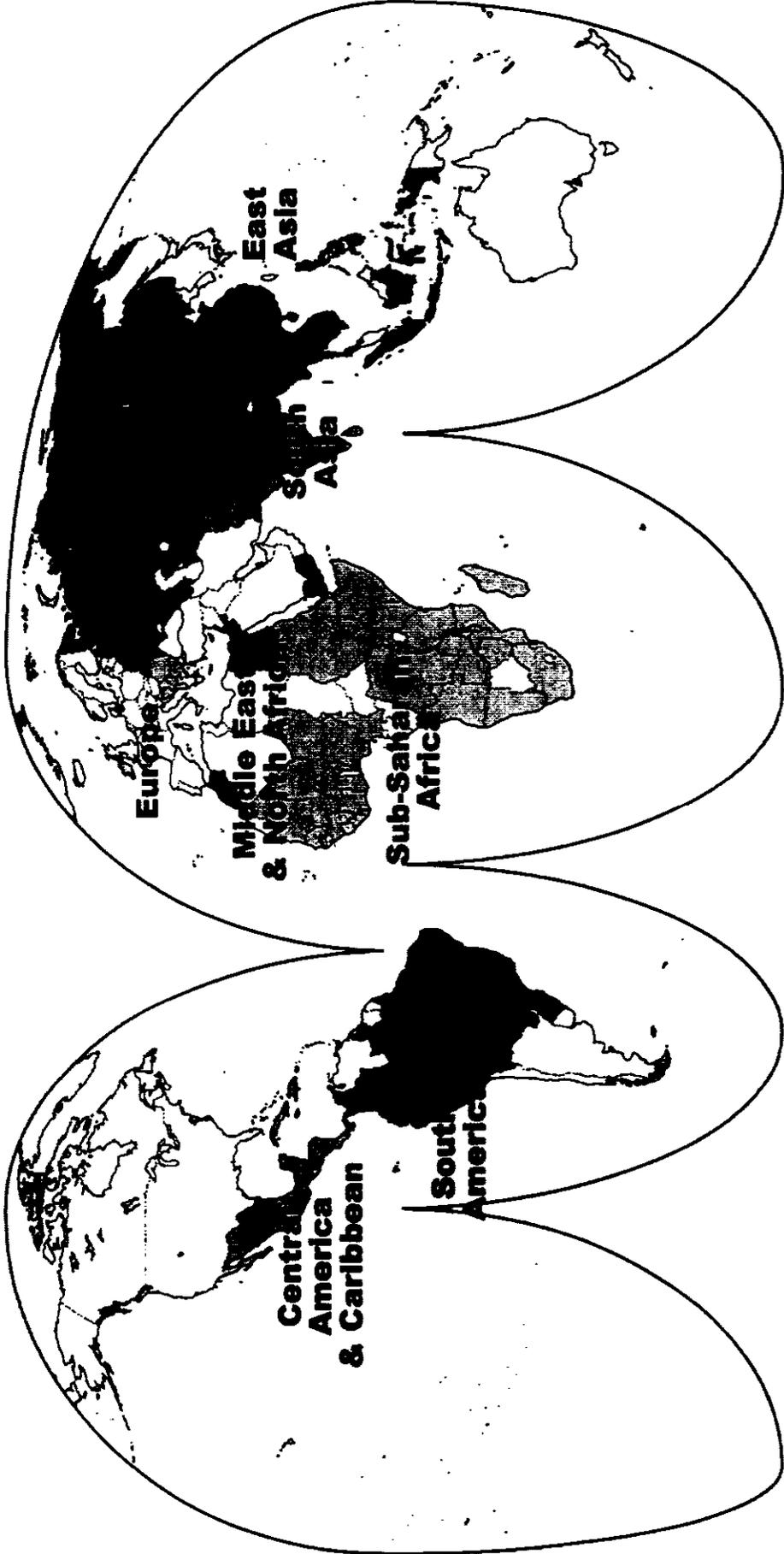
In submitting USAID's budget request for FY 2003, we at USAID would like to assure the Congress that it rests on a commitment to adapt basic themes proven successful in the past to new circumstances while working to buttress the institutional strengths of the Agency and its management systems so we are better able to face the challenges of this century.



United States Agency for International Development



**U.S. Agency for International Development
Fiscal Year 2003 Assisted Countries**



USAID-assisted countries projected to receive over \$1 million in non-emergency funding in Fiscal Year 2003

SUMMARY OF FY 2003 BUDGET REQUEST

This chapter describes the FY 2003 budget request for proposed appropriation accounts. All USAID-managed programs, regardless of account, address USAID's strategic framework, as represented by the following four pillars:

- Economic Growth, Agriculture and Trade (EGAT);
- Global Health (GH);
- Democracy, Conflict and Humanitarian Assistance (DCHA); and
- The Global Development Alliance (GDA).

The "Program Highlights" chapter details new priorities and initiatives to address the changing international environment.

For FY 2003, the President is requesting appropriations under the Foreign Operations Subcommittee of \$7,292,724,000 in discretionary funds for USAID-administered programs, including those jointly administered with the State Department. Also requested is \$1,185,000,000 in P.L. 480 Title II, which is appropriated through the Department of Agriculture but is managed by USAID. The total request including P.L. 480 is \$8,477,724,000.

Subsequent tables and descriptions provide further details in support of the budget request. Tables are in dollars thousands and cover a four-year period, except Table II.

Table I lists all the accounts managed by USAID. Where there are transfers of some of these funds to other agencies, these levels are noted. Levels for FY 2000 and 2001 reflect rescissions. The Emergency Response Fund for 2001/2002 is listed as a separate line item under the accounts that received these funds.

However, other supplemental appropriations are included in account totals as follows:

- FY 2000 supplementals were International Disaster Assistance, \$25 million; Plan Colombia, \$219 million; and Economic Support Fund, \$450 million.
- FY 2001 supplementals included International Disaster Assistance, \$135 million; USAID Operating Expenses, \$13 million; and Assistance to Eastern Europe and the Baltics, \$75.8 million.

This budget also reflects adjustments to the international food program that the Administration is proposing to improve its effectiveness. These adjustments include the reduction of food monetization. These reductions will be offset in part by

proposed increases in funding for programs for which monetization has been used, such as agriculture and food security, health, basic education and the environment. Increases in these programs collectively exceed \$100 million. The Agency will continue to channel resources through its NGO and private sector implementers, and USAID will consult with them in this process.

Table II provides an estimated breakout of the FY 2003 request by the four pillars under all USAID-managed program accounts. Programs of special interest or emphasis are also broken out under the individual pillars.

Tables III through XIII cover the individual USAID-managed accounts.

USAID BUDGET SUMMARY

Table I

	FY 2000	FY 2001	FY 2002	FY 2003
	Appropriation	Appropriation	Appropriation	Request
<u>Foreign Operations Subcommittee</u>				
USAID Directly Managed:				
Child Survival & Health Programs Fund	844,366	1,214,556	1,313,500	[1,374,000]
[Total excludes transfer to UNICEF]	[109,582]	[109,758]	[120,000]	[-]
Development Assistance	980,760	1,028,984	1,178,000	2,739,500
[Total includes transfers to Int.Am.Fdn/Afr.Dev.Fdn]	[19,326]	[27,651]	-	-
Subtotal	1,825,126	2,243,252	2,491,500	2,739,500
International Disaster Assistance (IDA)	227,014	299,340	235,500	235,500
Emergency Response Fund-IDA (ERF)	-	-	146,000	-
Transition Initiatives (TI)	[50,000]	49,890	50,000	55,000
Development Credit Programs [by transfer]	-	[4,989]	[18,500]	-
Development Credit Programs-appropriation	-	1,497	-	-
Development Credit Authority	[3,000]	-	-	-
Other Credit Programs-subsidy costs	3,000	1,497	-	-
USAID Operating Expenses (OE)	518,960	543,160	560,659	586,087
Emergency Response Fund - OE	-	2,400	15,000	-
USAID Capital Investment Fund	-	-	-	95,000
Development Credit Programs - Admin. Expenses	-	3,991	7,500	7,591
Other Credit Programs-Admin. Expenses	5,490	499	-	-
Inspector General Operating Expenses	24,950	26,941	32,806	34,046
Foreign Service Disability & Retirement [mandatory]	[43,837]	[44,489]	[44,880]	[45,200]
Subtotal-USAID Direct Managed	2,604,540	3,173,550	3,538,965	3,752,724
State and USAID Managed:				
Economic Support Fund & International Fund for Ireland (ESF)	2,792,187	2,314,896	2,824,000	2,290,000
Emergency Response Fund - ESF	-	-	600,000	-
Plan Colombia-USAID-managed portion	[207,500]	-	-	-
Andean Counterdrug Initiative-USAID managed portion	[46,000]	[25,750]	[215,000]	[278,000]
Assistance to the Independent States(ex-Soviet)-FSA	835,812	808,218	784,000	755,000
Emergency Response Fund - FSA	-	-	46,500	-
Of which transfers	-318,859	-288,662	-336,860	-296,470
Assistance to Eastern Europe and the Baltics (AEEB)	582,970	674,338	621,000	495,000
Of which transfers	-168,599	-153,699	-194,223	-131,955
Foreign Operations Subtotal	6,815,509	6,971,002	7,814,465	7,292,724
Of which transfers	506,784	470,012	531,083	428,425
Foreign Operations Total less Transfers	6,308,725	6,501,278	7,283,382	6,864,299
<u>Agriculture Subcommittee</u>				
P.L. 480 Food For Peace Title II	800,000	835,159	850,000	1,185,000
Emergency Response Fund - Title II	-	-	95,000	-
USAID Total:	7,615,509	7,806,161	8,759,465	8,477,724
Of which Emergency Response Fund - ERF	-	2,400	902,500	-
Of which Retirement Costs	NA	[12,704]	[12,965]	[15,324]
Of which transfers	506,784	470,012	531,083	428,425
USAID Total less ERF, Transfers	7,108,725	7,333,749	7,325,882	8,049,299

Illustrative Breakout of FY 2003 Pillars and Programs of Special Interest
(dollars millions)

Table II

Economic Growth, Agriculture & Trade	1,110.6	1,945.8	195.2	417.4			3,669.0
• Agriculture	260.5	119.5	19.9	40.7			440.6
• Business, Trade and Investment	316.6	1,644.7	142.0	266.5			2,369.8
• [Microenterprise](non-add) *	[80]	[39]	[6.0]	[20.0]			[145.0]
• Environment	308.0	123.4	11.0	83.2			525.6
• [of which GCC]	[110.1]	[1.5]	[8.1]	[35.3]			[155.0]
• Education and Training	225.5	58.2	22.3	27.0			333.0
• [of which Basic Education]	[165.0]	[25.0]	[4.7]	[2.6]			[197.3]
Global Health	1,374.0	91.1	11.96	63.6			1,550.6
• Child Survival/Maternal Health	282.5	37.4	2.9	21.0			343.8
• Vulnerable Children	13.0	--	3.2	3.7			19.9
• HIV/AIDS	600.0	17.0	0.9	12.1		[10]	640.0
• Other Infectious Diseases	110.0	0.4		11.5			121.9
• Family Planning/Reproductive health	368.5	36.3	4.9	15.3			425.0
Democracy, Conflict, & Humanitarian Assistance	224.9	253.1	287.9	274.0	235.5	55.0	2,515.4
• Democracy and Governance /Conflict	199.9	251.1	276.7	235.9			963.3
• Human Rights	25.0		2.1	0.7			27.8
• Humanitarian Assistance	--	2.0	9.1	37.4	235.5	55.0	1,514.0
Global Development Alliance	30.0	--	--	--	--	--	30.0
TOTALS	2,739.5	2,290.0	495.0	755.0	235.5	55.0	7,755.0

* Excludes an additional \$10 million in local currency.

DEVELOPMENT ASSISTANCE

Table III

<i>Development Assistance *</i>				
<i>dollars thousands</i>				
	<i>FY 2000</i>	<i>FY 2001</i>	<i>FY 2002</i>	<i>FY 2003</i>
TOTAL *	1,825,126	2,243,252	2,491,500	2,739,500
<u>Economic Growth, Agriculture and Trade:</u>	815,162	843,049	944,500	1,110,600
Agriculture	152,118	160,390	200,400	260,500
Trade and Investment	257,319	245,397	252,900	316,600
Development Credit by Transfer	[3,000]	[5,000]	[18,500]	--
Environment	252,679	274,092	278,900	308,000
Basic Education	98,000	102,801	150,000	165,000
Higher Education & Training	44,656	60,369	62,300	60,500
<u>Global Health</u>	843,228	1,214,445	1,313,500	1,374,000
Child Survival/Maternal Health	266,766	295,239	320,000	282,500
Vulnerable Children **	12,000	29,935	25,000	13,000
HIV/AIDS	175,000	289,340	395,000	500,000
Other Infectious Diseases***	73,600	123,725	* 155,000	110,000
Family Planning/Reproductive Health	327,262	376,206	368,500	368,500
UNICEF – non-add	[109,582]	[109,758]	[120,000]	[–]
Global Fund	--	100,000	50,000	100,000
<u>Democracy, Conflict & Humanitarian Assistance</u>	143,900	157,819	146,400	224,900
Democracy and Governance/Conflict	132,400	131,308	119,400	199,000
Human Rights	11,500	26,511	27,000	25,000
<u>Global Development Alliance</u>	--	--	20,000	30,000
Other (IAF/ADF, IFAD, El Salvador, contingencies)	21,826	27,939	67,100	--
<i>Regional Distribution</i>				
<i>dollars thousands</i>				
	<i>FY 2000</i>	<i>FY 2001</i>	<i>FY 2002</i>	<i>FY 2003</i>
TOTAL	1,825,626	2,243,252	2,491,500	2,739,500
Sub-Saharan Africa	738,488	768,223	887,223	1,000,091
Asia	283,891	322,153	412,215	457,035
Near East	10,250	11,187	10,913	7,213
Eurasia	--	6,012	--	--
Europe	--	770	--	--
Latin America and the Caribbean	280,957	324,258	373,052	417,005
Central Programs	495,040	710,649	630,797	631,656
International Partnerships (GAVI, UNAIDS, etc)	17,000	100,000	177,300	226,500

*Funds prior to FY 2003 include both Development Assistance and Child Survival and Diseases Fund (2000-2001), or Development Assistance and the Child Survival and Health Programs Fund (2002).

**For vulnerable children, we are shifting program focus and funding to children impacted by HIV/AIDS.

***Other Infectious Diseases includes tuberculosis and malaria, antimicrobial resistance, surveillance, and other infectious diseases.

The Administration is attempting to simplify and streamline the budget account structure throughout the U.S. Government. As part of this effort, this budget

proposes to merge the Development Assistance and Child Survival and Health accounts. This change will not affect overall funding levels for health programs. The Global Health pillar contains the same elements as the former Child Survival and Disease Programs Fund account.

The Administration's request for the Development Assistance account, \$2.74 billion, includes funding for three of the Agency's program pillars (Economic Growth, Agriculture and Trade; Global Health, and Democracy, Conflict and Humanitarian Assistance), plus limited funding for the fourth pillar, Global Development Alliance.

The \$1.11 billion in funds requested under the **Economic Growth, Agriculture and Trade** pillar will help address poverty and hunger, globalization and trade, education (especially basic education for children and young adults), and environmental issues. The request for this pillar has increased over FY 2002 particularly for the agriculture sector. This increase is in support of multi-year commitments with implementing partners to the Agency's new priority for agriculture and food security. The request addresses this new direction where USAID is going to support the type of programs previously supported through food monetization. Funding for environmental programs includes \$50 million for the President's forestry initiative (\$30 million from Development Assistance and \$20 million from other accounts).

The **Global Health** request of \$1.4 billion, \$60.5 million over the FY 2002 appropriation. A total of \$640 million will be devoted to HIV/AIDS. Of this amount, \$540 million (\$500 million from DA and \$40 million from other accounts) is for the HIV/AIDS bilateral program and \$100 million is for the Global Fund to Fight AIDS, Tuberculosis, and Malaria. The increased funding for HIV/AIDS will allow USAID to strengthen and expand prevention, care and support, and treatment activities in countries most impacted by the pandemic, and in countries posed for dramatic increases in HIV prevalence. The request also supports programs in child survival and maternal health, orphans and vulnerable children, other infectious diseases, and family planning and reproductive health.

The request for **Democracy, Conflict, and Humanitarian Assistance** funding is \$225 million. Development Assistance will fund democracy and governance, human rights, and conflict-prevention programs, and there will be a new focus on reducing the conditions that give rise to terrorism. The request includes \$50 million for a new conflict-management effort and additional funds to directly address the related problems of governance and corruption.

The **Global Development Alliance** capitalizes on USAID's extensive field presence, network of local development partners, and technical expertise to facilitate public-private alliances and mobilize external resources in achieving development objectives. The Agency is requesting \$30 million to establish new partnerships and alliances.

INTERNATIONAL DISASTER ASSISTANCE

Table IV

<i>International Disaster Assistance</i>				
<i>dollars thousands</i>				
	<i>FY 2000</i>	<i>FY 2001</i>	<i>FY 2002</i>	<i>FY 2003</i>
TOTAL- Direct Appropriation *	227,014	299,340	235,500	235,500
Emergency Response Fund *	=	=	146,000	=
Total	227,014	299,340	381,500	235,500
Relief	125,051	238,052	325,500	178,500
Mitigation/Preparedness	25,397	23,724		TBD
Worldwide Administrative and Operational Support	26,566	37,564	33,000	34,000
Transition Assistance*	50,000	--	--	--

(SEE ADDITIONAL DETAIL IN CENTRAL PROGRAMS ANNEX.)

*Appropriations for FY 2000 and 2001 included supplementals of \$25 million and \$134.7 million respectively. Actual emergency program levels were higher and were funded from prior-year resources, including carryover. Actual relief obligations were also higher and also funded from prior-year resources, including deobligations. In FY 2000, the International Disaster Assistance (IDA) account included funding for the Office of Transition Initiatives. Beginning in FY 2001, Congress established a separate Transition Initiatives account for these programs, which is discussed below.

The IDA account provides funding for humanitarian assistance to victims of civil crisis and disaster. For example, after the earthquakes in El Salvador and India, IDA funds assisted in such sectors as emergency shelter, health, water, and sanitation. In addition, IDA funds help with prevention, preparedness, economic recovery, and rehabilitation as part of a comprehensive response to reduce developing country vulnerability to emergencies. The supplemental funds provided during FY 2002 as part of the Emergency Response Fund have been assisting the people of Afghanistan. The use of current and future IDA funds is contingent on future events, therefore the allocation of these funds remains to be determined.

TRANSITION INITIATIVES

Table V

<i>Transition Initiatives*</i>				
<i>dollars thousands</i>				
	<i>FY 2000</i>	<i>FY 2001</i>	<i>FY 2002</i>	<i>FY 2003</i>
TOTAL	50,000	49,890	50,000	55,000
Sub-Saharan Africa	17,113	14,867	7,441	5,000
Asia	11,791	6,463	9,000	6,000
Near East	731	1,033	--	--
Europe	15,843	17,638	17,320	3,000
Latin America and the Caribbean	1,107	6,450	7,000	--
New Country Programs (unallocated)	--	--	5,239	37,000
Worldwide administrative and operational support	3,415	3,439	4,000	4,000

(See additional detail in Central Programs annex, chapter on the pillar bureau, Democracy, Conflict, and Humanitarian Assistance.)

*Before 2001, transition assistance was part of the International Disaster Assistance account.

The Transition Initiatives account provides funding that advances peace and stability by conducting fast and flexible interventions in priority conflict-prone countries. The funds address the needs of pre- and post-transition countries experiencing significant political changes or facing critical threats to basic stability and democratic reform. In the Balkans, for example, Transition Initiatives funds are being used to increase public understanding of democratic reform efforts, to engage citizens in projects emphasizing community decision-making, and to provide support to independent media and nongovernmental organizations.

USAID CREDIT PROGRAMS

Table VI

<i>Credit Programs</i> <i>dollars thousands</i>				
	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
<u>ACCOUNTS-Appropriations</u>	<u>8,490</u>	<u>7,454</u>	<u>7,500</u>	<u>7,591</u>
Development Credit Program	--	5,488	7,500	7,591
-- by transfer	[3,000]	[4,989]	[18,500]	--
Micro & Small Enterprise Dev.	2,000	1,996	--	--
Urban & Environmental Credit	6,490			
<u>SOURCES AND USES</u>	<u>8,490</u>	<u>7,454</u>	<u>7,500</u>	<u>7,591</u>
<u>Subsidy Costs, including transfers</u>	<u>3,000</u>	<u>2,994</u>	<u>[18,500]</u>	=
• Development Credit Program	--	1,497	--	--
• [by transfer]	--	[4,989]	[18,500]	--
• Development Credit Auth. [by transfer]	[3,000]	--	--	--
• Micro & Small Enterprise	1,500	1,497	--	--
• Urban/Environmental Credit	1,500	--	--	--
<u>Administrative Expenses</u>	<u>5,490</u>	<u>4,490</u>	<u>7,500</u>	<u>7,591</u>
• Development Credit Program	--	3,991	7,500	7,591
[retirement costs-formerly OPM]	NA	NA	NA	[91]
• Micro & Small Enterprise	500	499	--	--
• Urban/Environmental Credit	4,990	--	--	--

The request for FY 2003 includes \$7.59 million for administrative costs to manage this program. No new authority for subsidy costs is being requested at this time. For FY 2003, the Administration has requested authority to use any remaining, unused balance of the FY 2002 authority to transfer up to \$18.5 million to the DCA; the requested transfer authority would apply to FY 2003 appropriations and funds transferred would remain available for use through FY 2007.

Private investment and effective credit markets are critical for economic growth in developing countries. Development Credit Authority (DCA) assistance induces local-currency lending to creditworthy but historically under-served markets. DCA is principally intended for use where a development activity is financially viable, where borrowers are creditworthy, and where there is true risk sharing with private lenders.

DCA is an alternative use of existing appropriations, whereby funding from other USAID-managed accounts can be transferred to the DCA account, subject to an

annual Congressional ceiling, and used to pay for the costs of more disciplined, less costly credit assistance. DCA augments grant assistance by mobilizing private capital in developing countries for sustainable development projects, thereby supporting the capacity of host countries to finance their own development.

OPERATING EXPENSES

Table VII

<i>USAID Operating Expenses</i>				
<i>dollars thousands</i>				
	<i>FY 2000</i>	<i>FY 2001</i>	<i>FY 2002</i>	<i>FY 2003</i>
TOTAL SOURCES	561,526	617,715	646,793	637,189
Sources:				
• Appropriations - Direct	518,960	543,160	560,659	586,087
(full costs-future retirees)	NA	(11,333)	(11,659)	(13,887)
• Appropriation w/o retirees	518,960	531,827	549,000	572,200
• Emergency Response Fund	--	2,400	15,000	--
• Trust Funds, Carryforward, and Reimbursements	42,566	72,155	71,134	51,102
See separate chapter in this volume for a more detailed Operating Expense narrative and tables.				

USAID's programs and expertise play an important role in support of U.S. foreign policy and help implement the U.S. strategy for international development, peace, and stability. The Operating Expenses budget of USAID is critical since it provides funding for salaries and support costs of the staff responsible for managing these programs.

The FY 2003 request for USAID Operating Expenses is \$586.1 million, excluding the Office of the Inspector General and the Capital Investment Fund, which are requested separately. These funds will provide resources needed to maintain current staffing levels associated with USAID's presence in key developing countries. The request includes an estimate of \$13.9 million to implement the Administration's proposal to fully reflect costs of future retirees in Agency budgets.

The Operating Expenses of USAID are financed not only from the new budget authority, but also other sources of nonappropriated sources including recoveries. These other sources (trust funds and recoveries) continue to drop from \$71 million in FY 2002 to \$51 million in FY 2003. This decrease makes it critical that the full request for Operating Expenses be provided to meet expected requirements. A large portion of the OE budget is either fixed or directly related to staffing levels; reductions in the requested funding would immediately impact the ability of USAID to maintain staff necessary to monitor and manage programs.

CAPITAL INVESTMENT FUND

Table VIII

<i>Capital Investment Fund</i>				
<i>dollars thousands</i>				
	<i>FY 2000</i>	<i>FY 2001</i>	<i>FY 2002</i>	<i>FY 2003</i>
Total		--	--	95,000

USAID requests establishment of a Capital Investment Fund (CIF) in FY 2003. These no year funds will provide the Agency with greater flexibility to manage investments in technology systems and facility construction that the annual appropriation for Operating Expenses does not allow. In this fund, \$13 million is for information technology, which will support major systems and infrastructure improvement projects that have substantial impact on Agency operations and results. In addition, \$82 million is for construction overseas to build new USAID office facilities and to collocate on embassy compounds when new embassies are constructed. Funds for building construction have previously been part of the Department of State budget request, not USAID's.

INSPECTOR GENERAL OPERATING EXPENSES

Table IX

<i>Inspector General Operating Expenses</i>				
<i>dollars thousands</i>				
	<i>FY 2000</i>	<i>FY 2001</i>	<i>FY 2002</i>	<i>FY 2003</i>
Total Appropriation	24,950	26,941	31,500	34,046
Retirement Costs-formerly OPM]	NA	[1,083]	[1,306]	[1,346]
Total Costs	24,950	28,024	32,806	34,046

See separate chapter in this volume for a more detailed IG Operating Expense narrative and tables.

The FY 2003 request of \$34.046 million covers operations, including salaries, expenses, and support costs of the Office of the Inspector General associated with USAID programs and personnel operating in over 80 countries around the world. This request will enable the Office to reduce the Agency's exposure to fraud and waste and increase the credibility of and confidence in USAID programs operating in highly vulnerable areas of the world.

The goal of the Office of the Inspector General is to assist USAID with implementation of its economic development strategies and provide USAID managers with information and recommendations that improve program and operation effectiveness and efficiency. The Office has statutory responsibilities to (1) conduct audits and investigations relating to the programs, operations, and personnel of USAID; (2) provide leadership and coordination and recommend policies for activities designed to promote economy, efficiency, and effectiveness and to detect waste, fraud, and

abuse in the programs and operations of USAID; (3) provide a means for keeping the USAID Administrator and Congress informed about problems and deficiencies; and (4) provide audit and investigative services and oversight for the Inter-American Foundation and the African Development Foundation.

ECONOMIC SUPPORT FUND

Table X

<i>Economic Support Fund</i>				
<i>dollars thousands</i>				
	<i>FY 2000</i>	<i>FY 2001</i>	<i>FY 2002</i>	<i>FY 2003</i>
TOTAL—Direct Appropriation, excluding:	<u>2,792,187</u>	<u>2,314,896</u>	<u>2,224,000</u>	<u>2,290,000</u>
Emergency Response Fund	--	--	600,000	--
Of which State Department programs:	28,907	41,401	35,000	56,250
South Pacific Tuna Treaty	14,000	14,000	14,000	18,000
Other Managed by State Department	24,907	27,401	21,000	38,250
Total Managed by USAID	2,763,280	2,273,495	2,189,000	2,233,750
<i>Regional Distribution</i>				
<i>dollars thousands</i>				
	<i>FY 2000</i>	<i>FY 2001</i>	<i>FY 2002</i>	<i>FY 2003</i>
TOTAL	<u>2,792,187</u>	<u>2,314,896</u>	<u>2,824,000</u>	<u>2,290,000</u>
Emergency Response Fund	--	--	600,000	--
Sub-Saharan Africa	62,500	85,798	100,000	77,000
Asia	116,750	187,835	212,500	410,750
[South Pacific Tuna Treaty]	[14,000]	[14,000]	[14,000]	[18,000]
Near East	2,400,823	1,848,723	1,679,000	1,624,000
Eurasia	--	--	--	--
Europe	59,614	44,901	45,000	44,000
Latin America and the Caribbean	124,877	120,238	166,500	96,000
Central/State Interregional Programs	27,623	27,401	21,000	38,250

The Economic Support Fund supports the economic and political foreign policy interests of the United States. The request focuses on the top U.S. priority—the war on terrorism—providing assistance to the front-line states and building new relationships as the campaign against global terrorism widens. To the extent possible, the use of Economic Support Funds also conforms to the basic policy directions underlying development assistance and programs that support USAID’s three strategic pillars.

Near East. The FY 2003 request of \$2.3 billion will be used largely to support Middle East stability and a comprehensive peace between Israel and its neighbors (\$1.6 billion). Funding includes \$600 million for Israel, \$615 million for Egypt, \$75 million for the West Bank and Gaza, and a substantial increase in economic assistance to Jordan (for a total of \$250 million). In addition, funding of \$10 million is earmarked to support Yemen's efforts in the war on terrorism, \$32 million for Lebanon, and \$25 million for the Iraq opposition program. The request continues programs to strengthen regional cooperation, promote democracy and civil society, and encourage economic growth and integration through increased trade reforms.

Europe and Eurasia. The request for Cyprus is \$15 million and \$25 million is requested for Ireland, as well as \$4 million for the final year of the Ireland intake program.

Asia, \$393 million is requested, which includes \$200 million for Pakistan, \$25 million for India, \$7 million for Bangladesh; \$6 million for Nepal, \$4 million for Sri Lanka, \$60 million for Indonesia and \$19 million for East Timor, \$20 million for the Philippines, \$17 million for Cambodia, \$12 million for Mongolia, \$6.5 million for Burma, \$5 million for China, and \$4 million for regional women' programs. The funding level for rehabilitation and reconstruction programs for Afghanistan is yet to be determined.

Africa. The request includes \$77 million, of which \$32 million is for African Regional Democracy programs, including funding for the Congo and Nigeria. In addition, \$31 million is for Countries in Transition, such as Sierra Leone, Ethiopia, Eritrea, and Angola, \$8 million is for Safe Skies, and \$6 million is for regional organizations such as the Southern Africa Development Community and the Organization of African Unity.

Other. The request includes \$56 million for state-managed programs, including the South Pacific Multilateral Fisheries Treaty and Human Rights and Democracy Funds.

ASSISTANCE FOR EASTERN EUROPE AND THE BALTIC STATES

Table XI

<i>Assistance for Eastern Europe and the Baltic States</i>				
<i>dollars thousands</i>				
	<i>FY 2000</i>	<i>FY 2001</i>	<i>FY 2002</i>	<i>FY 2003</i>
TOTAL	582,970	674,338	621,000	495,000
Of which transfers:	168,599	153,699	194,223	131,955
Total USAID-Managed	414,371	520,639	426,777	363,045

The request of \$495 million will help stabilize southeast Europe and support the region's transition into the European and trans-Atlantic mainstream. Although there are no longer USAID missions in the European northern tier, legacy mechanisms are in place for grant-making funds, managed by private foundations, such as the Baltic-American Partnership Fund.

In Southeast Europe, USAID focuses on mitigating conflict, supporting democratic processes, furthering economic reforms, and promoting regional cooperation among these countries and their speedy integration into Europe proper.

The request includes \$110 million for Serbia to help speed implementation of economic policy reports and support community development and humanitarian needs. For Kosovo, the \$85 million request will support security, democratization, and respect for human rights and rule of law, as well as help revive the economy and provide social services. The Former Yugoslav Republic of Macedonia will receive \$50 million to increase employment-generation programs, work with small and medium-sized businesses, basic education, and labor deployment, and help implement constitutional changes. For Bosnia-Herzegovina, \$50 million is requested to support economic development, judicial reform, and reform of military and state institutions.

ASSISTANCE FOR THE INDEPENDENT STATES OF THE FORMER SOVIET UNION

Table XII

<i>Assistance for the Independent States of the Former Soviet Union</i>				
<i>dollars thousands</i>				
	<i>FY 2000</i>	<i>FY 2001</i>	<i>FY 2002</i>	<i>FY 2003</i>
TOTAL-Direct Appropriation	835,812	808,218	784,000	755,000
Emergency Response Fund	--	--	46,500	--
Of which transfers:	318,859	288,662	336,860	296,470
Total USAID-Managed	516,953	519,556	447,140	458,530

The request for the former Soviet Union totals \$755 million to fund continuing programs of USAID and other agencies supporting economic and democratic transition and the war on terrorism. Funding underscores the continued U.S. commitment to the region and the vital role played by the front-line states in the coalition against terrorism.

The shift of funding from core economic and democracy programs in Russia and Ukraine to the Central Asian republics and Azerbaijan continues; it will address the region's economic development needs, porous borders, political instability, and humanitarian concerns. Throughout the former Soviet Union, funds will support small and medium-sized businesses through training, exchanges, and greater access to

credit, as well as U.S. investment and trade. Increasing emphasis will be placed on partnerships and dealing with corruption.

Some funds will support health programs, including efforts to improve maternal and infant health, combat infectious diseases, and improve community health services. Other programs will confront trafficking in persons by improving legislative and regulatory remedies, strengthening law enforcement, and helping repatriate and treat the victims. Conflict-prevention efforts will include addressing the root causes of discontent, including lack of jobs, poor social services, and decaying infrastructure.

P.L. 480 TITLE II FOOD FOR PEACE PROGRAMS

Table XIII

<i>PL 480 Title II Programs</i>				
<i>dollars thousands</i>				
	<i>FY 2000</i>	<i>FY 2001</i>	<i>FY 2002</i>	<i>FY 2003</i>
Budget Level-Direct	800,000	835,159	850,000	1,185,000
Appropriation				
Emergency Response Fund	--	--	95,000	--
Non-Emergency – PVO & WFP	423,881	426,638	TBD	TBD
Emergency – PVO, WFP and Government-to-Government	366,119	397,771	TBD	TBD
Farmer-to-Farmer	10,000	10,750	10,000	10,000

(FOR MORE DETAIL, SEE CENTRAL PROGRAMS ANNEX AND SUMMARY TABLES)

The United States uses its abundant agricultural resources and food processing capabilities to enhance food security and combat problems of malnutrition in the developing world both through emergency food aid responding to the critical food needs of targeted vulnerable groups and through development food aid focused on enhancing household nutrition or increasing incomes and agricultural production. Provided via private voluntary organizations (PVOs) and the UN World Food Program (WFP), emergency food aid, such as in Kosovo, Serbia, and Sudan, not only saves lives but also mitigates the immediate effects of conflict and contributes to the stabilization of war-torn societies. Development food aid is provided via multi-year commitments to PVOs, as well as through a portion of the biennial pledge to the WFP. Appropriated to the U.S. Department of Agriculture, the Title II program is managed by USAID. The Emergency Response Fund provided during FY 2002 has been assisting people in and around Afghanistan.

As the monetization program is reduced over time, the commitment with implementing partners to address issues of agricultural productivity, food security and the environment remains strong, as evidenced by the increased DA request for these sectors to offset this reduction.

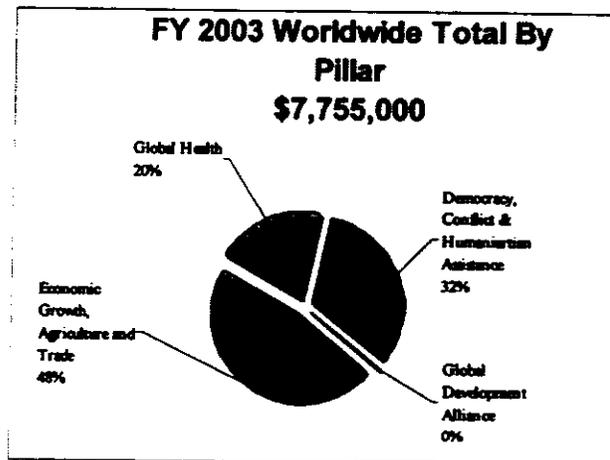
There are some basic programming decisions remaining for current and future Title II funds; therefore, the allocation of these funds remains to be determined.

PROGRAM HIGHLIGHTS

This chapter provides an overview of USAID's plans, summarizing the impact of the FY 2003 budget request on particular sectors and subsectors with an emphasis on USAID's new priorities and initiatives. This chapter addresses the four Agency pillars of:

- Economic Growth, Agriculture and Trade (EGAT);
- Global Health (GH);
- Democracy, Conflict and Humanitarian Assistance (DCHA); and
- The Global Development Alliance (GDA).

The following shows the Agency's proposed budget request from all accounts by pillar.



- * EGAT pillar includes \$600 million cash transfer to Israel.
- ** DCHA pillar includes \$1.185 billion P.L. 480 Title II.
- *** Budget request for Global Development Alliance is \$30 million.

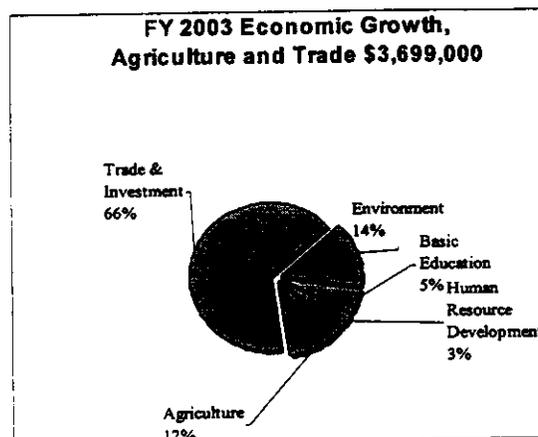
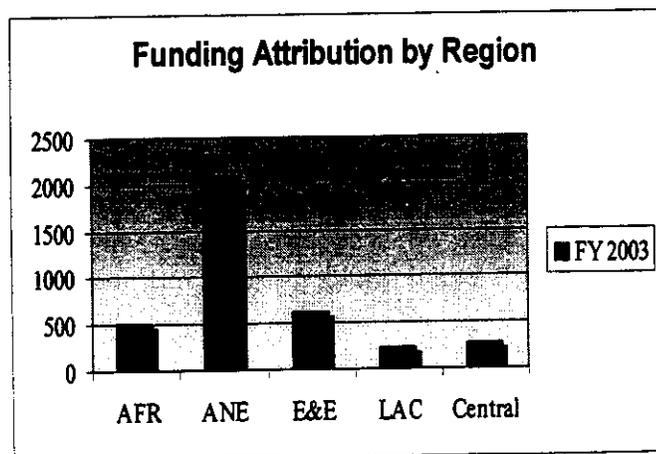
Economic Growth, Agriculture and Trade

Illustrative Breakout of FY 2003 Programs (In dollars millions)

Economic Growth, Agriculture & Trade	<u>1,110.6</u>	<u>1,945.8</u>	<u>195.2</u>	<u>417.4</u>				<u>3,669.0</u>
• Agriculture	260.5	119.5	19.9	40.7				440.6
• Trade and Investment	316.6	1,644.7	142.0	266.5				2,369.8
• Microenterprise [non-add]	[80]	[39]	[6.0]	[20.0]				[145.0]
• Environment	308.0	123.4	11.0	83.2				525.6
• [of which GCC]	[110.1]	[1.5]	[8.1]	[35.3]				[155.0]
• Education & Training	225.5	58.2	22.3	27.0				333.0
• [of which Basic Education]	[165.0]	[25.0]	[4.7]	[2.6]				[197.3]

The EGAT pillar supports the goals of reducing poverty and promoting prosperity in developing and transitional countries. EGAT's programs target five priorities:

- Developing agriculture and reducing hunger;
- Increasing trade and investment and providing for small and micro-enterprises;
- Promoting sustainable management of the world's natural resource base;
- Increasing access to efficient, high quality basic education, particularly for girls;
- Increasing opportunities for higher education and training.



Trade and Investment and ANE include \$600 million ESF cash transfer for Israel.

Developing Agriculture and Reducing Hunger

To meaningfully reduce hunger over the next 20 years, farmers, both men and women, in developing countries will have to more than double the productivity of their land, labor, and water resources without further encroaching on marginal land. At the same time, trade globalization will require these same farmers to become more competitive in marketing what they produce. The need to double productivity and compete globally will require countries to institute market-based policies while developing the institutions, infrastructure, and rural finance systems to ensure that their farmers will have access to the necessary technologies—and the incentive to use them.

To meet this huge challenge, USAID is revitalizing its agricultural programs and encouraging public and private donors and development partners to do the same. Increased agricultural funding will also help offset the reduction in food monetization. Agency-wide agricultural programs are aimed at four strategic themes:

- Accelerating the use of biotechnology to reduce poverty and hunger;
- Developing science-based agricultural solutions, particularly global and local trade opportunities for farmers and rural industries;
- Increasing knowledge at the local level through training, outreach, and adaptive research; and
- Promoting sustainable agriculture and sound environmental management.

Two regional initiatives, one in Africa and one in Central America, exemplify the Agency's new direction in agriculture programming:

- Recognizing that the agriculture sector is the most cost-effective engine of growth for Africa, USAID is launching the "Cut Hunger in Africa" initiative and is increasing agriculture funding by about 25%. The Agency will direct funding to countries with the greatest food insecurity and whose governments are most committed to increasing growth and reducing poverty. Programs will focus on expanding use of modern technologies, increasing credit to farmers, strengthening agricultural cooperative associations, streamlining policy and market functions, and promoting agroprocessing and intraregional exports. Some of the increased agriculture funding will support partner activities previously supported with food monetization.
- In Latin America and the Caribbean, USAID will more than double its agriculture program funding. USAID will use some funds to increase its support for the Partnership for Prosperity (PfP), a trade-led, rural economic growth strategy for Central America and Mexico launched in FY 2002. The PfP reduces rural poverty by providing market development, business services, and credit to small

farmers, both men and women; building trade capacity and competitiveness; supporting applied agricultural technology and biotechnology; enhancing educational programs; and improving disaster preparedness. The PfP will be implemented in part through new programming alliances with the U.S. Hispanic community, corporations, private foundations, U.S. state governments, and international financial institutions.

The FY 2003 budget request increases agriculture funding to enable the new EGAT Bureau to provide global leadership in developing country applications that target these strategic themes with a focus on the new biological and geospatial technologies.

Increasing Trade and Investment

USAID's trade and investment programs strengthen policies and institutions and improve the business and investment climate in recipient countries. Countries that do not avail themselves of the enormous economic opportunities afforded by globalization will miss out on economic and social progress and be increasingly vulnerable to conflict, international crime, infectious diseases, and other problems that flow readily across borders in an increasingly globalized world. Because trade is central in addressing globalization issues, USAID is increasing its budget request and will allocate most of these resources directly to field programs..

- In **Africa**, USAID is contributing to increased trade and investment by promoting harmonization of trade and customs policies, more transparent and efficient finance and investment environments, and business linkages. Under its Trade for African Development and Enterprise (TRADE) initiative, USAID will mobilize a coalition of U.S. and host-country partners—from both public and private sectors—to build trade capacity in the recipient countries. Moreover, this initiative will be a formidable source of technical assistance in support of the Africa Growth and Opportunities Act.
- In the **Near East**, USAID will increase attention to legal and regulatory reform programs that foster competition and business investment.
- In **East Asia**, the Agency will continue its work to liberalize international trade, improve economic governance, increase competition, eliminate restraints on foreign and domestic investment, improve financial sector performance, and privatize infrastructure.
- In **Latin America and the Caribbean**, USAID is improving trade capacity through several cross-cutting initiatives, including the Partnership for Peace, the Andean Regional Initiative, and the Third Border Initiative aimed at the Eastern

Caribbean. These and other activities support establishment of a Free Trade Area of the Americas by January 2005.

To support these regional and country efforts to build trade capacity, the EGAT Bureau is expanding its FY 2003 programs to increase the ability of developing-country producers to meet international quality and safety standards. Other programs will help disseminate new approaches to formulating sound commercial laws, increasing competition in key service sectors, and accelerating the response of private firms to global market opportunities.

Promoting Sustainable Management of the World's Natural Resource Base

Environmental degradation is an increasing threat to long-term development in developing and transitional countries, with especially severe effects on health, poverty, trade, food security, and political stability. The effects are also felt directly in the United States, through global impacts such as climate change and conflict, and indirectly through interconnections with the U.S. economy.

USAID will invest in five key environmental areas:

- Biological diversity;
- Natural resources management and forestry;
- Environmentally sound urbanization;
- Sustainable energy production and use; and
- Global climate change.

USAID will increase its activities in these key areas, expanding its programs to reduce illegal and destructive logging, understand the role of environment in conflict and in trade, expand partnerships with nongovernmental organizations and industry, and (within the framework of the President's climate change plan) enable countries to mitigate the effects of climate change and simultaneously promote sustainable economic growth.

The FY 2003 budget request for environmental programs is \$525.6 million, of which \$308 million is in Development Assistance, \$123.4 million in Economic Support Funds, \$83.2 million in FREEDOM Support Act funds, and \$11 million in Support for East European Democracy Act funds. Of the total amount, \$155 million is budgeted for climate change and \$50 million for the President's Forest initiative.

Increasing Access to Efficient, High Quality Basic Education

Basic education supports all aspects of development; it is especially important to reach children and young adults. Better-educated workers enjoy growing incomes and stable employment; better-educated citizens demonstrate stronger support for

democratic processes and respect for civil liberties. Full educational participation by girls leads to improved family health and child survival, along with stronger family support for the education of future generations. Conversely, uneducated young men, without prospects of productive employment, are especially vulnerable to recruitment into support for terrorism or civil and international conflict. Likewise, countries that fail to ensure access to decent schooling create a vacuum that can be filled by organizations that promise educational opportunity, but deliver indoctrination in hatred and violence.

USAID's basic education programs help and encourage countries to improve their educational policies and institutions, to adopt improved educational practices in the classroom, and to families and communities a stronger role in educational decision-making. In the many developing countries where girls face barriers to educational participation, USAID devotes special efforts to reducing these barriers and thereby promoting educational opportunity for girls. These efforts, along with the Agency's strong field presence, have given USAID a reputation as a technical leader and innovator in basic education. The Agency is well known, for example, for investing in pilot programs that are later funded on a large scale by the World Bank or regional development banks.

Funding for USAID education programs supports presidential initiatives in basic education.

- In **South and Southeast Asia** (Afghanistan, Pakistan, Bangladesh, India, and Indonesia), increased FY 2003 funding for basic education will help USAID launch or expand basic education programs.
- In its 12 country programs in **sub-Saharan Africa**, USAID will emphasize improved teacher training, the use of scholarships for girls, more community participation in the education process, and more effective application of information technology. Most of these efforts will be integrated with programs aimed at blunting the impact of HIV/AIDS on basic education systems.
- In its seven country programs in **Latin America and the Caribbean**, USAID is supporting the development of three teacher training centers to serve Central America, the Caribbean, and the Andean region of South America. Here again, information technology will help these centers provide more effective support for teacher training by disseminating best practices and current research to a broader audience.

Especially in sub-Saharan Africa and the Near East, USAID basic education programs strongly emphasize the need to ensure equitable access for girls. In contrast, educational gender gaps tend to be small in most countries in Latin America and the Caribbean. In such countries, USAID concentrates more on

improving classroom practices and other aspects of educational quality, in order to reduce grade repetition and school drop-out among girls and boys alike.

Global Health

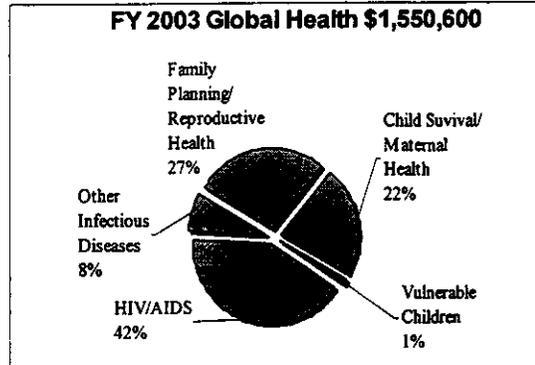
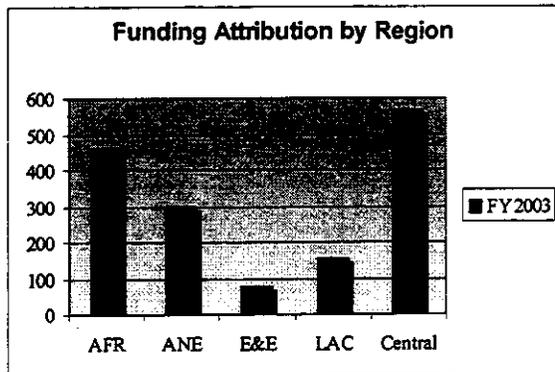
The Global Health pillar will focus on the five main program areas of HIV/AIDS, infectious diseases, child survival, maternal health and nutrition, and family planning and reproductive health. Within these program areas, USAID's objectives are to:

- Promote prevention of HIV/AIDS transmission and mitigate its impact;
- Reduce deaths from infectious diseases of major public health importance;
- Improve child health and nutrition, and reduce infant and child mortality;
- Reduce maternal mortality and improve women's health; and
- Reduce unintended and mistimed pregnancies and improve reproductive health.

Illustrative Breakout of FY 2003 Programs (In dollars millions)

Global Health	1,374.0	91.1	11.96	63.6		10.0	1,550.6
• Child Survival/Maternal Health	282.5	37.4	2.9	21.0			343.8
• Vulnerable Children	13.0		3.2	3.7			19.9
• HIV/AIDS	600.0	17.0	0.9	12.1		10	640.0
• Other Infectious Diseases	110.0	0.4		11.5			121.9
• Family Planning/Reproductive health	368.5	36.3	4.9	15.3			425.0

For decades USAID has led the worldwide effort to improve maternal and child health and nutrition in developing countries. And in recent years, USAID has intensified efforts to combat HIV/AIDS and other infectious diseases like tuberculosis and malaria. USAID's technical leadership and field presence give it comparative advantage over other donors in designing effective programs and influencing global and national policies to combat these health threats.



*Central funding includes \$226 million for International Partnerships.

Promote Prevention of HIV/AIDS Transmission and Mitigate Its Impact

The HIV/AIDS pandemic is a major and growing threat to health and development, especially in poor countries. HIV primarily strikes people in their peak productive years, with devastating effects on citizens, communities, economies, and national security. The guiding principle of USAID's HIV/AIDS strategy is to support programs that save the most lives. This strategy is both geographic and programmatic. Geographically, USAID directs resources to priority countries and regions selected on the basis of the severity of the epidemic, the risk of rapid increase of infection, and the commitment to deal aggressively with the pandemic. At the program level, USAID pursues a "prevention-to-care continuum" for fighting the pandemic with the following elements:

- Promoting prevention;
- Supporting care and treatment;
- Assisting orphans and vulnerable children;
- Building capacity for surveillance;
- Encouraging greater financial commitments from stakeholders; and
- Galvanizing support from national leaders in all sectors.

In FY 2002 and FY 2003, USAID will implement a global HIV/AIDS program that will use our expanding resources most effectively by:

- Concentrating resources on priority countries and regions;
- Strengthening regional programs to meet the needs of other countries and regions;
- Supporting the scaling up of prevention, care, and treatment programs for families and children affected by AIDS;
- Increasing resources for Africa, which remains USAID's highest HIV/AIDS priority;

- Increasing staffing levels in priority countries and regional programs; and
- Improving managers' ability to plan, monitor, implement, and evaluate programs for maximum impact and to disseminate effective approaches to others.

Since 1999, USAID has more than quadrupled its resources for combating HIV/AIDS. These efforts have resulted in a slowing of the pandemic in Uganda and Zambia and among population groups in other countries, the development of new counseling and testing procedures that increase preventive behaviors, and improved surveillance of the disease and its progression worldwide.

The Agency is committed to improving the capacity of developing countries to protect populations not yet infected by HIV and those already affected. In FY 2002 and FY 2003, USAID will continue to work closely with host-country governments, citizen groups, and other donors to help achieve ambitious international goals. Within the HIV/AIDS program, the Agency will also fund a set of programs that address the critical needs of children affected by HIV/AIDS, including orphans.

Reduce Deaths from Infectious Diseases

USAID's FY 2003 programs will reduce deaths and sickness from other infectious diseases. It will support the prevention and control of tuberculosis and malaria, programs designed to combat anti-microbial resistance, and disease surveillance and response capabilities. USAID will play an important role in convening key international health experts, using electronic networks, to share technical information, program developments, and research findings.

The Agency's tuberculosis strategy will support programs in high-prevalence countries, training for tuberculosis experts, and continue support for global and regional partnerships. USAID's plan is to achieve cure rates of 85% and case-detection rates of 70% in targeted countries and to increase the number of countries that have implemented drug-resistance surveillance. The Agency will also expand the availability and appropriate use of new diagnostics for tuberculosis.

USAID's malaria strategy focuses on preventing infection, promoting effective treatment, protecting pregnant women, responding aggressively to drug-resistant malaria, and developing new tools and approaches for prevention, diagnosis, and control. USAID and its partners will contribute to achieving by 2010 the goals of the 2000 Abuja Declaration on Malaria:

- At least 60% of those suffering from malaria will receive appropriate cost-effective treatment within 24 hours of the onset of symptoms.
- At least 60% of those at risk of malaria will benefit from protective measures such as insecticide-treated mosquito nets.

- At least 60% of all pregnant women who are at risk of malaria will have access to presumptive treatment.

Improve Child and Maternal Health and Nutrition and Reduce Infant and Child Mortality

USAID has been a global leader in child survival since the 1980s. Using proven tools, many of them developed with Agency support, child survival programs have saved tens of millions of children's lives, even in the poorest countries. As a result, mortality of children under five in developing countries (excluding China) declined from 105 per 1,000 births in 1985 to 70 per 1,000 in the year 2000. In other words, 4.4 million fewer children under five died last year than would have died under child mortality rates that prevailed 15 years ago.

In FY 2003, USAID will continue these efforts by funding activities to reduce the incidence of the major childhood killers. Combating childhood malnutrition and preventing micronutrient deficiencies will also be part of USAID's programs, as will safe birthing and effective prenatal, postpartum, and neonatal care. USAID will continue critical environmental health activities, such as promoting good hygiene, controlling vector-borne diseases, and improving access to safe water and sanitation services.

USAID will work with its partners to continue reducing the mortality rate for infants and children under five. In addition, in countries where it has a field presence, the Agency will help reduce by 25% between 1998 and 2007 the number of underweight children under five. The Agency expects to meet this goal, although the mounting HIV/AIDS pandemic and deterioration of the economic and health systems in some countries may slow progress.

Child health and the overall welfare of families are powerfully dependent on maternal health. In recent years, USAID has increased its efforts to reduce maternal deaths and disabilities. Approximately 500,000 mothers die every year, leaving behind two million orphans. Newborns whose mothers die in childbirth are 10 times more likely to die by age two. The estimated annual worldwide economic impact in lost productivity due to maternal mortality and subsequent child mortality is \$15 billion. However, 95% of these maternal deaths are preventable. Therefore, the Agency has identified and begun promoting a set of feasible, low-cost programs and best practices that will significantly reduce mortality among mothers and newborns. The interventions include improving maternal nutrition and birth preparedness, promoting attendance at delivery by medically trained personnel, managing obstetrical complications, and providing postpartum and post-abortion care.

USAID aims to reduce the maternal mortality ratio by 10% between 1998 and 2007 in countries where it works. To achieve this goal, USAID will continue its successful maternal health programs at the national level and its advocacy programs at the community level. The Agency will also continue to work toward better national policies for maternal health and nutrition. USAID's maternal health programs are relatively new, but initial reports indicate that they have already contributed to significant declines in maternal mortality ratios (e.g., Egypt and Indonesia) and increases in skilled attendance at delivery (e.g., Bolivia).

Protect Vulnerable Children

USAID will continue support of the Displaced Children and Orphans Fund (DCOF) and blind children by establishing effective approaches to working with local communities and nongovernmental organizations to provide care and support for vulnerable children. Activities will assist children affected by war, street children, and children with disabilities. These programs will seek to avoid institutional care solutions, working instead to meet children's needs within their communities. Beginning in FY 2002, support for children affected by HIV/AIDS is funded under the HIV/AIDS budget rather than under the Vulnerable Children budget.

Reduce Unintended and Mistimed Pregnancies and Improve Reproductive Health

For 35 years, USAID has been a world leader in supporting voluntary family planning programs, helping families achieve their desired family size. The Agency's programs have had a significant impact, contributing to a decrease in the average number of children per family in developing countries (excluding China) from more than six in the 1960s to the 2001 level of less than four. By helping women have only the children they want and space their children at least two years apart, family planning programs have significantly reduced maternal and infant deaths and the demand for abortions.

The long-term aim of the Agency's family planning and reproductive health programs is to reduce the number of unintended and mistimed pregnancies. This contributes directly to the Agency goal of stabilizing world population, and significantly improves the health and status of women.

In FY 2003, USAID will maintain its current levels of support for family planning and reproductive health activities. The Agency will focus on the special needs of youth, protection against unintended pregnancy and sexually transmitted infections (including HIV/AIDS), and postabortion care for women suffering complications of unsafe abortions. New programs will be launched to improve data collection, monitoring and evaluation, and health communications.

USAID's population programs will continue to be implemented and monitored in accordance with the requirements of the Mexico City policy, which were restored by the President in January 2001. The policy requires that foreign nongovernmental organizations agree, as a condition of receiving U.S. Government funds for family planning activities, not to perform or actively promote, using funds from any source, abortion as a method of family planning.

In summary, USAID believes that immunizations, family planning and reproductive health, health education, correction of micronutrient deficiencies, and investments in basic health services and effective national health systems significantly improve people's health, especially that of women, children, and vulnerable populations. Improved health is both an important end as well as a means of achieving economic development. The linkage between good health and improved productivity and reduced poverty are very strong. In some low-income areas—in sub-Saharan Africa—for example, high levels of disease have slowed or stopped economic growth. The AIDS pandemic alone stands to reverse decades of hard-won economic achievements in Africa and will have huge effects on the economic well-being of many other low-income countries. Control of infectious diseases, good nutrition, and stabilization of population growth rates are not only interdependent but essential to development and long-term growth. When people are well nourished, free from the ravages of disease, and able to make informed decisions about the size of their families, they can more fully contribute to social and economic progress.

Democracy, Conflict and Humanitarian Assistance

Illustrative Breakout of FY 2003 Programs (In dollars millions)

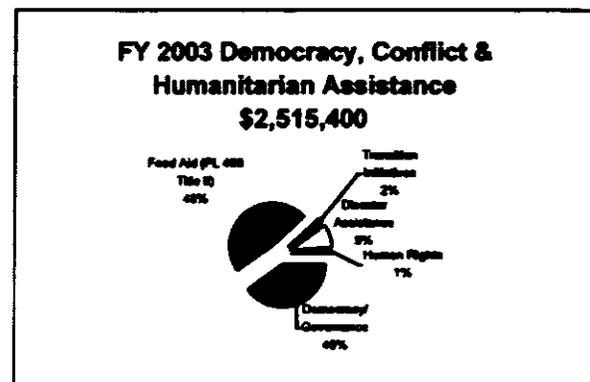
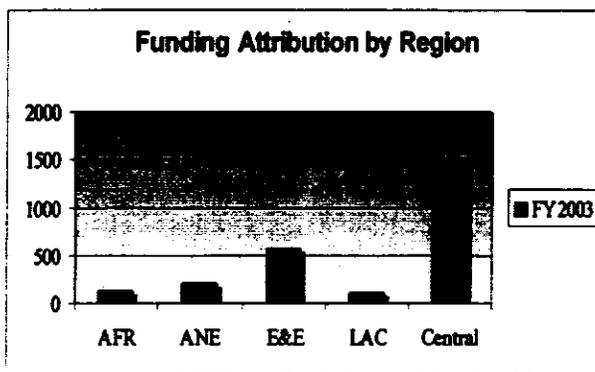
	ES	EEB	ES	ES	ES	ES	ES	ES
Democracy, Conflict & Humanitarian Assistance	<u>224.9</u>	<u>253.1</u>	<u>287.9</u>	<u>274.0</u>	<u>235.5</u>	<u>55.0</u>	<u>1,185.0</u>	<u>2,515.4</u>
• Democracy and Governance	199.9	251.1	276.7	235.9				963.6
• Human Rights	25.0		2.1	0.7				27.8
• Humanitarian Assistance	--	2.0	9.1	37.4	235.5	55.0	1,185.0	1,514.0

*The request level includes an increase of approximately \$300 million that will help offset critical coverage previously provided by section 416(b) resources.

USAID's newly established DCHA Bureau will improve coordination of well-established pillar programs in democracy and governance, transitions, and humanitarian assistance; it will also create a cross-cutting approach to conflict

prevention and management. The overarching goal of the DCHA Bureau is promoting peace within a democratic framework.

The Agency's programs will integrate efforts in preconflict prevention, resolution and management of ongoing conflicts, postconflict transitions, and reconstruction. USAID will strengthen the performance and accountability of democratic governance, which in turn will improve stability, expand economic prosperity, and combat the corruption that undermines economic development prospects. The Agency will also develop a more integrated response to assisting the increasing numbers of failing and failed states. These states help breed violent conflict and support for international terrorism, a major U.S. foreign policy priority.



*Central funding includes \$1.185 billion in PL 480 Title II.

In addition to funding democracy and governance programs and the new cross-Agency Conflict Management initiative, the FY 2003 budget request will enable USAID to maintain its renowned capability to quickly respond to man-made crisis and natural disasters, whether with rapid provision of emergency food aid and other relief material or with innovative and effective medium-term efforts of the Office of Transition Initiatives.

Over the past three decades, democracy, liberty and freedom have spread globally at an unprecedented rate. USAID's democracy and governance programs have played an important role in these historic accomplishments. Recent notable examples include transitions to democracy in Nigeria, and Indonesia, and significant elections in Peru, Senegal, and Ghana.

Nevertheless, troubling signs have been on the horizon for several years. The terrorist attacks on the United States marked a shift in how the United States defines its national interests and priorities, requiring a concomitant change in how it strategically uses its foreign assistance. The United States has an overriding economic and political interest in helping shape a world where stable states and societies resolve problems peacefully. Success will result in less terrorism and

violent conflict and a better ability worldwide to meet people's security, economic, and political needs. USAID will reorient and increase its efforts to deal effectively with the changing international environment, especially related to the crisis in political and economic governance and the related loss of faith in democracy, markets, and other attributes of modernism.

Mitigating Conflict and Improving Governance

Corruption, extremism, and the absence of responsible governments in many countries present the United States with emerging challenges to its development assistance efforts and overall national security interests. An effective response must be comprehensive and sustained over an extended period of time. Consequently, USAID is developing a strategy that better links and sequences programs for security, rule of law, democracy, economic growth, and humanitarian relief. Under its Conflict Management initiative, USAID will devote \$50 million to integrating its tools and programs among each of its regional and functional bureaus. This initiative will better direct U.S. foreign assistance to problem countries so that their capacity for self-governance and peaceful resolution of their conflicts will be strengthened.

The Conflict Management initiative centers around the five essential priorities of:

- Supporting the development of more integrated, focused USAID and U.S. Government strategies. These strategies will result from conflict-vulnerability analyses and will address prevention, management, and reignition (during postconflict transition) of violent conflict.
- Expanding democratic governance programs that create institutions at all levels of society as mechanisms to prevent, mitigate, and resolve conflict before it escalates, or to reconcile fractured societies in its aftermath.
- Learning from the successes and relying more on the initiatives of the United States and in-country civil society groups—including those that are faith-based or based at the local grassroots level—to develop local capacities for maintaining peace.
- Providing the parties to the conflict with more opportunities, methods, and tools to acknowledge and act effectively on their responsibilities to resolve root-cause issues peacefully.
- Developing a Global Development Cooperation Partnership to address the future threats to U.S. interests and security and attendant globalization challenges.

Creating the capability to achieve a sustainable peace in fragile states will not be easy. It will require international resolve, a multidisciplinary approach, and a long-term commitment and integrated planning within the U.S. Government and the donor community.

Developing and Consolidating Democracy and Governance

USAID implements democracy and governance activities in nearly 80 country and regional programs that help nations develop and consolidate effective, authoritative, and legitimate democratic governance. The highest funding allocations have recently been directed to Serbia, Indonesia, Egypt, Gaza and the West Bank, Ukraine, Russia, Haiti, Nigeria, and Armenia. The work involves undertaking a variety of often difficult political and institutional reforms and capacity building in the areas of:

- Promoting the rule of law and respect for human rights;
- Encouraging credible and competitive political processes;
- Helping develop politically active civil societies; and
- Promoting more transparent and accountable governmental institutions, including local government support and anticorruption efforts.

Despite real progress over the past decade, there are three general governance problems that are responsible for the fragile democracies of increasing numbers of countries. First, economic reforms, where they have even been implemented, have at times failed to substantially mitigate widespread poverty and inequality. Second, the rule of law is pervasively weak, as evidenced by growing levels of corruption, increases in domestic and international crime, impunity before the law, and abuse of human rights. Finally, the inability to manage ethnic, political, and religious differences peacefully and inclusively remains a challenge. These three problem areas create political instability and form the basis for grievances that can breed alienation, hatred, and despair, which in turn fuels violent conflict and support for terrorism.

USAID believes the critical need is to improve the quality of political and economic governance in the increasing number of semidemocratic states and to sharply reduce the corruption that undermines development prospects across all sectors.

Using Transition Initiatives to Advance Peace and Stability

USAID's Office of Transition Initiatives advances peace and stability by conducting fast and flexible interventions in priority, conflict-prone countries. The Transition Initiative programs were created originally to address those situations where the nature of governance shifted from authoritarian rule to more open societies. In recent years, "transition" has become a broader concept, referring to countries

moving from war to peace, those making the turn from civil conflict to national reconciliation, or those where political strife has not yet erupted into violence and it may be possible to prevent or mitigate the conflict and broaden democratic participation.

Transition Initiative programs work on the ground with local partners to provide short-term assistance targeted at key transition needs. Working closely with local, national, international, and nongovernmental partners, USAID carries out high-impact projects that increase momentum for peace, reconciliation, and reconstruction. Strategies are tailored to meet the unique needs of each transition country. Because Transition Initiative programs have special programming flexibility, the Agency can put staff on the ground swiftly to identify and act on what are often fleeting opportunities for systemic change.

There are now active or planned programs in Afghanistan, East Timor, Indonesia, Kosovo, Macedonia, Nigeria, Peru, Serbia and Montenegro, Sierra Leone, and Zimbabwe. These programs will become a key mechanism under the conflict-prevention initiative, because they provide immediate, flexible solutions in conflict-prone situations. In providing this assistance Transition Initiative programs support longer-term interventions aimed at building capable states and addressing root causes of conflict.

Using Humanitarian Assistance to Respond to Disasters and Emergencies

In FY 2000, USAID's Office of Foreign Disaster Assistance (OFDA) responded to 66 declared disasters in 63 countries. Forty-six of these were natural disasters that affected 154 million people. The Agency obligated \$231.7 million for disasters in FY 2000, of which \$128.2 million was used for complex emergencies and \$50.1 million for natural and man-made disasters. Complex emergencies in Angola, Burundi, Rwanda, Sierra Leone, Somalia, and Sudan are protracted humanitarian crises that continue to require significant resources. USAID estimates that this assistance reached 64 million people worldwide, primarily severely and moderately malnourished children, nursing and pregnant women, and the elderly and disabled.

USAID's disaster assistance included:

- Search and rescue for victims of floods and earthquakes;
- Emergency health and nutrition;
- Water and sanitation;
- Shelter and survival kits;
- Food security and agricultural production;
- Emergency infrastructure rehabilitation;
- Resettlement and reintegration of internally displaced persons;
- Disaster preparedness and mitigation;

- General relief, administration, and logistics;
- Restocking of health clinics and hospitals with essential drugs and equipment;
- Training for local health care workers in primary health care;
- Support for nutritional and epidemiological surveillance to increase early warning of epidemics or other deterioration in health status;
- Training of traditional birth attendants (instrumental in reducing infant and maternal mortality); and
- Emergency immunization campaigns to vaccinate children against preventable diseases such as measles.

International Disaster Assistance funding for FY2003 is expected to finance activities similar to these in countries affected by complex emergencies, man-made and natural disasters.

Combating Food Insecurity through Food for Peace

Almost a billion people worldwide are chronically undernourished. Reducing these numbers worldwide is not only a humanitarian concern of the U.S. Government, but a strategic concern as well, as food insecurity fuels political instability.

P.L. 480 Title II food aid is the primary resource of the United States for responding expeditiously to the critical food needs of populations in emergency situations. Through its Office of Food for Peace, USAID seeks to ensure that food aid is provided to the right people, in the right places, at the right times, and in the right ways. Vulnerable groups receiving food aid are those who, because of natural or man-made disasters—including prolonged civil strife—require food assistance to survive and begin recovering from the emergency. Beneficiaries include internally displaced people, refugees, resettled or new returnees, and vulnerable resident populations. USAID frequently targets assistance toward especially vulnerable groups such as children, pregnant and lactating women, malnourished people, and the elderly. Title II food aid programs are implemented primarily by U.S. private voluntary organizations and through the United Nations World Food Program.

In order to improve effectiveness, the Administration is proposing to adjust the delivery of international food programs. USAID's budget request incorporates these adjustments including the reduction of food monetization and the support of such programs through USAID's new Agriculture and Food Security initiative and environmental programs. The Agency will continue to channel resources through its partner implementers, and will consult with them in this process.

In FY 2001, USAID reached over 33 million beneficiaries, with \$440.5 million allocated to support P.L. 480 Title II emergency programs. In FY 2001, most of the emergency food aid went to sub-Saharan Africa for protracted complex emergencies in Ethiopia, Sudan, Kenya, Angola, Tanzania, and the Democratic

Republic of Congo. Over \$29 million of emergency food aid was provided to help meet critical needs in Afghanistan.

The FY 2003 request will help the Agency meet the continued critical needs of people in emergency situations. It includes an increase of approximately \$300 million to help offset the loss of the Section 416(b) surplus commodities program of the U.S. Department of Agriculture (USDA). From 1999 through 2001, USAID and USDA had a strategic alliance to send available Section 416(b) surplus commodities to meet food aid needs around the world. As a result, the United States contributed 65% of the emergency food resources received by the UN World Food Program in 2001—with an estimated value of over \$1 billion. During FY 2002, food aid resources were reduced. Although supplemental funds facilitated increased deliveries to Afghanistan, the 50% reduction in availability of Section 416(b) commodities could curtail the ability of the United States to respond to new disasters. Should emergency food aid requirements develop beyond the available Title II resources, the Administration may need to draw on resources from the Emerson Trust.

The P.L. 480 Title II nonemergency food aid program constitutes the single largest source of USAID funding focused on food security. The objective of these funds is to increase the effectiveness of USAID partners carrying out Title II development activities. These activities support measurable increases in food security, with the primary emphasis on household nutrition and agricultural productivity. In addition, a portion of the Title II biennial pledge to the UN World Food Program is directed to multiyear development projects.

Title II development food aid programs make significant contributions in several areas: health and nutrition, water and sanitation, agricultural production, food security, increased income, agroforestry, natural resource management, and basic education. For example, Title II programs improved the nutritional status of children in Benin, Guinea, Haiti, Bolivia, Peru, Guatemala, and India. As just one illustration, a food security program initiated by a private voluntary organization in 1997 in an area of Guinea with extreme food insecurity has significantly improved the nutritional status of children. After three years of project activities, the percentage of underweight children decreased from 31% to 22%, while the percentage of acutely malnourished children decreased from 13% to 7%. These improvements were accompanied by improvements in critical health and nutrition behaviors. For example, exclusive breastfeeding of infants under five months increased from 1% to 51%, and measles immunization rates increased from 25% to 63%.

Since the mid-1990s, USAID and its partners have learned much about improving food security using Title II nonemergency resources, and nonemergency food aid programs have grown from 53 countries in 1997 to 84 in 2001. Much of this growth was in small activities in food-insecure sub-Saharan Africa. The Agency's

FY 2003 request will maintain this level of nonemergency Title II activities and continue to reinforce results-oriented improvements (such as those in Guinea). The level also includes an increase in Section 202(e) funding from \$28 million to \$34 million, to reflect a shift of \$6 million to Title II from the State Department's International Organizations and Programs account for the UN World Food Program. The request further includes about \$29 million of additional resources to offset the elimination of reimbursements from the Department of Transportation's Maritime Administration for cargo preference.

The Global Development Alliance

Global Development Alliance	30.0	-	-	-	-	-	-	30.0
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The Global Development Alliance (GDA) reflects USAID's commitment to improve how it implements its foreign assistance mandate. Today it is not only governments, international organizations, and multilateral development banks that provide development assistance. These organizations have been joined by a plethora of nongovernmental organizations, private voluntary organizations, cooperatives, foundations, corporations, universities, and even individuals. In the past, official development assistance comprised 70% of all U.S. financial flows to developing countries, while today it is only 20%. USAID recognizes that its niche is as a catalyst for change, and that it must collaborate with other public and private entities that provide technical assistance and humanitarian resources to the developing world.

To accelerate its leadership in this process, it created the GDA and appointed a secretariat to get it started. The Alliance signals a new era of cooperation in which USAID joins its resources with those of its partners to execute projects on a much larger scale than was possible with its own resources. USAID has developed strategic partnerships in the past, and the formation of the GDA expresses its commitment to developing alliances that mobilize significant resources, expertise, creative approaches, and new technologies to address international development issues.

In the past, USAID has brokered alliances that pooled resources with matching grants. For example, the Children International program collaborated with Smith-Klein Beecham in nine Latin American and Asian countries in integrated health and nutrition programs. An alliance now under consideration would engage U.S. coffee buyers in stabilizing local economies, while supporting improvements in the quality of the product. Other new alliances, with funding from other program pillars, are being planned under the leadership of the GDA.

The GDA Secretariat was established on January 1, 2002 and will initially operate with a separate staff and budget until it can be fully integrated into Agency operations and phased out.

MANAGEMENT IMPROVEMENTS

USAID has begun a sweeping reform of its business processes and management systems. The Administrator has directed the reform effort be led by a new Business Transformation Executive Committee (BTEC), chaired by the Deputy Administrator and composed of senior executives from all Agency bureaus. The BTEC, modeled on commercial best management practice groups, will guide and oversee teams of USAID staff and outside consultants who are reviewing field and headquarters business processes. The teams will propose specific improvements to transform the Agency into an organization that performs better by using modern management approaches and technology. Implementation of major reforms will begin late in FY 2002.

While proposals for major change must await the results of the current reorganization effort, the Agency has already implemented or planned a number of important reforms for FY 2002 and FY 2003. The following sections describe accomplishments in FY 2001 and plans for this fiscal year and FY 2003.

FY 2001 Accomplishments

- Implemented the Agency's new accounting system, Phoenix, at headquarters and linked the system to the field accounting system, the procurement system, and supporting systems for credit and grants. The new system permits financial reporting on program-level objectives.
- Expanded recruitment efforts, enabling the Agency--for the first time in a decade--to replace the number of employees who departed through retirement or resignation.
- Increased investments in critical worldwide information technologies and computer security.
- Established a Contract Review Board to examine all major proposed contract actions at headquarters to assure consistency and correctness.
- Implemented a new, automated contract-writing system at headquarters to ease preparation of procurement documents and facilitate the collection of statistical information.
- Expanded and enhanced procurement training for both USAID employees and contractors and grantees.

- Implemented a headquarters reorganization to establish functional pillar bureaus to provide clearer central focus to USAID's major program goals.

FY 2002 Planned Accomplishments

- Establish and implement an Agency-wide Business Transformation Executive Committee to guide and oversee management reforms.
- Undertake a comprehensive review of field and headquarters business processes and procedures.
- Develop and implement improved financial reporting to permit managers and external customers to receive more timely and accurate information on USAID programs at the strategic objective level.
- Implement improvements to the core accounting system at headquarters, including adding the capability to handle web-based queries from vendors and electronic invoicing.
- Activate a cost-accounting system capable of allocating the full cost of headquarters programs and operations to Agency goals.
- Complete accounting system security certifications at 50% of overseas accounting stations.
- Implement a web-based tool for workforce reporting to reduce workload and improve the accuracy of human resource statistics.
- Expand recruitment efforts, targeting junior professionals in the Foreign Service and key skills areas (procurement and information technology) in the Civil Service.
- Prepare and implement a competition plan to facilitate private sector entities to compete for selected commercial functions currently carried out by USAID staff.
- Review (by the Contract Review Board) of all proposed overseas (field) contracts of \$10 million or higher to assure consistency and correctness.
- Implement worldwide the new contract-writing system.

- Update and enhance the Agency plan for continuity of operations (COOP) in the event that USAID headquarters needs to be evacuated for an extended period of time.

FY 2003 Projected Accomplishments

The results of the current Agency reviews will produce more specific reform plans that will be implemented in FY 2003. The plans will be coordinated with government-wide efforts in areas such as e-government to assure the most effective use of resources. The following reflects only currently planned efforts to be carried out in FY 2003.

- Develop and implement a comprehensive workforce plan for USAID's Civil Service, and enhance the existing Foreign Service workforce plan.
- Provide better information technology tools to USAID's overseas staff by completing the upgrade of USAID's worldwide network and desktop information technology operating systems.
- Expand use of government credit cards worldwide to simplify financial transactions and record-keeping.
- Complete accounting system security certifications at all remaining overseas accounting stations.

Operating and Administrative Expenses

Overview

USAID has initiated a number of management reforms aimed at streamlining operations and conserving operating costs. USAID is focused on ensuring appropriate staffing of its overseas operations to deliver the most effective programs for the U.S. Government. With the transfer of budget operations to the Bureau for Policy and Program, USAID is beginning a more intensive review of operating expense as a part of its regular program budget reviews. Workforce planning and expanded recruitment efforts in FY 2001 enabled the Agency for the first time in a decade to replace the number of employees who departed through retirement or resignation. As with the Department of State, cutbacks in U.S. staffing simply went too far, thereby imperiling effective program delivery, management, oversight, and risk management. The Agency plans to increase direct-hire staffing by 3% in FY 2002, and will hold constant in FY 2003.

At the same time, the costs associated with maintaining even the current staff levels in overseas posts have risen considerably during the past two years, and this year security costs have increased significantly, particularly after September 11. This includes security costs associated with new building needs, with upgraded security in current locations as well as computer security. Delay is not an option.

USAID requests \$586.1 million in Operating Expenses (OE). This new budget authority, combined with \$51.1 million from local currency trust funds and other funding sources, will provide a total of \$637.1 million to cover the Agency's operating expenses. The Agency is also requesting \$95 million for a new Capital Investment Fund (CIF) for FY 2003. This fund will include \$82 million to collocate USAID in new embassy compounds (funds for this were previously requested in the Department of State Overseas Building Operations account), and \$13 million for information technology (IT) capital costs.

The total USAID-managed program funding budget request is 9% over FY 2002 appropriated levels; however, OE and the CIF/IT investments increase by only 2.6%. The requested OE and CIF/IT funds represent less than 7.5% of the funds managed by the Agency.

This small component of Agency funding is crucial for effective implementation of programs that advance the country's national security and foreign policy objectives, and at the same time assure accountability and impact of programs being implemented in increasingly complex settings. Direct costs of the Agency's overseas presence, including U.S. salaries and benefits, represent over 50% of the requested OE costs. The Agency's overseas presence is indispensable to the effective management of the Agency's programs, the delivery of U.S. foreign assistance, improved situational awareness, and increased programmatic and

financial oversight. It strengthens the U.S. Government's country knowledge base, providing alternative and valuable perspectives to U.S. policymakers. The request reflects the minimum funding required to effectively manage the Agency's programs. It will not permit USAID to expand staff or the number of posts where the Agency maintains a presence.

OPERATING EXPENSES

Dollars in Thousands				
	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
Operating Expenses, New Budget Authority	518,960	543,160	560,659	586,087
Full cost, future retirees	N/A	- 11,333	- 11,659	-13,887
Operating Expense excluding full cost, future retirees	N/A	531,827	549,000	572,200
Emergency Response Fund		2,400	15,000	

USAID requests \$586.1 million in Operating Expenses (OE). This new budget authority, combined with \$51.1 million from local currency trust funds and other funding sources, will provide a total of \$637.1 million to cover the Agency's operating expenses.

The Agency's budget request includes the estimated costs of implementing the administration's proposal to fully reflect the costs of future retirees, including retiree health care benefits. Agency budgets reflect these costs so that budget choices for program managers and budget decisionmakers are not distorted by incomplete cost information. The amount calculated to implement the proposal in FY 2003 for USAID is \$13.9 million. The budget tables also provide comparable cost information for FY 2001 and FY 2002.

Sources of Funding for Operating Expenses

USAID's operating expenses are financed from several sources, including new budget authority, local currency trust funds, reimbursements for services provided to others, recoveries of prior year obligations, and unobligated balances carried forward from prior year availabilities. Details are provided in the table "Funding Sources for Operating Expenses" below.

Local currency trust funds are predicted to level off for FY 2003 after several years of decline. Anticipated funds available in FY 2003 are estimated at \$27.6 million compared with \$26.6 million in FY 2002. Conversely, after two years (FY 1999 and FY 2000) of intensive reviews and de-obligation of unliquidated prior year obligations, recoveries of prior year funds are expected to drop back to historic levels in FY 2003. Estimated recoveries during FY 2002 available for use in FY 2003 are anticipated at \$12.0 million, compared to \$10.7 million in FY 2001 and \$26.1 million in FY 2000. While recoveries for FY 2002 are projected to increase slightly, the aggregate level of non-appropriated funds has declined precipitously

from FY 2001 to FY 2003. This drop in non-appropriated funds makes it critical that the full OE request be provided.

Funding Sources for Operating Expenses
(\$000)

<u>Category</u>	FY 2000 <u>Actual</u>	FY 2001 <u>Actual</u>	FY 2002 <u>Estimate</u>	FY 2003 <u>Request</u>
Appropriated Operating Expenses	520,000	544,333	560,659	586,087
Rescission	- 1,040	- 1,173		
Availability - New Budget Authority OE	518,960	543,160	560,659	586,087
Employee retirement costs offset		- 11,333	-11,659	- 13,887
New Budget Authority less offset	518,960	531,827	549,000	572,200
Appropriation Transfers	3,974	- 134		
Unobligated Balance	- 304	- 319		
Obligations - New Budget Authority OE	522,630	531,374	549,000	572,200
DA funds used for Environmental Travel	314	155	320	320
CSD funds used for Child Survival Travel		59	125	125
IDA funds used for southern Africa		2,911	1,877	
ESF funds used for East Timor			1,000	1,000
ESF funds used for Pakistan			2,500	
Andean Counter Drug Initiative			4,500	4,500
SEED funds used for OE	50			
Local Currency Trust Funds (Recurring)	30,245	24,340	26,636	27,557
Local Currency Trust Funds (Real Property)	3,280			
Reimbursements	7,823	6,052	5,600	5,600
Unobligated Balance - Start of Year	31,257	56,520	28,576	12,000
Recovery of Prior Year Obligations	26,117	10,694	12,000	12,000
Ending Balance - Current Year Recoveries	- 26,117	- 10,694	- 12,000	-12,000
Ending Balance - Other Funds	- 30,403	- 17,882		
Obligations - Other Funding Sources	42,566	72,155	71,134	51,102
Full funding future retiree costs	N/A	11,333	11,659	13,887 ¹
Total Obligations w/full retirement	565,196	614,862	631,793	637,189
Future retiree costs offset	N/A	- 11,333	-11,659	- 13,887
Total Obligations	N/A	603,529	620,134	623,302
Emergency Response Fund²		2,400	15,000	

¹ 2003 requirement includes 2,211 for increased reimbursements to other agencies

² Includes 2,400 in unobligated transfers carried forward from 2001 to 2002 and 15,000 transferred in 2002.

Use of Operating Expenses

The OE budget is broken down into sections dealing with U.S. direct hire (USDH) salaries and benefits; allocations to field missions and Washington offices and bureaus; field mission facility relocations; security; information technology; Washington rent, utilities, and support costs; staff training; and other Agency expenses. The table below shows the funding levels from FY 2000 through FY 2003 and USDH workforce levels, followed by a brief description of each category and explanation of the FY 2003 funding request.

<u>Category</u>	<u>FY 2000 Actual</u>	<u>FY 2001 Actual</u>	<u>FY 2002 Estimate</u>	<u>FY 2003 Request</u>
U.S. Direct Hire Salaries and Benefits	207,254	218,440	233,803	240,776
Field Missions & Hq. Bureaus & Offices	226,482	256,719	249,527	252,329
Field Mission Facility Relocations	18,498	1,255	9,600	6,000
Security	5,202	7,716	6,877	7,090
Information Technology	58,042	73,049	68,900	64,407
Washington Rent, Utilities, Support Costs	33,771	39,107	41,504	41,737
Staff Training	5,800	5,951	6,141	7,331
Other Agency Costs	10,147	12,625	15,441	17,519
Obligations w/future retiree costs³	565,196	614,862	631,793	637,189
Full future retiree costs offset	N/A	-11,333	- 11,659	-13,887
Total Obligations excluding Employee full retirement costs	565,196	603,529	620,134	623,302
U.S. Direct Hire Workforce				
End-of-Year On-Board Levels	1,930	1,933	1,985	1,985
Estimated Full-Time Equivalent Workyears	1,952	1,918	1,960	1,985

U.S. Direct Hire Salaries and Benefits

About 38% of the OE budget goes to fund salaries and benefits of U.S. direct hire (USDH) employees. Costs under this category include salaries and the Agency share of benefits, such as retirement, thrift plan, social security, and health and life insurance. Major reasons for the \$6.1 million increase over FY 2002 include:

- full year funding of the January 2002 Federal pay raise (only 9 months funded in FY 2002);
- the impact of an anticipated January 2003 Federal pay raise; and
- the larger share of the Agency's total workforce now under the new retirement systems, which are more expensive to the Agency.

³FY 2001 and FY 2002 full retiree costs are reflected entirely in salary and benefits, FY 2003 full retiree costs include \$11,676 in salary and benefits and \$2,211 in Field missions & Hq. Bureaus & Offices.

Allocations to Field Missions and Washington Offices and Bureaus

This category represents the cost of maintaining field missions plus travel, administrative supplies, and contract support for Washington offices and bureaus. It comprises 40% of total OE funding in FY 2003. Major expenditure categories include:

- Salaries and benefits for foreign service national (FSN) direct hire, personal service contractors (PSCs), and U.S. PSCs. For FY 2003 mission-funded salary and benefit costs will be about \$102.4 million, or 41% of total funding made available to offices, bureaus, and missions. Other than a small amount for OE funded PSCs (less than \$1 million) in Washington under the expanded PSC authority enacted in FY 2001, all of these costs are associated with field missions.
- Residential and office rents, utilities, security guard costs, and communications. The Agency will require about \$48.3 million in FY 2003 to fund these costs—19% of total allocations to organizational units. As with mission-funded salaries and benefits, these costs are mandatory over the short-term and with given workforce levels.
- International Cooperative Administrative Support Services (ICASS). ICASS is the cost of administrative support provided to missions by other U.S. Government agencies (generally the Department of State). This support will cost an estimated \$23.1 million in FY 2003. Operation of the Working Capital Fund (WCF), which finances the costs associated with USAID's provision of services to other agencies under the ICASS, is described later in this section.
- Operational and training travel. This category includes essential travel to visit development sites, work with host country officials, and participate in training, as well as other travel of an operational nature, including travel to respond to disasters. This request is for \$19.5 million in FY 2003.
- Supplies, materials, and equipment. This category includes the cost of replacing worn out office and residential equipment, official vehicles, information technology hardware and software, and general office and residential supplies and materials. It also includes funds for the purchase of some security-related equipment. It is estimated that \$18.4 million will be required in FY 2003 to for these requirements.
- Mandatory travel and transportation. This category includes travel and transportation expenses for post assignment, home leave, rest and recuperation, and shipment of furniture and equipment, and is estimated to cost \$14.2 million.

- **Contractual support.** Mission requirements for voucher examiners, data entry assistance, and other administrative support provided through contracts will cost about \$13.4 million in FY 2003.
- **Operation and maintenance of facilities and equipment.** In FY 2003, \$14.4 million is required to fund the cost of operating and maintaining facilities and equipment at overseas missions.

Field Mission Facility Relocation Costs

In addition to recurring support requirements, OE funds are required for moving into interim office facilities and the purchase or construction of interim office buildings. These funds will be used for office relocation at priority security threat posts where the USAID mission is not collocated with the embassy. These funds are separate from the proposed CIF account, which will be used exclusively for new office building construction on embassy compounds.

Security

	FY 2000 <u>Actual</u>	FY 2001 <u>Actual</u> (\$ thousands)	FY 2002 <u>Estimate</u>	FY 2003 <u>Request</u>
Physical Security	4,198	6,371	5,459	6,075
Personnel Security	972	1,190	878	981
Information Security	<u>32</u>	<u>155</u>	<u>540</u>	<u>34</u>
Total SEC Budget	5,202	7,716	6,877	7,090

The USAID security (SEC) budget request for FY 2003 represents a continuing effort to protect USAID employees and facilities against global terrorism, and national security information against espionage. This budget request focuses on improving the security of USAID field missions where they cannot be collocated with U.S. embassies. The FY 2003 budget request will improve security by enhancing physical security measures, improving emergency communications systems, providing armored vehicles, and conducting security awareness training to protect classified information. The USAID security effort in Washington will concentrate on public access controls in the Ronald Reagan Building and the protection of national security information.

Physical security includes all costs associated with (1) overseas security enhancement projects, including design, procurement, shipment and physical installation of certified systems, materials, and barriers to deter intruders to USAID facilities; (2) upgrading emergency and evacuation (E&E) voice radio systems; and (3) the procurement of armored vehicles. This category also includes security costs associated with USAID headquarters in Washington, DC.

- USAID anticipates completing two major physical security enhancement projects at overseas posts where USAID field missions cannot collocate with U.S. embassies because of insufficient space and there are no current plans to construct new embassies.
- To ensure that USAID employees have a dependable means of accessing U.S. embassy E&E voice radio networks, communications system upgrade projects are planned for eight USAID missions. Those systems will include residential and vehicle radios, base stations, and repeaters that will provide employees with 24-hour communications while at work, at home, and during transit. The costs include procurement, testing, calibration, equipment repair, shipment, and installation.
- The Agency plans to provide one fully armed vehicle and lightly armor three USAID vehicles at posts where the threat of terrorism, war, or civil disturbance is considered critical or high. Two defensive-driving training courses will be conducted for USAID armored vehicle drivers to enhance their driving skills and ability to respond properly to emergency conditions.
- For USAID/Washington, this category includes costs for guards in the USAID portion of the Ronald Reagan Building to protect personnel, safeguard facilities, and protect sensitive and national security information. Costs for maintenance and repair of security equipment, such as electronic card access systems, locking devices, and closed-circuit television surveillance systems, are also included.

Personnel security includes all costs associated with the conduct of background and periodic update investigations in accordance with the provisions of Executive Order (EO) 10450, "Security Requirements for Government Employment," and EO 12968, "Access to Classified Information." All USAID personnel occupying USDH positions (Foreign Service, General Schedule, and Administratively Determined) must be investigated and granted a Top Secret or Secret security clearance before being hired. Pre-employment investigations and security clearances or employment authorizations are also required for USAID contractors who will work in USAID office space.

Information Security includes expenses associated with the protection of national security and sensitive information, one of the Agency's highest priorities. EO 12958, EO 12968, and Information Security Oversight Office Directive 1 require USAID to establish and maintain a security awareness program to ensure that classified national security information is properly prepared, transported, safeguarded, and eventually destroyed. This category includes expenses to continue the development of an ongoing, Agency-wide inter-active computerized training course to satisfy annual training requirements established by EO 12968.

In addition to funds identified in the security budget request, the \$82 million identified for new office construction within the Agency's capital investment fund request will demonstrably increase overseas security.

FY 2003 Information Technology (\$64.4 million)

	FY 2000 <u>Actual</u>	FY 2001 <u>Actual</u>	FY 2002 <u>Estimate</u>	FY 2003 <u>Request</u>
Telecommunications	3,133	3,193	6,100	7,485
Systems Maintenance	8,150	13,166	17,101	16,607
Technical Support	16,003	11,308	10,644	12,151
Equipment Ops./Maint.	11,720	15,595	17,013	18,301
IT Purchases	3,281	10,463	4,943	1,145
Other IT	<u>2,224</u>	<u>5,190</u>	<u>7,448</u>	<u>8,718</u>
Subtotal	44,511	58,915	63,249	64,407
Systems Development	13,531	14,134	5,651	N/A
Total IT Budget	58,042	73,049	68,900	64,407

The USAID information technology (IT) budget request for FY 2003 provides operational support for Agency staff. The FY 2003 USAID IT budget represents a reduction of \$4.5 million from the FY 2002 level (from \$68.9 million in FY 2002 to \$64.4 million). This reduction, in part, represents the realignment of FY 2003 costs associated with supporting IT improvements in a separate Capital Investment Fund (CIF). Thus, while the IT FY 2002 budget contains both operational and improvement costs, the FY 2003 IT request contains only operational expenses.

Major components of the FY 2003 IT budget request include:

- **Telecommunications.** This component includes ongoing expenses to support bandwidth needs, the Department of State's communications system charges, and other telephone service charges. FY 2003 increases are, as in FY 2002, due to additional bandwidth charges to support the upgraded mission telecommunications network.
- **Systems Maintenance.** System maintenance expenditures include costs to maintain financial, procurement, human resources, and other legacy computer systems. This includes costs for maintenance of the commercial off-the-shelf (COTS) core accounting system and cost for maintenance of the Acquisition and Assistance subsystem of the legacy New Management System (NMS).
- **Technical Support.** FY 2003 expenses include the direct support given to Agency staff to ensure client based computer processors and applications are functioning properly, and assistance to end users to ensure their effective use of those tools. This category also includes funds used to support enterprise

architecture development, the Agency's IT security program, the validation and verification program for project oversight, and the systems integration contractor management team. For FY 2003, as in FY 2002, the IT security program will: (1) improve course work for, and provide staff training on, security awareness and procedures; (2) enhance capabilities for and continue systems certification and accreditation; (3) increase evaluation of security practices; (4) support Agency encryption activities; and (5) improve security engineering to better design and implement improved secure systems.

- **Equipment Operations and Maintenance.** This category includes all costs associated with the operations and maintenance of the processing infrastructure. This includes server operations, network management services, cable room operations, the network monitoring system, and maintenance costs for equipment and software. For FY 2003, operations efforts will address legislatively mandated security requirements, and security related audit findings to improve the level of Agency systems and data protection.
- **IT Purchases.** For FY 2003, this category includes small purchases for network, end user, and processor hardware and software necessary to maintain operations.
- **All Other IT.** This category includes all costs associated with use of the General Services Administration's Federal System Integration and Management Center (FEDSIM) to assist in technology acquisition management, costs for space to house the technical contractor staff, and costs for the contractor program management team. The cost increases from FY 2001 through FY 2003 are due to acquisition planning and contract transition efforts anticipated to be implemented in early FY 2003.
- **Systems Development.** FY 2003 funds for systems development are requested in the CIF. In FY 2002 this category included the capital improvement costs associated with the accounting system upgrade, the Business Transformation Study, Acquisition and Assistance (A&A) system enhancement, and other small systems improvements. The allocation of funds is as follows:

	FY 2000 <u>Actual</u>	FY 2001 <u>Actual</u>	FY 2002 <u>Estimate</u>	FY 2003 <u>Request</u>
Accounting Systems	\$12,532	\$10,546	\$2,170	N/A
A&A System Enhancement			950	N/A
Procurement System	999	700		N/A
Business Transformation Study			2,000	N/A
Small Systems		<u>2,877</u>	<u>530</u>	<u>N/A</u>
Total, systems development	\$13,531	\$14,123	\$5,650	N/A

In FY 2002, the Business Transformation Study will involve conducting an analysis of agency business processes with the goal of proposing rapid implementation of USAID business systems improvements. The FY 2002 funding to support the Agency's

accounting system will allow for an upgrade to the newer version of the COTS application, and modifications to allow the mission-based accounting system to provide better reporting by strategic objective. The A&A system enhancement will provide needed software changes to allow linkage to the Agency's accounting system, and to improve A&A system functionality.

Washington Rent, Utilities, and Support Costs

In FY 2003, payments for office rent, utilities, and guard services for public areas in the Ronald Reagan Building and warehouse space in the metropolitan area will cost about \$31.8 million, 76.2% of this budget category. The remainder is also relatively fixed, required for building and equipment maintenance and operations costs, postal fees, bulk supplies, transit subsidies, and other general support costs for headquarters personnel.

Staff Training

The FY 2003 request level of \$7.331 million is a 19% increase from the FY 2002 level of \$6.141 million.

This centrally funded budget pays for training of Agency staff in five strategic areas: (1) executive and senior leadership; (2) supervision; (3) acquisition and assistance management; (4) managing for results; (5) technical and professional training for technical staff; and (6) new entry professionals. Strategic programs piloted in these areas in FY 2001 and FY 2002 will be expanded in FY 2003 with the objective of providing training to a critical mass of employees. This training is key to the Agency's successful change management and cultural transformation. Additional resources will be required to support a new Agency program to meet professional competency standards by training staff in four management reform areas: procurement, information technology, human resources, and financial management.

Approximately 40% of the FY 2003 staff training budget request is for fixed recurring requirements, including funding for language skills training, short courses to meet specific office and employee needs, and operation of a training facility and an employee-training library within the Ronald Reagan Building.

Other Agency Costs

This budget request covers primarily mandatory costs, the largest being payments to the Department of State for administrative support and dispatch agent fees, and to the Department of Labor for employee medical and compensation claims relating to job-related injury or death. This category also includes mandatory costs such as retirement travel for Foreign Service officers retiring from Washington, costs associated with the Foreign Service panels, costs associated with retirement

processing for Foreign Service officers, and funding for medical, property, and tort claims.

Department of State administrative support costs will increase by approximately \$2 million from FY 2002 to FY 2003 due to a change in the allocation of diplomatic pouch costs to agencies with overseas presence and to increases in the DOS overseas administrative support platform. Under the Interagency Cooperative Administrative Support System (ICASS), agencies that receive support from this platform bear increased costs proportionate to new resources contributed by DOS.

Also subsumed within this category are legislative and public affairs support including the costs of publications such as Front Lines, support for Operation Days Work, and Lessons Without Borders.

**Use of Operating Expenses by Object Class Code
(\$000)**

<u>Category</u>	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
11.1 Compensation - Full-time Personnel				
U.S. Direct Hire	147,707	144,386	154,685	159,529
Foreign National Direct Hire	5,610	5,119	5,042	5,327
Subtotal 11.1	153,317	149,505	159,727	164,856
11.3 Compensation - All Other Direct Hire				
U.S. Direct Hire	8,609	11,960	12,781	13,181
Foreign National Direct Hire		3		
Subtotal 11.3	8,609	11,962	12,781	13,181
11.5 Other Personnel Compensation				
Post Differential	8,243	8,040	8,623	8,893
Other USDH Compensation	3,983	3,635	3,710	3,826
Other FSNDH Compensation	427	557	489	521
Subtotal 11.5	12,653	12,233	12,822	13,240
11.8 Special Personal Services Payments				
U.S. Citizens	10,070	12,002	14,062	14,157
Foreign Nationals	40,739	43,889	48,602	53,047
Subtotal 11.8	50,809	55,891	62,664	67,204
12.1 Personnel Benefits				
U.S. Direct Hire				
Retirement	20,278	36,260	38,130	38,755
Health/Life Insurance	6,646	14,530	15,822	16,538
Education Allowances	6,105	6,469	8,626	10,004
Compensations Claims		200		
All Other USDH Benefits	17,757	3,945	4,364	4,234
Foreign Service Nationals		7,874	1,093	1,216
U.S. PSCs/IPAs/Details-in	1,374	2,278	10,637	11,168
Payments to FSN Separation Fund	5,515	10	1,619	1,925
Subtotal 12.1	57,675	71,566	80,291	83,840
13.0 Benefits for Former Personnel				
U.S. Direct Hire	11	10	11	11
Foreign Service Nationals	832	730	1,098	810
Subtotal 13.0	843	741	1,109	822
21.0 Travel and Transportation of Persons				
Mandatory/Statutory Travel				
Post Assignment	1,204	1,044	1,424	1,148
Home Leave	2,100	2,460	1,810	1,872
Rest and Recuperation	1,121	1,439	1,853	2,089
All Other	1,172	1,844	2,285	2,022
Operational Travel	14,129	14,043	16,377	16,275
Training Travel	2,768	3,582	3,686	3,727
Subtotal 21.0	22,494	24,412	27,435	27,133
22.0 Transportation of Things				
Post assignment freight	5,009	4,945	7,064	5,626
Home Leave Freight	1,205	1,459	1,080	1,179
Shipment of Furniture and Equipment	3,763	2,760	1,825	2,055
Other Transportation Costs		475	531	505
Subtotal 22.0	9,977	9,639	10,500	9,365

Use of Operating Expenses by Object Class Code
(\$000)

<u>Category</u>	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
23.1 Rental Payments to GSA	27,914	31,637	31,356	31,671
23.2 Rental Payments to Others	26,663	28,377	30,401	28,986
23.3 Communications/Utilities/Misc. Charges				
Office/Residential Utilities	5,293	5,613	5,851	6,255
Communications Costs	6,000	6,054	5,884	6,563
Other Miscellaneous	1,000	1,023	2,104	1,015
Subtotal 23.3	12,293	12,690	13,839	13,833
24.0 Printing and Reproduction	823	2,532	1,382	1,410
25.1 Advisory and Assistance Services	5,996	7,333	3,114	2,799
25.2 Other services				
Training	6,894	9,887	7,090	8,409
Office/Residential Security Guards	7,800	10,121	10,496	10,585
Information Technology (IT) Systems				
Design/Analysis/Maintenance	18,842	24,195	25,984	21,576
Other IT Support Costs	19,718	12,349	10,739	11,528
Other Miscellaneous	12,198	11,084	11,898	12,418
Subtotal 25.2	65,452	67,636	66,207	64,516
25.3 Goods/Services from Other Gov't. Accts.				
ICASS	22,575	22,738	26,518	29,174
All Other	7,554	5,894	4,944	6,128
Subtotal 25.3	30,129	28,633	31,462	35,302
25.4 Operation and Maintenance of Facilities	5,313	7,443	5,689	4,935
25.6 Medical Care	169	138	274	276
25.7 Operation/Maint. of Equipment & Storage				
Information Technology (IT) Systems	10,940	22,227	23,751	25,086
Office/Residential Furniture/Equip.	2,269	1,739	4,190	3,914
Storage of Effects	10	868	1,299	1,322
Other Miscellaneous	615	727	507	325
Subtotal 25.7	13,834	25,560	29,747	30,647
25.8 Subsistence/Support of Persons	11	4	40	40
26.0 Supplies and Materials	10,552	10,648	8,110	4,879
31.0 Equipment				
Office/Residential Furniture/Equipment	12,676	18,112	12,899	11,231
IT Hardware and Software	11,516	22,828	15,881	13,996
Vehicles	3,994	6,495	2,323	2,787
Other Miscellaneous	788	727	217	161
Subtotal 31.0	28,974	47,436	31,320	28,175
32.0 Lands and Structures	19,972	3,372	6,621	5,415
41.0 Grants, Subsidies and Contributions	342	1,479		
42.0 Claims and Indemnities	382	3,996	4,902	4,664
TOTAL COSTS	565,196	614,862	631,793	637,189

**USAID OPERATING EXPENSES
(\$000)**

Organization	FY 2000 Actuals		FY 2001 Actuals		FY 2002 Estimate		FY 2003 Request	
	Dollars	TF	Dollars	TF	Dollars	TF	Dollars	TF
Office of the Administrator	187		187		212		218	
Equal Opportunity Programs	132		86		139		143	
Small & Disadvantaged Business	90		101		119		123	
Office of Security	5,202		7,716		6,877		7,080	
General Counsel	191		204		272		278	
Legislative & Public Affairs	132		203		198		204	
Program & Policy Coordination	688		663		419		442	
Management	4,837		5,109		4,812		5,013	
Adops	471		739		488		488	
Asia & Near East (ANE)	332		183		248		324	
Europe & Eurasia (E&E)	1,182		5,227		1,400		1,500	
Latin America and Caribbean	868		342		400		340	
Humanitarian Relief (HHR)	1,856		2,019					
Global	1,205		1,893					
Democracy, Conflict & Humanitarian Assistance					2,216		2,367	
Economic Growth, Agriculture & Trade					806		832	
Global Health					500		515	
Prog funded Env/Child Surv Trvl					445		445	
Subtotal Washington	17,462	17,462	24,435	24,435	19,551	19,551	20,322	20,322
AFR over seas	68,554	3,264	74,967	3,381	72,431	4,255	73,317	3,732
ANE over seas	31,179	18,592	37,018	18,469	40,297	19,231	38,068	21,215
E & E over seas	48,573		56,343		50,131		51,825	
LAC over seas	37,257	8,399	45,844	2,500	45,326	3,150	46,475	2,910
PPC over seas	989		950		954		1,023	
BHR over seas	424		409		418		427	
Subtotal Overseas	183,977	30,245	215,660	24,340	209,558	28,638	210,879	27,567
Facility Relocations - Overseas	15,216	3,260	1,265		9,600		6,000	
Centrally Funded Costs								
U.S. Direct Hire salaries/benefits	207,254		218,440		233,803		240,776	
Information Technology support	58,042		73,048		68,900		84,407	
Rent and other general support	33,771		39,107		41,504		41,737	
Staff Training	5,800		5,951		6,141		7,331	
ICASS	3,982		4,473		6,735		6,347	
Employee Compensation Claims	3,038		3,393		3,653		3,893	
Personnel Support	1,200		2,383		2,052		2,235	
Legislative & Public Affairs Support	308		676		1,278		1,322	
U.S. Dispatch Agent Fees	630		675		700		700	
Medical/Property/Tort Claims	534		514		545		545	
Expanded PSC Authority			861		861		861	
All Other Centrally Funded	387		311		477		477	
Subtotal Central Funded	315,014		348,172		386,450		372,431	
GRAND TOTAL	531,871	33,525	590,523	24,340	605,157	28,638	609,832	27,567

**USAID OPERATING EXPENSES
(\$000)**

Africa	FY 2000 Actual			FY 2001 Actual			FY 2002 Estimate			FY 2003 Request		
	Dollars	TF	Exchange Rate	Dollars	TF	Exchange Rate	Dollars	TF	Exchange Rate	Dollars	TF	Exchange Rate
Angola	2,303		2,303	2,557		2,557	2,100		2,100	2,000		2,000
Benin	2,254		2,254	2,350		2,350	2,120		2,120	2,225		2,225
Burundi	4		4	1,800		1,800	2,874		2,874	2,846		2,846
Democratic Rep of the Congo	1,802		1,802	1,328		1,328	1,514		1,514	1,432		1,432
Eritrea	1,200		1,200	3,285	1	3,286	2,995		2,995	3,075		3,075
Ethiopia	2,666	289	2,955	2,925	211	3,136	2,861	274	3,135	2,624	226	2,850
Ghana	2,357	420	2,777	2,978		2,978	3,178		3,178	3,067		3,067
Guinea	2,801		2,801	4,242		4,242	3,868		3,868	4,254		4,254
Kenya	4,250		4,250	713		713	635		635	613		613
Liberia	737		737	2,624		2,624	2,405		2,405	2,467		2,467
Madagascar	2,232		2,232	1,793	378	2,171	1,541	550	2,091	1,850	550	2,400
Malawi	1,701	378	2,079	4,964		4,964	3,804		3,804	3,767		3,767
Mali	4,558		4,558	6,664	581	7,245	5,709	1,187	6,896	5,483	982	6,465
Mozambique	3,703	802	4,505	1,122		1,122	1,010		1,010	960		960
Namibia	1,100		1,100	4,381		4,381	3,898		3,898	4,212		4,212
Nigeria	4,966		4,966	3,143		3,143	2,829		2,829	2,679		2,679
Regional Center - Southern Africa	2,888		2,888	5,346		5,346	5,402		5,402	5,673		5,673
REDS/ESA	5,023		5,023	2,801		2,801	2,520		2,520	2,545		2,545
Rwanda	2,263		2,263	4,581		4,581	4,768		4,768	871		871
West African Regional Program	8		8	4,764		4,764	4,962		4,962	4,617		4,617
Senegal	5,017		5,017	364		364	326		326	4,455		4,455
South Africa	4,744		4,744	3,108		3,108	2,790	1,060	3,850	307		307
Sudan	350		350	3,719	685	3,793	3,64		3,64	3,236	979	4,215
Tanzania	2,430	615	3,045	2,282	114	2,396	3,507	1,000	4,507	3,500	795	4,295
Uganda	3,468	760	4,228	958	602	1,560	2,179	100	2,279	2,465	200	2,665
Zambia	2,230		2,230	207		207	1,528	84	1,612	1,791		1,791
Zimbabwe	1,500		1,500	278		278	278		278	303		303
RUDO				74,997	3,381	78,378	72,431	4,255	76,686	73,317	3,732	77,049
Total Africa Overseas	68,555	3,264	71,819									

**USAID OPERATING EXPENSES
(\$000)**

Asia & Near East (ANE)	FY 2000 Actual			FY 2001 Actual			FY 2002 Estimate			FY 2003 Request							
	Dollars	TF*	Total	Exchange Rate	Dollars	TF	Total	Exchange Rate	Dollars	TF	Total	Exchange Rate	Dollars	TF	Total	Exchange Rate	
Afghanistan																	
Bangladesh	3,709	255	3,964	55	3,813	235	4,048	55	4,012	224	4,236	54	4,012	224	4,236	54	
Cambodia	2,614		2,614		2,930		2,930		3,518		3,518		3,518		3,518		
East Timor					400		400		1,000		1,000		1,000		1,000		
Egypt	1,959	20,157	22,116	3	2,138	16,468	18,607	4	2,088	16,715	18,803	4	2,052	16,607	18,659	4	
India	3,600		3,600	7811	4,283		4,283	9889	4,200		4,200	9000	4,626		4,626	9,000	
Indonesia	4,086	450	4,536	1	4,503	226	4,729	1	4,734	400	5,134	1	5,230	400	5,630	1	
Jordan	1,543	800	2,343		2,192	710	2,902		2,363	967	3,330		2,226	992	3,218		
Lebanon	629		629		1,111		1,111		772		772		813		813		
Mongolia	210		210		391		391		314		314		299		299		
Morocco	2,766		2,766		2,696		2,696		2,762		2,762		2,796		2,796		
Nepal	2,230		2,230		2,502		2,502		2,532		2,532		2,547		2,547		
Pakistan									2,500	105	2,605		149	2000	2,149		
Philippines	2,584	210	2,794	42	2,689	820	3,519	50	2,612	820	3,432	49	2,370	992	3,362	49	
Sri Lanka	791		791		1,000		1,000		960		960		700		700		
West Bank and Gaza	4,459		4,459		5,791		5,791		5,396		5,396		5,898		5,898		
RHUDOS					567		567		534		534		551		551		
Total ANE Overseas	31,179	21,872	53,051		37,017	18,459	55,476		40,297	19,231	59,528		38,888	21,215	60,083		

* \$3,280 Funded Facility Relocations

USAID OPERATING EXPENSES
(\$000)

Europe and Eurasia	FY 2000 Actual			FY 2001 Actual			FY 2002 Estimate			FY 2003 Request		
	Dollars	TF	Exchange Rate	Dollars	TF	Exchange Rate	Dollars	TF	Exchange Rate	Dollars	TF	Exchange Rate
Albania	804		804	983		983	1,532		1,532	1,735		1,735
Armenia	2,000		2,000	2,375		2,375	2,530		2,530	3,045		3,045
Azerbaijan	695		695	559		559	506		506	581		581
Bosnia and Herzegovina	3,405		3,405	5,386		5,386	3,300		3,300	3,300		3,300
Bulgaria	1,204		1,204	1,400		1,400	1,321		1,321	1,630		1,630
Croatia	1,309		1,309	1,710		1,710	1,384		1,384	1,434		1,434
Georgia	4,006		4,006	4,622		4,622	3,694		3,694	3,963		3,963
Hungary (RSC)	4,076		4,076	4,853		4,853	5,569		5,569	5,633		5,633
Kazakhstan	6,100		6,100	7,507		7,507	7,400		7,400	7,093		7,093
Kosovo	5,299		5,299	8,650		8,650	4,250		4,250	4,302		4,302
Lithuania	270		270									
Poland	1,875		1,875	1,197		1,197	1,345		1,345	1,286		1,286
Macedonia	1,101		1,101	538		538	538		538	493		493
Moldova	376		376				1,603		1,603	1,620		1,620
Montenegro							1,642		1,642	1,808		1,808
Romania	1,704		1,704	2,314		2,314	5,600		5,600	5,600		5,600
Russia	5,300		5,300	5,584		5,584	2,855		2,855	3,048		3,048
Serbia	913		913	3,150		3,150	5,062		5,062	5,054		5,054
Ukraine	5,138		5,138	5,517		5,517	50,131		50,131	51,625		51,625
Total E&E Overseas	45,573		45,573	56,343		56,343	50,131		50,131	51,625		51,625

USAID OPERATING EXPENSES

(\$000)

Latin America and the Caribbean	FY 2000 Actual			FY 2001 Actual			FY 2002 Estimate			FY 2003 Request		
	Dollars	TF	Exchange Rate	Dollars	TF	Exchange Rate	Dollars	TF	Exchange Rate	Dollars	TF	Exchange Rate
Bolivia	2,810	1,500	4,310	4,637	4,637	6	4,569	4,569	4,600	4,800	4,900	927
Brazil	583		583	695	695		970	970	927	927	927	
Colombia	1,359	289	1,648	4,000	100	2031	3,705	100	2300	4,500	100	2500
Dominican Republic	1,900	645	2,545	2,329	400	16	2,439	400	18	2,242	450	2,692
Ecuador	1,484		1,484	1,415	1,415		1,415	1,415		1,500	1,500	1,500
El Salvador	3,267	2,000	5,267	4,298	400	9	4,036	565	9	3,900	650	4,550
Guatemala	2,468	2,056	4,524	4,189	400	8	4,151	200	8	4,560	4,560	4,560
Guyana	297		297	365	365		418	418		335	335	335
Haiti	5,102		5,102	5,248	5,248		4,990	4,990		5,130	5,130	5,130
Honduras	3,296	1,500	4,796	2,587	1,200	15	2,615	1,785	16	2,905	1,200	4,105
Jamaica	2,585	399	2,964	3,578	3,578		3,546	100	47	3,187	210	3,397
Mexico	607		607	691	691		800	800		781	781	781
Nicaragua	3,649		3,649	3,535	3,535		3,407	3,407		3,460	3,460	3,460
Panama	1,028		1,028	1,150	1,150		952	952		725	725	725
Paraguay	896		896	920	920		968	968		912	912	912
Peru	5,949		5,949	5,949	5,949		5,992	5,992		5,610	5,610	5,610
RHUDO				357	357		352	352		345	345	345
Total LAC Overseas	37,257	8,389	45,646	45,944	2,500	48,444	45,325	3,150	48,475	45,619	2,610	48,229

USAID OPERATING EXPENSES
(\$000)

	FY 2000 Actual			FY 2001 Actual			FY 2002 Estimate			FY 2003 Request		
	Dollars	TF	Exchange Rate	Dollars	TF	Exchange Rate	Dollars	TF	Exchange Rate	Dollars	TF	Exchange Rate
Non-Regional												
Policy & Program Coordination												
Belgium	189		189	175		175	186		186	186		186
France	327		327	282		282	282		282	351		351
Japan	397		397	343		343	340		340	340		340
Switzerland	76		76	150		150	146		146	146		146
Total PPC Overseas	989		989	950		950	954		954	1023		1023
Humanitarian Response												
Italy	424		424	409		409						
Democracy, Conflict, and Humanitarian Assistance												
Italy							418		418	427		427

USAID WORKFORCE *

Organization	September 30, 2000 Actual						September 30, 2001 Actual						September 30, 2002 Estimate						September 30, 2003 Request						
	OE Funded			Total			OE Funded			Total			OE Funded			Total			OE Funded			Total			
	USDH	US	FSN	OE	Prog	Grand Total	USDH	US	FSN	OE	Prog	Grand Total	USDH	US	FSN	OE	Prog	Grand Total	USDH	US	FSN	OE	Prog	Grand Total	
Washington Workforce	16			16		16	10			10		10	13			13		13	13					13	13
Office of the Administrator	12			12		12	15			15		15	15			15		15	15					15	15
Office of the Exec. Secretariat	8			8		8	6			6		6	8			8		8	8					8	8
Equal Opportunity Programs	6			6		6	7			7		7	9			9		9	9					9	9
Small & Disadvantaged Business	32			32		32	29			29		29	35			35		35	35					35	35
Office of Security	38			38		38	42			42		42	43			43		43	43					43	43
General Counsel	38			38		38	34			34		34	44			44		44	44					44	44
Legislative & Public Affairs	47			47		47	51			51		51	77			77		77	77					77	77
Program & Policy Coordination	423			423		423	418			418		418	440			440		440	440					440	440
Management	82			82		82	81			81		81	91			91		91	91					91	91
Africa (AFR)	57			57		57	55			55		55	60			60		60	60					60	60
Asia & Near East (ANE)	110			110		110	101			101		101	116			116		116	116					116	116
Europe & Eurasia (E&E)	66	2		68		68	68			68		68	86			86		86	86					86	86
Latin American and the Caribbean (LAC)	84			84		84	83			83		83	107			107		107	107					107	107
Humanitarian Relief (BHR)	187			187		187	185			185		185	140			140		140	140					140	140
Global																									
Democracy, Conflict, and Humanitarian Assistance (DCHA)																									
Economic Growth, Agriculture and Trade																									
Global Health																									
Complement	97			97		97	118			118		118	108			108		108	108					108	108
Lapse													(121)			(121)		(121)	(121)					(122)	(122)
Sub-Total Washington	1,301	2		1,303	382	1,685	1,288	4		1,302	391	1,693	1,305	9		1,314	590	1,874	1,305	2			583	1,890	
Overseas Workforce																									
AFR Overseas	204	37	1316	1,557	442	1,999	200	35	1,453	1,688	541	2,209	215	51	1,429	1,695	706	2,401	215	52	1,441	1,708	699	2,407	
ANE Overseas	154	19	738	909	215	1,124	187	16	721	904	261	1,166	183	34	803	1,020	337	1,357	183	34	795	1,012	330	1,342	
E&E Overseas	111	33	484	628	408	1,034	114	31	514	659	413	1,072	130	41	599	770	465	1,225	130	40	598	789	448	1,215	
LAC Overseas	139	21	545	705	365	1,070	137	21	721	879	394	1,273	144	28	789	941	408	1,349	144	25	783	932	398	1,330	
PPC Overseas	3	2	2	7		7	3	2	3	6		6	3	2	3	8		8	3	2	3	6		6	
Global Overseas	10	2	8	20	17	37	10	3	8	21	16	37	8					8	8					8	
BHR Overseas	1	2		3	69	72	1	2	3	76	79														
DCHA Overseas																									
Complement-Overseas	7			7		7	3			3		3	1	2		3	64	67	1	2			3	67	
Sub-Total Overseas	829	116	3,091	3,936	1,614	5,350	636	110	3,400	4,146	1,701	5,846	680	158	3,803	4,441	1,990	6,431	680	155	3,601	4,436	1,987	6,293	
GRAND TOTAL	1,930	118	3,091	5,139	1,996	7,036	1,933	114	3,400	5,447	2,092	7,539	1,965	167	3,803	5,755	2,550	8,305	1,965	157	3,601	5,743	2,540	8,283	

*Note: FY 2000 and 2001 reflect actual on board numbers, whereas FY 2002 and 2003 reflect ceilings with an undistributed lapse in overall staff.

USAID WORKFORCE

Africa Overseas Staff	September 30, 2000 Actual						September 30, 2001 Actual						September 30, 2002 Estimate						September 30, 2003 Request					
	OE Funded			Total			OE Funded			Total			OE Funded			Total			OE Funded			Total		
	USDH	US	FSN	OE	Prog	Grand Total	USDH	US	FSN	OE	Prog	Grand Total	USDH	US	FSN	OE	Prog	Grand Total	USDH	US	FSN	OE	Prog	Grand Total
Angola	2	2	24	28	15	43	3	3	25	31	14	45	3	3	26	32	12	44	3	5	34	42	2	44
Benin	5	1	48	54	8	62	4	1	43	48	13	61	5	1	49	55	17	72	5	1	49	55	17	72
Burundi																								
Cote d'Ivoire	3	2	13	18		18	2	1	15	18	14	32	5	2	22	29	16	45	5	2	29	36	16	52
Dem. Rep. of Congo	4	1	20	25	2	27	3	1	19	23	8	31	4	2	21	27	11	38	4	2	21	27	12	39
Eritrea	12		121	133	13	146	10		258	268	22	290	11	4	185	200	35	235	11	4	185	200	34	234
Ethiopia	13	2	77	92	18	110	12	1	72	85	24	109	12	2	81	95	27	122	12	1	79	92	30	122
Ghana	5	5	59	69	25	94	6	3	60	69	30	99	8	3	71	82	33	115	8	3	72	83	35	118
Guinea	7	2	105	114	30	144	6	3	97	106	31	137	6	3	75	84	66	150	6	3	76	85	60	145
Kenya	2		11	13		13	2		9	11	11	11	1		9	10	10	10	1		9	10	10	10
Liberia	9	1	37	47	34	81	8	1	38	47	32	79	6	2	36	44	34	78	6	2	36	44	29	73
Madagascar	8		54	62	15	77	8		55	63	15	78	7		51	58	29	87	7		51	58	29	87
Malawi	14	2	71	87	28	115	14	3	61	78	30	108	12	3	73	88	32	120	12	3	73	88	32	120
Mali																								
Mali - W. AFR Reg. Prog.	11	3	80	94	36	130	15	2	83	100	51	151	14	5	92	111	51	162	14	5	92	111	50	161
Mozambique	4		20	24	7	31	3		22	25	7	32	4		20	24	11	35	4		20	25	11	36
Namibia	8	1	17	26	7	33	8	1	17	26	9	35	13	2	37	52	44	96	13	1	36	50	48	98
Nigeria	15	4	61	80	18	98	13	3	60	76	15	91	14	5	63	82	25	107	14	5	63	82	25	107
RCSA	17	2	59	78	45	123	17	2	56	75	45	120	18	3	56	77	56	133	18	3	56	77	63	140
REDSO/ESA	4	4	47	55	10	65	5	4	46	55	13	68	5	3	46	54	19	73	5	3	44	52	18	70
Rwanda	13		73	86	30	116	12	2	70	84	34	118	12	5	80	97	26	123	12	5	78	95	25	120
Senegal																								
Somalia	15	3	66	84	39	123	14	2	67	83	42	125	16	2	63	81	39	120	16	2	63	81	39	120
South Africa	1	1	13	14	2	16	1	1	11	12	4	16	8		14	14	4	18	8		14	14	5	19
Sudan	6	1	68	73	16	89	9	1	70	80	18	98	8		73	81	17	98	8		73	81	18	99
Tanzania	10		78	88	22	110	11		78	89	33	122	11	1	79	91	34	125	11	1	80	92	33	125
Uganda	9		54	63	13	76	7		59	66	19	85	7		62	69	18	87	7		62	69	18	87
Zambia	8		42	50	9	59	7		40	47	13	60	6		41	47	19	66	6		41	47	19	66
Zimbabwe																								
RHUDOS																								
Total AFR Workforce	204	37	1,316	1,557	442	1,999	200	35	1,433	1,668	541	2,209	215	51	1,429	1,695	708	2,401	215	52	1,441	1,708	699	2,407

RHUDO reorganized into the Bureau in FY 2002

USAID WORKFORCE

Asia and Near East Overseas Staff	September 30, 2000 Actual					September 30, 2001 Actual					September 30, 2002 Estimate					September 30, 2003 Request						
	OE Funded		Total		Grand Total	OE Funded		Total		Grand Total	OE Funded		Total		Grand Total	OE Funded		Total		Grand Total		
	USDH	Other	US	FSN		OE	Prog	USDH	Other		US	FSN	OE	Prog		USDH	Other	US	FSN		OE	Prog
Alghanistan	15		41	56	26	82	14	41	55	28	83	17	1	43	61	TBD	17	43	60	33	93	
Bangladesh	7		45	52	7	59	6	49	55	14	69	9	8	79	94	16	10	79	93	19	112	
Burma	53	7	233	293	31	324	56	3	234	293	320	51	6	234	291	30	47	6	220	273	29	302
Cambodia	10	1	87	88	6	106	12	1	85	88	10	13	13	96	109	15	124	13	102	115	13	128
India	15	1	84	100	33	133	17	2	77	96	56	152	19	4	94	117	69	19	94	120	67	187
Indonesia	10		37	47	7	54	10	36	46	8	54	13	2	42	57	5	62	13	2	43	58	63
Jordan	2		4	6		6	1	2	3	4	7	1	1	9	10	10	1	1	9	10	10	10
Lebanon	1		2	3	4	7	2	2	4	4	8	1	1	2	3	4	7	1	2	3	4	7
Mongolia	8	1	36	45	13	58	7	1	36	44	14	59	7	2	32	41	16	7	1	31	39	15
Morocco	7	3	30	40	20	60	8	4	36	48	21	69	8	4	40	52	35	8	4	40	52	32
Nepal	11	2	83	96	31	127	12	1	74	87	28	115	14	3	71	88	32	14	3	71	88	32
Pakistan	1		16	17	5	22	2	1	14	17	6	23	1	1	13	15	9	24	1	13	18	24
Philippines	14	4	38	56	30	86	20	3	35	58	40	98	20	2	36	58	64	20	2	36	58	64
Sri Lanka													5	3	5	13	6	5	3	5	13	6
Turkey																						
West Bank and Gaza																						
RHUDOS																						
ANE Workforce Total	154	18	736	908	215	1,124	167	16	721	904	281	1,165	183	34	803	1,020	337	34	795	1,012	330	1,342

RHUDO reorganized into the Bureau in FY 2002

USAID WORKFORCE

Europe & Eurasia Overseas Staff	September 30, 2000 Actual						September 30, 2001 Actual						September 30, 2002 Estimate						September 30, 2003 Request					
	OE Funded			Total			OE Funded			Total			OE Funded			Total			OE Funded			Total		
	USDH	US	FSN	OE	Prog	Grand Total	USDH	US	FSN	OE	Prog	Grand Total	USDH	US	FSN	OE	Prog	Grand Total	USDH	US	FSN	OE	Prog	Grand Total
Albania	4	1	6	11	3	14	4	1	6	11	6	17	4	2	13	19	8	27	4	2	13	19	8	27
Armenia	6	3	20	29	18	47	5	5	22	32	20	52	8	5	28	41	20	61	8	5	28	41	20	61
Azerbaijan	2		2	4	3	7	2		3	5	8	13	2		3	6	8	14	2		3	6	8	14
Belarus	8	1	57	66	42	108	8	1	60	69	41	110	9	2	54	65	41	106	9	2	54	65	41	106
Bosnia and Herzegovina	3	2	11	16	13	29	4	2	13	19	11	30	3	2	15	20	18	38	3	2	17	22	14	36
Bulgaria	3	1	9	13	13	28	4	1	11	18	19	35	4	1	12	17	19	36	4	1	12	17	19	36
Croatia	11	2	35	48	32	80	11	3	41	55	31	86	12	3	39	54	37	91	12	3	39	54	37	91
Georgia	17	5	85	107	32	139	17	3	81	111	33	144	18	6	111	136	57	193	19	7	108	134	55	189
Kazakhstan *	7	1	45	53	27	80	9	2	52	63	21	84	9		65	74	20	94	9		65	74	20	94
Kosovo	1		5	6	3	9	1		4	5	4	9												
Kyrgyzstan *	1		5	6	1	11																		
Lithuania	3		13	16	13	29	3	1	14	18	11	29	4	2	16	22	15	37	4	2	16	22	15	37
Macedonia	1		6	7	8	15	1		7	8	10	18	1		8	9	11	20	1		8	9	11	20
Moldova																								
Montenegro			2	6	2	10																		
Poland	7	3	31	41	5	46	10	3	39	52	3	55	10	5	47	62	3	65	10	5	47	62	3	65
RSC Hungary	5		17	22	30	52	4		19	23	31	54	5		21	28	29	55	5		21	28	29	54
Romania	15	3	58	76	57	133	14	3	55	72	53	125	16	3	56	75	53	128	16	2	56	74	51	125
Russia			1	5	3	9			1	5	3	10			8	1	17	53			8	1	17	53
Serbia			1	3	5	9																		
Slovakia	1	1	3	5	2	11			2	2	2	4												
Tajikistan *	1	1	2	4	1	10			1	2	3	5												
Turkmenistan *	15	6	61	82	88	170	15	4	63	82	93	175	16	5	70	91	89	180	16	3	71	90	88	178
Ukraine			5	6	5	11			5	6	5	11												
Uzbekistan *	1		5	6	5	11			5	6	5	11												
Total E & E Workforce	111	33	484	628	406	1,034	114	31	514	659	413	1,072	130	41	599	770	455	1,225	130	40	599	789	446	1,215

USAID/missions marked with an (*) are shown in Kazakhstan for FY 2002 - FY 2003.

USAID WORKFORCE

Latin America Overseas Staff	September 30, 2009 Actual					September 30, 2001 Actual					September 30, 2002 Estimate					September 30, 2003 Request					
	OE Funded		Total		Grand Total	OE Funded		Total		Grand Total	OE Funded		Total		Grand Total	OE Funded		Total		Grand Total	
	USDH	Other	FSN	OE		Prog	USDH	Other	FSN		OE	Prog	USDH	Other		FSN	OE	Prog	USDH		Other
Bolivia	17	87	104	32	136	17	92	109	33	142	18	98	118	36	154	17	98	115	38	153	
Brazil	2	4	6	7	13	2	5	7	10	17	2	6	10	11	21	2	6	6	13	21	
Caribbean Reg Prog	4	2	6	3	9	6	23	34	23	57	3	1	4	4	12	4	1	5	14	14	
Central America Prog	7	1	39	33	80	7	39	47	34	81	9	5	51	20	19	10	5	52	15	20	
Colombia	3	15	18	6	24	6	18	22	7	29	9	2	44	23	71	10	2	56	20	72	
Dominican Republic	14	1	76	91	115	14	71	86	28	114	5	22	27	12	39	10	44	58	22	78	
Ecuador	15	1	6	24	53	16	1	80	97	152	14	1	76	91	120	5	24	29	11	40	
El Salvador	1	1	3	5	7	1	1	2	4	9	13	75	88	38	126	14	76	90	26	119	
Guatemala	1	1	3	5	7	1	1	2	4	9	1	1	2	4	9	12	74	86	34	120	
Guyana	14	2	87	103	153	10	79	91	43	134	1	2	4	5	9	1	1	1	1	1	
Haiti	14	7	4	25	45	11	4	74	89	140	12	5	75	92	141	10	3	86	99	142	
Honduras	10	1	12	23	36	7	1	44	52	14	66	9	1	47	76	13	3	72	86	116	
Jamaica	2	1	7	10	11	2	8	10	13	23	3	1	47	57	76	9	1	47	57	78	
Mexico	13	1	82	96	112	12	77	91	20	111	13	2	84	98	125	3	7	7	10	18	
Nicaragua	2	1	18	21	22	2	20	22	19	41	2	11	13	18	31	12	2	84	98	28	
Panama	2	1	11	13	16	2	10	13	4	17	2	10	12	14	26	2	2	11	13	31	
Paraguay	19	2	92	113	150	20	4	81	105	140	17	6	86	111	143	18	8	88	110	142	
Peru				37					35					32							
RHUDO																					
Total LAC Workforce	139	21	545	705	1,070	137	21	721	879	1,273	144	28	768	941	1,349	144	25	763	932	368	1,330

RHUDO reorganized into the Bureau in FY 2002

USAID WORKFORCE

Policy & Program Coordination Overseas Staff	September 30, 2000 Actual						September 30, 2001 Actual						September 30, 2002 Estimate						September 30, 2003 Request					
	OE Funded			Grand Total	OE Funded			Grand Total	OE Funded			Grand Total	OE Funded			Grand Total	OE Funded			Grand Total				
	USDH	US	FSN		Other	USDH	US		FSN	Other	USDH		US	FSN	Other		USD	US	FSN		Other	USD	US	FSN
PPC/Switzerland			1	1			1	1			1	1			1	1			1	1				
PPC/Japan	1		2	2	1	1	2	2	1	1	2	2	1	1	2	2	1	1	2	2	1	2		
PPC/Italy	1	1	2	2	1	1	2	2	1	1	2	2	1	1	2	2	1	1	2	2	1	2		
PPC/France	1	1	2	2	1	1	2	2	1	1	2	2	1	1	2	2	1	1	2	2	1	2		
PPC/Belgium																								
Total PPC Workforce	3	2	7	7	3	2	8	8	3	2	8	8	3	2	8	8	3	2	8	8	3	8		

USAID WORKFORCE

Global Bureau Regional Housing Urban Dev Offices * Overseas Staff	September 30, 2000 Actual					September 30, 2001 Actual					September 30, 2002 Estimate					September 30, 2003 Request				
	OE Funded					OE Funded					OE Funded					OE Funded				
	USDH	US	FSN	OE	Total	USDH	US	FSN	OE	Total	USDH	US	FSN	OE	Total	USDH	US	FSN	OE	Total
RHUDO/Guatemala	2	3	5	3	8	2	1	3	4	7										
RHUDO/India	2	2	2	4	6	2	2	4	5	9										
RHUDO/Indonesia	2	2	6	6	6	2	2	7	7	7										
RHUDO/Morocco	1	1	2	1	3	1	1	2	1	3										
RHUDO/Poland			3	3	3			3	3	4										
RHUDO/South Africa	3		3	4	7	3		3	4	7										
RHUDO/Zimbabwe		2	2	2	4		2	2	2	4										
Total RHUDO Workforce	10	2	8	20	17	10	3	6	21	18										37

Note: FY 2002 RHUDO6 merged with Regional Bureaus.

USAID WORKFORCE

Democracy, Conflict, and Humanitarian Assistance-DCHA Overseas Staff	September 30, 2000 Actual					September 30, 2001 Actual					September 30, 2002 Estimate					September 30, 2003 Request				
	OE Funded				Grand Total	OE Funded				Grand Total	OE Funded				Grand Total	OE Funded				Grand Total
	USDH	US	FSN	OE		USDH	US	FSN	OE		USDH	US	FSN	OE		USDH	US	FSN	OE	
Angola																				
Barbados																				
Burundi																				
Colombia																				
Cost Rica																				
Dem Rep of Congo																				
East Timor																				
El Salvador																				
Eritrea																				
Ethiopia																				
Guinea																				
India																				
Indonesia																				
Italy																				
Jamaica																				
Kenya																				
Kosovo																				
Macedonia																				
Mali																				
Nepal																				
Nigeria																				
Pakistan																				
Peru																				
Philippines																				
Serbia & Montenegro																				
Sierra Leone																				
Sudan																				
Venezuela																				
Yugoslavia																				
Total DCHA Workforce	1	2	3	84	87	1	2	3	84	87	1	2	3	84	87					

CAPITAL INVESTMENT FUND

USAID requests establishment of a capital investment fund (CIF) in the amount of \$95 million in FY 2003. These no year funds will provide the Agency with greater flexibility to manage investments in technology systems and facility construction not allowed by the annual appropriation for Operating Expenses.

Budget Request Capital Investment Fund (thousand dollars)

Program	FY 2003 Request
Information Technology	13,000
Phoenix enhancements	2,800
Business transformation implementation	6,000
Telecommunications upgrade	3,000
Central mission security operation	1,200
Facility Construction	82,000
Total	95,000

Information Technology: \$13.0 million is requested.

For FY 2003, USAID proposes establishing a separate capital fund to support business system and information technology (IT) improvements. Separating these funds from ongoing operations funding will provide IT improvement managers with funding certainty independent of operational cost fluctuations. This fund will support the following initiatives:

- Phoenix enhancements (\$2.8 million). The funds will support purchase of additional enhancements and commercial off-the-shelf core accounting system software product upgrades necessary to implement a web-based, Agency-wide, financial reporting capability, implement e-government initiatives, and bring USAID's financial system into substantial compliance with Federal financial management requirements. In addition, the funds will support: (1) further deployment of USAID's core accounting system overseas, and (2) assessing and strengthening financial system security.
- Business transformation implementation (\$6.0 million). The FY 2003 budget request supports implementation of the FY 2002 business transformation analysis recommendations for improvements in core business processes, including IT

initiatives to support the President's management agenda, realignment of administrative functions among missions, and development of a prototype mission environment that reflects transformed administrative approaches. Additionally, FY 2003 funding will support initial implementation of improved systems solutions in the area of finance, procurement, human resources, information technology, and administrative services. The FY 2002 study and subsequent FY 2003 improvement actions will focus on procurement process effectiveness and streamlining.

- Telecommunications upgrade (\$3.0 million). Funding will support telecommunications upgrade project efforts to design, procure, and implement telecommunications upgrades in 19 sites during FY 2003. This effort will strengthen security of the Agency's wide area network by incorporating circuit encryption and firewall technology at the mission level.
- Central mission security operations (\$1.2 million). Funding will provide planning, design, and provision of basic centralized computer security operations for USAID missions.

Facility Construction: \$82.0 million is requested.

The Secure Construction and Counterterrorism Act of 1999 requires the construction of new USAID office facilities and the collocation of these facilities on embassy compounds when new embassies are constructed. Guided by security vulnerability issues and Department of State's Overseas Building Operations construction timetables, USAID currently plans to completely fund new construction projects in Kenya, Guinea, Cambodia, and Georgia at an estimated cost of \$82 million in 2003. This proposed allocation is contingent upon efforts now underway to lease an interim office building in Uganda by the end of FY 2002. Security-related expenses for this facility would be paid from the Operating Expenses budget. If the interim building lease is not secured, the Agency would need to consider using CIF funds for a new office building in Uganda in FY 2003. USAID will continue to work closely with the State Department Overseas Building Operations on funding and scheduling of USAID new office building projects.

WORKING CAPITAL FUND

The Agency's Working Capital Fund (WCF) is authorized by Section 635(m) of the Foreign Assistance Act of 1961, as amended. The fund finances, on a reimbursable basis, the costs associated with providing administrative support to other agencies under the International Cooperative Administrative Support Services (ICASS) program overseas. Under ICASS, each agency pays a proportional share of the cost of those services they have agreed to receive. Working through inter-agency councils at post, all agencies have a say in determining which services the USAID mission will provide, defining service standards, reviewing costs, and determining funding levels. The WCF is a no-year fund that permits unobligated monies to be carried over from one year to the next, an advantage that provides fiscal flexibility and increases opportunities to establish multi-year planning. It also enables managers to make long-term decisions without the constraints of the annual fiscal year cycle.

WCF accounts have been established for four pilot missions with experience in providing reimbursable services to other agencies. Other missions are poised to become service providers once the success of the pilot group has been proven. The gross receipts from the first four WCF accounts during FY 2001, its first year of operation, totaled approximately \$1.6 million. While virtually all funds were required to cover the actual cost of providing service, over time it is anticipated that modest surpluses will accumulate through charging customers for depreciation and proceeds from the sale of assets. Missions will invest these surpluses in infrastructure improvements to further increase the effectiveness and efficiency with which services are delivered.

The WCF is also used for deposits of rebates from the use of Federal credit card. These funds will be used to provide management oversight of existing working capital fund missions and to provide training and other start-up costs to assist other missions that are ready to provide ICASS services. The first year receipts from rebates totaled \$129,000.

OPERATING EXPENSES OF THE INSPECTOR GENERAL

Dollars in Thousands

Funding Categories	FY 2000 ACTUALS	FY 2001 ACTUALS	FY 2002 ESTIMATE	FY 2003 REQUEST
Appropriation	24,950	28,024	32,806	34,046
Full cost/Retirement & Health	N/A	-1,083	-1,306	-1,346
Total	24,950	26,941	31,500	32,700

The FY 2003 appropriation request for the Office of the Inspector General (OIG) is \$34 million. This request will enable the OIG to reduce the Agency's exposure to fraud and waste and to increase the credibility of and confidence in USAID programs operating in highly vulnerable areas of the world. It is important to note that funding at a level less than the requested amount could increase the risk that fraud and waste in the Agency's programs could go undetected because the OIG would have difficulties in adequately covering all program operations. This amount includes for the first time \$1.3 million to fully fund the Federal retiree and health benefit costs.

The U.S. Agency for International Development (USAID) Office of Inspector General is an independent organization within USAID with the statutory responsibilities to: (1) conduct audits and investigations relating to the programs, operations, and personnel of USAID; (2) provide leadership and coordination, and recommend policies for activities designed to promote economy, efficiency, and effectiveness and to detect waste, fraud and abuse in the programs and operations of USAID; (3) provide a means for keeping the USAID Administrator and the Congress fully and currently informed about problems and deficiencies relating to USAID; and (4) provide audit and investigative services and oversight for the Inter-American Foundation and the African Development Foundation.

The OIG's goal is to assist USAID with the implementation of its strategies for economic development and to provide USAID managers with information and recommendations that improve program and operational effectiveness and efficiency. During FY 2001, with a \$31 million budget, OIG audits and investigations of USAID's contracts, grantees and program operations led to \$369 million in sustained monetary findings, including amounts USAID management agreed should be recovered for questioned costs, funds put to better use, and civil restitution payments and penalties. In addition, actual recoveries to the U.S. Treasury were realized in excess of \$72 million in FY 2001 and \$37 million in FY 2000.

Highlights of OIG activities in FY 2001 included an audit of the United States Government cargo preference reimbursement program that identified \$182 million in potential recoveries and an investigation of bid rigging on a USAID-funded construction contract in Egypt that has resulted in settlements thus far of \$13.2

million and a fine of \$53 million. In addition, during FY 2001, the OIG conducted fraud awareness training for over 2,100 employees, grantees and contractors worldwide in an effort to proactively prevent fraud and waste in USAID programs and operations.

For the foreseeable future, USAID will play a critical and central role in the relief and reconstruction of Afghanistan. Because of the inherent risk involved with implementing relief and reconstruction programs in the region and the need for accountability, the OIG will reallocate its resources to ensure a level of accountability that hopefully will set the standard for the world donor community.

**Office of Inspector General
(3000)**

Funding by Category

	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
Appropriation	25,000	27,000	31,500	32,700
Recission	(50)	(50)		
Disaster Assistance funds carried-over from prior years	1,491	1,024	521	0
No-Year/multi-year funds carried-over from prior year	5,464	4,148	2,744	2,744
Prior-Year Obligations Recovered	1,962	1,965		
Total Available Funds	33,867	34,078	34,766	36,444
Obligations - OE funds	(24,950)	(26,632)	(31,500)	(32,700)
Obligations - Disaster Assistance	(467)	(503)	(521)	0
Obligations - No-year/multi-year funds	(3,278)	(3,678)	0	(2,744)
Total Obligations	(28,695)	(30,813)	(32,021)	(35,444)
End-of-year Carry Forward	5,172	3,266	2,744	0

Funding by Location

	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
Washington Costs	6,597	6,585	6,543	8,161
Centrally Funded Personnel Costs	15,677	17,137	18,332	19,045
TOTAL WASHINGTON	22,274	23,722	24,875	27,206
Regional Inspector Generals				
Pretoria, South Africa	644	682	807	794
Dakar, Senegal	1,138	1,302	1,155	1,155
Manila, Philippines	1,017	938	835	1,039
Cairo, Egypt	849	1,030	1,013	1,239
Budapest, Hungary	1,480	1,521	1,740	2,805
San Salvador, El Salvador	826	1,135	1,075	1,206
Disaster Assistance	467	503	521	0
TOTAL OVERSEAS	6,421	7,891	7,146	8,238
TOTAL OIG FUNDING	28,696	30,813	32,021	35,444

Office of Inspector General

Funding by Object Class
(\$000)

OCC	Category	FY 2000 Actual		FY 2001 Actual		FY 2002 Estimate		FY 2003 Request					
		Hq.	Field	Total	Hq.	Field	Total	Hq.	Field	Total			
11.1	Compensation, full-time permanent U.S. Direct Hire	7,786	3,708	11,494	8,882	4,024	12,906	9,353	4,087	13,450	9,791	4,288	14,079
11.5	Other personnel compensation U.S. Direct Hire	649	436	1,085	549	248	797	665	291	956	696	305	1,001
11.8	Other Compensation PSCs	0	826	826	0	897	897	0	1,022	1,022	0	998	998
12.1	Personnel benefits												
	U.S. Direct Hire:												
	Retirement Costs	1,815	832	2,447	1,853	639	2,892	2,147	941	3,088	2,148	941	3,088
	Health and Life Insurance	421	230	651	511	231	742	583	255	838	610	267	877
	Education Allowances	0	435	435	0	463	463	0	423	423	0	822	822
	Other Benefits	0	168	168	45	185	230	50	85	135	50	91	141
	Sub-Total	2,036	1,665	3,701	2,408	1,719	4,127	2,780	1,704	4,484	2,808	2,121	4,929
	Total Personnel Compensation	10,471	6,636	17,106	11,839	6,868	18,727	12,798	7,114	19,912	13,294	7,712	21,006
21.0	Travel and Transportation of Persons												
	Operational Travel	1,002	1,157	2,159	257	1,203	1,460	612	852	1,464	576	1,826	2,202
	Training Travel	10	5	15	20	12	32	32	0	32	69	0	69
	Sub-Total	1,012	1,162	2,174	277	1,215	1,492	644	852	1,496	644	1,826	2,270
22.0	Transportation of Things												
	Post Assignment/Home Leave Freight	0	465	465	0	511	511	0	496	496	0	485	485
	Shipment of Furniture and Equipment	0	1	1	0	27	27	0	12	12	0	16	16
	Sub-Total	0	466	466	0	538	538	0	508	508	0	501	501

Total Travel and Transportation	1,012	1,828	2,640	277	1,783	2,030	844	1,360	2,004	844	2,127	2,771
23.1 Rental Payments to GSA	1,576	0	1,576	1,741	0	1,741	1,774	0	1,774	1,878	0	1,878
23.2 Rental Payments to Others	0	1,405	1,405	0	1,643	1,643	0	1,760	1,760	0	1,961	1,961
Sub-Total	1,576	1,405	2,981	1,741	1,643	3,384	1,774	1,760	3,534	1,878	1,961	3,839
23.3 Communications, Utilities, and Misc. Charges												
Office and Residential Utilities	0	236	236	0	176	176	0	240	240	0	279	279
Telephone Costs	4	54	58	0	71	71	0	57	57	0	61	61
Other	6	15	21	318	7	325	18	19	37	47	21	68
Sub-Total	10	305	315	318	254	572	18	316	334	47	361	407
Total Rent, Communications, and Utilities	1,886	1,710	3,296	2,059	1,897	3,956	1,792	2,076	3,868	1,925	2,322	4,246
24.0 Printing and Reproduction	24	5	29	38	0	39	1	23	24	27	3	30
25.1 Advisory and Assistance Services:	18	10	28	157	14	171	28	13	41	54	13	67
25.2 Other Services												
Office and Residential Security Guards	0	126	126	0	65	65	0	107	107	0	103	103
Staff Training	374	19	393	368	19	387	383	13	378	410	21	431
ADP Systems Design/Analysis	0	0	0	0	0	0	0	0	0	0	0	0
Other	188	94	282	244	303	547	408	33	442	284	29	313
Sub-Total	662	239	801	612	387	999	772	153	925	693	153	847
25.3 Purchase of Goods and Svcs from Gov't. Accts.												
International Cooperative Admn. Supp. Svcs	0	795	795	208	884	1,100	206	964	1,170	212	1,042	1,264
DCAA and CFO Audits	1,213	0	1,213	1,185	0	1,185	826	0	826	2,318	0	2,318
Other Services	1,560	190	1,750	1,666	16	1,703	1,733	209	1,942	1,794	157	1,951
Sub-Total	2,773	985	3,758	3,079	908	3,988	2,765	1,173	3,938	4,324	1,199	5,524
25.4 Operations and Maintenance of Facilities	37	81	118	0	114	114	0	93	93	0	83	93
25.6 Medical Care	0	12	12	0	0	0	0	0	0	0	0	0
25.7 Operation/Maintenance of Equipment & Storage ADP and Telephone Systems	23	3	26	57	0	57	277	2	279	131	2	133

FOREIGN SERVICE RETIREMENT AND DISABILITY FUND¹

Budget Request Foreign Service Retirement and Disability Fund (Thousand Dollars)

FY 2000 Actual	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
43,837	44,489	44,880	45,200

In FY 1974, amendments to the Foreign Assistance Act of 1961, as amended, permitted USAID career foreign service employees to become participants in the Foreign Service Retirement and Disability Fund.

The extension of coverage to USAID employees created an unfunded liability in the system. An actuarial determination by the Department of the Treasury shows that in FY 2003, \$45,200,000 will be required to amortize this liability and the unfunded liability created by pay raises and benefit changes since FY 1974.

For FY 2003, USAID is requesting an appropriation of this amount.

¹ Authorized by Chapter 8 of the Foreign Service Act of 1980.

Bureau for Democracy, Conflict, and Humanitarian Assistance

The Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA) manages a broad range of critical development and life-saving, emergency-response activities. DCHA programs encourage responsible participation by all citizens in the political processes of their countries, assist those countries to improve governance, especially the rule of law, and help strengthen non-governmental organizations and other elements of civil society. Most developing countries, particularly those that are poor and divided by ethnicity or religion, confront periodic conflict. A new DCHA initiative will help countries prepare for and manage such conflict peacefully. Nevertheless, there are inevitably natural disasters and violent man-made crises, which threaten large-scale loss of human life. Proposed funding for FY 2003 will further strengthen U.S. leadership in foreign disaster assistance and emergency food aid. Additional resources are also requested for the successful transition assistance program, which helps countries recover from crisis and return to development progress.

In light of the events of September 11th, an overarching priority embraced by DCHA is humanitarian assistance for Central Asia. In acknowledgment of the critical role that USAID would have in response to the humanitarian crisis in Central Asia, the Administrator created the Central Asia Task Force. The magnitude of the humanitarian crisis and the importance of this region to U.S. national interests required that USAID act swiftly and creatively in fulfilling its role in this crisis. Even prior to September 11, Afghanistan was impoverished and mired in an extended humanitarian crisis. Government infrastructure, including the ability to deliver the most basic health, education, and other social services, had collapsed. After the terrorist attacks on America, fears of a U.S. reprisal triggered a population exodus from major Afghan cities, both toward other points in Afghanistan and toward the country's borders. International staff of most relief agencies also withdrew, leaving the status of relief programs in question at a critical moment. These new developments added to an existing crisis of extensive displacement stemming from civil conflict and a debilitating three-year drought. To date, a total of \$237.5 million in FY 2002 U.S. Government humanitarian assistance has been provided, and of that total, \$124.9 million has been provided from DCHA offices. A total of \$420 million in U.S. Government humanitarian assistance has been provided to Afghanistan over FY 2001 and FY 2002.

FY 2001 OFDA	\$ 12.5
FFP	\$ 31.2
DG	\$ 0.5
Subtotal	\$ 44.2
FY 2002 OFDA	\$ 82.1
OTI	\$ 2.2
FFP	\$ 40.6
Subtotal	\$124.9
Total FY 2001/2002	\$182.0

"States with ineffective and incompetent governance not only will fail to benefit from globalization, but in some instances will spawn conflicts at home and abroad, ensuring an even wider gap between regional winners and losers than exists today."

Source: Global Trends 2015: A Dialogue About the Future with Nongovernment Experts.

THE DEVELOPMENT CHALLENGE: No matter where on the path between humanitarian crisis and stability an activity may fall, the ultimate goal of DCHA Offices is the promotion of peace and political stability in a democratic framework. The tragic events of September 11th have increased the ever-present challenges intrinsic to these activities. Through the work of DCHA's

seven line offices, DCHA's programs support USAID's four pillars of (1) economic growth, agriculture and trade, (2) global health, (3) democracy, conflict and humanitarian assistance, and (4) the Global Development Alliance.

- **Office for Democracy and Governance (DG):** USAID efforts to strengthen democracy and good governance worldwide anchor a balanced foreign policy approach. Democratic governments are more likely to advocate and observe international laws, protect civil and human rights, avoid external conflicts, and pursue free market economies essential to international trade and

prosperity. This work involves a variety of often difficult political and institutional reforms, and capacity-building across four strategic areas: (1) promoting the rule of law and respect for human rights; (2) encouragement of credible and competitive political processes; (3) development of politically active civil society; and (4) promoting more transparent and accountable government institutions, including local government support and anti-corruption efforts.

- Office of Conflict Management and Mitigation (CMM): The increasing lack of capacity of states globally to deal with problems that are potential causes of conflict, instability and in some cases terrorism poses a major and growing threat. In response, CMM structures its programs and external relationships to deal more effectively with this emerging global reality. This new standard applies to all USAID development programs and partners, but especially those that directly address humanitarian assistance, the transition from crisis to stability, and promotion of democracy. CMM activities are longer term than those of the Office of Transition Initiatives, and can be utilized for non-emergency programs.
- Office of U.S. Foreign Disaster Assistance (OFDA): USAID remains at the forefront of agencies around the world in its ability to respond to man-made and natural disasters. Although emergency relief to natural disasters is essential, preparedness is also crucial. While nature cannot be tamed, or natural disasters stopped from taking place, there is room for prevention. OFDA's preparedness, mitigation and prevention efforts are important parts in dealing with natural disasters, and have an even greater role when it comes to complex emergencies. The last decade has seen a marked increase in these man-made emergencies because war and internal conflict lead to the breakdown and collapse of social, political and economic structures. Sometimes, man-made emergencies are accompanied by natural disasters, which compound their complexity.
- Office of Transition Initiatives (OTI): OTI addresses the needs of pre- and post-transition countries experiencing significant political change, or facing critical threats to basic stability and democratic reform. OTI works on the ground with local partners to provide short-term, high-impact assistance targeted at key transition needs.
- Office of Food for Peace (FFP): FFP manages P.L. 480 Title II food aid which is the primary resource of the United States for responding swiftly to the critical food needs of disaster victims and other targeted vulnerable groups. Non-emergency, development food aid programs are focused on mitigating food insecurity in low-income, food deficit countries.
- Office of Private and Voluntary Cooperation (PVC): PVC supports activities that strengthen the capabilities of private voluntary and cooperative development organizations and their local partners to deliver development and relief at the grassroots level in priority areas such as child survival and health, micro-enterprise, agriculture, civil society, democracy and the environment.
- Office of American Schools and Hospitals Abroad (ASHA): ASHA awards grants to U.S. organizations that founded or sponsor private, overseas schools, libraries and hospital centers. Through implementation of these grants, access to American ideas, values and practices are increased. Such activities project a positive image of the United States, contribute to the reduction of poverty, and assist in combating terrorism.
- Office of Program, Policy and Management (PPM): PPM provides technical assistance and support to various operating units, both within and outside the DCHA Bureau. The Office encourages coordination and cooperation and takes the lead in supporting USAID's strategic planning for humanitarian assistance programs, particularly for the Democracy, Conflict, and

Humanitarian Assistance pillar. Where appropriate, the Office also provides technical assistance and other support related to the Global Development Alliance; Economic Growth, Agriculture and Trade; and Global Health pillars.

PROGRAM AND MANAGEMENT CHALLENGES: To be effective, humanitarian intervention must be well coordinated, the response must be careful but rapid if lives are to be saved and suffering reduced, and the approaches must be appropriately integrated to help victims return to self-sufficiency. A few highlights of the results achieved by DCHA's Offices in FY 2001 include:

Highlights of FY 2001 Results	
Office	
DG	<ul style="list-style-type: none"> • Provided training and support to human rights activists in Algeria, East Timor, and Uzbekistan. • Enabled partners to monitor the pre-election situations in Nicaragua and Zimbabwe. • Managed two anti-sweatshop programs, which led to development of code of conduct for manufacturers and provided support to grassroots nongovernmental organizations. • Managed 10 country-specific anti-corruption programs including Albania, Colombia, Dominican Republic, Honduras, Mexico, Paraguay, and Russia.
CMM	<ul style="list-style-type: none"> • New office to be established FY 2002.
OFDA	<ul style="list-style-type: none"> • Responded to 79 declared disasters in 56 countries, including 54 natural disasters, 16 complex emergencies, and nine man-made emergencies. • A major focus in FY 2001 was the complex emergency in Afghanistan. Despite the forced withdrawal of all international relief staff from Afghanistan after the September attacks on America, OFDA provided over \$12 million in assistance.
OTI	<ul style="list-style-type: none"> • Delivered radios to the people of Afghanistan that allows them to hear special broadcast bulletins concerning food distribution, security, health care and other relevant humanitarian information. • Redesignated program in Nigeria after sudden eruption of conflict, to include conflict management skills for top civil servants, business people, youth, women, and religious and community leaders.
FFP	<ul style="list-style-type: none"> • Provided \$10 million in Title II resources for "Children effected by HIV/AIDS." • Fed more than 33 million people using \$440.5 million of Title II emergency funds. • Provided approximately \$448 million to implementing partners for Title II non-emergency programs.
PVC	<ul style="list-style-type: none"> • Contributed to a 36% increase in the average number of borrowers from PVOs, CDOs and their local partners' micro-finance services. • In an average sized Child Survival Grant Program activity (110,000 beneficiaries), approximately 200 measles deaths were averted.
ASHA	<ul style="list-style-type: none"> • Provided education and medical services in areas where the need was overwhelming. • Grantees improved access to and the quality of educational and medical services by constructing and equipping facilities. Approximately 100,000 students are enrolled and exposed to American-based education and more than 3 million patients received American-style medical care.

OTHER DONORS: A hallmark of DCHA's programs is the degree to which they involve partners, including private voluntary organizations (PVOs), cooperative development organizations (CDOs), non-governmental organizations (NGOs), for-profit contractors, American schools and hospitals sponsoring overseas institutions, United Nations agencies, and international organizations. Efforts developed by DCHA will involve continued close coordination with the U.S. foreign affairs community, particularly the Department of State. There will be an increased number of alliances with entities such as the U.S. Institute for Peace; the Department of Defense; indigenous religious institutions dedicated to conflict prevention, mitigation, and resolution; and other non-governmental organizations.

FY 2003 PROGRAM: DCHA's funding request for FY 2003 is \$1,575.6 million. This is an increase of \$113.9 million over FY 2002's planned total. Factors affecting the increase include the addition of the Offices for Democracy and Governance and for Conflict Management and Mitigation to the Bureau, and the increased request for P.L. 480 resources to counter the absence of Section 416(b) food aid beginning in FY 2003. The request by office and account is as shown in the table below.

Office	Category	FY 2002 Planned	FY 2003 Request	Comment
DG	DA	15,700	18,779	FY 2002 and FY 2003, includes expected operating year budget transfers of \$3 million DA from LAC Bureau and \$3 million DA from AFR Bureau for Labor AFL/CIO.
CMM	DA	0	10,000	
FFP	DA	3,950	6,000	
	CSH	2,050		
PVC	DA	26,350	54,321	
	CSH	25,143		
ASHA	DA	18,000	17,000	
OFDA	International Disaster Assistance	381,500	235,500	FY 2002, includes \$146 million Supplemental for Afghanistan Emergency Response Fund.
OTI	Transition Initiatives	50,000	55,000	
FFP	P.L. 480	945,000	1,185,000	FY 2002, includes \$95 million Supplemental.
TOTAL By Category	DA	64,000	106,100	
	CSH	27,193	0	
	IDA	381,500	235,500	
	TI	50,000	55,000	
	P.L. 480	945,000	1,185,000	
TOTAL DCHA		1,467,693	1,581,600	\$6 million DA expected in operating year budget transfers for DG noted above is not included in PROGRAM SUMMARY at beginning of DCHA narrative.

Democracy, Conflict, and Humanitarian Assistance
PROGRAM SUMMARY
(in thousands of dollars)

ACCOUNTS	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Development Assistance	44,207	65,826	58,000	100,100
Child Survival & Disease Fund	26,856	31,618	0	0
Child Survival & Health Fund	0	0	27,193	0
Economic Support Funds (a)	0	15,451	0	0
International Disaster Assistance (b)	227,014	299,340	235,500	235,500
Emergency Response Fund-IDA	0	0	146,000	0
Transition Initiatives (c)	0	49,890	50,000	55,000
P.L. 480 Title II (d)	800,000	835,159	850,000	1,185,000
Emergency Response Fund-P.L.480/II	0	0	95,000	0
P.L. 480 Title III (e)	[5,500]	0	0	0
Total Program Funds	1,098,077	1,297,284	1,461,693	1,575,600

- (a) In FY 2001, includes \$2,168,000 in Economic Support Funds (ESF) carried over to FY 2002 and \$4,983,000 in ESF subsequently merged with, and shown internally for accounting purposes as, Transition Initiatives funds.
- (b) In FY 2001, International Disaster Assistance includes \$134.7 million Supplemental funding for Southern Africa floods managed by USAID's Africa field missions. In FY 2002, includes \$146 million Supplemental for Afghanistan Emergency Response Fund.
- (c) In FY 2000, \$50 Million included in International Disaster Assistance. In FY 2001, does not include \$4,983,000 ESF for Aceh, Indonesia.
- (d) In FY 2002, P.L. 480 Title II includes \$95 million Supplemental for Afghanistan Emergency Response Fund. See *Summary Tables* volume for P.L. 480 *Dollars* and *Metric Tonnage* tables.
- (e) In FY 2000, Reflects use of carry-over funding available for programming.

Roger P. Winter
Assistant Administrator
Bureau for Democracy, Conflict, and Humanitarian Assistance

Office of Democracy and Governance

THE DEVELOPMENT CHALLENGE: USAID efforts to strengthen democracy and good governance worldwide anchor a balanced foreign policy approach. USAID extends democracy assistance worldwide; 80% of USAID field missions promote democracy and good governance as one of their development objectives. Of the total funding for USAID democracy programs in FY 2001, 20% was attributed to rule of law, 6% to elections and political processes, 39% to civil society, and thirty-five percent to governance. Democratic governments are more likely to advocate and observe international laws, protect civil and human rights, avoid external conflicts, and pursue free market economies essential to international trade and prosperity. USAID investments in these four priority areas work toward:

- Improving laws and legal systems;
- Conducting fair and impartial elections and strengthening political processes;
- Developing citizen groups and civil society; and
- Improving government's ability to perform and respond to constituency needs.

THE USAID PROGRAM: In FY 2002, the Office of Democracy and Governance (DCHA/DG) will program \$15.7 million in Development Assistance (DA) funding. For FY 2003, the Administration has requested \$18.8 million for the global Democracy and Governance portfolio that includes \$6 million for operating year budget transfers as described in footnote above. DCHA/DG also manages some additional DA and Economic Support Funds (ESF) at the request of USAID field missions or U.S. embassies in countries in which USAID is not present. All FY 2002 and FY 2003 funds will further existing strategic objectives, with rule of law programs receiving 21%, elections and political processes 15%, civil society 33% and governance 31%. The Office of Democracy and Governance's own funding is directed to:

- Formulating new approaches to make democracy programs work better;
- Assessing innovative activities and promoting best practices;
- Training worldwide staff; and
- Providing direct technical support to missions.

DCHA/DG formulates new approaches to democracy programming. Beginning in FY 2002, DCHA/DG's operations research will focus on the mechanics of program design and implementation through an evaluation of political parties assistance programs, assistance to civil society organizations, and governance assistance programs. DCHA/DG assesses innovative activities and promotes best practices. Already completed research provides robust evidence that DCHA/DG's activities contributed to national political change in Bolivia, Bulgaria, and South Africa. In FY 2002, DCHA/DG will release a new handbook on qualitative indicators that provides guidance on how to best measure the achievements of USAID's democracy programs and activities. Research findings are continually incorporated into USAID's rigorous training program for newly hired USAID democracy officers and in-service training for USAID democracy officers in the field.

DCHA/DG also provides direct technical support to missions. DCHA/DG's in-house experts in rule of law, elections, governance, and civil society conduct needs assessments, design new programs, and evaluate on-going programs at the request of missions. Select DCHA/DG programs provide a comprehensive framework that contributes to the achievement of all four strategic objectives: the rule of law, elections and political processes, civil society, and governance. For example, DCHA/DG conducts overarching strategic assessments to inform USAID missions' democracy programs, and a new conflict analysis framework will be used in several field assessments in FY 2002 and FY 2003 to examine the causes of conflict and to design targeted interventions.

Recent program successes include:

- Rapid response by DCHA/DG to further the achievement of foreign policy objectives by supporting democratic breakthroughs in Nigeria and Peru.

- DCHA/DG anti-sweatshop programs provided advocacy organizations in Guatemala and Indonesia with technical assistance and training allowing them to become leading monitoring and advocacy organizations on behalf of garment workers.
- USAID support to increase the number of national chapters established by Transparency International (TI) to 82 countries to fight corruption and to publish the TI's annual Corruption Perceptions Index, considered one of the most valuable tools in the global fight against corruption.

OTHER PROGRAM ELEMENTS: DCHA/DG manages democracy and governance activities in countries in which USAID does not have a field mission. Activities in non-presence countries are typically funded with ESF and are designed in close partnership with the Department of State and USAID's non-governmental organization (NGO) partners. Activities include assistance to civil society groups that support democratic reformers and cultivate political will to establish democratic practices, and assistance to government institutions promoting democratic reform. Many non-presence countries in which USAID manages democracy activities have little experience with democratic practices; many are troubled by political instability. DCHA/DG management of the funds ensures targeted programming in difficult environments, and allows for re-programming of funds if circumstances change.

OTHER DONORS: DCHA/DG plays a leadership role in the field of democracy assistance within the U.S. Government and among other donors. DCHA/DG disseminates its best practices widely and coordinates with other donors to develop cutting edge approaches in each of the four sub-sectors. DCHA/DG works closely with other relevant U.S. Government actors, primarily in the Departments of Justice, Treasury, and State, to coordinate programs that have multiple funding sources. The Office's recently completed guide on promoting judicial independence was widely vetted within the U.S. Government, and will be featured at a Development Assistance Committee Democracy and Governance Network meeting in the near future. The highly political nature of elections often creates circumstances in which donor coordination is critical. United Nations organizations, other bilateral donors, and a myriad of international organizations and NGOs provide large-scale assistance on a selective basis.

Office of Democracy and Governance

Program Summary (in Thousands of Dollars)				
Category	FY 2000* Actual	FY 2001* Actual	FY 2002** Estimated	FY 2003** Request
DA	13,938	15,621	15,700	18,779
ESF	2,716	0	0	0
Total Program Funds	16,654	15,621	15,700	18,779

*Funding for SOs 932-001 through 932-004, Office of Democracy and Governance, for FY 2000 and FY 2001 under the Bureau for Global Programs, Field Support and Research.

**Includes expected operating year budget transfers of \$3,000,000 DA from LAC Bureau and \$3,000,000 DA from AFR Bureau for Labor AFL/CIO.

STRATEGIC OBJECTIVE SUMMARY				
932-001 Legal systems operate more effectively to support democratic governance and protect human rights				
DA	1,828	1,425	1,913	1,734
ESF	250	0	0	0
932-002 Political processes, including elections, are competitive and more effectively reflect the will of an informed citizenry				
DA	4,024	3,925	1,902	2,109
932-003 Informed citizen's groups effectively contribute to more responsive government				
DA*	6,050	8,346	8,990	12,508
ESF	2,466	0	0	0
932-004 National and local government institutions more openly and effectively perform public responsibilities				
DA	2,036	1,925	2,895	2,428

*FY 2002 and FY 2003 include expected operating year budget transfers of \$3,000,000 DA from LAC Bureau and \$3,000,000 DA from AFR Bureau for Labor AFL/CIO.

Office of Conflict Management and Mitigation

The vast cost in resources and in human suffering caused by violent conflicts requires major efforts in prevention, mitigation and management.

THE DEVELOPMENT CHALLENGE: As the terrible tragedy of September 11, 2001, and its aftermath have made clear, violent conflict in a poor, distant country such as Afghanistan can spawn international terrorism that threatens world peace and security. Although understanding the complex causes of violent conflict and formulating potential

solutions are challenging tasks, an agency such as USAID whose mandate is to provide development and humanitarian assistance must confront that challenge. Indeed, the Agency has a comparative advantage in tackling the problems of violent conflict in the developing world, given USAID's decentralized field presence and program implementation capacity. The Agency has decided to make addressing the problem of violent conflict in developing countries one of its main objectives. One of the first hurdles in doing so is to formulate a comprehensive policy and strategy for this effort, and that process is currently underway. At the same time, USAID is taking the necessary steps to develop the institutional capacity to carry out effective programs for preventing such conflicts, as well as mitigating and resolving them. Also, the magnitude and complexity of most conflict issues will require a concerted interagency process. USAID wishes to support and, as needed, stimulate a more vigorous interagency process when it is clear USAID's mandate and resources are too limited.

THE USAID PROGRAM: FY 2002 Estimate: 0

FY 2003 Request: \$10,000,000

In FY 2002, the Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA) will establish an Office of Conflict Management and Mitigation (CMM). CMM will arrange technical assistance and other field support for USAID missions with conflict management and mitigation programs; fund research and development on conflict prevention, mitigation and resolution in developing countries; and organize training on the subject for USAID staff and implementing partners. The Office will develop indefinite quantity contracts and other mechanisms for USAID mission "buy-ins" for access to technical and other services. CMM will also work on problems of violent conflict in countries without a USAID mission presence, and manage and oversee implementation directly in such non-presence countries by mounting teams for in-country assignments of varying duration. The Office will develop various contracting and other mechanisms for staffing such teams. Although the funds for such contracts may come from the development assistance account, the non-presence programs themselves may well receive their funding from economic support funds or other sources.

The types of initiatives to be addressed with FY 2003 funds include:

- development of vulnerability analyses and assessment tools for use in countries showing the potential for conflict, including developing host country capacity to assess and analyze conflict potential;
- focus on natural resources that illicitly generate finances to fuel conflict, such as diamonds, timber and logging, and gold;
- identification of measures for mitigating ethnic and religious conflict, including through media and education programs, focusing on assisting the parties to the conflict resolve their issues peacefully;
- identification of democratic means, governed by the rule of law, for deciding on the allocation of productive resources such as land and for fairly sharing the benefits of exploiting national resources such as oil;
- early identification of triggers that can spark the outbreak or escalation of violence, and development of preventive measures, such as violence around elections;

- analysis of security sector issues as they relate to conflict, including engagement of civil society in improving accountability of authorities charged with security, and monitoring the flow of illegal small arms; and
- establishment of buy-in contracts and other mechanisms for providing USAID missions with technical assistance and other field support.

USAID understands the central role of foreign assistance in conflict prevention. DCHA/CMM will be the office in USAID to cultivate coordination of policy, promote greater information sharing, increase coordination, and avoid duplication of efforts and resources for programs dealing with conflict. The FY 2003 request for DCHA/CMM is part of the broader USAID conflict prevention effort that crosses a number of bureaus and totals \$50.6 million. The breakout of FY 2003 funding for conflict by bureau is as follows: Africa, \$20 million; Asia and the Near East, \$13.2 million; Latin America and the Caribbean, \$7 million; Democracy, Conflict, and Humanitarian Assistance, \$10 million; and Policy and Program Coordination, \$0.4 million.

OTHER PROGRAM ELEMENTS: CMM's main mission will be to improve USAID's ability to respond to crisis both in USAID presence and non-presence countries to prevent the escalation of violent conflict and the consequent need for humanitarian assistance. Examples of concerns the Office will address, which experience over the past decade has shown to be key impediments to sustainable peace and stability, are:

- Effective legal authority and citizen security that are virtually always nonexistent following conflict and that require peacekeeping intervention. An independent judiciary, an efficient police force responsive to the community it serves, properly demobilized and disarmed former combatants, and a military under civilian authority are all key components of providing needed order and security;
- The difficulty of recognizing potential for conflict and ensuring the requisite host country cooperation sufficiently in advance. There is a need to concentrate on preventing and mitigating conflicts rather than simply reacting to them;
- The inadequacy of democratic institutions and processes, which leads to flawed elections and abuses of power; and
- The necessity of performing long-range strategic planning, which USAID's mandate includes. Today's conflicts by nature have root causes that require integrating short-, medium-, and long-term plans and interventions. Much innovative and exploratory effort is needed to develop more cost-effective approaches to conflict management.

OTHER DONORS: Efforts developed and implemented by DCHA/CMM will involve continued close coordination with the U.S. foreign affairs community, particularly the Department of State, and an increased number of alliances with entities such as the U.S. Institute for Peace, the Department of Defense, indigenous religious institutions dedicated to conflict prevention and resolution, and other non-governmental organizations.

Office of Conflict Management and Mitigation

Program Summary (In Thousands of Dollars)				
Category	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
DA	0	0	0	10,000
Total Program Funds	0	0	0	10,000

STRATEGIC OBJECTIVE SUMMARY				
999-xxx Conflict Prevention, Resolution, and Mitigation				
DA	0	0	0	10,000

The Office of Food for Peace

THE DEVELOPMENT CHALLENGE: The Office of Food for Peace (FFP) manages the \$1.2 billion P.L. 480 Title II food aid program (appropriated to USDA) that is implemented through U.S. private voluntary organizations (PVOs) and cooperative development organizations (CDOs) as well as through the United Nation's World Food Program (WFP). The planning, management and implementation of food aid programs are all complex undertakings. It is, therefore, necessary to increase the capacity of these cooperating sponsors (CSs) so that they can successfully accomplish these roles. Institutional strengthening assistance (ISA) grants have been instrumental in building the capacity of CS headquarters staff to design and manage food assistance activities.

THE USAID PROGRAM:

FY 2002 Estimate: \$6 million

FY 2003 Request: \$6 million

Substantial portions of Title II development food aid programs tap into CSs' capacity to implement effective agricultural, nutrition, and child survival activities, including HIV/AIDS. FFP also provides institutional strengthening assistance to Title II CSs to improve their capacity to plan, implement, and evaluate food aid programs that increase food security for vulnerable groups. A few examples of activities for which ISA grants have led to improvements include:

- Design of technically-sound food aid activities;
- Transfer of technical and management skills and expertise to country program staff; and
- Definition of impact indicators and establishment of impact monitoring and evaluation systems.

In FY 2002, it is planned to continue these types of activities. The FY 2003 funding request for ISA grants will continue at \$6 million. FFP anticipates the continuation of the same types of initiatives previously funded with ISA grants.

OTHER PROGRAM ELEMENTS: The proposed FY 2003 budget for the development and emergency food aid programs funded by P.L. 480 Title II is \$1.185 billion. This represents a \$335 million increase over the FY 2002 base appropriation of \$850 million. The increased funding is needed to enhance Title II's ability to respond to worldwide emergency food aid requirements, as well as the loss of reimbursements from the Department of Transportation for the cost of U.S. flag cargo preference.

OTHER DONORS: Given the emergency of local capacity building as a theme for cooperation among Title II CS organizations, PVO working groups are identifying areas for collaboration and list of best practices. These efforts by the PVO community contribute positively to the ISA program.

The Office of Food for Peace

Program Summary (in Thousands of Dollars)				
Category	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
DA	2,159	3,703	3,950	6,000
CSD	2,941	2,297		
CSH			2,050	
Total Program Funds*	5,100	6,000	6,000	6,000

*Supports P.L. 480 Title II Food for Peace Program. (See separate chapter.)

STRATEGIC OBJECTIVE SUMMARY				
962-001 Critical food needs of targeted groups met				
DA	1,080	1,852	1,975	3,001
CSD	1,471	1,150	0	0
CSH	0	0	1,025	0
962-002 Increased effectiveness of FFP's partners in carrying out Title II development activities				
DA	1,079	1,851	1,975	2,999
CSD	1,470	1,147	0	0
CSH	0	0	1,025	0

Office of Private and Voluntary Cooperation

THE DEVELOPMENT CHALLENGE: Historically, Congress and USAID have recognized the potential of U.S. private voluntary organizations (PVOs), including cooperative development organizations (CDOs), to contribute human, technical and financial resources to the resolution of development problems overseas. The Office of Private and Voluntary Cooperation (PVC) supports activities that strengthen the capabilities of PVOs, CDOs and their local partners to focus resources on developmental priorities at the local, regional or national levels as appropriate. The office allocates funds to individual PVOs and CDOs through competitive grants that include cost-sharing requirements to leverage additional private resources for development activities. PVC's competitive grants programs include Matching Grants, Child Survival, Cooperative Development, Development Education, and Ocean Freight Reimbursement. These programs contribute to strengthening the organizational and technical capacity of USAID's partners. They also help PVOs establish ties with the private sector to diversify their financial resource base. In addition, PVC support enables PVOs to build the capacity of local non-governmental organizations (NGOs), governments and community-based organizations or cooperatives and to increase the number of beneficiaries and the sustainability of their programs. A key dimension of PVC's programs is the provision of cross-cutting support for USAID's three pillars. Accordingly, most of PVC's partners work in two or more sectors.

The challenges PVC expects to address in supporting the enhanced developmental roles of PVOs, CDOs and their local partners include:

- Designing new approaches to working with the range of PVOs and CDOs (e.g., organizations relatively new to development to those with established expertise seeking to work in additional sectors or countries) interested in overseas development;
- Expanding the ability of U.S. PVOs to strengthen the capacity of local NGOs;
- Encouraging PVOs, CDOs and local NGOs to adopt best practices and scale-up effective programs;
- Increasing program initiatives by PVOs, CDOs and local NGOs in the developmental priorities of USAID, including agriculture, HIV/AIDS and conflict prevention and mitigation;
- Ensuring the sustainability of PVO and CDO development programs by promoting cost recovery and containment approaches by the PVOs and CDOs and private sector investments in PVO and CDO programs; and
- Promoting local environments that encourage private and voluntary participation in development, building partnerships and networks among PVOs and NGOs to enhance the effectiveness of their programs, and facilitating alliances among PVOs and the private sectors in the United States and overseas.

THE USAID PROGRAM:

FY 2002 Estimate: \$51.5 million FY 2003 Request: \$54.3 million

PVC plans to:

- Improve the effectiveness and sustainability of local NGOs and local networks that deliver services in countries in which USAID operates. These organizations, in partnership with U.S. PVOs are expected to bring effective programs to scale and test new and innovative program approaches that address USAID priority development issues.
- Ensure enhanced participation by U.S. PVOs in U.S. development efforts. PVC provides technical and other types of assistance as appropriate to U.S. PVOs to strengthen their program implementation skills and ability to sustain programs.
- Increase the ability of U.S. PVOs to address conflict resolution and mitigation issues in development programs and to strengthen victims of torture centers throughout the world.

- Promote networks and increased communication among U.S. PVOs and alliances between U.S. PVOs and the U.S. private sector.

PVC plans to use approximately \$17.7 million in FY 2002 to fund 160 continuing cooperative agreements under its Matching Grants, Child Survival Grants and Cooperative Development programs. PVC also plans to use \$18.5 million in FY 2002 to initiate new competitive agreements under its Matching Grants, Child Survival Grants, Victims of Torture, Ocean Freight Reimbursement and Development Education. Approximately \$4.2 million of FY 2002 funds will be used to support PVC's management of its grant programs and other office responsibilities. Continuing and new programs will emphasize activities designed to improve the health and welfare of women and children, services to victims of torture, food access and availability, agriculture and the environment, micro-enterprise and finance and community development. These grants will expand the technical, operational and financial capacity of the U.S. recipients and their local partners.

PVC will use FY 2003 funds requested for this objective to fund only the continuing cooperative agreements and activities mentioned above. PVC plans to initiate a new strategic objective in FY 2003 to fund new cooperative agreements to be notified to Congress at a later date.

OTHER PROGRAM ELEMENTS: In 1998, PVC initiated its "Millennium Alliance for Social Investment Program." The goal of the Alliance is to increase private investments in the development programs of PVOs, CDOs and their local partners. To date, the Alliance has brokered partnerships valued at approximately \$17.5 million at an approximate cost to USAID of \$1.0 million.

OTHER DONORS: The United States is a leader among donors in support to PVOs, CDOs and NGOs. Other donors supporting voluntary organizations include the multilateral development banks, multilateral agencies (such as the United Nations Development Program), the European Community and other bilateral donors. PVC coordinates with the NGO Liaison Units of the multilateral development banks and has worked closely with Japan on expanding the role of voluntary associations in that country's development program. PVC serves as the Secretariat of the USAID Administrator's Advisory Committee on Voluntary Foreign Aid and works to ensure a positive working relationship between USAID and U.S. PVOs and CDOs across the full range of development issues. PVC also promotes expanded relationships between PVOs and CDOs and private sources of development funding in the United States.

Office of Private and Voluntary Cooperation

Program Summary (in Thousands of Dollars)				
Category	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
DA	27,048	28,123	26,350	54,321
CSD	23,915	27,435		
CSH			25,143	
Total Program Funds	50,963	55,558	51,493	54,321

STRATEGIC OBJECTIVE SUMMARY				
963-001/960-001 Increased capability of PVC's partners to achieve sustainable service delivery/Program Development and Support				
DA	27,048	28,123	26,350	54,321
CSD	23,915	27,435	0	0
CSH	0	0	25,143	0

American Schools and Hospitals Abroad

At the opening ceremony of the American University in Cairo's new Falaki Academic Center that was funded by ASHA, the Governor of Cairo said "We cherish having AUC in Cairo because of its contribution to human development in Egypt." He described the new Center as "a masterpiece in educational building architecture."

THE DEVELOPMENT CHALLENGE: The challenge of the American Schools and Hospitals Abroad (ASHA) program is to increase the ability of overseas schools, libraries and hospital centers to demonstrate U.S. advancements in educational and medical technology. These institutions contribute to the strengthening of bridges and mutual understanding between the people of the United States and those of other

countries. They also serve as overseas centers fostering a favorable image of the United States. They create a foundation for nurturing and developing leadership in a wide variety of disciplines while providing understanding of U.S. economic, scientific, political and social institutions, philosophy and practices.

THE USAID PROGRAM:

FY 2002 Estimate: \$18,000,000

FY 2003 Request: \$17,000,000

For the FY 2002 competitive grant award cycle, 47 U.S. organizations sponsoring 52 overseas institutions in 26 countries applied for grant assistance. Six of these overseas institutions are in Africa, 19 in Asia, three in Eastern Europe, five in Europe, seven in Latin America and the Caribbean, and 12 are in the Near East. Of the 52 overseas institutions, seven are high schools, 18 are hospital and medical centers, 26 are universities, and one is a library.

The principal objective of these grants is to demonstrate U.S. advances in educational and medical technology and practices, in areas of research, training, and patient care. ASHA grants strengthen the capacity of the assisted institutions to:

- build a technology base for integrated research and care in critical areas of medical science;
- train independent thinkers with problem-solving abilities;
- provide the benefit of a U.S. style education within developing countries;
- create a more efficient basis for communication and transfer of information; and
- increase understanding between the people of the United States and those of other countries.

Activities of these institutions project a positive image of the United States, while at the same time contributing to the goal of reducing poverty and combating terrorism by expanding access to American ideas, values and practices. The activities of these grant applicants also directly contribute to USAID's objectives in the education, health care, democracy and conflict management sectors.

Since its creation in 1957, ASHA has assisted 194 institutions in 61 countries worldwide. Annually, approximately 100,000 students are enrolled and exposed to American-based education and more than 3 million patients receive American-style medical care.

OTHER PROGRAM ELEMENTS: ASHA grants help a wide variety of institutions, including secondary schools which provide academic and vocational training; undergraduate institutions with programs in the liberal arts, business, medicine, nursing, agriculture and the sciences;

graduate institutions which provide specialized training in health, law, the physical sciences and international studies; and hospital centers which offer modern health care, medical education and research. Many of the ASHA assisted institutions are providing virtually the only modern health services and medical training programs in the areas they serve. Educational institutions are providing secondary vocational training and programs in higher education to meet pressing needs for skilled manpower. ASHA funds are used for the procurement of scientific and educational commodities and for construction and renovation.

OTHER DONORS: ASHA grants supplement predominantly private and other contributions, which these institutions receive from both local and United States sources.

American Schools and Hospitals Abroad

Program Summary (in Thousands of Dollars)				
Category	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
DA	15,000	17,000	18,000	17,000
Total Program Funds	15,000	17,000	18,000	17,000

STRATEGIC OBJECTIVE SUMMARY				
964-001 U.S. educational and medical technologies and practices demonstrated in selected countries				
DA	15,000	17,000	18,000	17,000

International Disaster Assistance

Program Summary (In Thousands of Dollars)				
Category	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
International Disaster Assistance	152,014	164,637	235,500	235,500
Transition Initiatives*	50,000			
Supplemental**	25,000	134,703	0	0
Emergency Response Fund	0	0	148,000	0
Total Program Funds	227,014	299,340	381,500	235,500

*TI funded under separate account in FY 2001 and FY 2002, and requested separately for FY 2003.

**Supplemental for FY 2001 was for Southern Africa floods. Supplemental for FY 2002 is for Afghanistan Emergency Response Fund.

THE DEVELOPMENT CHALLENGE: The magnitude and unpredictable nature of most disaster events requires that the Office of U.S. Foreign Disaster Assistance (OFDA) respond rapidly while remaining flexible and creative in its approaches to relief and mitigation. OFDA's Disaster Assistance program objectives are to:

- (1) meet the critical needs of targeted, vulnerable groups in emergency situations;
- (2) increase adoption of mitigation measures in countries at risk of natural disasters; and
- (3) enhance follow-on development prospects in priority, post-conflict countries.

To accomplish these objectives, OFDA has a well-established management structure and disaster relief experts who can draw on public and private sector resources to respond within 24 - 72 hours after a disaster occurs. OFDA deploys assessment teams to identify needs and provides disaster assistance response teams (DARTs) to coordinate appropriate emergency responses and facilitate information flows. OFDA also provides search and rescue teams, medical assistance, health interventions, shelter, and water purification units. More specifically, OFDA's programs:

- Support the capability to provide timely emergency response to disasters worldwide;
- Support capacities to prepare for and mitigate vulnerability in disaster situations;
- Provide emergency commodities and services for immediate health care and nutrition;
- Support the training of local health care staff in basic hygiene, nutrition and surveillance;
- Support the provision of potable water and appropriate sanitation facilities to reduce the probability of disease outbreak;
- Support the provision of basic shelter and cooking tool needs of targeted vulnerable groups with plastic sheeting, tents, blankets and household kits;
- Support the emergency food needs of vulnerable populations with the purchase, transportation, and distribution of high-energy blended foods; and
- Support critical agricultural needs with the provision of seeds, tools, and a seed multiplication and distribution system.

THE USAID PROGRAM: Under the authority of the Foreign Assistance Act of 1961, as amended, the President has designated the USAID Administrator as the Special Coordinator for International Disaster Assistance. The disaster assistance program is implemented through the Office of Foreign Disaster Assistance. The International Disaster Assistance funds obligated and implemented through OFDA play an important part in U.S. foreign policy by providing humanitarian assistance to victims of crisis and disaster. Prevention, preparedness, emergency response, economic recovery and rehabilitation are all part of a comprehensive response to reduce developing country vulnerability to emergencies. Selected details of major OFDA responses for FY 2001 follow.

- Afghanistan Complex Emergency:** Prior to September 2001, two decades of war in Afghanistan, including a decade-long Soviet occupation and ensuing civil strife, left Afghanistan impoverished and mired in an extended humanitarian crisis. Government infrastructure, including the ability to deliver the most basic health, education, and other social services, collapsed. Significant local and national resources were directed to the war effort. Severe restrictions by the Taliban, which controlled as much as 90 percent of the country, including a restriction on women working outside the home, added to the impact of poverty, particularly on the many households lacking able-bodied adult men. Humanitarian prospects worsened sharply in Afghanistan in September 2001 due to developments both inside and outside the country. Fears of an United States reprisal to the attacks of September 11 triggered a population exodus from major Afghan cities, both towards other points in Afghanistan and towards the country's borders. The beginning of U.S. air strikes on October 7 caused additional movement. International staff of all relief agencies withdrew after September 11, complicating the delivery of humanitarian assistance. Despite these developments, OFDA provided \$12,648,522 in assistance during FY 2001.
- Democratic Republic of the Congo (DRC) Complex Emergency:** In FY 2001, violence and insecurity continued to destabilize the DRC, limiting humanitarian access to vulnerable populations. Despite the new DRC President's commitment to foster peace and support the Lusaka Peace Accords, fighting intensified in the eastern part of the country throughout FY 2001. International humanitarian agencies only had access to approximately 60% of the displaced people as a result of the continued insecurity in some areas, deteriorated physical infrastructure, and logistical constraints. In FY 2001, OFDA's humanitarian assistance for the DRC totaled more than \$21.8 million, with funding focused primarily on health services and food security programs. In addition, OFDA supported emergency market infrastructure rehabilitation and agricultural programs for war-affected, vulnerable, and internally displaced persons.
- Sudan Complex Emergency:** Sudan's 18-year civil war between the Government of Sudan (GOS) military and militia forces and mostly southern Sudanese rebel groups, including the Southern People's Liberation Army/Movement, continued on numerous fronts along the traditional North-South divide and transitional zones (i.e., the Nuba Mountains, Southern Blue Nile). Populations in these areas were adversely affected by forced displacements due to the continued fighting, raiding, and GOS aerial bombings. In FY 2001, more than 900,000 people were affected by drought conditions in GOS-controlled areas of the country. The World Food Program (WFP) estimated that more than 158,000 people are in need of emergency food assistance in the Nuba Mountains area that is an isolated transitional zone heavily affected by war. In May 2001, President Bush named USAID Administrator Andrew S. Natsios as Special Humanitarian Coordinator for Sudan. In September 2001, President Bush appointed former Senator John Danforth to be his Special Envoy for Peace to Sudan. OFDA's humanitarian assistance for Sudan totaled more than \$27.2 million in FY 2001. Funding focused primarily on health care and food security projects targeting children, war-affected, drought-affected, and internally displaced persons in geographic areas of critical need.
- El Salvador Earthquakes:** In FY 2001, El Salvador suffered the devastation of two major earthquakes. According to the El Salvadoran National Emergency Committee as a result of both earthquakes, 1,159 people died and 1,582,428 people were affected, nearly a quarter of the country's population. OFDA responded to the twin earthquake disasters with \$14,329,607 of emergency assistance, focused primarily on meeting the needs of those left homeless through the provision of temporary shelter. OFDA also funded emergency assistance in search and rescue, and the local purchase or airlift of commodities to meet pressing needs in the areas of health, water and sanitation, and household necessities such as blankets and mattresses.
- India Earthquake:** According to the Government of India (GOI), the earthquake of January 26, 2001 in western India resulted in the death of more than 20,000 people, the injury of another 20,700 people, and the temporarily displacement of approximately 600,000 people. OFDA,

after completing a humanitarian needs assessment, provided more than \$7.4 million. This assistance included three airlifts of relief supplies distributed to the most affected populations by CARE, Catholic Relief Services (CRS) and the GOI. In addition, OFDA provided \$878,657 in technical equipment to assist with debris removal; \$100,000 to the Prime Minister's National Disaster Relief Fund; \$25,657 for OFDA DART support costs; and more than \$4.8 million to U.S. private voluntary organizations (PVOs) for interventions in the shelter, water, sanitation, health and nutrition, emergency food, and coordination sectors.

In FY 2002, OFDA plans to program \$235,500,000 and part of the \$146,000,000 Supplemental to address the challenges of projected increases in frequency and severity of natural and human-caused emergencies. National and international climatologists have forecast that more severe climate events entailing droughts, fires and famine in some parts of the world and hurricanes, cyclones, heavy rains and flooding in others will occur more frequently and severely. Scientists also predict more devastating earthquakes and severe volcanic eruptions. OFDA will strengthen the disaster response, mitigation and preparedness capacities of targeted at-risk countries worldwide. OFDA will also continue to use innovative approaches to strengthen its own capabilities to respond to disasters effectively and efficiently. OFDA will continue to incorporate risk-reduction measures in disaster response programs.

OFDA will strengthen internal capacity by upgrading training for Washington and field staff on new methodologies, systems and tools. OFDA will strengthen the Washington-based response management team (RMT) through improved training of staff. The RMT is a multi-disciplinary team of professionals, brought together to respond to disasters and support DARTs in the field. At the same time, OFDA will continue to collaborate with USAID missions, and draw on the resources and expertise of other U.S. Government entities through participating agency services agreements, and resource sharing and service agreements to respond to disasters. OFDA will strengthen its collaboration with numerous regional and multinational organizations, including the World Bank, the Caribbean Development Bank and the Organization of American States. OFDA will improve the technical capability of its internal technical assistance group (TAG), created in the mid-1990s, to provide innovative approaches to emergency response programming in the face of evolving challenges through specialized technical advice. The TAG team is composed of specialists who provide scientific and technical expertise to long-term planning and disaster preparedness.

The Administration requests for FY 2003 \$235,500,000 in International Disaster Assistance for relief, rehabilitation and reconstruction activities by OFDA. The resources will be used to broaden response capability of RMTs and DARTs and to strengthen the Response Alternatives for Technical Services program, established in FY 2000 to enhance OFDA's "surge capacity" by ensuring that additional professional expertise is available, if needed, for immediate field deployment or emergency Washington support. In addition, OFDA plans to apply to maintain staff in its regional offices in Latin America (San Jose, Costa Rica), Africa (Nairobi, Kenya), and Asia (Manila, Philippines) in order to continue with improved monitoring of potential crises, and the capability to provide regionally managed disaster response.

Through innovative team building, staffing and training, OFDA will hone the professional skills of its staff and partners to make available specialized disaster response capability. OFDA also intends to work to reduce the time it takes to mobilize staff and resources in response to natural and complex crises. Increasingly, OFDA incorporates preventive, risk reduction and livelihood protection measures in disaster response activities. This reduces risk, and in some cases, lessens the vulnerability of populations to disaster events.

In FY 2001, OFDA responded to 79 declared disasters in 56 countries, including 54 natural disasters, 16 complex emergencies, and nine human-caused emergencies.

Of declared disasters, natural disasters adversely affected approximately 173 million people, their livestock and livelihoods, and killed more than 24,000 people. The total number of natural disasters in 2001 was

approximately 700, with economic losses estimated at \$36 billion. Storms and floods account for two-thirds of all losses. Civilians continue to suffer the horrifying consequences of conflict and natural disasters. During FY 2001, millions of people have been forced to flee their homes and communities, and have lost access to health care, clean water, food, and other basic essentials for survival. These people look to the international humanitarian community for life-saving and life-sustaining support.

Droughts and floods made up the largest number of natural disasters in FY 2001, impacting nearly one of every two countries in which OFDA responded to a disaster declaration, and accounting for 85% of the total number of people affected by declared natural disasters of all types. Droughts in Central Asia, the Indian subcontinent, Africa and Central America led to significant crop failures, livestock losses and potable water shortages which increased the vulnerability of more than 130 million people. Flooding in Africa, Asia, Eastern Europe and Latin America damaged or destroyed the houses, electric and water systems, roadways, bridges, croplands, and fish farms of more than 14 million people.

Effective humanitarian assistance requires that USAID relief, mitigation, transition and development programs support each other.

OTHER PROGRAM ELEMENTS: USAID/OFDA is not the only office within the U.S. Government that provides humanitarian aid to foreign countries. All of the contributors to humanitarian relief work in unison to provide timely, coordinated, and effective programs

where they are needed most. USAID's Office of Food for Peace is responsible for administering P.L. 480 Title II emergency food aid targeted to vulnerable populations suffering from food insecurity as a result of natural disasters, civil conflict, or other crises. USAID's Office of Transition Initiatives is responsible for providing assistance to countries that are in a stage of transition from crisis to recovery. Equally as important is the collaboration with other parts of USAID, such as the regional bureaus and field missions, that provide foreign development aid. Development aid often complements humanitarian relief programs or can be regarded as disaster recovery assistance. Countries that have achieved sustainable development are less likely to require massive U.S. Government humanitarian assistance. Three of the biggest providers of U.S. Government humanitarian assistance are the U.S. Department of Agriculture, the U.S. Department of State's Bureau for Population, Refugees and Migration and the U.S. Department of Defense's Office for Peacekeeping and Humanitarian Affairs.

OTHER DONORS: OFDA collaborates closely within USAID and with other donors in the international relief community. This is particularly important both to coordinate programs and to share the burden of relief costs. For example, 15 donors, not including the U.S. Government, have pledged over \$23 million of assistance for the recent Goma volcano disaster. U.S. PVOs are essential partners who play a fundamental role in raising resources, providing humanitarian assistance, and implementing relief programs. OFDA's partnerships with U.S. PVOs and nongovernmental organizations include support for mechanisms to facilitate the exchange of information among international partners and to prevent duplication of effort.

Transition Initiatives

Program Summary (in Thousands of Dollars)				
Category	FY 2000* Actual	FY 2001** Actual	FY 2002 Estimated	FY 2003 Request
Transition Initiatives	[50,000]	49,890	50,000	55,000
Total Program Funds	[50,000]	49,890	50,000	55,000

*Funded through the International Disaster Assistance Account

**Does not include \$4,983,000 in ESF transferred to the TI account

THE DEVELOPMENT CHALLENGE: Central to any discussion of international development are the needs of societies that are emerging from or sliding into conflict, or are in the throws of complex emergencies. Whether eruptions of violence are religious, ethnic, economic, territorial, or political in origin, the failure of state institutions to manage internal struggles over political power and economic resources has an incalculable human and capital cost. Decades are sometimes needed to rebuild and restore development progress.

As the number of crises worldwide continues to mount, USAID and other donor organizations must be able to move quickly and effectively to meet the transition challenges they face. In such environments, the line between "pre" and "post" conflict has become increasingly blurred as countries find themselves trapped in cycles of violence where the root causes are never fully addressed. These conflicts result in high levels of citizen insecurity, stalled democratic development, displacement of people, interruption of economic and agricultural cycles, and in many cases, heightened regional tensions. There is an increased demand to help countries in transition and crisis promote national reconciliation, build open democratic and participatory processes, and broaden access to economic, political, and natural resources.

The Office of Transition Initiatives (OTI) was created originally to address those situations where the nature of governance shifted from authoritarian rule to more open societies. In recent years "transition" has become a more porous concept. OTI defines transition as including countries moving from war to peace, making the turn from civil conflict to national reconciliation, or where political strife has not yet erupted into violence and the possibility exists to prevent or mitigate conflict and broaden democratic participation.

Working closely with local, national, international, and non-governmental partners, OTI carries out short-term, high-impact projects that increase momentum for peace, reconciliation, and reconstruction. There are no formulaic responses; rather, strategies are tailored to meet the unique needs of each transition situation and changing conditions are quickly reflected in new or modified strategies. Because OTI possesses special programming flexibility, it can put staff on the ground swiftly to identify and act on what are often fleeting opportunities for systemic change.

THE USAID PROGRAM:

FY 2002 Estimate: \$50,000,000 FY 2003 Request: \$55,000,000

OTI's strategic objective is to advance successfully political transitions in priority, conflict-prone countries. OTI's three intermediate results are: enhance citizen security; initiate, re-establish, or expand democratic political processes; and improve targeting of OTI interventions. FY 2002 funds will be used to implement OTI programs in Afghanistan, Burundi, Congo (DRC), East Timor, Indonesia, Kosovo, Republic of Macedonia, Nigeria, Peru, Serbia and Montenegro, Sierra Leone, and Zimbabwe. Of these, OTI programs in Indonesia, Kosovo, Nigeria, Peru, and Sierra Leone will be concluded in FY 2002. Zimbabwe will be concluded in early FY 2003. FY 2002 funds will be used also to carry out new programs in response to critical junctures and windows of opportunity.

FY 2003 Program: OTI will use \$14 million of the FY 2003 request to fund programs in Afghanistan, Burundi, Congo (DRC), Republic of Macedonia, Serbia and Montenegro, and Zimbabwe. OTI will use \$41 million to fund new country programs and for program support.

OTHER PROGRAM ELEMENTS: See tables directly following this narrative.

OTHER DONORS: OTI coordinates closely with other donors in all the countries in which it operates. These include:

Country Program	Other Donors
Afghanistan	European Union
Indonesia	Canadian International Development Agency, British Council (funded by Danish International Fund for Development)
Kosovo	United Nations, World Bank, Department for International Development, Organization for Security and Cooperation in Europe
Macedonia, Republic of	United Nations, European Union, Organization for Security and Cooperation in Europe
Nigeria	Danish International Fund for Development
Peru	Canadian International Development Agency, European Union, World Bank, Inter-American Development Bank, GTZ (Germany)
Serbia and Montenegro	World Bank, Swedish International Development Agency, United Nations
Sierra Leone	Department for International Development (DFID), United Nations, Westminster Foundation, GTZ (Germany), Canadian International Development Agency
Zimbabwe	Other European Countries

OFFICE OF TRANSITION INITIATIVES

Country	Description	Dates	FY 2000	FY 2001	FY 2002	FY 2003
			Obligations	Obligations	Estimates	Request
EUROPE						
Albania	Strengthen local governments by helping meet community needs for infrastructure and basic services	Start: June 1999 Exit: December 2000	934,431	0	0	0
Bosnia	Promote reform efforts by supporting independent media and local NGOs	Start: February 1996 Exit: May 2000	1,059,000	0	0	0
Croatia	Help people participate in elections and decision-making, give them access to more objective news and information, and help the government become more transparent and accountable	Start: July 1997 Exit: March 2000	1,656,000	0	0	0
Kosovo	Promote local democratic leadership by organizing community improvement councils, meeting their priority needs and promoting development of an independent media and strong civil society	Start: July 1997 Exit: September 2002	7,789,145	6,573,504	320,000	0
Macedonia	Mitigate conflict through the development of more participatory inclusive institutions, both formal and informal.	Start: September 2001 Exit: October 2003	0	918,464	7,000,000	2,000,000
Serbia and Montenegro	Support democratic elements in society, including opposition municipalities, independent media and NGOs	Start: July 1997 Exit: November 2002	4,404,882	10,146,125	10,000,000	1,000,000
AFRICA						
Burundi	Support for the Arusha Peace Process and the re-integration of displaced persons.	Start: March 2002 Exit: TBD	0	0	2,000,000	3,500,000
Congo (DRC)	Advance the peace process by supporting dialogues on national reconciliation and helping to implement the Lusaka Accord	Start: November 1997 Exit: January 2001 Re-start: March 2002 Exit: TBD	2,750,000	148,254	2,500,000	1,000,000
Nigeria	Support transition to democratic government by training officials, promoting civilian oversight of the military, supporting conflict resolution and mediation effort, jump-starting economic reform and strengthening the media	Start: May 1999 Exit: January 2002	8,904,869	5,495,796	115,000	0
Sierra Leone	Support implementation of the Lome Accords by encouraging demobilization of troops, reintegration of war-torn communities and respect for human rights	Start: January 1997 Exit: February 2002	3,034,938	3,666,589	1,325,580	0
Zimbabwe	Promote constitutional reform, independent media, and reconciliation and mediation in conflict areas	Start: January 2000 Exit: October 2002	2,423,444	5,556,234	1,500,000	500,000

Country	Description	Dates	FY 2000	FY 2001	FY 2002	2003
			Obligations	Estimated	Request	Request
ASIA & THE NEAR EAST						
Afghanistan	In the initial phase, support the development of relevant and timely information on humanitarian assistance for the Afghan population, particularly IDPs and other vulnerable groups.	Start: October 2001 Exit: TBD	0	0	6,000,000	6,000,000
East Timor	Facilitate emergence of democracy by providing start-up funding for local NGOs and media outlets and supporting community-led reconstruction projects	Start: June 1999 Exit: September 2002	1,488,949	1,500,000	0	0
Indonesia	Support transition to democracy through voter education and registration, helping local NGOs mobilize political participation, teaching media how to cover political issues and helping civilians regain oversight of the military	Start: August 1998 Exit: September 2002	8,768,729	4,963,354	3,000,000	0
Lebanon	Help combat corruption by increasing public awareness, changing attitudes, strengthening investigative journalism, and helping local governments become more transparent and accountable	Start: September 1999 Exit: March 2001	731,376	1,033,270	0	0
Philippines	Strengthen the peace in Mindanao by integrating MNLF ex-combatants and their families into local communities and encouraging the Philippine Government's investment in neglected, Muslim areas	Start: September 1997 Exit: March 2001	1,533,151	0	0	0
LATIN AMERICA						
Colombia	Advance the peace process by providing resources to neglected communities in conflict areas and facilitating negotiations between the government and FARC	Start: January 1999 Exit: September 2001	980,367	1,135,668	0	0
El Salvador	To support earthquake relief to the people of El Salvador.	Start: 2001 Exit: September 2001	0	2,000,000	0	0
Honduras	Support relief and reconstruction efforts by implementing an innovative emergency housing project, repairing rural infrastructure in strategic areas, and initiating an anti-corruption effort	Start: May 1999 Exit: February 2000	126,769	0	0	0
Peru	Promote de-centralization, strengthen congressional reform and improve civilian control over the military	Start: January 2001 Exit: January 2003	0	3,314,190	7,000,000	0
New Countries				0	10,508,563	37,000,000
World Wide	Program Support		2,564,499	2,005,942	4,000,000	4,000,000
World Wide	Technical Assistance		22,785	0	0	0
TOTAL - INTERNATIONAL DISASTER ASSISTANCE (IDA) FUNDS			49,173,334	3,524,560	269,143	0
TOTAL - TRANSITION INITIATIVES (TI) FUNDS eff. 10/01/01			0	44,932,830	55,000,000	55,000,000
FY 2000 - Total does not include \$250,000 ESF Sierra Leone, \$44,789, DA carryover for Indonesia or activities from other fund accounts managed by OTI that totaled \$11,776,128 (\$10,950,000 ESF for East Timor and \$781,339 SEED for Kosovo).						
FY 2001 - Total does not include \$4,983,000 (TI) funds for Aceh, and for activities from other accounts managed by OTI that totaled to \$15,420,048 (\$600,000 SEED, \$950,000 DFA and \$576,000 ESF, for Sierra Leone, \$8,300,048 ESF for East Timor, \$2,500,000 ESF for ANE, Indonesia, and \$2,500,000 ESF managed for the Mission (LAC) obligated at the mission for Child Soldiers in Colombia).						
FY 2002- Estimate is based on NOA \$50 million(TI), \$5 million carryover (TI), and \$0.2 million carryover IDA funds, which will be reviewed later in the year.						
FY 2003 - Allocation by country is notional at this time and could change based on resource availabilities and future priorities.						

FOOD FOR PEACE

Program Summary (in Thousands of Dollars)*				
Category	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
P.L. 480 Title II	800,000	835,159	850,000	1,185,000
Emergency Response Fund	0	0	95,000	0
P.L. 480 Title III**	[5,500]	0	0	0
Total Program Funds	800,000	835,159	945,000	1,185,000

*See *Summary Tables* volume for P.L. 480 Dollars and Metric Tonnage tables.

**Reflects use of carry over funding available for programming.

THE DEVELOPMENT CHALLENGE: U.S. support for overseas food aid was formalized in the Agricultural Trade Development and Assistance Act of 1954, also known as P.L. 480. The basic legislation, which has been modified many times, establishes the U.S. policy of using our abundant agricultural resources and food processing capabilities to enhance food security in the developing world through the provision of culturally acceptable nutritious food commodities. On a global level, more than 815 million people today are chronically undernourished. For the United States, reducing the number of chronically undernourished and underweight people throughout the world is both a humanitarian concern and strategic goal. Food resources are given to help those in need in an effort to eliminate the food insecurity that fuels political instability and environmental degradation. P.L. 480 Title II is a people-to-people program, from the people of the United States to people who do not have access to sufficient food to meet their needs for a healthy and productive life.

THE USAID PROGRAM:

TITLE II EMERGENCY AND DEVELOPMENT FOOD AID ASSISTANCE. During 2001, the Administration completed an interagency management review of all U.S. foreign food assistance programs in order to improve feeding effectiveness, reform administration and reduce duplication, and ensure more reliable food aid by reducing the year-to-year reliance on surplus commodities. Three of the key conclusions of the review are the following:

- The Administration confirms its dedication to continue United States leadership in supplying food aid to vulnerable people worldwide and reaffirms that this assistance serves to accomplish our foreign policy objectives.
- The Administration will reduce the overall number of food assistance programs and redefine agency roles to eliminate inefficient overlap. Therefore, the U.S. Department of Agriculture will carry out government-to-government programs, and USAID is responsible for all programs carried out in cooperation with private voluntary organizations, cooperatives, and the World Food Program.
- The Administration plans on reducing the proportion of food aid that is monetized, or sold on private markets, with the proceeds used by private voluntary organizations to fund development activities over time in order to target humanitarian needs and to avoid commercial disruption.

The results of the Administration's review are reflected in USAID's FY 2003 request for the P.L. 480 Title II food program.

The request level for FY 2003 P.L. 480 Title II emergency and non-emergency food assistance is \$1,185 million. Emergency assistance will increase to \$565 million for private voluntary organizations (PVOs) and the World Food Program International Emergency Food Reserve. The current \$410 million level of funding for PVO non-emergency Title II activities will be maintained to further reinforce qualitative results-oriented improvements. The balance of the FY 2003 request

level is for the World Food Program pledge of \$163 million, Section 202(e) funding at \$34 million, \$10 million for Farmer-to-Farmer, and \$3 million for administrative support.

While positive results have been achieved in the use of emergency food aid to promote a return to normalcy, it is clear that the transition from emergency food aid activities to more stable developmental activities is not always direct. Given the need to respond to both protracted emergency food aid requirements as well as the sudden on-set emergencies caused by natural disasters and political and economic instability, the Office of Food for Peace (FFP) expects to judiciously allocate the resources available in FY 2003 for emergency food aid response. The request level includes an increase of approximately \$300 million that will help offset critical coverage previously provided by Section 416(b) resources. The Administration's FY 2003 request also includes an increase in Section 202(e) funding from a ceiling of \$28 million to \$34 million to reflect a shift of \$6 million to Title II from the Department of State's International Organizations and Programs account for the World Food Program. The request level also includes approximately \$37 million of additional resources to offset the elimination of reimbursements from the Department of Transportation's Maritime Administration for cargo preference. It is important that the offset remain proportional to the appropriation level.

Non-emergency Title II activities for both the PVOs and the World Food Program (WFP) remained fairly constant from FY 2001 to FY 2002. The FFP Office provided up to \$10 million in Title II resources for "children affected by HIV/AIDS" in FY 2001. More recently, FFP has encouraged PVOs to also review whether HIV/AIDS is a critical constraint to household food security and address HIV/AIDS within maternal child health or other sectorial activities. FFP firmly supports these activities in countries where HIV/AIDS has been identified as an impediment to food security.

P.L. 480 TITLE II EMERGENCY FOOD AID. P.L. 480 Title II food aid is the primary resource of the United States for responding expeditiously to the critical food needs of targeted vulnerable groups. FFP seeks to ensure that appropriate Title II emergency food aid is provided to the right people in the right places at the right time and in the right way. Vulnerable groups receiving food aid are those who, because of natural or man-made disasters, including prolonged civil strife, require food assistance to survive the emergency and begin the process of recovery. Categories of beneficiaries include internally displaced persons, refugees, newly resettled or new returnees, and vulnerable resident populations. Programming assistance frequently attempts to target specific categories of beneficiaries including children under five years of age, pregnant and nursing women, malnourished children and adults, and the elderly.

From 1999 through 2001, USAID and the United States Department of Agriculture's (USDA) Foreign Agriculture Service continued a strategic alliance to integrate the availability of Section 416(b) surplus commodities into the Administration's plans for responding to emergency food aid needs around the world. As a result of this alliance, in calendar year (CY) 2001 the United States alone contributed 65% of the emergency food aid resources received by the United Nation's WFP with an estimated value of over \$1 billion. These P.L. 480 Title II and Section 416(b) contributions through WFP, together with substantial additional contributions to PVOs, enabled the United States in FY 2001 to provide approximately \$1 billion of critical emergency food assistance to tens of millions of beneficiaries around the world. In FY 2001, FFP's implementing partners (WFP and PVOs) were able to reach over 33 million beneficiaries using \$440.5 million allocated to support P.L. 480 Title II emergency activities.

In Afghanistan, as in Kosovo, Serbia, and Sudan, the provision of substantial amounts of well programmed emergency food assistance not only saved lives, but also mitigated the immediate effects of conflict and contributed to the stabilization of war-torn societies. USAID's Title II resources and USDA's Section 416(b) commodities have contributed significantly to these achievements. The FY 2003 request includes an increase of approximately \$300 million for the Title II emergency response to partially offset the loss of Section 416(b).

Even as we acknowledge the substantial contribution made by the U.S. Government toward meeting the emergency food needs of the world's vulnerable populations, man-made humanitarian crises in Sudan, West Africa, and Afghanistan, as examples, show no clear signs of an end. In addition, natural disasters, such as drought in the Horn of Africa, floods in southern Africa and the Indian sub-continent, and earthquakes and drought in Central America continue to destabilize livelihoods across vast areas and to precipitate substantial requirements for emergency food assistance. What were once recognized as sporadic natural disasters are occurring with increased frequency and regularity in certain regions where governments are ill-prepared to mitigate the impact of climatic and other natural phenomenon.

In Afghanistan, the coordinated humanitarian efforts of the U.S. Government and its international partners are credited with averting widespread famine.

When man-made and natural disasters occur simultaneously in a region, the resulting complex emergency can pose enormous challenges to the donors and international humanitarian workers attempting to respond. A clear example of this has been seen in Afghanistan, where access to millions of drought-affected and displaced people was achieved against a

backdrop of ongoing civil war, the international war on terrorism, a four-year drought, and monumental logistic challenges posed by infrastructure constraints.

In an effort to maximize the effectiveness of available food aid resources in FY 2003, USAID will continue to emphasize the coordination of food assistance with other humanitarian response offices within the U.S. Government, (i.e., USAID's Office of U.S. Foreign Disaster Assistance and State Department's Bureau of Population, Refugees and Migration).

P.L. 480 TITLE II DEVELOPMENT FOOD AID. Title II non-emergency food aid is focused on mitigating food insecurity through activities implemented by PVOs and the WFP. These organizations utilize Title II food resources to reduce food insecurity in the developing world through activities that enhance household nutrition or increase incomes and agricultural production and productivity. The ongoing activities continue to facilitate rapid response to natural disasters worldwide. FFP has built a solid portfolio of multi-year commitments to PVOs for this purpose. Additionally, a portion of the Title II biennial pledge to WFP has been directed to multi-year development projects. Since the mid-1990s, USAID and its partners have gained substantial experience in improving food security using Title II resources. The overall quality of PVO activity design has improved as has integration with other USAID and PVO planning and resources. Increased PVO interest in monetization has surfaced issues with commodity groups and prompted questions about the appropriate balance between direct distribution and monetization in the portfolio. While acknowledging multi-year commitments with its implementing partners, the Agency's new Agriculture and Food Security Initiative addresses these issues and is the new direction USAID is going to support the type of programs previously supported through monetization. USAID continues to actively dialogue with its partners, other U.S. Government agencies and Congress on these and broader food aid management issues.

Within the FY 2003 request level for P.L. 480 Title II, FFP will maintain the FY 2002 level of funding for PVO non-emergency Title II activities at \$410 million and will continue to reinforce qualitative, results-oriented improvements. Portions of the Title II biennial pledge to WFP (calendar years 2003 and 2004) may also support non-emergency activities.

During FY 2001, Title II commodity (including freight) resources, amounting to approximately \$448 million, were provided to Title II partners in support of non-emergency food aid activities. Of that amount, \$400.7 million was provided through 14 U.S. PVO cooperating sponsors and four local non-governmental organizations; approximately \$47.3 million was made available to WFP.

The following examples of Title II programs exemplify the variety of non-emergency interventions that are undertaken and the significant impact on food security that they achieve.

- PRISMA is a Peruvian non-governmental organization that has played a major role in the fight against food insecurity over the past 15 years. In Peru, the Ministry of Health and PRISMA jointly implement PANFAR, a targeted health and nutrition program for high-risk families. The program, implemented in 2,600 health establishments, has benefited almost one and one-half million children in rural and poor areas of Peru. The Peruvian Government and external evaluations have praised PANFAR as cost-effective and sustainable, with graduation rates in the program increasing from 40% to 82% (in FY 2000). PANFAR has now been completely transferred to the Ministry of Health with Government of Peru support, replacing all USAID funding for management, food purchases, training, monitoring, and supervision. Two critical factors in this initiative are the establishment of reliable and accessible market information systems and the creation of farmer organizations. PRISMA developed the SAMCONET information system that farmers can access via Internet kiosks for market pricing, packaging, and buyer information. In FY 2001, PRISMA assisted 793 farmer organizations, facilitating market participation by approximately 13,722 food insecure farmers. The influence of the program in improving incomes has been substantial, as productivity gains and price increases have averaged about 30% in the past year (ranging between 10% and 100% depending upon product and region).

In addition to health and nutrition, PRIMA's program integrates Title II and Development Assistance funds to improve agricultural production and markets.
- CARE's Integrated Nutrition and Health Project (INHP) in India, the largest program in the Title II portfolio, directly reaches over seven million women and children in approximately 100,000 villages. CARE's program aims to improve the nutrition and health status of food insecure women and children through nutrition and health education, enhancement of health services and coverage, and targeted supplementary feeding. CARE works in close collaboration with the Government of India to support and strengthen the government's Integrated Child Development Services program (ICDS). Through this collaboration, the Title II program's innovations support improved food security for an even larger population, as ICDS reaches approximately 28 million women and children with community-based maternal and child health and early childhood development interventions. Upon completion of the INHP's first five-year program cycle, the rate of child malnutrition (underweight) among program beneficiaries had decreased from 51% at the beginning of the project to 32% in the project's final year. The percentage of children who received complete immunizations increased from 16% to 39% and the percentage of children breastfed within eight hours of birth increased from 31% to 49%.
- Madagascar has one of the highest rates of child malnutrition in the world: one of every two children under the age of two is considered malnourished. The best way to feed and protect the health of a child in early life (before six months of age) is to use exclusive breastfeeding. Breastfeeding is common in Madagascar, but it is frequently combined with the intake of liquids, which exposes the child to disease while creating a false sense of satiety and exposing siblings to diseases. Following the promotion of exclusive breastfeeding practices by Title II cooperating sponsors (Cooperative for Assistance and Relief Everywhere, Catholic Relief Services, and Adventist Development and Relief Agency), rates of exclusive breastfeeding went up from 32.9% in 1997 to 63.3% in 2001 in intervention areas. Such a positive result was achieved due to the coordination of all actors in the health and nutrition scene in Madagascar, including a working group funded by USAID. Cooperating sponsors in Madagascar are obtaining encouraging results in increasing rice yields among their beneficiaries who adopt the recommended practices: rice yields have increased by as much as 300% after only two years among adopters, an impressive result.

- Africare has been implementing the Dinguiraye Food Security Initiative in an extremely food insecure area of Guinea since 1997. Significant improvements in the nutritional status of children were documented by an evaluation conducted after three years of project activities. The percentage of underweight children decreased from 31% to 22%, while the percentage of acutely malnourished children decreased from 13% to 7%. Improvements in nutritional status were accompanied by improvements in several critical health and nutrition behaviors. For example, exclusive breastfeeding of infants under five months increased from 1% to 51% and measles immunization rates increased from 25% to 63%.

P.L. 480 TITLE V – FARMER-TO-FARMER ACTIVITIES. Titles I, II, and III funds are also used to support the Farmer-to-Farmer (FtF) program which provides voluntary technical assistance to farmers, farm groups and agribusinesses to enhance the potential for substantial increases in food production, processing and marketing. Funding for FY 2003 is expected to be \$10.6 million. This is comparable to the FY 2002 level of \$10.5 million. In FY 2001, the program received an additional \$1.5 million in Titles I and II funding to support an expanded Africa and Caribbean initiative, bringing the level of funding up to \$12 million.

The program relies on volunteers from U.S. farms, land grant universities, cooperatives, private agribusinesses, and non-profit organizations. Volunteers have been recruited from all 50 states and the District of Columbia. They are not overseas development professionals, but rather individuals who have domestic careers, farms, and agribusinesses or are retired and want to participate in development efforts. They spend about a month in the host country on a typical assignment. Worldwide, over 6,700 volunteer assignments have been completed since 1986 in more than 80 countries. Approximately 19% of all volunteers are women. And about 39% of the individuals that FtF volunteers work with are women.

In 1991, a special initiative of the FtF program was authorized as one of the first U.S. assistance programs for the New Independent States of the former Soviet Union, and it continues to operate in all of the New Independent States, or Eurasia, countries.

The transition to a free-market economy in most countries is a long-term process, involving a variety of problems and obstacles. The FtF Program is helping to facilitate this transition. Through their own experiences in production and market-oriented agriculture, volunteers provide the hosts with credible and experienced models. FtF volunteers provide needed, practical, and usable technical expertise by providing training and advice in the business of agriculture. They are creating institutions such as farmer associations and other organizations that are beginning to develop the capacity to provide needed technical and business-related services to farmers and new entrepreneurs. In these and other ways, the FtF program is helping to develop indigenous institutional capacity and new, market-oriented private entrepreneurs and agribusiness enterprises. Volunteers have assisted over 2,000 host organizations in these areas of concentration.

The FtF program is also having a positive impact on the United States by raising public awareness about foreign assistance, correcting misconceptions of life and attitudes in the recipient countries and helping inform U.S. businesses about the environment and opportunities for investment abroad. Since 1996, volunteers have made over 2,300 presentations to professional and community groups and participated in more than 750 media events, including radio shows, television interviews and newspaper articles to share their experiences.

OTHER PROGRAM ELEMENTS: The strength of our nation's international food assistance program is its presence around the world and its numerous organizational partnerships. USAID collaborates closely with the U.S. Department of Agriculture, the Department of State, other USAID offices and field missions to ensure that both developmental and emergency food aid programs are coordinated and effective. USAID works in close partnership with PVOs, indigenous organizations, universities,

American Businesses, international agencies, and other governments. USAID has relationships with a wide number of American companies and U.S.-based PVOs allowing for great creativity and effectiveness in incorporating food into a wide range of development efforts.

OTHER DONORS: The World Food Summit of 1996, convened by the Food and Agriculture Organization of the United Nations (FAO), provided an international forum to focus attention on efforts to address hunger and food insecurity. The United States, along with 185 nations and the European Community, pledged to reduce the number of food-insecure people by half, from over 800 million in 1996, to no more than 400 million by the year 2015. FAO will soon host a global meeting to review progress towards ending hunger. The meeting, the World Food Summit: five year later, is meant to track progress achieved since the 1996 World Food Summit and consider ways to accelerate the process.

ECONOMIC GROWTH, AGRICULTURE AND TRADE BUREAU

The Economic Growth, Agriculture, and Trade (EGAT) Bureau has been created as one of three "pillar" bureaus and supports the Agency goals of reducing poverty and hunger and promoting peace and prosperity in developing and transition countries. In FY 02, the Bureau will draw on the structures and staffing of the three Centers (EGAD, ENV, HCD) that formerly constituted a portion of the Global Bureau, with a view to better integrate and focus efforts. The Agency's Office of Women in Development will continue to play an important role within the EGAT Bureau. In addition, EGAT will, in FY 02, begin managing a number of specific initiatives that have previously been operated by regional bureaus.

Since the reorganization is not yet complete, this presentation reflects a "combined" structure of EGAT rather than the more integrated organization currently being developed.

The events of September 11 have underscored the importance of the EGAT mandate. In an ideal world, governments assure that their nations' institutions respond to people's needs and ambitions; their citizens are able to acquire the information, knowledge, and the skills they need to innovate as well as survive; and they are empowered to take an active role in building a sustainable economy and equitable society. Often, however, the ideal is not realized. More than one billion people still live on less than \$2 a day. The number of hungry people in the developing world is growing, not shrinking, and is acute in Africa. More than 110 million children have never attended school. Nearly a billion adults are not literate. Almost a third of the world's population is facing shortages of water. And valuable reservoirs of biodiversity are being threatened by actions taken for short-term gain.

The EGAT agenda addresses these global challenges and is designed to strengthen the capability of our field missions to work collaboratively with governments, entrepreneurs, investors, traders, scientists, farmers, parents, and community groups. Increasing incomes, for example, requires capacity of countries and firms to trade in competitive global markets. This, in turn, may lead to country-based assistance programs that promote policy and regulatory reform, improve institutions that facilitate trade, improve financial systems, and expand the use of new technologies.

To accomplish this broad agenda, EGAT seeks to make the best possible technical information available to those who need it, drawing on the strengths of the academic, as well as practitioner, communities. EGAT develops tools that permit efficient analysis and management of diverse problems and trains USAID partners in developing and transitional countries. It stimulates cross-sectoral thinking that sheds more light on old issues; promotes increased collaboration with other USG and international organizations; and focuses on those actions that can make a difference.

In FY 2002 and FY 2003, the Bureau will program \$152.9 million and \$154.8 million, respectively. These funds will be used for pilot activities including innovative research, formation of partnerships, project implementation tools and mechanisms, technical expertise, and training. Through these activities, EGAT will provide the underpinnings for effective Agency assistance programs in more than 70 countries worldwide.

**EGAT
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	10,874	8,265	0	0
Development Assistance	118,757	150,592	152,900	154,800
Development Fund for Africa	0	0	0	0
Economic Support Fund	10,000	0	0	0
Total Program Funds	139,631	158,857	152,900	154,800

Jonathan M. Conly
Acting Deputy Assistant Administrator

**EGAT
PROGRAM SUMMARY**

(in thousands of dollars)

Country/ Fund Account	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Economic Growth and Agricultural Development				
Child Survival and Disease Programs Fund	0	0	0	0
Development Assistance	73,121	93,527	83,691	86,706
Development Fund for Africa	0	0	0	0
Economic Support Fund	10,000	0	0	0
Total Economic Growth and Agricultural Development	83,121	93,527	83,691	86,706
Environment				
Development Assistance	31,246	38,317	32,200	28,300
Total Environment	31,246	38,317	32,200	28,300
Human Capacity Development				
Child Survival and Disease Programs Fund	8,534	5,925	0	0
Development Assistance	4,400	7,123	14,860	14,160
Total Human Capacity Development	12,934	13,048	14,860	14,160
Program Development and Strategic Planning				
Development Assistance	1,750	2,965	11,149	14,634
Total Program Development and Strategic Planning	1,750	2,965	11,149	14,634
Women in Development				
Child Survival and Disease Programs Fund	2,340	2,340	0	0
Development Assistance	8,240	8,660	11,000	11,000
Total Women in Development	10,580	11,000	11,000	11,000
Total Program Funds	139,631	158,857	152,900	154,800

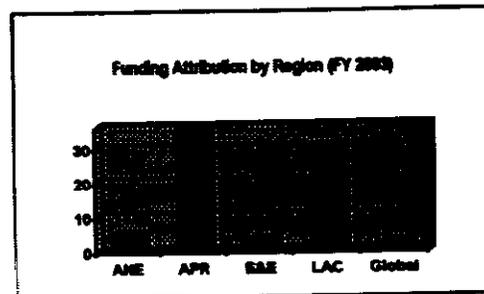
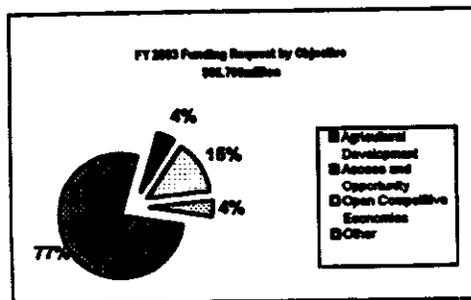
ECONOMIC GROWTH AND AGRICULTURE DEVELOPMENT

THE DEVELOPMENT CHALLENGE: One fifth of the world's population, some 1.3 billion people, live in abject poverty. More than 800 million people, mostly women and children go to bed hungry every night. Trade and investment are the principal mechanisms through which developing countries can integrate into world markets and are the conduits through which global market forces spur economic growth. Faster economic growth is essential to achieving the international development goal of reducing by one half the proportion of people living on \$2 a day by 2015. USAID efforts in economic growth and agricultural development reflect its commitment to broad-based sustainable efforts to promote global peace and prosperity and to reduce hunger. In addition, the strategic choices take into account longstanding Congressional interests in areas such as agriculture and scientific research.

THE USAID PROGRAM: The Program supports three priority areas:

- promoting open and competitive economies;
- developing science and technology to improve agricultural productivity, natural resource management, markets, and human nutrition; and
- expanding access to economic opportunities for the poor.

In FY 2003, the Bureau for Economic Growth, Agriculture and Trade requests \$86.706 million for these activities. About 80% of USAID field missions have economic growth activities in their programs.



This funding will reinforce Agency priorities by:

- providing technical leadership and funding worldwide research;
- supporting missions with services and expertise;
- developing the Agency's economic growth officer cadre; and
- assuring inter-agency and other donor coordination on technical issues.

ON-GOING PROGRAMS FOR WHICH NO NEW FY 2002 OR FY 2003 FUNDING IS REQUESTED: All ongoing EGAD Strategic Objective programs will receive FY2002 and FY2003 funds.

OTHER PROGRAM ELEMENTS: The staff represents USAID in the interagency trade group led by the U.S. Trade Representative. USAID has a lead role in assisting developing countries to meet World Trade Organization standards for engaging in global trade. The staff sit on the Inter-Agency Working Group on Food Security and will participate in the World Food Summit and the World Summit on Sustainable Development in 2002. The Office of Agriculture and Food Security supports Collaborative Research Support Programs (CRSP) and the Consultative Group on International Agricultural Research (CGIAR) system. The staff represent USAID in three donor consultative groups covering enterprise development and financial services: the Donors Committee on Small Enterprise Development; the Working Group on Financial Sector Development, and the Consultative Group to Assist the Poorest -- the micro-finance consultative body.

OTHER DONORS: The offices collaborate with and help finance the Integrated Framework for Trade-Related Technical Assistance to LDCs, which incorporates international trade into country development strategies. The International Bank for Reconstruction and Development and these offices help LDCs foster poverty reduction strategy approaches in their development strategies as well and spread best practices in micro-finance and business services. They also work with the Food and Agriculture Organization, International Fund for Agricultural Development and other donors to ensure policy coherence on common global development issues and better overall donor coordination.

Economic Growth and Agricultural Development

PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Development Assistance	73,121	93,527	83,691	86,706
Development Fund for Africa	0	0	0	0
Economic Support Fund	10,000	0	0	0
Total Program Funds	83,121	93,527	83,691	86,706

STRATEGIC OBJECTIVE SUMMARY

933-001 Improved access to financial and non-financial services for microenterprises of the poor				
DA	14,866	15,036	0	0
DFA	0	0	0	0
933-002 Improved food availability, economic growth and conservation of natural resources through agricultural development				
CSD	0	0	0	0
DA	52,234	65,160	0	0
933-003 Appropriate and functioning economic policies, market reforms, and institutions are developed to accelerate economic growth in				
DA	917	5,792	0	0
933-006 Private sector business linkages support U.S. technology transfer in support of development objectives				
DA	2,510	4,000	0	0
DFA	0	0	0	0
933-007 Increased science and technology cooperation among Middle Eastern and developing countries, and utilization of U.S. and Israeli				
DA	2,594	3,539	0	0
ESF	10,000	0	0	0
933-008 Open, Competitive Economies Promoted				
DA	0	0	12,600	12,600
933-009 Science and technology developed to improve agricultural productivity, natural resource management, markets, human nutrition				
DA	0	0	63,791	66,806
933-010 Access economic opportunities for the poor expanded				
DA	0	0	3,800	3,800
933-011 Increased technical cooperation among middle eastern, developing countries, and the U.S.				
DA	0	0	3,500	3,500

Note: Strategic Objectives 1-7 have expired as noted in FY 2002 Budget Justification to the Congress.

- Excludes \$2.5 million in FY 2002 and \$2.0 million in FY 2003 for an OYB transfer from the Africa Bureau for the Consultative Group on International Agricultural Research (CGIAR) activity.
- Excludes \$14.5 million in OYB transfers for FY 2002 and \$13.5 million in FY 2003 for microenterprise activities. FY 2002 amount consists of \$9.5 million from AFR and \$5 million from LAC. FY 2003 amount consists of \$8.5 million from AFR and \$5 million from LAC.

ENVIRONMENT

THE DEVELOPMENT CHALLENGE: Sustainable economic growth that alleviates poverty and human suffering requires good management of natural assets and minimization of pollution. The loss of forests, freshwater and biodiversity, inadequate and inefficient use of energy, and the explosive growth in the world's urban centers undermine long-term economic growth and threaten ecological systems. They also endanger human health, and increase developing countries vulnerability to natural disasters and conflict. Energy is the fuel for economic development, yet one-third of the world's population has no access to reliable and sustainable energy sources. The world's natural resource base is rapidly degrading with over 130,000 km² of tropical forests lost each year, and the extinction of species is 1,000 times what would occur naturally. Nearly half of the world's population now lives in cities, and up to 50% of developing country urban populations lack safe drinking water, shelter, sanitation or waste disposal. Furthermore, increases in global greenhouse gas emissions, approximately fifty percent of which are produced in developing countries, threaten to disturb the delicate ecological balance, disproportionately affecting the world's poor who are the least able to adapt to these changes. Long-term economic growth depends upon sustainably managing a country's natural resources base, using energy to increase human productivity, helping cities to provide services and markets, and having predictable seasonal and long-term climatic conditions.

Every year, five to six million people die in developing countries from water-borne diseases and air pollution; the livelihoods of over one billion people are severely affected due to land degradation.

(Source - World Bank Environment Background Paper for the World Development Report 2000/2001, Attacking Poverty. 2000.)

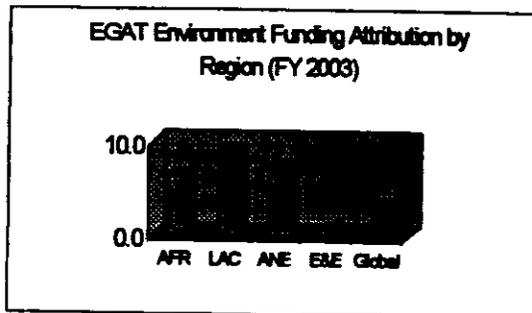
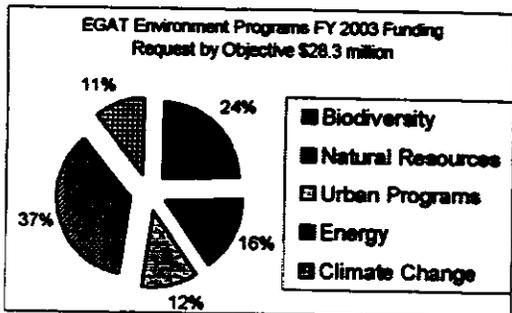
freshwater and biodiversity, inadequate and inefficient use of energy, and the explosive growth in the world's urban centers undermine long-term economic growth and threaten ecological systems. They also endanger human health, and increase developing countries vulnerability to natural disasters and conflict. Energy is the fuel for economic development, yet one-third of the world's population has no access to reliable and sustainable energy sources. The world's natural resource base is rapidly degrading with over 130,000 km² of tropical forests lost each year, and the extinction of species is 1,000 times what would occur naturally. Nearly half of the world's population now lives in cities, and up to 50% of developing country urban populations lack safe drinking water, shelter, sanitation or waste disposal. Furthermore, increases in global greenhouse gas emissions, approximately fifty percent of which are produced in developing countries, threaten to disturb the delicate ecological balance, disproportionately affecting the world's poor who are the least able to adapt to these changes. Long-term economic growth depends upon

sustainably managing a country's natural resources base, using energy to increase human productivity, helping cities to provide services and markets, and having predictable seasonal and long-term climatic conditions.

THE USAID PROGRAM: USAID invests in five key environmental areas:

- biological diversity;
- natural resources management;
- urbanization;
- sustainable energy production and use; and
- global climate change.

In FY 2003, the Bureau for Economic Growth, Agriculture and Trade has requested \$28.3 million for environment. About 60% of USAID field missions have environmental activities in their programs.



In FY 2003, funding for environment programs will reinforce Agency priorities by:

- providing direct technical support to mission environmental programs;
- testing and replicating innovative approaches for environmental protection;
- providing technical leadership for Agency programs and training for Agency staff; and
- providing international leadership and outreach on environmental issues.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: All current environmental strategic objective programs will receive FY 2002 or FY 2003 funds.

OTHER PROGRAM ELEMENTS: In the Africa region, the biggest environmental problem is combating desertification and mitigating the effects of drought. This office provides assistance in implementing the U.N. Convention to Combat Desertification to which the U.S. is a party. The Asia and Near East regions have significant urbanization problems and are expected to have approximately 17 mega cities (cities with more than 10 million people. As a result of the planned prominence of water issues at the World Summit for Sustainable Development (WSSD) in August of 2002, all regions and countries will focus more on water issues. The role of environment in conflict overlaps activities of this office and the Agency's democracy and conflict programs.

OTHER DONORS: The WSSD's major topics include energy, water, sustainable agriculture, forests, and tourism, including ecotourism. These are all areas where both bilateral and multilateral donors (including United Nations agencies, the World Bank, the Global Environment Facility, regional development banks in Africa, Asia, Latin America and Eastern Europe as well as with the European Union, the Organization of American States) are mustering resources and efforts.

Environment
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Development Assistance	31,246	38,317	32,200	28,300
Total Program Funds	31,246	38,317	32,200	28,300

STRATEGIC OBJECTIVE SUMMARY

934-0011 Effective biodiversity conservation and management				
DA	5,754	8,277	6,535	5,792
934-0012 Improved management of natural forest and tree system				
DA	2,200	2,248	2,230	2,418
934-0013 Environment education and communication				
DA	1,350	1,690	1,600	1,750
934-0014 Increased conservation and sustainable use of coastal and freshwater resources				
DA	1,851	3,200	2,560	2,965
934-002 Improved management of urbanization in targeted areas				
DA	4,396	4,084	3,300	3,300
934-0031 Increased energy efficiency				
DA	3,980	3,239	3,600	3,000
934-0032 Increased use of renewable energy resources				
DA	4,961	5,175	4,200	3,600
934-0033 Clean energy production and use				
DA	3,951	4,455	4,200	3,400
934-004 Agency climate change program effectively implemented				
DA	2,803	5,949	3,975	2,075

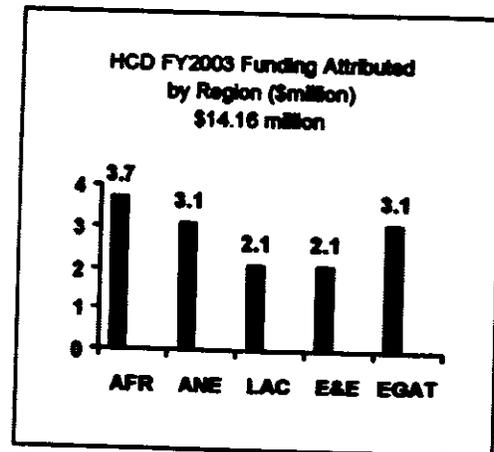
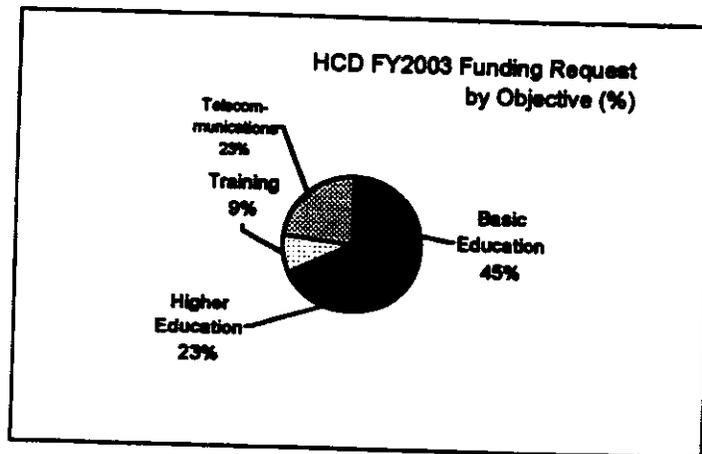
HUMAN CAPACITY DEVELOPMENT

THE DEVELOPMENT CHALLENGE: Economic growth in developing countries demands the creation of a productive and skilled workforce. Basic education for all children is a necessary first step. Of the 113 million children who have never been to school, 97 percent are in developing countries and 60 percent are girls. The overwhelming majority of these children are in Sub-Saharan Africa and South and West Asia. Easing illiteracy and providing better quality education to more children and expansion of opportunities for continuous education to working adults are essential to raise agricultural output/productivity, improve environmental stewardship, encourage ethnic tolerance and respect for civil liberties, and build democratic values and practices. Additionally, there are specific benefits linked to increased school attendance among girls which lead to higher incomes, better family health, increased child survival, smaller families, and improved social status for women.

THE USAID PROGRAM: The Program concentrates on:

- improving the quality and efficiency of basic education, particularly for girls;
- promoting new partnerships to improve the quality and relevancy of higher education and workforce development;
- expanding training for future private sector, non-governmental (NGO), and government leaders; and
- spreading the information technology (IT) revolution to the developing world and those in need.

For FY 2003, the Bureau for Economic Growth, Agriculture and Trade has requested \$14.16 million for human capacity development programs. More than 70% of USAID field missions address some element of education and training in their programs with these funds.



This funding will reinforce Agency priorities by:

- providing technical leadership and innovation for universal primary education by 2015;
- focusing on the 113 million un-enrolled children, e.g., girls, child laborers, and ethnic minorities;
- facilitating partnerships between the U.S. higher education community and developing countries;
- providing training mechanisms, tools, and processing support to all USAID field missions; and
- championing information technology (IT) to provide digital opportunity in developing countries.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: All ongoing Strategic Objective programs in the Human Capacity Development Office will receive FY 2002 and FY 2003 funding.

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OTHER PROGRAM ELEMENTS: Since the April 2000 Dakar World Education Forum, USAID has played a lead role in international education. The USAID Administrator is the President's representative on the G-8 Education Task Force and serves on the Education for All (EFA) High Level Group convened by the United Nations Educational, Scientific and Cultural Organization (UNESCO). At the technical level, USAID is a core member of the EFA Donor Working Group and the International Working Group on Education. To parallel other G-8 member commitments, USAID is considering direct technical and financial support to UNESCO in its EFA secretariat and host-country capacity building roles.

OTHER DONORS: Donor coordination is excellent in both education and IT. Under EFA, USAID has strong, expanding ties with UNESCO (education statistics, education in crisis countries, host-country capacity building), United Nations Children's Fund (UNICEF) (girls education), International Labor Organization (ILO) (abusive child labor), the World Bank (education policy and education financing), and the United Kingdom (local ownership and community participation). The G-8 Education Task Force has helped focus international attention on EFA financing, capacity and policy gaps at global and country levels. In IT, the G-8 DOT-FORCE has mobilized donor, private and non-profit partners on developing country IT policy and access issues. Major partners are the United Nations Development Program, UNICEF, the World Bank, ILO, UNESCO, Japan, U.K., Germany, and Canada. The new United Nations Information Communication Technology Task Force will also carry out DOT-FORCE follow-on work in coordination with USAID and the U.S. Department of State.

**Human Capacity Development
PROGRAM SUMMARY**
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	8,534	5,925	0	0
Development Assistance	4,400	7,123	14,860	14,160
Total Program Funds	12,934	13,048	14,860	14,160

STRATEGIC OBJECTIVE SUMMARY

935-001 Improved and Expanded Basic Education, Especially for Girls, Women, and Other Under-served Populations				
CSD	8,534	5,925	0	0
DA	0	0	7,260	7,660
935-002 Higher Education Strengthens the Capacity of Institutions, Communities, and Individuals to Meet Local and National				
DA	2,500	3,495	3,000	2,500
935-003 Training Improves Work Performance of Host-Country Trainees and Effectiveness of Host-Country Organizations				
DA	900	1033	1,100	1,100
935-004 Access to and Application of Information and Telecommunications Services Expanded				
DA	1,000	2,595	3,500	2,900

OFFICE OF WOMEN IN DEVELOPMENT

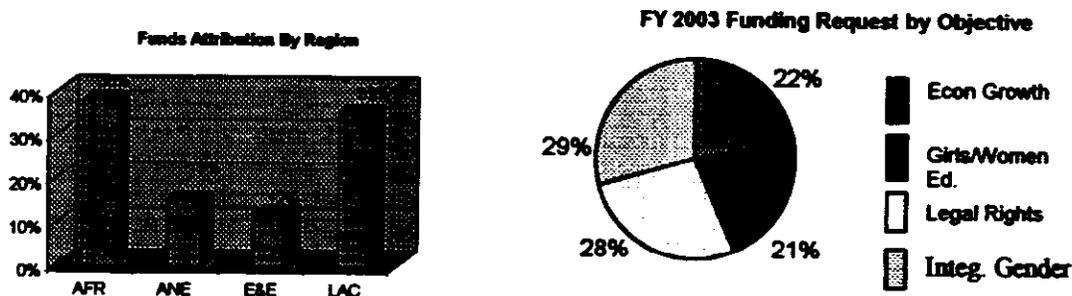
THE DEVELOPMENT CHALLENGE: Development effectiveness and U.S. values of fairness demand that both women and men have opportunities to participate in and benefit from USAID programs. This program implements those values across the Agency in ways that bolster developmental impacts and support activities that increase the integration of gender considerations across all sector programs. The office also identifies and initiates work on emerging issues with a critical gender dimension such as trafficking, conflict resolution, information technology, trade, and the linkage between women's status and HIV/AIDS.

Women and girls represent the largest segment of the world's poor—approximately 70% of the 1.3 billion people living in absolute poverty today.
[UN Dev. Fund for Women]

THE USAID PROGRAM: The Program's four objectives concentrate on:

- reducing gender-based constraints to economic growth;
- mobilizing local constituencies in selected developing countries to improve girls' education;
- improving protection of women's legal rights; and
- increasing integration of gender considerations in USAID programs.

For FY 2003, the Bureau for Economic Growth, Agriculture and Trade has requested \$11 million for these activities.



The office reinforces equality between men and women and USAID's effectiveness by:

- assisting USAID missions and offices in understanding the differential impacts of programs on men and women and the unique contributions that men and women make to development;
- working with local non-governmental organizations (NGOs) to increase opportunities for women; and
- taking a leadership role on emerging issues that particularly affect women.

ON-GOING PROGRAMS FOR WHICH NO NEW FY 2002 OR FY 2003 FUNDING IS REQUESTED: All ongoing Strategic Objective programs in the Office of Women in Development will receive FY 2002 and FY 2003 funding.

OTHER PROGRAM ELEMENTS: USAID's programs promote institutional reforms to extend basic economic rights to women, such as the right to own or inherit property. They also focus on democracy and governance, particularly with regard to rule of law and strengthening civil society organizations to advocate for women's legal concerns. USAID-financed micro-credit programs enable thousands of women to become small-scale entrepreneurs. USAID's support for girls' education includes strengthening the performance of public and private sector institutions, improving knowledge of issues as they pertain to girls, mobilizing leaders, broadening community participation and strengthening teachers performance. USAID frequently works through local associations and women's groups that have been organized by women to help them identify and meet their own needs.

USAID is responding to new and emerging issues that disproportionately affect women, such as trafficking in persons. The office helps to establish programs to lessen the vulnerability of women and children to traffickers and is the Agency coordinator for USAID's anti-trafficking efforts.

USAID's anti-trafficking programs focus primarily on the prevention and protection aspects of this problem. They include programs to educate vulnerable women to the dangers of trafficking, provide vocational training and support to former victims, and cooperate with governments and NGOs to raise overall awareness of this important issue.

OTHER DONORS: The office coordinates USAID's anti-trafficking prevention activities closely with the U.S. Department of State's newly-created Office to Monitor and Combat Trafficking in Persons and other U.S. Government agencies, such as the U.S. Department of Labor. In addition, the office collaborates with international donors, such as the International Organization for Migration to help implement some USAID anti-trafficking programs in country. The office supports the Organization for Economic Cooperation and Development/Development Assistance Committee's Gender Equality Working Group and the Informal Network on Poverty Reduction as part of a wider effort by bilateral and multi-lateral donors to address the integration of gender into development programs. The office has working relationships with other donor agencies such as the United Nations Development Program and the World Bank, which are in process of implementing recommendations toward gender mainstreaming in their organizations. Gender issues in Afghanistan are being discussed with the United Nations Development Fund for Women and other bilateral donors. The Ford Foundation helped support the office's program on African Women Leaders in Agriculture.

**Women in Development
PROGRAM SUMMARY**
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	2,340	2,340	0	0
Development Assistance	8,240	8,660	11,000	11,000
Total Program Funds	10,580	11,000	11,000	11,000

STRATEGIC OBJECTIVE SUMMARY

941-001 Gender-based constraints to economic growth policies and programs increasingly addressed				
DA	3,337	3,580	2,440	2,440
941-002 Broad-based, informed constituencies mobilized to improve girls' education in emphasis countries				
CSD	2,340	2,340	0	0
DA	0	0	2,340	2,340
941-003 Women's legal rights increasingly protected				
DA	2,395	2,599	3,020	3,020
941-004 Greater reflection of gender considerations in the Agency's work				
DA	2,508	2,481	3,200	3,200

OFFICE OF PROGRAM DEVELOPMENT AND STRATEGIC PLANNING

THE DEVELOPMENT CHALLENGE: This office in EGAT is primarily responsible for ensuring that program activities are efficient and achieve stated results, and that program funds are adequate and efficiently managed. This office also focuses on regional coordination, efficient internet-based communication systems, and evaluations and program monitoring. This office coordinates two separate program activities: collaboration with the U.S. Peace Corps and managing activities under the bureau's program development and learning objective. Since 1985, the U.S. Peace Corps and USAID have worked in partnership to enhance the impact of development programs in over 70 countries. Through this program, Peace Corps staff and volunteers identify common community concerns, and USAID and Peace Corps develop strategies to address them. The technical skill of Peace Corps volunteers enable communities to address and resolve persistent development problems by utilizing low-cost, grassroots development approaches. The strategic objective for program and development funds activities that enable the Bureau to fulfill its mandate to evaluate programs, develop new initiatives, and respond to worthy unsolicited project ideas.

THE USAID PROGRAM: The program covers the two objectives.

The USAID/Peace Corps program pursues four USAID priority goal areas:

- stimulating economic growth and agriculture development;
- improving global health and HIV/AIDS treatment;
- protecting the environment; and
- education and training.

Activities also include small-scale community capacity building, management training, technical assistance, information dissemination and a community small-grant program. Over to 50% of the total resources managed through this program come from USAID field missions.

The Bureau Program Development and Learning objective introduced late last year allows the Bureau to finance program development costs, program assessments, special projects, evaluation efforts and better information management tools. It enables the Bureau to pilot new program initiatives through competitive or unsolicited processes and to design and support program evaluations. The program will develop knowledge-sharing technologies to enhance USAID staff and contractor effectiveness in implementing programs, and expand information technology systems to improve communications via intranet and extranet.

ON GOING PROGRAMS FOR WHICH NO NEW FY 2002 OR FY 2003 FUNDING IS REQUESTED: The Office of Program Development and Strategic Planning will receive FY 2002 or FY 2003 funding for these activities.

OTHER PROGRAM ELEMENTS: N/A

OTHER DONORS: N/A

Program Development and Strategic Planning

PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Development Assistance	1,750	2,965	11,149	14,634
Total Program Funds	1,750	2,965	11,149	14,634

STRATEGIC OBJECTIVE SUMMARY

940-001 Enhance communities' capabilities to conduct low-cost, grass-roots, sustainable development activities				
DA	1,750	2,965	1,000	1,000
940-003 Program development and learning activities				
DA	0	0	10,149	13,634

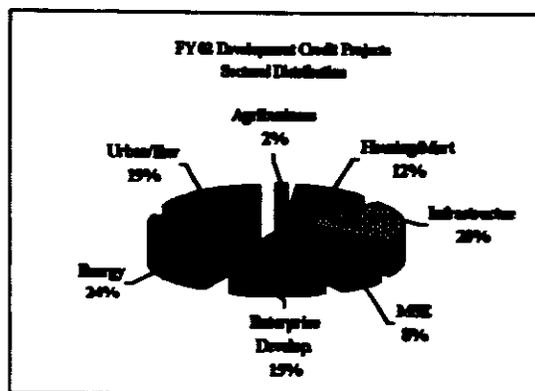
DEVELOPMENT CREDIT AUTHORITY (DCA)

Private investment and effective credit markets are critical for economic growth in developing countries. Significant private domestic capital exists in most of these countries but is not properly mobilized and put to work. Many developing countries are net exporters of capital in the absence of local credit markets and sound investment vehicles. Huge sums of privately owned LDC capital are held "under the mattress" or in banks that lend only to large customers who can put up collateral worth 100-200% of the loan. Economic growth will not happen until local capital can be mobilized properly and put to work. DCA assistance induces local currency lending to creditworthy, but historically underserved markets.

The U.S. has comparative expertise in financial intermediation. A combination of grant-financed training and technical assistance supported by true risk-sharing DCA guarantees is a powerful tool for change. Experience has shown that true risk-sharing guarantees supported by carefully focused technical assistance can effectively address credit market imperfections.

While not appropriate in every circumstance, DCA has already proven quite effective in channeling resources to micro-enterprises, small- and medium-scale businesses, farmers, mortgage markets and certain infrastructure sectors, especially energy. Since its inception four years ago, USAID missions' demand for DCA guarantees has grown rapidly. Increasingly, private-sector activities formerly assisted through grant funding are now being assisted with disciplined, less costly DCA credit enhancement. As private banks and investors successfully experiment in providing credit to underserved sectors with DCA credit enhancement, new economic relationships are forged with the expectation that credit will continue to flow to these sectors when DCA assistance is no longer available.

DCA is an alternative use of existing appropriations whereby funding from other USAID-managed accounts can be transferred to the DCA account, subject to an annual Congressional ceiling, and used to pay for the costs of more disciplined, less costly credit assistance. DCA augments grant assistance by mobilizing private capital in developing countries for sustainable development projects, thereby supporting the capacity of host countries to finance their own development.

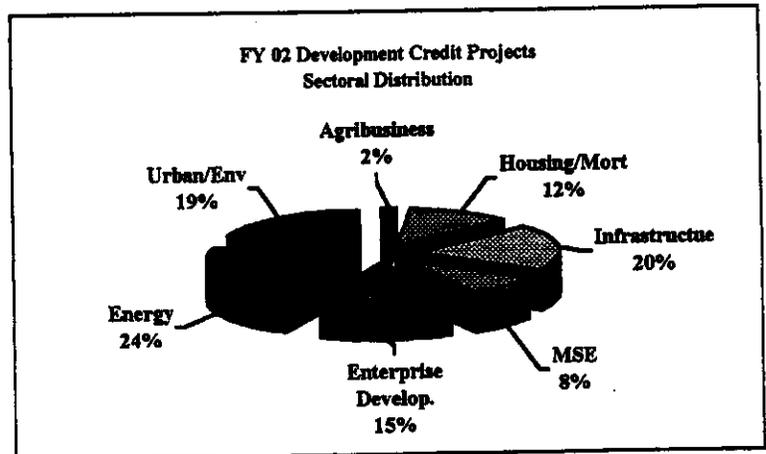


DCA-funded activities will conform to the following guiding principles:

- Projects contribute to the achievement of USAID objectives;
- Risk is shared with private sector partners who bear the majority of risk;
- Prudent independent risk management methods are used to assess project risk;
- Projects will address market failure; and
- DCA will emphasize credit support to non-sovereign transactions.

DCA supports the private sector and requires partnership with private enterprise using its own capital. DCA is especially effective in stimulating economic-growth and agricultural development. For instance, DCA has been used to channel \$2.5 million in loan capital to micro-entrepreneurs in Mexico City, and \$6 million to a mid-sized enterprise in Brazil to support the use of renewable energy. DCA has also proven useful in promoting global health by directing local capital to finance potable water and sanitation systems for poor people in Honduras and South Africa.

Since the inception of DCA in 1998, a total of twenty-two projects in fourteen countries have been approved. These projects established a credit portfolio of \$221 million in local currencies at a credit subsidy cost to the Agency of \$8 million. The contingent liability of the existing DCA portfolio amounts to \$101.3 million. The chart illustrates the sectoral distribution of DCA activities to date. Insofar as it remains a demand-driven mechanism, it is not possible to precisely predict the exact distribution of FY 2003 activities.



For FY 2003 USAID is requesting \$7.591 million in directly appropriated funding for administrative expenses. The Agency is requesting authority to transfer FY 2003 appropriations to the DCA account, subject to the limitation that the sum of FY 2002 and FY 2003 transfers do not exceed the \$18.5 million transfer authority established in the FY 2002 appropriations act.

	FY 2001 Actual	FY 2002 Appropriation	FY 2003 Estimate
Credit Subsidy			
Transfer authority for DCA	[5,000,000]	[18,500,000]	-
Appropriation for DCA	1,500,000	-	-
Appropriation for MSED Program	1,500,000	-	-
Appropriation for UE Program	-	-	-
Administrative Expenses			
Appropriation for DCA	4,000,000	7,500,000	7,591,000
Appropriation for MSED Program	500,000	-	-
OE Funding for MSED Program	509,000	-	-
Appropriation for UE Program	-	-	-

Conforming with the Federal Credit Reform Act of 1992, the \$7.591 million appropriation request for credit administrative expenses reflects the total cost of the development, implementation and financial management of all Agency credit programs, including costs previously funded by the Agency OE appropriation. It covers 26 full-time staff for management and oversight of a portfolio of prior USAID direct loans and guarantees, new and continuing DCA projects, and it funds direct support to field missions, legal support, financial, and accounting services.

In FY 2003, EGAT/DC will assist Missions in such activities as bond financing, micro-, small and medium enterprise (MSME) development, competitive financial services, and creative municipal financing and clean energy. Activities funded through DCA add value to the Agency's overall efforts by:

- **Demonstrating** to financial institutions in developing countries that mobilizing local private capital to fund activities in their own countries are profitable, worthy ventures;
- **Creating Competitive Markets** by providing local financial institutions with an incentive to engage in providing financial services to historically disadvantaged social groups and all viable economic sectors;
- **Improving Policies and Increasing Transparency** within financial institutions and the legal framework guiding those organizations;

- **Establishing Efficient Credit Markets** by helping institutions develop business plans, revise credit policies and train staff properly; and
- **Increasing Employment** through increased lending to MSMEs and spillover effects into related and peripheral sectors.

BUREAU FOR GLOBAL HEALTH

THE DEVELOPMENT CHALLENGE: Investing in the health of the world's population serves U.S. national interests by contributing to global economic growth, a sustainable environment, and regional security. Recent evidence supports the linkages of good health to improvements in productivity and poverty reduction. High levels of disease can slow or even halt economic growth. Likewise, control of infectious diseases, good nutrition and stabilization of population size are essential to sustainable development; indeed, they are fundamentally interdependent. People can contribute more fully to the social and economic progress of their community and nation when they are well nourished, free from diseases, and given adequate information to make informed decisions about their own family size. Reduced population pressures also lower the risk of humanitarian crises in countries where population growth rates are highest. In addition to enhancing livelihoods of people overseas, protecting human health and nutrition in developing and transitional countries directly affects public health in the U.S. by preventing the spreads of diseases that know no borders. These concerns are articulated in the US Department of State foreign policy objectives for health and population. To that end, USAID serves as the chief implementing agency to carry out the U.S. government's mandates.

The rapid spread of HIV/AIDS in many parts of sub-Saharan Africa, South and Southeast Asia, and the Caribbean presents a special development challenge. By devastating the most productive members of society, the disease drains the country's human and financial resources. In recent years, the AIDS pandemic alone stands to reverse decades of life expectancy and other health gains in sub-Saharan Africa, contributing to weakened prospects for economic growth and civil society stimulation. In 2002, this incurable virus has reached a magnitude exceeding any historical ravage from a single disease. In response, the Administration has highlighted HIV/AIDS and infectious diseases as high priority global concerns and threats to U.S. national security.

In response to these challenges, USAID created the Bureau for Global Health (GH) to serve as the locus of technical leadership for USAID in health. GH is vested with primary responsibility for research contributing to overall USAID's strategic objectives in international health. It investigates and produces innovations and develops pilot projects for broad application. GH also draws on the most advanced knowledge in health technical matters and shares that knowledge with field missions, donors, and partners at all levels.

BUREAU FOR GLOBAL HEALTH PROGRAM: In order to serve the USAID strategic objectives for health, GH provides leadership and technical expertise in the areas of HIV/AIDS, infectious diseases, child survival, maternal health, nutrition, and family planning. As such, GH aligns USAID resources with identified public health and development needs, and influences the global health priorities of partners and stakeholders. GH becomes the repository for state-of-the-art thinking in biomedical, social science, and operational research. It produces results that can be disseminated and replicated at USAID missions throughout the world. GH also helps ensure compliance with congressional directives and legislative intentions, and develops mechanisms for overall program evaluation and performance measurement. The expansive perspective of USAID is critical given that diseases are borderless – TB being the most recent example – and USAID works to mitigate their negative impact before they become serious global health threats.

USAID programs in international health engage in the following five priority areas:

- reducing HIV/AIDS transmission and mitigating its impact;
- reducing deaths from infectious diseases of major public health importance;
- increasing the use of key maternal health and nutrition interventions;
- increasing the use of interventions to improve child health and nutrition; and

- increasing the use of voluntary practices to reduce fertility and improve reproductive health.

GH's programs are primarily funded through the Child Survival and Health (CSH) Fund of the Development Assistance account. Field programs for HIV/AIDS and population receive additional support from other accounts, including the Economic Support Fund, Freedom Support Act, and Assistance to Eastern Europe and Baltic States. The FY 2003 request for the Bureau for Global Health is \$304.8 million (including \$3.8 Development Assistance Fund for Displaced Children & Orphan Fund), down from the FY 2002 level of \$326.1 million. The FY 2003 funds will be allocated as follows:

- \$65.5 million (22%) for HIV/AIDS;
- \$35.8 million (12%) for infectious diseases;
- \$52.7 million (17%) for child survival and maternal health; and
- \$150.8 million (49%) for reduced fertility and improved reproductive health.

In the coming year, USAID will substantially increase the resources it devotes to HIV/AIDS programs. GH has already established a new Office of HIV/AIDS and begun to realign its programs and staffing to support its expanded efforts in this area. These expanded efforts seek to monitor the spread of HIV/AIDS in sub-Saharan Africa and other parts of the developing world and improve the quality of life of those infected and affected by the disease. GH will also continue with its commitment to reduce the incidence of TB, malaria and other major infectious diseases. More generally, USAID's efforts to improve health conditions in the developing world and stabilize population growth directly contribute to economic growth and political stability while at the same time helping to reduce environmental degradation. Improved health and nutrition are key contributors to increased economic productivity and the reduction of poverty.

GH addresses USAID's priority areas through a combination of technical support to the field, research and evaluation, and global leadership.

Field-Driven Program Design and Comprehensive Technical Support: GH has developed an innovative approach to program design that is rare in the development field. In contrast to typical practice, GH follows a field-driven, field-oriented and field-based approach to developing and testing new technologies and methodologies. This is especially important in the rapidly changing health field. The approach generally includes the following steps: (1) need or problem identification (to which field missions contribute); (2) product and program development; (3) field testing, validation, and refinement; (4) field marketing and scale up; and (5) institutionalization at the field mission level. This approach has a long history of success and has been instrumental in diffusing technologies and innovations from north to south and from south to south. GH supports its state-of-the-art design activities with comprehensive technical support that maximizes the chances for programmatic success. To this end, GH manages activities that incorporate and adapt experience and knowledge gained worldwide to support and complement mission health programs. Missions expect GH to provide them with state-of-the-art tools and technologies to apply to local problems, helping them to "push the technical envelope" and encouraging cost-effective approaches to programming. GH's support includes research, policy development, information, services, training, commodities, and evaluation.

Timely and Authoritative Research: GH is a leading sponsor of biomedical, operations, and behavioral research. GH promotes the development, testing and dissemination of new tools, technologies and approaches to combat critical health problems, strengthens program effectiveness, and surmounts policy constraints. GH has played a key role in developing new, cost-effective technologies such as oral rehydration salts, simple disease diagnosis, new contraceptive and birthing methods, and the use of vitamin A to enhance child survival. USAID supported studies that proved the linkage between provision of voluntary, confidential HIV counseling and testing and

behavior change for at-risk population. In addition, GH has taken the lead in the development of indicators and methods to evaluate programmatic success and monitor trends in the health sector. Other donors and international agencies rely heavily on this work for policy development and program planning.

Global Leadership and High-Impact Partnerships: USAID is a recognized leader worldwide in health and exercises its leadership through the technical expertise of a multi-disciplinary staff. GH's global leadership focuses on fostering technical innovation, promoting policy dialogue and encouraging increased mobilization of resources for health activities. This leadership helps achieve USAID agency-wide results by increasing the opportunities for, and likelihood of, successful health programs and by encouraging the wider global community of countries, donors and non-governmental organizations to adopt new technologies and approaches and pursue USAID priorities and goals.

Recent USAID's success stories in Technical Support, Research, and Global Leadership:

- USAID's HIV/AIDS strategy has supported programs that helped reduce HIV incidence in young adults, preventing, and even reversing major epidemics in some high prevalence countries. For example, USAID's support was instrumental in reducing HIV prevalence in 15-24 year olds in urban areas of Uganda by 50% and nationally by one-third.
- In the past five years, USAID missions have helped developed tools such as HIV/AIDS education and intensive behavior change programs that reached over 30 million people and trained over 180,000 new HIV/AIDS counselors and educators worldwide.
- Working collaboratively with international and national agencies as well as host governments, USAID has developed improved systems and tools for HIV/AIDS surveillance, resource management, and mechanisms to determine program progress and impact.
- USAID has launched an intensive initiative to combat malaria that involves commercial marketing and distribution of insecticide-impregnated bed nets. The initiative promises to save tens of thousands of lives, especially of children, in the immediate years ahead.
- Research supported by USAID demonstrate that supplemental vitamin A reduces mortality from all causes by 23%-34% in children under five years of age in populations where vitamin A deficiency is prevalent. As a result, routine vitamin A supplementation has become policy in much of the developing world.
- USAID has been the leader in establishing national vitamin A programs in more than 50 countries, delivering over 100 million doses annually. The World Health Organization estimates that these programs are averting more than 240,000 child deaths each year.
- USAID played a key role in establishing the Global Alliance for Vaccines and Immunization fund (GAVI), which aims to improve access and expand the use of vaccines, accelerate research and development, and make immunization coverage a centerpiece of international development. Of the total funding of \$1 billion, USAID is expected to contribute \$53 million in FY 2002.
- USAID also led in the establishment of the Global TB Drug Facility. Through streamlining the standardization of drug products, bulk buying procurement system, and competitive bidding processes, the GDF has cut TB drug prices for a six-month course of treatment to \$10, a 30% reduction compared to previous international drug prices. Sixteen countries have already been approved for GDF support.
- USAID was instrumental in introducing safe injection technology for injectable contraceptives, which promises to improve safety for family planning clients and health workers, thereby expanding contraceptive coverage.
- New partnerships were developed with the commercial sector to provide contraceptive protection to three million new couples, leading to less dependency on donor assistance for family planning services and ensuring sustainability of the program.

Plans to build upon these successes in FY 2003 are included in the Progress Data Sheet.

ONGOING PROGRAMS FOR WHICH NO FY2002 & FY2003 FUNDING IS REQUESTED: No programs will be deleted. However, given necessity for development choice, assistance for child survival and maternal health, vulnerable children, and infectious disease will decrease.

OTHER PROGRAM ELEMENTS: In addition to providing overall field technical support, 63 field missions address at least one of the five health priority areas in their programs through the GH field support mechanism. Approximately one third of the country-level health and population sector funds flow back to GH to utilize centrally-managed instruments for programming and implementation.

USAID also coordinates its population, health and nutrition programs with the Departments of Health and Human Services, Agriculture, State and Treasury, as well as with the Centers for Disease Control and Prevention, the White House and other bilateral and multilateral agencies, and non-governmental agencies. Increasingly, USAID is working with the private and commercial sector – industry and foundations – to take advantage of technical and financial synergies in facing the challenge to improve global health.

OTHER DONORS: USAID has exceptional relationships with key multilateral (e.g. U.N. Children Fund, U.N. Population Fund, Joint U.N. Program on HIV/AIDS, World Health Organization) and bilateral agencies (e.g. United Kingdom, Japan, Germany, Canada), private foundations (Gates, Packard, Hewlett), as well as with the public and non-profit sectors. USAID also plays a lead role in the development of The Global Fund to Fight HIV/AIDS, TB and Malaria, an entity dedicated to mobilize resources in the fight against the world's major infectious diseases. USAID brings its trademark technical expertise to these partnerships. Leveraging this contribution along with significant financial resources, the U.S. government has marked impact on health policy and programs at both the global and country levels.

USAID and the major partners in the health sector focus on the most pressing global health issues, including the HIV/AIDS pandemic, infectious diseases, child survival and maternal health and reproductive health. Despite having a different strategic approach toward development compared to United Nations Agencies and most other bilateral donors, which emphasize poverty alleviation over sustainable development, USAID has been able to achieve fruitful collaborations with partners to bring about health improvements for the world's population.

The following examples highlight the successful partnerships that have been forged with various organizations:

- A senior Bureau staff member has been seconded to serve as the Transitional Support Secretariat Chair of The Global Fund to Fight HIV/AIDS, TB and Malaria. He's working with 38 members in the Fund's creation.
- Global Alliance to Improve Nutrition (GAIN) is a collaborative effort to make competitive grants to developing countries in support of food fortification and other sustainable micronutrient interventions. The main players include UNICEF, Canadian International Development Agency, Bill and Melinda Gates Foundation, USAID and several private food companies.
- In collaboration with other bilateral donors, USAID has been an active member of the UN Special Session on Children Preparatory Committees.
- Addressing the issue of contraceptive commodity security, GH is active in UNFPA's Commodities Working Group, which strives to address the supply side of this global issue.
- GH is working with the UN Foundation to secure matching funds for UN agencies to carry out collaborative safe motherhood initiatives. The first such program is currently in development in Nepal.

Bureau for Global Health

PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	123,960	229,392	0	0
Child Survival and Health Programs Fund	0	0	322,300	0
Development Assistance	137,130	158,323	3,800	304,800
Total Program Funds	261,090	387,715	326,100	304,800

STRATEGIC OBJECTIVE SUMMARY

936-0011 New and Improved technologies and approached for contraceptive methods and family planning identified, developed, tested,				
CSH	0	0	47,173	0
DA	46,757	49,559	0	47,173
936-0012 Improved policy environment and increased global resources for family planning programs.				
CSH	0	0	8,438	0
DA	10,073	10,016	0	8,438
936-0013 Enhance capacity for national programs (public, private, non-governmental organization and community-based institutions) to				
CSH	0	0	43,924	0
DA	34,324	38,508	0	43,924
936-0014 Increased access to, quality of cost-effectiveness of, and motivation to use family planning, breastfeeding, and selected				
CSH	0	0	51,265	0
DA	42,226	56,490	0	51,265
936-002 Increased use of key maternal health and nutrition interventions				
CSD	16,232	14,140	0	0
CSH	0	0	15,000	0
DA	0	0	0	12,168
936-003 Increased use of key child health and nutrition interventions				
CSD	48,648	96,525	0	0
CSH	0	0	44,800	0
DA	3,750	3,750	3,800	40,532
936-004 Increased use of improved, effective, and sustainable responses to reduce HIV transmission and to mitigate the impact of the				
CSD	38,750	77,259	0	0
CSH	0	0	62,000	0
DA	0	0	0	65,506
936-005 Increased use of effective interventions to reduce the threat of infectious diseases of major public health importance				
CSD	20,330	41,468	0	0
CSH	0	0	49,700	0
DA	0	0	0	35,794

Total Transfers

E. Anne Peterson
Assistant Administrator
Bureau for Global Health

Bureau for Management

PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Development Assistance	1,750	1,397	1,500	0
Total Program Funds	1,750	1,397	1,500	0

STRATEGIC OBJECTIVE SUMMARY

969-010 Information Technology Transfer				
DA	1,750	1,397	1,500	0

Bureau for Policy and Program Coordination

THE CHALLENGE: USAID is entering a period of significant reorientation and reform. These changes will help USAID better support U.S. national interests overseas and play an appropriate leadership role in the development community. The Bureau for Policy and Program Coordination (PPC) has central responsibility for helping USAID meet this challenge by setting USAID's development policies and strategic budget.

THE BUREAU PROGRAM: The following Program Data Sheet covers the single strategic objective for which this USAID/Washington bureau is requesting funds.

These resources will allow PPC to carry out its mandate as the Agency's center of ideas regarding development and humanitarian assistance, exercising strong intellectual leadership in the development community. In this role, PPC will set and support policy on foreign assistance. PPC will also support effective program management (design, implementation, monitoring and evaluation), and improve the linkage between policy and resource allocation. PPC will help integrate conflict prevention and counter-terrorism into USAID's culture and programs, and will help improve the Agency's knowledge management capacity to support its priorities. The PPC Bureau will continue to lead Agency reforms in programming, budgeting and reporting practices, and to participate actively in efforts to reform and simplify USAID's management systems. The overarching goal is to maximize the impact of USG investments in international development activities. PPC coordinates its efforts with the Congress, the Office of Management and Budget, the State Department, and other donors.

FY 2002 funds will be used to implement the Agency programs of policy development and coordination, operational program guidance and oversight, simplification of performance reporting systems, donor coordination, program evaluations, and development information services. PPC also intends to use FY 2002 funds to carry out seminars and fora on such topics as terrorism and development, poorly performing countries, and conflict prevention in a post-September 11 environment. The specific activities to be funded by FY 2002 and FY 2003 appropriations are described in more detail in the following Program Data Sheet. PPC will use \$12.1 million of the FY 2003 request to fund ongoing efforts.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: None.

OTHER PROGRAM ELEMENTS: N/A

OTHER DONORS: PPC represents USAID in various Organization for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) fora, including the DAC Expert Groups on Evaluation, Poverty and Conflict. PPC works in collaboration with multi-lateral and bilateral donors, such as the World Bank, the European Union, the G-8 members, the United Nations, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the United Kingdom, Japan, and Germany on current and future development activities, and on evaluation of past development programs.

Bureau for Policy and Program Coordination

PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	2,639	3,022	0	0
Child Survival and Health Programs Fund	0	0	5,400	0
Development Assistance	4,619	4,796	6,445	12,100
Total Program Funds	7,258	7,818	11,845	12,100

STRATEGIC OBJECTIVE SUMMARY

996-013 Learning from Experience				
CSD	2,639	3,022	0	0
CSH	0	0	5,400	0
DA	4,619	4,796	6,445	12,100

GLOBAL DEVELOPMENT ALLIANCE

THE DEVELOPMENT CHALLENGE: Public-private alliances, as promoted by USAID's new Global Development Alliance (GDA) Secretariat, represent an important business model for USAID, and are applicable to many of the Agency's programs. USAID will serve as a catalyst to mobilize the ideas, efforts, and resources of the public sector, corporate America, the higher education and non-governmental organization (NGO) communities and other partners in support of shared objectives. GDA builds on many successful alliances around the world and seeks to take the best of those experiences and significantly expand this approach to meeting development objectives. Under the GDA and related efforts, USAID will collaboratively create alliances that bring new partners, innovations, and resources to development challenges.

THE USAID PROGRAM: The Program Data Sheets provided below cover the objectives for which USAID is requesting funds. The GDA approach recognizes significant changes in the assistance environment around the world. It builds on decades of experience working effectively with partners, both public and private, to take assistance to the next level of shared responsibility and magnified results. GDA brings a mix of new partners, including NGOs, private voluntary organizations (PVOs), cooperatives, foundations, corporations, higher education institutions and even individuals to the development challenge, and it will engage current partners in new ways. A GDA Secretariat was established as a temporary unit to provide leadership and direction across the Agency for rapid and full integration of this business model into USAID business operations. The intent is to mainstream a public-private alliances approach and the continued need for the GDA Secretariat will be reviewed at the end of FY 2003.

GDA entails the mobilization of significant non-U.S. Government resources - partners are to bring at least as many resources to the table as those provided by USAID. Resources may take the form of funding, in-kind contributions, human resources, or intellectual property. GDA uses collaborative objective setting as a catalyst to mobilize ideas and resources of many actors in support of shared objectives. Development problems and solutions are jointly defined. GDA seeks to improve the quality and extent of partnerships, catalyze private financing of development assistance, and enhance policy reform through advocacy. GDA responds to a growing international view that public commitment and resources alone are necessary but not sufficient to meet development needs and opportunities.

ON-GOING PROGRAMS FOR WHICH NO NEW FY 2002 OR FY 2003 FUNDING IS REQUESTED:
None.

OTHER PROGRAM ELEMENTS: USAID has considerable experience with the development of strategic partnerships. The following are but a few of the many successful alliances currently in place:

- The Global Alliance for Vaccines and Immunization (GAVI) is a partnership between the Gates Foundation (which provided a \$750 million financial commitment), USAID, international institutions including the World Bank, United Nations Children's Fund, the World Health Organization, the pharmaceutical industry and others to address the 30 million children every year who do not receive vaccinations.
- Conservation International has partnered with Starbucks Coffee in a USAID program to promote more remunerative and environmentally sound coffee production in the buffer zone surrounding the El Triunfo Biosphere Reserve in Mexico.
- The Parks in Peril program, which has mobilized more than \$70 million of non-USAID funding, is a partnership among USAID, The Nature Conservancy, local NGOs, and local government agencies to ensure the protection of up to 37 critically threatened Latin American and Caribbean national parks and reserves of global significance.

The formation of the GDA pillar expresses USAID's strong commitment to developing future alliances that will bring to bear significant resources, expertise, creative approaches and new technologies to address international development issues.

OTHER DONORS: Corporate philanthropic giving, including that for international programs, has risen significantly. PVOs have grown in number, reach and capability. (In 1970, there were 18 PVOs receiving USAID funding; in 2000, there were 195.) In developing and transition countries, corporate philanthropy and activism among community, voluntary and non-governmental groups are growing. There is considerable untapped potential for U.S. private industry, faith-based and community organizations, universities, and other groups, both in the U.S. and overseas, to support the development process in a focused and synergistic manner. Numerous federal agencies, state governments, and even municipalities are involved in development assistance activities overseas. These activities are generally narrow in scope but increasingly involve substantial resources. Public-sector efforts can be better coordinated in order to achieve maximum support of U.S. strategic aims. The capabilities and resources of the public, private, and NGO sectors can also be better harmonized to create a "bigger pie" for international development assistance and to allocate resources strategically. As the lead public-sector agency in development assistance, USAID has a critical role, based on its long experience and continuing presence overseas, to play in analyzing priorities, supporting host governments in policy reform, implementing development assistance activities, and stimulating private resource flows to meet U.S. foreign policy goals.

GDA-Secretariat
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Development Assistance	0	2,000	20,000	30,000
Total Program Funds	0	2,000	20,000	30,000

STRATEGIC OBJECTIVE SUMMARY

020-001 Program Development and Learning: Global Development Alliance				
DA	0	2,000	2,000	1,000
020-XXX Development Alliance Fund				
DA	0	0	18,000	29,000

Total Transfers

INTERNATIONAL PARTNERSHIPS

Within the Development Assistance account, \$226.5 million is requested in FY 2003 for international health partnerships: HIV/AIDS \$173 million; and Child Survival and Maternal Health \$53.5 million, compared with a total of \$177.25 in FY 2002.

HIV/AIDS and Infectious Diseases: FY 2002 \$118 million; FY 2003 \$173 million

The Global Fund for AIDS, Tuberculosis and Malaria (GFATM) has been established by a group of international public and private sector partners to leverage increased resources to support prevention and treatment programs in the fight against the three diseases. The fund will support an integrated approach to combating the diseases, combining prevention, treatment, and care. Current GFATM partners include bilateral donors, multilateral agencies, private foundations, NGOs and developing country representatives. USAID requests \$100 million for the Global Fund for FY 2003; USAID will provide \$150 million in FY 2002 (\$100 million from FY 2001 and \$50 million from FY 2002).

USAID requests \$15 million in FY 2003 for the development of microbicides for the prevention of HIV/AIDS and sexually transmitted diseases. USAID has been partnering with both U.S. Government and international partners to ensure a coordinated effort to develop an effective microbicide. As a part of these efforts, U.S. Government agencies, including the National Institutes of Health, Centers for Disease Control and Prevention, and Health Resources and Services Administration, have generated a comprehensive plan to support microbicide development, with all U.S. Government partner contributions totaling \$35 million in FY 2003. USAID plans to provide \$15 million in FY 2002 for this purpose.

In addition, \$58 million is requested in FY 2003 for both on-going and new partnerships. Examples of ongoing partnerships are the International AIDS Vaccine Initiative (IAVI) and the Joint United Nations Program on HIV/AIDS (UNAIDS). The goal of IAVI is to leverage and apply resources toward the global effort to develop an AIDS vaccine. UNAIDS provides global leadership and promotes consensus on policy and programmatic approaches to fighting the HIV/AIDS pandemic. UNAIDS strengthens national government programs by assisting them in the development of appropriate HIV/AIDS policies and strategies. USAID will provide \$53 million in FY 2002 for these partnerships.

Child Survival and Maternal Health: FY 2002 \$59.25 million; FY 2003 \$53.5 million

USAID requests \$50 million in FY 2003 for the Global Alliance for Vaccines and Immunization (GAVI) Vaccine Fund; USAID will provide \$53 million in FY 2002. The goal of GAVI is to increase the availability of essential life-saving vaccines in developing countries. Strategic objectives shared by GAVI partners are to improve access to and expand use of vaccines, accelerate vaccine research and development, and make immunization coverage a centerpiece in the design and assessment of international development efforts.

In FY 2003, USAID requests \$3.5 million for the Global Alliance for Improved Nutrition (GAIN). GAIN is a newly formed alliance of public and private sector organizations seeking to improve health through the elimination of vitamin and mineral deficiencies. GAIN was founded by initial pledges from USAID, the Bill and Melinda Gates Foundation, and the Canadian International Development Agency. GAIN's primary strategy will be to provide grants to developing countries in support of commercially sustainable food fortification programs. GAIN partners include bilateral donors, foundations, multilateral agencies and private sector organizations. In FY 2002, USAID's overall funding for micronutrient deficiencies is \$6.25 million.

AFRICA

U.S. National Interests

U.S. national interests in Africa include building regional stability, combating transnational security threats, promoting the continent's fuller integration into the global economy through free and fair trade, mitigating the devastating health and economic impacts of the HIV/AIDS pandemic, strengthening democratic institutions and preserving the environment. A growing African economy and regional stability enhance the economic prosperity and national security of the United States and the spread of democratic values.

U.S. interests are based on the premise that improved governance and higher living standards in Africa through broad-based economic growth foster political, environmental and social stability, promote better health, create opportunities for increased trade and investment, and enhance the region's ability to control the spread of terrorist activities. Promoting democracy and transparent governance, combating HIV/AIDS and other infectious diseases, and reducing poverty by enhancing opportunities for economic growth and investment reflect the most basic of American values. Improving the climate for free trade in Africa will open new markets for the export of U.S. goods, services and investment and will spur the growth of African exports within the region and with the United States.

Promoting indigenous African capacity to respond to complex man-made crises and natural disasters reduces the need for the United States to provide emergency humanitarian assistance. Transparent and accountable governance structures make it more difficult for potential terrorist networks to form and grow. Preserving the richness and diversity of Africa's natural environment and sound management of the continent's resource base are key to world-wide efforts to promote environmentally sound economic growth.

African leaders themselves must ultimately be responsible for improving the well-being of their peoples. The New Partnership for Africa's Development (NEPAD), launched in late 2001, represents a very positive step in Africans' efforts to take charge of their own destiny. The United States is well-positioned to support these efforts.

Development Challenges

Reducing Poverty through Broad-Based Economic Growth Sub-Saharan Africa remains the poorest region of the world and income disparities are substantial. Almost half of Africa's 675 million people live on less than 65 cents a day. The sub-continent experienced virtually no economic growth in the early 1990s. Growth increased significantly in the middle of the decade, reaching a high of 5% in 1996; however, continued high population growth rates coupled with the global economic slowdown and falling commodity prices, the debilitating effects of HIV/AIDS, natural disasters and conflict, meant that almost half of the countries in the region still had a lower GDP per capita at the beginning of the millennium than they did in 1980. To reach the Millennium Development Goal of reducing poverty levels in Africa by 50% by 2015 will require a 7% annual growth rate in GDP. Yet current estimates are that the continued global economic slowdown, exacerbated by the recent terrorist events, will see economic growth rates in Africa fall to just 3% in 2002. To reverse this situation, concerted action is required on multiple fronts: increasing agricultural productivity and trade; diversification of the economic base; building human capacity through improved educational opportunities, especially for girls; broadening and deepening the flow of information; strengthening African capacity to manage economic and natural resources; and enhancing the enabling environment for trade and investment.

Agriculture is the foundation of most African economies, supporting over 70% of the population and contributing an average of 30% of GDP. An increasing number of countries have begun to reform their economies by renewing their commitment to rural agriculture-led economic growth. Ethiopia, Mozambique and Guinea are examples of countries that have recently instituted policy changes resulting in significant improvements to the food security situation. Yet much more needs to be done to assure that Africans have adequate food resources. Africa is the only region of the world with absolutely no increase in average agricultural productivity per capita between 1980 and 2000. Increasing the productivity of agriculture is critical to reducing poverty and improving food security. Despite progress, serious constraints remain to increasing agricultural productivity in much of the region. The most significant include under-capitalization of farmers, low usage of improved technologies and information, uneconomic land use patterns and insecurity of tenure, poor infrastructure, and inappropriate policy and regulatory frameworks which create distortions in markets and disincentives for efficient production. To address these constraints, USAID plans to launch a major new initiative in FY 2003 called Cutting Hunger in Africa. The initiative will stress African ownership of programs, stronger regional trade links, and the opportunities offered by "new" science, such as biotechnology.

Growth in today's information-based global economy depends on an educated workforce that can take advantage of economic opportunities. Investment in people is perhaps the single most important determinant of economic growth. Africa continues to lag far behind the rest of the world in such investment. The region suffers from an average illiteracy rate of 41%. Even among those who complete secondary school, the quality of education is often relatively poor. Africa is the only region of the world where primary school enrollment rates have decreased during the past 20 years. Girls fare worse than boys. Across the continent, on average just 50% of girls are enrolled in primary school as compared to 70% of boys, with drop-out rates for girls considerably higher. The "digital divide" continues to widen despite the noteworthy achievements of the USAID Leland Initiative, which has enhanced internet connectivity in 20 countries. Key constraints to improving the spread and the quality of education include not only the lack of qualified teachers, equipment and materials but also the inefficient use of available resources. HIV/AIDS is also seriously reducing the number of qualified teachers. Systemic reform is essential to prepare Africa's children for the world of today. USAID continues to focus most of its efforts on improving primary and basic education because it has a relatively greater impact on economic and social development, especially for girls.

Africa has great potential to enhance its role as a trade and investment partner. The positive results since the Africa Growth and Opportunity Act (AGOA) became fully effective in early 2001 bear witness to this potential. AGOA has resulted in \$4 billion in new trade and investment in the region. In the first six months of 2001, U.S. total trade with sub-Saharan Africa grew 17% compared to a year earlier. Yet sub-Saharan Africa continues to be a marginal player in international commerce. The region's share of world trade has shrunk from 3.5% in 1970 to just 1.1% in 2000. Africa accounts for less than one percent of U.S. exports and two percent of imports. Despite efforts to increase regional economic cooperation, intra-African trade has grown only very slowly, to \$19 billion in 1999. Foreign direct investment in Africa increased from \$1 billion to \$7.3 billion from 1995-99. This still represents only 0.9% of the global total and 3.5% of flows to developing nations, and it was highly concentrated in just five countries and in a few extractive industries. If Africa is to significantly increase its presence in the world economy, it must create a more receptive and competitive environment to lower transaction costs for foreign trade and investment. USAID is contributing to this effort by promoting harmonization of trade and customs policies, more transparent and efficient finance and investment environments and business linkages. The newly launched Trade for African Development and Enterprise (TRADE) initiative will expand upon these efforts.

Sub-Saharan Africa has abundant natural resources but they are unevenly distributed, have been poorly managed and have degraded significantly. Africa contains 45% of global biodiversity yet has

the highest rate of deforestation in the world. Rapid urbanization and industrialization also create new environmental challenges. Over the next 25 years, population growth rates of urban areas will be three times that of rural areas. The top down, command and control approach to natural resource management by many countries has resulted in inefficient exploitation and contributed to degradation while inequitable access to natural resources is often among the root causes of social instability. Nonetheless, there have recently been some positive signs. Policy changes supported by USAID in over 20 African countries have focused on community-based approaches to natural resource management.

Global Health In the last two decades, substantial progress has been made in reducing infant and child mortality, yet the health of most Africans remains unacceptably poor by any standard. Much remains to be done for children and their mothers. Four million children die in Africa every year due to acute respiratory infection, malaria, measles and neonatal tetanus. Malnutrition is an underlying cause in many of these deaths. Unlike any other region of the world, malnutrition rates are rising in Africa. Immunization coverage rates are increasing slowly yet the high effectiveness of preventing diseases through vaccination is undermined by limited access. A woman's risk of dying from maternal causes is 1 in 13 in Africa as compared to 1 in 157 in Latin America and 1 in over 4000 in industrialized countries. In addition to the high burden of diseases, many countries face the significant challenges of scarce public sector resources, limited staff, deterioration of health systems and decentralization. Despite these challenges, results in several countries demonstrate that improvements in child survival are possible when quality services are available with well-trained personnel and the necessary drugs. The inclusion of the community as a partner in health care also contributes to higher quality services and increased use of health facilities.

The continent's HIV/AIDS pandemic threatens to compromise economic, social and democratic gains. To date, almost 19 million Africans have died of complications resulting from AIDS, over 80% of whom were in their productive years. HIV prevalence rates remain above 8% in 18 of 41 African countries, approaching 25% in Zimbabwe and 35% in Botswana. There are over 13 million AIDS orphans. Particularly in southern Africa, average life expectancy will be reduced significantly over next decade and a shrinking labor pool will slow the continent's growth rate by as much as 2% a year.

Continued high population growth rates threaten to undermine the best efforts to improve the well-being and economic livelihood of Africans. There is a strong correlation between higher incomes, better female education, and modern family planning practices. Fertility rates have started to decline in some countries, particularly in those with relatively higher incomes, but the annual population growth rate of the continent is expected to remain over 2.5% through 2010, the highest in the world. By 2020 the population of the continent will swell from 675 million today to about 1 billion, despite the effects of AIDS and declining birth rates. Contraceptive prevalence rates remain under 15% in the region, although the majority of women say they desire fewer children.

Democracy, Conflict Prevention and Humanitarian Assistance Political stability and inclusiveness, rule of law, and accountability in government inhibit the growth of terrorist activity, foster the growth of civil society and promote a more equitable distribution of economic assets and access to social services. There are promising signs that democratic principles are indeed spreading across the African continent. Civil society organizations continue to gain strength, basic principles of democracy are more widely understood, and citizens are more aware of their basic human rights. Nevertheless, a controversial electoral process in Cote d'Ivoire, the Liberian government's refusal to address its people's needs and the virtual collapse of democracy in Zimbabwe are reminders that the process is still fragile.

Violent conflict and instability will remain a serious risk for almost half the countries in the region in the foreseeable future. In 2001, 21 countries in Africa were involved in armed conflict or natural disasters, displacing over three million people. These humanitarian crises and complex emergencies

disrupt lives, jeopardize economic development and threaten progress in the social sectors. Terrorist organizations find more fertile soil for exploitation of vulnerable people where conflict or disaster disrupt normal life.

Debt Issues High external indebtedness continues to burden much of Africa, although the picture this year is brighter than it has been for those 34 countries participating in the IMF/IBRD Heavily Indebted Poor Countries (HIPC) Initiative. Through HIPC, external debt is reduced to sustainable levels if qualifying countries pledge to apply the savings towards poverty relief. Most countries are channeling savings to health and education. With the adoption of the enhanced HIPC Initiative in 1999 most of the participating countries have actually seen their debt burdens begin to shrink for the first time in many years. Twenty-four African countries have arrived at a decision point where debt flows have been relieved, while three African countries (Uganda, Mozambique and Tanzania) have reached the HIPC completion point where debt is forgiven. Debt service as a percentage of GDP is expected to fall from an average of 3.7% to about 2% in coming years.

Global Development Alliance (GDA) Through the GDA, USAID will be encouraging the formation of new alliances with the corporate sector, foundations, universities and private voluntary organizations. There is considerable potential for the formation of such alliances in Africa, particularly in agriculture, education, health, environment, and information technology.

Program and Management Challenges

Post September 11 Security Issues Six of 22 USAID Missions and two of three Regional Offices in sub-Saharan Africa exist in critical and high threat security situations, leaving USAID employees at risk. Of these eight facilities, funding and building solutions are currently in place for only three. USAID will address these deficiencies through the proposed Capital Investment Fund to be established in FY 2003.

Staffing and Operating Expenses USAID is rationalizing the utilization of its personnel to optimize performance. Direct-hire field staff levels in Africa will remain at 215. Washington-based Africa Bureau staff levels will decrease with the transfer of a number of positions to the central bureaus. This will achieve programming efficiencies and enhance the quality of technical support services to Africa.

Other Donors The United States moved up from third to second overall among bilateral donors, trailing only the United Kingdom, in Overseas Development Assistance (ODA) levels to sub-Saharan Africa in 2000, displacing France, and remaining ahead of Germany and Japan. By far the largest ODA levels to Africa are provided through the major multilateral donors in Africa. These include the World Bank Group, which lends almost exclusively through its concessional International Development Association (IDA) window, the European Union, the African Development Bank and the United Nations agencies.

FY 2003 Program

The United States is committed to supporting strategies that address the most pressing challenges facing Africa today. USAID strongly endorses the bold new African-led approach represented by the New Partnership for African Development (NEPAD). NEPAD is a significant step toward the creation of an African-initiated strategy that offers concrete approaches to address some of the continent's fundamental development issues. The core of USAID's program in support of NEPAD will focus on enhancing the effectiveness of economic and natural resource utilization, combating infectious diseases, strengthening democratic governance, improving food security, promoting greater access to quality education and creating an environment more conducive to increased trade and investment.

In FY 2003, USAID will increase funding for its core programs in agriculture, child survival and health, democracy and conflict mitigation in Africa. It will work to improve Africa's trade and investment environment by continuing the Trade for African Development and Enterprise (TRADE) initiative begun in FY 2002, and will launch new initiatives to improve education, increase agricultural productivity and address corruption.

Economic Growth and Agriculture and Trade Broad-based economic growth is critical if Africans are to enjoy higher standards of living and if the continent is not to be marginalized in the new global economy. Studies show that agriculture is the most cost-effective engine of economic growth in Africa. USAID expects to inaugurate a major new region-wide initiative called Cutting Hunger in Africa and increase its funding for agricultural programs by over 23% from FY 2002 to FY 2003. USAID will direct its assistance to countries where food insecurity is greatest and where governments are committed to improving the conditions for increasing growth and reducing poverty. Increased emphasis will be placed on programs to improve the use of modern technologies, expand credit to farmers, strengthen producer/cooperative associations, improve the functioning of markets and encourage policy change to provide economic incentives for farmers and small scale entrepreneurs. Related efforts will be made to promote private sector-led diversification of the economic base, such as agro-processing, and to increase exports. The TRADE Initiative will continue to focus on six broad areas: (1) promotion of U.S.-African business linkages; (2) enhanced competitiveness of African products; (3) mainstreaming of trade into the development agenda; (4) improved delivery of public services supporting trade (e.g. customs); (5) building capacity for trade policy analysis (e.g. WTO training); and (6) strengthening the business environment. The initiative will seek to mobilize a coalition of U.S. and host country partners drawing from both the government and the private sector around a field-driven, trade capacity building agenda. Selected field Missions will develop five-year trade and investment program proposals. USAID will establish three regional "Hubs for Global Competitiveness" in west, east and southern Africa that will coordinate the initiative and support country-based activities to facilitate national competitiveness in global markets.

USAID will continue to focus its efforts in the environmental area on policy changes and capacity building in support of community-based approaches to natural resources management. USAID will also contribute substantively to broader donor efforts to reduce long term threats to the global environment, particularly climate change and the loss of bio-diversity. Finally, USAID will develop new approaches to respond to the environmental issues caused by the growing urbanization of much of the region.

In accordance with President Bush's announcement that USAID will take measures to address the critical need to increase educational levels for the economic and social development of the region, in FY 2003 USAID will launch a new education initiative and will increase its funding for the education sector by 28% over its FY 2001 levels. The initiative will target improved access and quality of education through increased funding of scholarships, especially for girls, improved teacher training, enhanced use of new learning technologies, and increased community involvement in education. USAID will also continue to support bilateral programs that address country-level education system reform.

Global Health and Population USAID's efforts to improve the health of sub-Saharan Africans focus on increasing the availability, effectiveness and access to quality health care. USAID will continue to combat the leading causes of maternal and child mortality and morbidity including malaria, TB, malnutrition, respiratory diseases, diarrhea and vaccine-preventable illnesses. USAID programs will increase immunization coverage, strengthen surveillance, enhance the skills of health care professionals, improve community and household practices for prevention and management of childhood illnesses, and develop innovative health care financing strategies. USAID will continue to support a range of family planning programs, including public education and behavior change communications, advocacy and outreach through traditional community structures, community-

based distribution and social marketing of contraceptives and encouragement of child spacing practices.

HIV/AIDS has moved beyond being just a health problem in many countries in the region, particularly in southern Africa. It is now a major development issue that threatens economic and social progress across a broad front. USAID plans a major 36% increase in its funding for HIV/AIDS in Africa from FY 2002 to FY 2003. Programs will build on earlier successful efforts in Uganda, Zambia and Senegal, which include voluntary counseling and testing, social marketing of condoms, and behavior change communications strategies. USAID will continue to enlist the support of community-based partners, including faith-based organizations. Programs to prevent maternal-to-child transmission of HIV and care and support activities for persons affected by AIDS will be expanded. USAID will work closely with the Centers for Disease Control (CDC) which is placing field staff in many countries in the region.

Democracy, Conflict Prevention and Humanitarian Response It is now widely recognized by the donor community and by African leaders themselves that good governance, political stability and economic development are closely intertwined. Africa's better-managed economies have also made the greatest gains in political rights and civil liberties. USAID supports the application of democratic principles and good governance by promoting representative political processes and institutions, the rule of law, the growth of civil society and respect for human rights. Particularly promising are efforts to build principles of participation and good governance into programs in other sectors, such as environment and natural resources, education, and health care in ways that reinforce both work in those sectors and progress in democracy and governance as a whole. In countries undertaking decentralization of governmental functions, USAID will promote policy dialogue between citizens and public officials at the local level.

USAID will increase its funding of democracy and conflict prevention programs in Africa by 53% in FY 2003 and leverage greater impact through linkages with other sectors. USAID will launch a new initiative to address one of the region's most insidious development challenges, corruption. USAID will also expand its efforts to research and disseminate the tools to help countries prevent and address conflict by better understanding its root causes and to assist them with post-conflict confidence building measures.

Humanitarian crises, whether man-made or natural disasters, continue to buffet Africa and show no signs of abating. These emergencies threaten lives, economic growth, democratic progress and regional stability. USAID will continue to support efforts to build African capacity to better cope with the effects of these humanitarian crises.

Africa
PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	291,500	344,070	0	0
Child Survival and Health Programs Fund	0	0	421,223	0
Development Assistance	446,988	424,153	466,000	1,000,091
Development Credit Authority	756	388	0	0
Economic Support Fund	62,500	85,798	100,000	77,000
PL 480 Title II	449,977	466,916	131,601	160,692
Total Program Funds	1,251,721	1,321,325	1,118,824	1,237,783

Africa
PROGRAM SUMMARY

(in thousands of dollars)

Country/ Fund Account	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Angola				
Child Survival and Disease Programs Fund	4,900	7,287	0	0
Child Survival and Health Programs Fund	0	0	6,975	0
Development Assistance	5,096	2,676	3,758	7,400
Economic Support Fund	500	2,491	0	0
PL 480 Title II	59,828	33,481	3,386	8,004
Total Angola	70,324	45,935	14,119	15,404
Benin				
Child Survival and Disease Programs Fund	10,058	10,158	0	0
Child Survival and Health Programs Fund	0	0	6,738	0
Development Assistance	3,826	3,723	7,862	12,261
Economic Support Fund	250	0	0	0
PL 480 Title II	3,833	4,090	3,998	4,023
Total Benin	17,967	17,971	18,598	16,284
Burundi				
Child Survival and Health Programs Fund	0	0	500	0
Development Assistance	0	0	3,000	4,000
Economic Support Fund	3,000	4,500	0	0
PL 480 Title II	3,481	9,825	0	0
Total Burundi	6,481	14,325	3,500	4,000
Democratic Republic of the Congo				
Child Survival and Disease Programs Fund	8,980	15,337	0	0
Child Survival and Health Programs Fund	0	0	17,328	0
Development Assistance	830	4,788	3,965	21,500
Economic Support Fund	2,000	4,978	0	0
PL 480 Title II	3,332	14,244	1,220	0
Total Democratic Republic of the Congo	15,142	39,347	22,513	21,500
Eritrea				
Child Survival and Disease Programs Fund	4,133	4,516	0	0
Child Survival and Health Programs Fund	0	0	4,800	0
Development Assistance	4,694	5,603	5,538	8,519
PL 480 Title II	2,560	2,830	0	1,908
Total Eritrea	11,387	12,949	10,338	10,427

Country/ Fund Account	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Ethiopia				
Child Survival and Disease Programs Fund	27,799	26,086	0	0
Child Survival and Health Programs Fund	0	0	26,507	0
Development Assistance	12,439	14,561	19,445	50,054
PL 480 Title II	139,666	102,982	12,939	27,281
Total Ethiopia	179,904	143,629	58,891	77,335
Ghana				
Child Survival and Disease Programs Fund	15,220	15,419	0	0
Child Survival and Health Programs Fund	0	0	19,455	0
Development Assistance	22,381	19,858	15,063	39,743
Economic Support Fund	0	4,500	0	0
PL 480 Title II	20,879	18,347	11,544	14,951
Total Ghana	58,480	58,124	46,062	54,694
Guinea				
Child Survival and Disease Programs Fund	9,930	9,354	0	0
Child Survival and Health Programs Fund	0	0	5,650	0
Development Assistance	8,634	9,168	12,942	20,725
PL 480 Title II	8,965	10,712	3,331	3,441
Total Guinea	27,529	29,234	21,923	24,166
Kenya				
Child Survival and Disease Programs Fund	11,370	13,272	0	0
Child Survival and Health Programs Fund	0	0	27,763	0
Development Assistance	21,503	19,927	12,347	46,693
Economic Support Fund	700	2,400	0	0
PL 480 Title II	29,864	48,174	9,861	12,134
Total Kenya	63,237	83,773	49,971	58,827
Liberia				
Child Survival and Disease Programs Fund	2,552	1,850	0	0
Child Survival and Health Programs Fund	0	0	2,000	0
Development Assistance	4,140	5,720	3,225	5,200
PL 480 Title II	3,271	3,062	1,294	1,027
Total Liberia	9,963	10,632	6,519	6,227
Madagascar				
Child Survival and Disease Programs Fund	4,050	4,185	0	0
Child Survival and Health Programs Fund	0	0	8,975	0
Development Assistance	12,916	15,183	9,240	17,528
Economic Support Fund	132	0	0	0
PL 480 Title II	7,102	5,011	9,032	10,732
Total Madagascar	24,200	24,379	27,247	28,260

Country/ Fund Account	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Malawi				
Child Survival and Disease Programs Fund	11,856	14,862	0	0
Child Survival and Health Programs Fund	0	0	15,615	0
Development Assistance	19,048	13,150	13,028	30,877
PL 480 Title II	4,003	1,754	4,099	6,290
Total Malawi	34,907	29,766	32,742	37,167
Mali				
Child Survival and Disease Programs Fund	12,878	12,433	0	0
Child Survival and Health Programs Fund	0	0	13,321	0
Development Assistance	22,370	22,054	19,435	32,961
Development Credit Authority	0	99	0	0
Economic Support Fund	0	750	0	0
PL 480 Title II	3,905	2,372	0	0
Total Mali	39,153	37,708	32,756	32,961
Mozambique				
Child Survival and Disease Programs Fund	11,950	12,953	0	0
Child Survival and Health Programs Fund	0	0	19,277	0
Development Assistance	37,569	31,469	21,681	45,492
Economic Support Fund	500	600	0	0
PL 480 Title II	23,627	23,137	7,361	16,870
Total Mozambique	73,646	68,159	48,319	62,362
Namibia				
Child Survival and Disease Programs Fund	4,002	4,383	0	0
Child Survival and Health Programs Fund	0	0	500	0
Development Assistance	7,237	5,498	6,258	5,480
PL 480 Title II	434	0	0	0
Total Namibia	11,673	9,881	6,758	5,480
Nigeria				
Child Survival and Disease Programs Fund	17,000	23,363	0	0
Child Survival and Health Programs Fund	0	0	37,066	0
Development Assistance	20,500	30,941	18,548	66,235
Economic Support Fund	20,000	23,445	0	0
Total Nigeria	57,500	77,749	55,614	66,235
Rwanda				
Child Survival and Disease Programs Fund	6,950	7,167	0	0
Child Survival and Health Programs Fund	0	0	10,300	0
Development Assistance	9,820	6,997	5,311	18,173
Economic Support Fund	4,000	2,100	0	0
PL 480 Title II	10,028	10,394	9,076	10,979
Total Rwanda	30,798	26,658	24,687	29,152

Country/ Fund Account	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Senegal				
Child Survival and Disease Programs Fund	6,900	10,366	0	0
Child Survival and Health Programs Fund	0	0	14,405	0
Development Assistance	17,153	13,375	13,350	28,380
PL 480 Title II	295	834	0	0
Total Senegal	24,348	24,575	27,755	28,380
Sierra Leone				
Child Survival and Disease Programs Fund	500	1,884	0	0
Child Survival and Health Programs Fund	0	0	325	0
Development Assistance	0	3,116	3,417	3,868
Economic Support Fund	0	950	9,000	0
PL 480 Title II	23,265	32,975	13,589	0
Total Sierra Leone	23,765	38,925	26,331	3,868
Somalia				
Child Survival and Disease Programs Fund	0	500	0	0
Child Survival and Health Programs Fund	0	0	500	0
Development Assistance	0	2,500	2,467	2,900
PL 480 Title II	11,412	9,702	12,866	0
Total Somalia	11,412	12,702	15,833	2,900
South Africa				
Child Survival and Disease Programs Fund	13,188	17,362	0	0
Child Survival and Health Programs Fund	0	0	20,625	0
Development Assistance	32,979	32,665	33,849	62,428
Development Credit Authority	756	289	0	0
Economic Support Fund	700	800	0	0
Total South Africa	47,623	51,116	54,474	62,428
Sudan				
Child Survival and Disease Programs Fund	0	1,000	0	0
Child Survival and Health Programs Fund	0	0	500	0
Development Assistance	0	3,500	10,881	22,300
Economic Support Fund	0	10,000	0	0
PL 480 Title II	36,181	40,888	868	0
Total Sudan	36,181	55,388	12,249	22,300
Tanzania				
Child Survival and Disease Programs Fund	9,800	10,725	0	0
Child Survival and Health Programs Fund	0	0	16,700	0
Development Assistance	14,322	10,378	8,124	32,936
PL 480 Title II	4,668	29,256	1,590	0
Total Tanzania	28,790	50,359	26,414	32,936

Country/ Fund Account	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Uganda				
Child Survival and Disease Programs Fund	21,868	30,680	0	0
Child Survival and Health Programs Fund	0	0	34,150	0
Development Assistance	29,544	19,198	22,724	62,944
Economic Support Fund	400	595	0	0
PL 480 Title II	18,844	31,290	10,410	15,880
Total Uganda	70,656	81,763	67,284	78,824
Zambia				
Child Survival and Disease Programs Fund	16,328	26,838	0	0
Child Survival and Health Programs Fund	0	0	30,830	0
Development Assistance	16,000	10,255	11,822	50,285
Economic Support Fund	0	300	0	0
PL 480 Title II	811	0	89	0
Total Zambia	33,139	37,393	42,741	50,285
Zimbabwe				
Child Survival and Disease Programs Fund	5,200	6,438	0	0
Child Survival and Health Programs Fund	0	0	9,473	0
Development Assistance	6,926	6,384	1,700	18,108
Economic Support Fund	800	3,280	0	0
Total Zimbabwe	12,926	16,102	11,173	18,108
Total Program Funds	1,021,131	1,098,542	764,811	850,510

**Africa Regional
PROGRAM SUMMARY**

(in thousands of dollars)

Country/ Fund Account	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Africa Regional				
Child Survival and Disease Programs Fund	36,488	38,771	0	0
Child Survival and Health Programs Fund	0	0	37,822	0
Development Assistance	60,509	81,619	128,472	186,061
Economic Support Fund	28,218	22,216	91,000	77,000
PL 480 Title II	29,923	31,556	15,048	23,982
Total Africa Regional	155,138	174,162	272,342	287,043
Initiative for Southern Africa (ISA)				
Development Assistance	22,415	1,251	17,367	24,731
Economic Support Fund	1,000	998	0	0
Total ISA	23,415	2,249	17,367	24,731
Regional Economic Development Services Office-East and Southern Africa (REDSO-ESA)				
Child Survival and Disease Programs Fund	6,900	5,514	0	0
Child Survival and Health Programs Fund	0	0	12,075	0
Development Assistance	17,360	11,350	10,383	27,288
Economic Support Fund	0	250	0	0
Total REDSO-ESA	24,260	17,114	22,458	27,288
West Africa Regional Program (WARP)				
Child Survival and Disease Programs Fund	10,700	11,367	0	0
Child Survival and Health Programs Fund	0	0	21,048	0
Development Assistance	16,777	17,246	5,798	31,521
Economic Support Fund	300	645	0	0
PL 480 Title II	0	0	0	3,190
Total WARP	27,777	29,258	26,846	34,711
Total Program Funds	230,590	222,783	339,013	373,773

Angola

On the United Nations Human Development Index, Angola ranks 146 out of 162. One child under five dies every three minutes. Approximately one million children have lost one parent; 300,000 have lost both.

THE DEVELOPMENT CHALLENGE: Angola continues to be ravaged by war and faces a serious humanitarian crisis. Although conventional warfare has ceased, the National Union for the Total Independence of Angola (UNITA) guerrilla attacks continue. These attacks and government counterinsurgency measures continue to displace populations. Military action close to Angola's borders has occasionally spilled over into neighboring countries. Despite diplomatic efforts by the United Nations (UN) and others, the 26-year-old civil war continues and more than two million internally displaced people require

assistance. Although Angola was at one time an exporter of food, at present it cannot feed itself and relies on imported and donated food. According to the UN, more than 1.3 million Angolans rely on external food assistance to meet basic food requirements. Even in areas of the country where military activity has not caused large-scale destruction and suffering, Angolans face severe hardships. USAID's strategy is centered on addressing emergency, transition and development efforts. Development efforts are hampered by landmines, collapsed infrastructure, banditry, insecurity and inadequate government support.

Yet, Angolan citizens remain willing to help themselves, and pressures are increasing for more accountable government. Civil society has recently spoken out more forcefully on a wide range of issues. Churches, in particular, have become much more vocal in advocating both better performance by the government and stronger efforts to end the war. Town hall meetings and radio debates, with participation by public officials, are on the rise even in the provinces. Although journalists are still harassed and the best-funded media are government publications, media are now able to report more openly than in the past. Health conditions and services, most notably for women and children, remain appalling. Angola has among the highest maternal mortality rates in the world, 1,800 deaths per 100,000 live births. Infant mortality is well over 17% while the mortality rate for children under five is almost 30%. Although malaria kills more Angolans than any other disease, a national campaign to combat the disease is only just beginning. UNAIDS estimated HIV prevalence at 2.8 % in 1999, however, the epidemic appears to have spread considerably. The World Health Organization and UNICEF both estimated prevalence to be 8.6% in 2001. The anti-polio campaign has fared better than other public health efforts in Angola, and approximately 62% of the total population of children under five have been vaccinated against the disease.

U.S. national interests in Angola center on relieving the suffering of war-affected Angolans by providing emergency and humanitarian assistance. Angola is the United States' eighth largest oil supplier and plays a pivotal role in southern Africa's regional stability.

THE USAID PROGRAM:

FY 2002 Estimate: \$14.119 million

FY 2003 Request: \$15.404 million

USAID is requesting funds for three programs: improving maternal and child health and decreasing HIV incidence; improving food security with a focus on smallholder agriculture; and strengthening civil society. In FY 2002, USAID will continue to be the leading donor of emergency humanitarian assistance. USAID's pilot AIDS education and prevention activity has proven highly successful, and the program will be expanded both geographically and programmatically. Support from private sector partners for HIV/AIDS efforts will grow as well. Polio efforts will continue. In FY 2002, a new USAID health activity focusing on maternal and child health in Luanda will begin. A follow-on activity to strengthen the capacity of institutions and communities to respond to the educational needs of vulnerable children will also begin in FY 2002. In addition to increasing the availability of

information and strengthening the advocacy skills of civil society organizations, USAID will seek opportunities to enhance democratic processes through the organization of farmer associations and village health and sanitation committees. Gender remains a crosscutting theme in the USAID program.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: The USAID program in Angola includes the following objectives for which USAID is not requesting new funds, but is continuing to expend funds already appropriated.

<u>Number:</u>	<u>Title:</u>	<u>Last Notified</u>	<u>Planned Completion:</u>
654-001	Community Resettlement & Rehabilitation	FY 02 CBJ, p. 34	FY 2002
654-002	Increased National Reconciliation	FY 02 CBJ, p. 38	FY 2002

OTHER PROGRAM ELEMENTS: Through the Democracy/Conflict and Humanitarian Assistance bureau, USAID/Washington programs support several activities in Angola. The Association Liaison Office for University Cooperation in Development is assisting Agostinho Neto University in developing a political science and public administration degree program. USAID supports several emergency health activities including child immunizations, safe and hygienic deliveries for women, and potable water. USAID/Washington supports a P.L. 480 food sales (monetization) program that directly supports smallholder agriculture and promotes internally displaced persons resettlement. Another central USAID program supports a child survival program to reduce infant, child and maternal mortality through home visits, community training and a variety of low-tech/high-impact interventions that focus on malaria, diarrheal disease, nutrition and immunizations. Displaced Children and Orphan Funds support a program run by the Christian Children’s Fund to provide assistance to war-affected children and their communities. With funding provided through the War Victims Fund, Vietnam Veterans of America support a Center in Moxico Province which fitted 227 people with prosthetics. Most of the recipients were victims of land mine accidents.

OTHER DONORS: The United States is the leading bilateral donor followed by Spain (health and agriculture) and Italy (humanitarian assistance and democracy/governance activities). The European Union is the leading multilateral donor. After several years of suspended activities, the World Bank is re-engaging in Angola and is in the planning stages for economic technical assistance and education programs. Donor coordination within Angola is improving, due to efforts led by the United Nations Development Program. United Nations agencies and USAID work closely together, particularly in the health sector. Sweden and the Netherlands are leading donors in humanitarian assistance after the United States.

Angola
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual *	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	4,900	7,287	0	0
Child Survival and Health Programs Fund	0	0	6,975	0
Development Assistance	5,096	2,676	3,758	7,400
Economic Support Fund	500	2,491	0	0
PL 480 Title II	59,828	33,481	3,386	8,004
Total Program Funds	70,324	45,935	14,119	15,404

STRATEGIC OBJECTIVE SUMMARY

654-001 Increased resettlement, rehabilitation and food-crop self-reliance of war-torn Angolan communities				
CSD	4,900	0	0	0
DA	1,256	0	0	0
654-002 Increased national reconciliation through strengthened democratic and political institutions				
DA	3,840	0	0	0
ESF	500	0	0	0
654-005 Enhanced household food security in targeted communities				
DA	0	1,443	1,703	1,750
654-006 Constituencies promoting democratic governance strengthened				
DA	0	889	2,055	1,000
ESF	0	2,491	0	0
654-007 Increased use of Maternal/Child Health and HIV/AIDS services and/or products and improved health practices				
CSD	0	7,287	0	0
CSH	0	0	6,975	0
DA	0	344	0	4,650

* FY 2001 includes direct apportionment to Department of State of \$300,000

Benin

Life expectancy is 53.6 years. The adult literacy rate was 39% in 1999 while female literacy was 23%.

THE DEVELOPMENT CHALLENGE: After a decade of renewed democracy, including a third presidential election in March 2001 and market-based economic growth, Benin is making the transition towards political and economic freedom. Human rights are guaranteed and respected and socio-economic development is occurring, although pervasive corruption has a negative impact on public management. Notwithstanding the significant progress over the past decade, Benin is tackling ongoing problems of poverty. Literacy and school enrollment are low, especially for girls,

although advances have been made. Private investment has been insufficient to encourage sustainable economic growth. Inadequate public transparency and accountability, ineffective public management and low utilization of budget resources thwart the provision and sustainability of public services, especially for education and health. Lack of civil society participation in national and local decision making limits the pressure on the Government of Benin (GOB) to improve accountability and inhibits communities from actively influencing national development efforts. The population growth rate is 3% and child mortality is 156 per 1000. While only 2.5% of the population in Benin was infected with HIV/AIDS at the end of 1999, the trend, if left unabated, could mirror that of other countries ravaged by HIV/AIDS.

Benin is a poor country with a per capita income estimated at approximately \$380. It ranks 147 out of 162 countries according to the 2001 United Nations Human Development Index, an indicator that ranks overall quality of life. One third of the population lives under the poverty threshold. However, Benin is managing its economy well in terms of macro-economic factors and has maintained an average economic growth rate of 5% per year. Much of the public investment budget is financed by donor contributions while debt servicing in 1998 was 35% of gross domestic product and 218% of exports. Debt servicing is expected to decrease due to Benin's participation in the Heavily Indebted Poor Countries Initiative (HIPC), under which the Government of Benin (GOB) is to receive an equivalent of \$460 million in official debt relief. Under HIPC, Benin received \$5.6 million of debt relief in FY 2000 and \$18.7 million in FY 2001. A large portion of the debt relief is to be used for increased spending in the social sectors. Efforts in Benin will continue to combat poverty by improving health and education services and the provision of other public services. The structural reforms will continue along with strong efforts to improve private sector development, increase private investment, and improve sectoral policies, especially in agriculture. These measures will help set the stage for high and sustainable growth.

Benin continues to be of interest to the United States for the promotion of democracy, stability and security in the region, and the promotion of U.S. exports and investment. Benin is an ally of the United States in the fight against terrorism.

THE USAID PROGRAM:

FY 2002 Estimate: \$ 18.598 million

FY 2003 Request: \$16.284 million

The Program Data Sheets provided cover the three objectives for which USAID is requesting funds and will be used to finance ongoing programs in: 1) primary education reform and education of girls; 2) family health for family planning services, HIV/AIDS prevention and improvement of health sector policies; and 3) governance and accountability to support GOB and civil society anti-corruption efforts, the promotion of new communication technologies, micro-finance, technology transfer, and agriculture to increase rural incomes.

OTHER PROGRAM ELEMENTS: The Program for Innovation in Microenterprise (PRIME fund), financed by the USAID/Washington Office of Microenterprise Development, is complementing USAID/Benin bilateral resources to increase access to micro-financing for the development of microenterprise and other local private initiatives. USAID/Benin participates in West African Regional Program (WARP)

activities that promote trade (including cross border women's activities), harmonize commercial law, stimulate regional economic development, and improve energy availability through a regional gas pipeline. WARP will help Benin to understand and profit from the Africa Growth and Opportunity Act and World Trade Organization activities. Funding from the Leland Initiative will supplement USAID/Benin bilateral resources to promote new communication technologies and increase Internet connectivity. Benin benefits as well from an Africa-wide Africa Bankers Training Program. Through USAID/Washington support to a U.S. university, a new method of natural family planning is being introduced in selected public and private health clinics. The HIV/AIDS bilateral program in Benin is complemented by the WARP health and HIV/AIDS regional activities, as well as the "Corridor Project," a program linking five countries and connecting Abidjan to Lagos. Through the Africa Bureau-funded Basic Support for Institutionalizing Child Survival (BASICS) activity, technical assistance is provided to the Ministry of Health to adapt BASICS-produced pilot nutrition materials for national use. Benin benefits from P.L. 480 Title II food resources which serve to increase girls' primary school enrollment, improve nutrition, increase community access to micro credit, and improve food security in food deficit areas of Benin.

OTHER DONORS: In 2000, the United States was ranked first among bilateral donors in terms of annual development expenditures, while Denmark was the largest in terms of annual financial obligations. Donor coordination is successful. Denmark focuses on agriculture, road construction, judicial reform and private sector development. Other bilateral donors and their principal areas of focus are: France (secondary and higher education, agriculture), Germany (hydraulic and rural water, forestry, bridge construction, government decentralization, and national park management), Canada (administrative reform and micro-enterprise development), Switzerland (health, adult literacy, rural development, artisan development, institutional/structural reform), Netherlands (community development, women in development, infrastructure), Japan (judicial reform, food support, agriculture promotion), and Belgium (health, rural development, education, sanitation and water).

The principal multilateral donors and development financiers include the United Nations agencies, World Bank, International Monetary Fund (IMF), European Union, African Development Bank, and the West African Development Bank. The European Union provides budget support in health and project financing in transport, judicial reform and government decentralization. The United Nations Development Program is focused on the environment, women and development, HIV/AIDS prevention, and communications. The World Bank supports the promotion of girls' education, construction of primary schools, judicial reform, private sector development, HIV/AIDS prevention, and budget reform, while the IMF supports structural reform and privatization of parastatals. The African Development Bank supports human resource development, construction of secondary schools and technical skills training centers and the West African Development Bank supports private sector and infrastructure investment.

Benin
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	10,058	10,158	0	0
Child Survival and Health Programs Fund	0	0	6,738	0
Development Assistance	3,826	3,723	7,862	12,261
Economic Support Fund	250	0	0	0
PL 480 Title II	3,833	4,090	3,998	4,023
Total Program Funds	17,967	17,971	18,598	16,284

STRATEGIC OBJECTIVE SUMMARY

680-001 More children receive a quality basic education on an equitable basis				
CSD	5,733	5,720	0	0
DA	0	0	7,000	7,000
680-002 Increased use of family health services and preventive measures in a supportive policy environment				
CSD	4,325	4,438	0	0
CSH	0	0	6,738	0
DA	2,500	2,238	0	4,338
PL 480	3,833	0	0	0
680-003 Improved governance and reinforced democracy				
DA	1,326	1,485	862	923
ESF	250	0	0	0

Burundi

The population of Burundi is 6.6 million; 1.2 million are displaced persons or refugees. 230,000 children are AIDS orphans.

THE DEVELOPMENT CHALLENGE: The signing of the Arusha Peace Accord, brokered by Nelson Mandela, in August 2000, and the installation of a Transitional Government on November 1, 2001, offer some hope for ending the conflict between Burundi's Tutsi and Hutu communities and fostering stability in the Great Lakes region. However, two main Hutu rebel groups have not yet joined the peace process, and the lack of a cease-

fire hampers implementation of the accord. Reconciliation thus constitutes a major challenge. Associated with this process are several urgent needs: reform of the army; demobilization of combatants; the reintegration of refugees, the internally displaced, and ex-combatants; the expansion of and equitable access to economic opportunity and civil liberties, especially for women; improvement of the justice system; and resolution of land tenure issues.

Debt service requirements and economic revitalization constitute other key challenges. Burundi's 2001 per capita gross domestic product was \$180, external debt in November 2001 was \$1.2 billion, and debt service requires 60% of national expenditures. Revitalization of the agricultural sector will also be a major task. Ninety percent of the population survives on subsistence farming on small, degraded plots, making it difficult for families to sustain themselves. In the context of conflict and recurrent drought, serious food insecurity and nutritional stress exist in several provinces. Ninety percent of export earnings come from coffee, but low international prices and the lack of foreign exchange to import agricultural tools jeopardize the sector.

Health status continues to deteriorate. The incidence of malaria and tuberculosis is increasing, life expectancy is decreasing, maternal mortality is rising, and infant mortality has increased to 136 per 100,000. The HIV/AIDS prevalence rate is estimated to be 11.3% (20% in towns and cities, 7.5% in rural areas). HIV/AIDS has orphaned 230,000 children.

Ethnic conflict in Burundi has been a central factor in the continuing instability in the Great Lakes region. It is in the U.S. national interest to ensure respect for human rights and reductions in the need for humanitarian assistance by encouraging a return to peace in Burundi and throughout central Africa.

THE USAID PROGRAM:

FY 2002 Estimate: \$3.5 million

FY 2003 Request: \$4.0 million

The Program Data Sheet covers the special objective for which USAID is requesting funds. Projects will focus on: promoting among Burundians the principles of peace and reconciliation between the two ethnic groups, including efforts to enhance ownership and involvement in the peace process, which has been confined to the "political elite", by all Burundians; addressing the roots of conflict through justice and good governance, and fundamental reforms of the military, including incorporation of Hutus as 50% of the officer corps, and demobilization; empowering a nascent civil society and partnership with civil authorities; helping Burundians displaced by the conflict reintegrate into their communities; and contributing to the restoration of the agricultural and health sectors in ways which promote greater economic and social equity, and an appropriate role for the private sector.

Three new activities are planned for FY 2002. These will: 1) promote agricultural revitalization in food insecure provinces; 2) help orphans and war victims; and 3) support the Peace Accord Implementation Monitoring Committee. USAID's strategy on Burundi will evolve as the peace accord is implemented. FY 2003 funds are likely to be used to expand FY 2002 activities nationwide; reinforce scheduled activities of the transition, including elections; provide incentives for the reintegration of displaced people and ex-combatants; continue to advance peace and

reconciliation; provide legal aid to vulnerable people; and combat HIV/AIDS in the rural areas through social marketing, education, and training of health workers.

OTHER PROGRAM ELEMENTS: Throughout the transition period, USAID will provide emergency humanitarian assistance to the most vulnerable communities throughout Burundi. U.S. food assistance also targets vulnerable groups. Using Economic Support Funds (ESF) under the Great Lakes Justice Initiative, USAID works to strengthen democratic institutions by supporting: an independent radio production of programs that contribute to public awareness of democracy and rule of law; a women's center which works with local human rights groups on women's issues; and efforts by civil society organizations to increase activities in the justice sector. Regional or USAID/Washington support of HIV/AIDS programs is possible, as methods of providing HIV/AIDS assistance are reviewed.

Donor pledges to support the Peace Process in Burundi totaled \$830 million at the 2001 Geneva Conference.

OTHER DONORS: The United States and Belgium are Burundi's major bilateral donor partners. France and Britain jointly fund HIV/AIDS activities with USAID. Other important bilateral donors include: Austria (water, sanitation and human rights), Germany (debt relief, conflict mitigation and prevention, democracy and health), and Italy (emergency assistance, HIV/AIDS, water and sanitation). Key multilateral donors are the World Bank and the European Community. The UNDP and UNICEF also provide important assistance. Donor activities are coordinated through bi-monthly meetings. USAID coordinates HIV/AIDS activities with the French and British.

Burundi
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual *	FY 2002 Estimated	FY 2003 Request
Child Survival and Health Programs Fund	0	0	500	0
Development Assistance	0	0	3,000	4,000
Economic Support Fund	3,000	4,500	0	0
PL 480 Title II	3,481	9,825	0	0
Total Program Funds	6,481	14,325	3,500	4,000

STRATEGIC OBJECTIVE SUMMARY

695-005 Foundation for a peaceful transition in Burundi established				
CSH	0	0	500	0
DA	0	0	3,000	4,000
ESF	3,000	4,500	0	0

* FY 2001 includes direct apportionment to Department of State of \$1,000,000

Democratic Republic of the Congo (DRC)

After three decades of decline and recent conflicts, per capita GDP has fallen from \$250 in 1990 to less than \$78 today. The under five mortality rate is 207 deaths per 1,000. A recent study indicates that even in peaceful regions untouched by the present conflict nearly half of the children are malnourished.

THE DEVELOPMENT CHALLENGE: The Democratic Republic of the Congo (DRC) has suffered from problems of governance and economic decline for three decades. Recent conflicts have left most Congolese in dire need of emergency assistance. In parts of the country where fighting continues, roughly 10% of the population is dying each year (compared to a typical death rate of 2% for developing countries). Even in peaceful areas, child malnutrition rates are alarming. Under five child

mortality is extremely high at 207 deaths per 1,000 due to malaria, infectious diseases, acute malnutrition, diarrheal diseases, low routine immunization coverage, and limited access to potable water. The maternal mortality rate, estimated to be 1,837 deaths per 100,000, could be one of the highest in the world. HIV/AIDS prevalence rates continue to climb, with an infection rate of 5.1%. The DRC government allocated approximately 25% of its national budget to education during the 1970s but less than 7% now. Non-governmental organizations (NGOs), including faith-based organizations, provide the vast majority of social services throughout the country. Congolese and international NGOs regularly compensate for weak governmental structures.

The World Bank estimates DRC's per capita gross domestic product (GDP) in 1999 at \$78. GDP has since declined. External debt at the end of 2000 was \$12.9 billion, which, according to the World Bank, equals roughly 280% of GDP and 900% of exports. The accumulated debt and severe economic decline are due to both recent wars and decades of corruption and economic mismanagement. Agricultural production has also suffered, and crop diseases, such as cassava mosaic virus, have exacerbated poverty and hunger. The ongoing war also threatens DRC's vast equatorial forest and other vital natural resources of global importance. The DRC has five natural World Heritage Sites, more than any other country in sub-Saharan Africa. All five, with irreplaceable resources and species such as gorilla and the indigenous chimpanzee, the bonobo, are endangered.

U.S. national interests in the DRC are: promotion of a democratic transition and sustainable economic growth in a country key to the stability and prosperity of all of central Africa; conflict reduction in a country where warfare still destabilizes vast regions and leads to a humanitarian emergency affecting millions of Congolese; and amelioration of health and environmental issues of significance to the Congolese, the United States, and the global community. The DRC also is an important ally in central Africa in the war against terrorism, and a location, where, if chaos occurs, terrorist activities could burgeon.

THE USAID PROGRAM:

FY 2002 Estimate: \$22.513 million

FY 2003 Request: \$21.500 million

The Program Data Sheet provided covers the one objective for which USAID is requesting funds. Projects concentrate on improving primary health care services in rural areas, increasing immunization coverage throughout the country, combating HIV/AIDS and malaria, enhancing food security to reduce malnutrition, promoting a peaceful transition process under the Lusaka Cease-Fire Agreement, and protecting the environment. FY 2002 funds will be used to implement ongoing programs to improve health, promote peace, enhance food security, and protect the environment. In addition to continuing on-going malaria core support to strengthening urban malaria control, the Ministry of Health, with the consensus of all shareholders, has revised the malaria treatment policy from chloroquine to fansidar, based on drug sensitivity tests. Implementation of the revised policy will focus on supply, diffusion of guidelines to every health facility, training and community education. The malaria policy will also address intermittent treatment during pregnancy. The mission

is receiving infectious diseases funding for surveillance for the first time in FY02. Building on polio surveillance already on-going, there will be a link to integrated disease surveillance and response (IDSR) and strengthening the system of regional and provincial laboratories. USAID also intends to use FY 2002 funds to carry out new activities in response to a fluid and rapidly changing set of circumstances

The specific activities to be funded by FY 2002 and FY 2003 appropriations are described in greater detail in the following Program Data Sheet. USAID plans to use FY 2003 funds to implement and expand ongoing efforts.

OTHER PROGRAM ELEMENTS: Under the ESF-funded Great Lakes Justice Initiative (GLJI), USAID supports anti-corruption activities and projects to strengthen the capacity of democracy sector NGOs in coalition building, advocacy, information development and dissemination, human rights education, and justice promotion. Resources from the Displaced Children and Orphans Fund (DCOF) support integrating demobilized child soldiers, street children, and child prostitutes into society. USAID also supports projects to improve girls' access to primary education. USAID humanitarian aid provides life-saving emergency assistance, including health, water, and sanitation services, essential medicines, and food to vulnerable populations. USAID P.L. 480 emergency food assistance provides food to refugees and Congolese in need.

OTHER DONORS: The United States is the largest bilateral donor, followed by Belgium. Other major bilateral donors include France and the United Kingdom. Many donors, led by USAID and the European Union, are active in providing emergency humanitarian assistance. Most donor assistance is provided through international NGOs. Multilateral donors, such as the United Nations Development Program and the World Bank, support institutional strengthening of various government ministries, including the Ministry of Finance. The World Bank and the IMF are working closely with the DRC government to improve the performance of the economy and to design strategies to reduce poverty. The World Bank has recently begun a \$50 million grant program and has named a Kinshasa-based representative. Many bilateral and multilateral donors, including the United States, support the Inter-Congolese Dialogue, the process by which Congolese leaders are to decide on the new political institutions to reunite their country. They are also preparing to support reintegration of ex-combatants and other actions required to continue a transition to peace. The World Bank has put forward positive proposals to enhance donor coordination. Humanitarian actors, including the United States, have pushed for over two years for the placement of a humanitarian coordinator from the UN system to improve coordination of the myriad humanitarian interventions throughout the DRC. This position remains vacant.

Democratic Republic of the Congo

PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	8,980	15,337	0	0
Child Survival and Health Programs Fund	0	0	17,328	0
Development Assistance	830	4,788	3,965	21,500
Economic Support Fund	2,000	4,978	0	0
PL 480 Title II	3,332	14,244	1,220	0
Total Program Funds	15,142	39,347	22,513	21,500

STRATEGIC OBJECTIVE SUMMARY

660-001 The Congolese people are assisted to solve national, provincial and community problems through participatory processes				
CSD	8,980	15,337	0	0
CSH	0	0	17,328	0
DA	830	4,788	3,965	21,500
ESF	2,000	4,978	0	0

Eritrea

Despite Eritrea's rank as one of the poorest countries in the world, it ranks 31st in healthy life expectancy due to a high commitment to health care and a low level of corruption.

THE DEVELOPMENT CHALLENGE: With the end of the two-year border conflict with Ethiopia, Eritrea has begun plans for post-conflict reconstruction. Eritrea is among the poorest countries in the world, ranked at 148 out of 162 countries in the United Nation Development Programme's Human Development Index for 2001. Life expectancy is 51 years, while infant mortality is estimated at 66 deaths per 1,000. The HIV/AIDS epidemic is at an early stage in Eritrea, but the risk of rapid spread is already high. The past mobilization of a large number of Eritreans aged 18-40 years, and the planned demobilization may boost transmission and carry HIV to rural areas.

Eritrea faces a number of new development challenges, including post-conflict reconstruction, chronic drought, low skill and education levels, limited natural resources, demobilization and refugee resettlement. According to International Monetary Fund and Central Bank of Eritrea estimates, Eritrea experienced a negative GDP growth rate of minus 8.2% in 2000. However, GDP is projected to increase by a significant amount in 2001; contingent on tax and other reforms, it could reach 7%. Per capita gross domestic product (GDP) in 2000 was estimated at \$200. The budget deficit was estimated at 48% of GDP, while external debt was estimated at \$300 million, or 49% of GDP.

U.S. national interests in Eritrea are two-fold. First, successful implementation of the peace agreement between Eritrea and Ethiopia will lessen conflict and enhance regional stability in the Greater Horn of Africa. Second, Eritrea has been and remains a staunch U.S. ally in combating global terrorism.

THE USAID PROGRAM

FY 2002 Estimate: \$10.338 million

FY 2003 Request: \$10.427 million

USAID has three objectives in Eritrea: increase the quality, availability and use of primary health care services; expand rural incomes and employment; and develop human potential for economic and democratic development through training and access to information through the Internet. FY 2002 funds will be used to implement ongoing programs in health, rural income expansion and human potential development, and to expand HIV/AIDS prevention efforts. New activities will support the demobilization and reintegration process and to expand information technology initiatives. The specific activities to be funded with FY 2002 and 2003 appropriations are described in more detail in the following Program Data Sheets. A new strategy is being developed, and new notifications will be provided for FY 2003 funds once the strategy is approved.

OTHER PROGRAM ELEMENTS: In FY 2001, USAID/Washington and the Department of Agriculture provided food assistance for internally displaced people, other war affected groups and drought victims. In addition, the Department of State's Office of Population, Refugees and Migration provided assistance for the repatriation of refugees from Sudan. USAID/Washington humanitarian assistance also supported water and sanitation and health services for internally displaced groups, and for seeds and tractor services for drought-affected areas. Eritrea also benefits from USAID/Washington projects in health, information technology, women in development, human capacity development, and conflict and famine early warning systems.

OTHER DONORS: Italy and the United States are Eritrea's first and second largest bilateral partners, while the World Bank (demobilization, economic recovery, health, human capacity development) and European Union (energy, roads, education, food) are first and second overall. UN agencies manage a diverse portfolio largely funded by other donors. Other major bilateral partners are the Netherlands, Denmark, Norway, Sweden, France and Germany.

Eritrea
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	4,133	4,516	0	0
Child Survival and Health Programs Fund	0	0	4,800	0
Development Assistance	4,694	5,603	5,538	8,519
PL 480 Title II	2,560	2,830	0	1,908
Total Program Funds	11,387	12,949	10,338	10,427

STRATEGIC OBJECTIVE SUMMARY

661-001 Increased use of Primary Health Care Services by Eritreans				
CSD	3,733	4,516	0	0
CSH	0	0	4,800	0
DA	200	345	0	3,900
661-002 Increased income of enterprises, primarily rural, with emphasis on exports				
DA	3,247	3,900	3,318	2,600
661-003 Increased capacity for accountable governance at local and national levels				
CSD	400	0	0	0
DA	1,247	1,358	2,220	2,019

Ethiopia

THE DEVELOPMENT CHALLENGE: Ethiopia has endured three wars and three major food security emergencies in the past four decades. It is the second most populous country in sub-Saharan Africa with a population estimated at over 63 million. The United Nations Development Program Human Development Report 2001 ranks Ethiopia as 158 out of 162 countries in the world on basic human indicators. Ethiopia has a very high HIV prevalence rate. Maternal and child health and literacy rates are among the lowest. Ethiopia's development progress is frequently disrupted by severe drought, preventing the country from breaking the cycle of poverty. Much of Ethiopia's population is perpetually at the brink of disaster, one bad harvest (or less) away from starvation.

- Four to five million Ethiopians are chronically food insecure.
- Infant mortality is 166 per 1,000.
- The HIV/AIDS prevalence rate is 11%.
- Overall literacy is 22%.

With a population growth rate of 2.8%, Ethiopia will have over seven million more people by 2006. Agricultural production is rising, but at a slower rate (2.4%), leading to an exponentially increasing structural food deficit. Nevertheless, Ethiopia, with proper structural and market reforms and with increased private sector investment, could feed itself. In December 2001, Ethiopia was approved for debt relief (estimated foreign debt is \$5.2 billion) under the enhanced Heavily Indebted Poor Country Initiative. Debt service savings should amount to nearly \$100 million a year for 20 years and must be used by Ethiopia for poverty reduction.

The United States' national interests in Ethiopia are two-fold: strategically located between Somalia and Sudan, Ethiopia is a vital ally in efforts to promote regional stability in the Horn of Africa and it is also a key ally in the global war on terrorism.

THE USAID PROGRAM:

FY 2002 Estimate: \$58.891 million

FY 2003 Request: \$77.335 million

USAID is requesting funds for six programs that promote food security; improve the health and welfare of women and children; strengthen primary education systems—especially for girls; promote good governance and the rule of law; mitigate disasters; and improve the livelihoods of pastoralists. FY 2002 funds will be used to implement programs in agriculture and environment (food security); child and maternal health; HIV/AIDS prevention and education; training, service provision, logistics and management systems development for family planning and reproductive health; basic education; financial expenditure management; judicial training; and disaster prevention and mitigation. FY 2003 funding will enable USAID to enhance and expand these programs to additional regions. Specific activities to be funded by FY 2002 and FY 2003 appropriations are described in more detail in the Program Data Sheets.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: USAID is not requesting new funds for the following programs, but is continuing to expend funds already appropriated.

Number:	Title:	Last Notified:	Planned Completion:
663-001	Availability of Food Grain Crops	FY 02 CBJ, p. 124	FY 2002
663-002	Primary and Preventative Health Services	FY 02 CBJ, p. 128	FY 2002
663-003	Quality and Equity in Primary Education	FY 02 CBJ, p. 132	FY 2002
663-004	Democracy and Governance	FY 02 CBJ, p. 136	FY 2002
663-005	Enhanced Household Food Security	FY 02 CBJ, p. 141	FY 2002

OTHER PROGRAM ELEMENTS: Food aid resources (development and emergency) are a major component of United States assistance to Ethiopia. Food aid resources and activities are fully integrated into the USAID development program to address food security. In FY 2001 USAID/Washington provided \$3.8 million in non-food humanitarian assistance to Ethiopia. The funds assisted eight non-governmental organizations and United Nations agencies to support health, nutrition, potable water, sanitation, animal health, and early warning activities, primarily in the Somali, Tigray and Oromiya Regions.

USAID is working with the Packard and Gates Foundations to support initiatives in child survival and reproductive health. A Farmer-to-Farmer program is implemented with funding from USAID/Washington. In FY 2002, this program will expand efforts to all nine regional states and Addis Ababa. USAID also supports centrally funded research in child health, teacher training for Africa, and a pesticide disposal program.

OTHER DONORS: Major multilateral donors to Ethiopia are the World Bank, United Nations organizations, the European Union, and the African Development Bank. The World Bank strongly supports sector programs in education and health, HIV/AIDs, agricultural production, human capacity development, and Ethiopia's rehabilitation and reconstruction program along the Ethiopia/Eritrea border. The United States and Japan rank first and second among bilateral donor partners, followed by Italy, Ireland, Germany, and the Nordic countries. These latter support specific program sectors such as environment, basic education, and social infrastructure. The British are planning to restart programs, deferred during the border conflict, in basic education and food security. Donor coordination in Ethiopia is good, especially in sector development programs in roads, health, and education. Donor cooperation has been extremely effective this year in getting government agreement on a new approach to food security policy. Coordinated emergency responses to food aid needs, internally displaced populations, and HIV/AIDS have been extremely effective.

Ethiopia
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	27,799	26,086	0	0
Child Survival and Health Programs Fund	0	0	26,507	0
Development Assistance	12,439	14,561	19,445	50,054
PL 480 Title II	139,666	102,982	12,939	27,281
Total Program Funds	179,904	143,629	58,891	77,336

STRATEGIC OBJECTIVE SUMMARY

663-001 Increased availability of selected domestically produced food grains				
DA	3,667	0	0	0
663-002 Increased use of primary and preventive health care services				
CSD	13,150	0	0	0
DA	5,900	0	0	0
663-003 Quality and equity improved in an expanded system of primary education				
CSD	13,149	0	0	0
DA	1,000	0	0	0
663-004 Increased access to and participation in a democratic system				
CSD	500	0	0	0
DA	1,872	0	0	0
663-005 Enhanced household food security in target areas				
CSD	1,000	500	0	0
663-007 Rural Household Production and Productivity Increased				
CSD	0	200	0	0
CSH	0	0	1,000	0
DA	0	3,807	3,582	4,518
663-008 Improved Family Health				
CSD	0	11,470	0	0
CSH	0	0	24,027	0
DA	0	4,650	0	29,790
663-009 Quality and Equity in Primary Education System Enhanced				
CSD	0	10,872	0	0
CSH	0	0	200	0
DA	0	0	11,750	11,050
663-010 More Effective Governance and Civil Society Developed				
CSD	0	1,646	0	0
DA	0	2,350	893	956
663-011 Mitigate the Effects of Disaster				
CSD	0	998	0	0
CSH	0	0	930	0
DA	0	2,654	2,370	2,140
663-012 Improved Livelihoods for Pastoralists and Agro-Pastoralists in Southern Ethiopia				
CSD	0	400	0	0
CSH	0	0	350	0
DA	0	1,100	850	1,600

Ghana

Ghana ranks 119th out of 162 countries in the latest UN Human Development Index. The HIV/AIDS infection rate is 4%, and infant mortality is 57 per 1,000.

THE DEVELOPMENT CHALLENGE: Ghana's recent national election further consolidated democracy as the 20-year military/civil rule of Jerry Rawlings ended and the opposition party won both the presidency and control of parliament. However, the new government faces major challenges to increase economic growth and reduce poverty. Private sector growth, critical to reducing poverty, is severely hampered by high interest rates, poor economic management, and Ghana's inability to attract sufficient domestic and foreign capital investment. The extreme poverty rate

declined by 10% to 27% of total population from the 1990's, but 59% of the population located in the rural savanna zone (central and northern Ghana) are classified as extremely poor. The International Monetary Fund estimates that Ghana's per capita gross domestic product was \$270 in 2000 compared to \$310 in 1999, due in large part to the devaluation of the cedi.

Overall performance on structural and macro-economic reforms has been good over the past 15 years with an average annual growth rate of 4.5% (as compared with 2.9% for sub-Saharan Africa), but such growth has been largely concentrated in finance, construction and gold and cocoa exports. Ghana has also experienced periodic declines in the quality of macro-economic management during election years (1992, 1996, and 2000) that caused cycles of inflation and devaluation in the subsequent years. Having an external debt of \$5.9 billion in 2001, Ghana has enormous debt servicing costs. If both principal and interest were paid, debt servicing would have required over 70% of 2001 government revenue (\$560 million). As it happened, not all debt could be serviced. Ghana has applied for external debt relief under the Highly Indebted Poor Countries (HIPC) Initiative, which requires an approved poverty reduction strategy. The strategy that Ghana has prepared is consistent with the U.S. foreign policy priorities and will focus on: 1) macro-economic stability; 2) sustainable economic growth/increased employment; 3) basic education and health services; 4) programs for those most vulnerable and at extreme risk; and 5) anti-corruption and good governance.

Ghana continues to be of U.S. interest as the third largest trading partner in Sub-Saharan Africa. It plays a key role in promoting political and economic stability in the region and has a strong human rights record.

THE USAID PROGRAM:

FY 2002 Estimate: \$46.062 million *FY 2003 Request:* \$54.694 million

USAID/Ghana's strategy supports the new Government of Ghana goal of poverty reduction through private sector-led growth. It is based on a diversified economy, which will generate greater amounts of investment, higher incomes and improved living standards. Improvements in education, health, and citizen participation in the democratic processes are essential for achieving this accelerated economic growth. The specific activities under the four Strategic Objectives (SOs) to be funded by FY 2002 and FY 2003 appropriations are described in more detail in the following Program Data Sheets. All funding is incremental funding for on-going activities under existing strategic objectives.

SO 1 (Increased Private Sector Growth) supports sustainable private sector-led growth through a range of policy reforms and direct support to private enterprise. USAID also continues to support new energy development as critical to increased economic growth, including the development of the West African Gas Pipeline.

SO 2 (Improved Effectiveness of Primary Education Systems) experienced considerable growth and achievement during the past year moving from pilot efforts to mainstreaming into school systems in all of the 110 districts in the country. Nationwide test scores for English and Mathematics were higher in program-assisted than in non-assisted schools.

SO 3 (Improved Family Health) programs have made significant contributions toward improving the health of Ghanaians. A national HIV/AIDS program is helping to combat the spread of HIV/AIDS through high profile media and behavior change activity. Immunization coverage increased, national Vitamin A distribution commenced, and an anti-malaria program was launched. Family planning use is also increasing. Activities under this SO will also support expanded community-based services delivery and initiatives in health care financing.

The main focus of SO 4 (Democracy and Governance Program) is to strengthen the legislature, anti-corruption/accountability, and decentralization. Citizen access to information increased significantly through the use of an expanding information and communication technology system funded through USAID's Education for Democracy and Development Initiative.

OTHER PROGRAM ELEMENTS: The Women in Development Office within the Economic Growth, Agriculture and Trade (EGAT) Bureau funds the "Strategies for Advancing Girls Education" (SAGE) program that promotes increased school attendance by girls. The Democracy, Conflict and Humanitarian Assistance Bureau is funding an adolescent reproductive health program through Plan International. The Global Health Bureau funds several organizations (e.g. Population Council, Johns Hopkins University, University of North Carolina, and Academy for Educational Development) to undertake program activities in midwifery schools, promotion of breastfeeding, community-based health services, and health training.

The African Trade and Investment Policy Program (ATRIP) provided approximately \$4 million to support the development of the West African Gas Pipeline which will link the gas fields of Nigeria to markets in Ghana, Togo, and Benin. ATRIP also supports capacity building efforts to meet international grades and standards leading to increased agricultural exports.

The P.L. 480 Title II resources are supporting agroforestry and on-farm production (Adventist Development and Relief Agency), and small and micro-enterprise, and micro-credit programs (Technoserve). Significant expansion of the basic education program in the northern regions was achieved with Title II resources (Catholic Relief Services). Title II is also supporting programs to improve nutritional practices and sanitation.

OTHER DONORS: Donor coordination is excellent in Ghana. There are active donor coordination groups in 14 sectoral areas including health, education, and governance/democracy sectors. Assistance to Ghana, in the forms of grants and concessional loans from over 20 multilateral and bilateral donors is estimated at \$919 million in 2001. The United States ranks third among bilateral donors and contributes approximately 6% of that amount. USAID assistance is all through grants. Donor assistance focuses on infrastructure, economic growth and poverty alleviation, agriculture, education, health, family planning, and governance. Other major donors to Ghana include: the World Bank (infrastructure, education, and health); the International Monetary Fund (structural adjustment); United Nations agencies; Japan (the largest bilateral donor with programs in education, health, and agriculture); the European Union (transportation infrastructure); Great Britain (second largest bilateral donor with programs in public administration, health, education, rural infrastructure and agriculture); Denmark (health, energy, and water); the Netherlands; Germany; France; Canada; Italy; and Spain.

Ghana
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	15,220	15,419	0	0
Child Survival and Health Programs Fund	0	0	19,455	0
Development Assistance	22,381	19,858	15,063	39,743
Economic Support Fund	0	4,500	0	0
PL 480 Title II	20,879	18,347	11,544	14,951
Total Program Funds	58,480	58,124	46,062	54,694

STRATEGIC OBJECTIVE SUMMARY

641-001 Increased private sector growth				
DA	15,180	11,103	7,261	9,100
641-002 Increased effectiveness of the primary education system				
CSD	5,370	5,857	0	0
DA	0	0	6,700	8,375
641-003 Improved family health				
CSD	9,850	9,562	0	0
CSH	0	0	19,455	0
DA	5,900	7,255	0	21,055
ESF	0	4,500	0	0
641-004 Public policy decisions better reflect civic input				
DA	1,301	1,500	1,102	1,213

Guinea

THE DEVELOPMENT CHALLENGE: Guinea continues to be of major significance to U.S. foreign policy interests as instability in the West Africa sub-region persists. Guinea has been a cornerstone of stability among the Mano River Union nations and has provided safe-haven to refugees fleeing conflict in the neighboring countries. In 2001, however, nearly 250,000 Guineans were displaced as a result of cross-border attacks by rebels from Sierra Leone and Liberia. As a result, there is a need to restore stability to these areas in Guinea and bolster the impact of Sierra Leone program activities. At the same time, changes to the Guinean Constitution in 2001 currently threaten to reverse the trend toward political decentralization, with negative implications for democratic participation. The United States will continue to work with Guinea to overcome these potential sources of instability by supporting Guinea's progress toward democracy. A democratic and well-governed Guinea is more likely to stay internally stable, which will strengthen the country's ability to respond to immediate humanitarian needs while regaining the momentum it had previously achieved in addressing the country's long-term development challenges. Assistance to Guinea supports the core U.S. values of mitigating conflict and human suffering, promoting democracy, and improving opportunities for free trade. Guinea's recent admission to the United Nations Security Council and its potential role as a moderate Muslim country in the global war against terrorism further heighten its importance to U.S. foreign policy interests.

GDP Per Capita \$330; Population 7.2 million; GDP Growth Rate 3.3%; Infant Mortality is 96 per 1,000; Child Mortality is 167 per 1,000; Life Expectancy is 46 years; Literacy Rate 20%.
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In addressing Guinea's development challenges, USAID has the opportunity to help improve some of the country's development indicators, among the lowest in the world. USAID and other donor assistance, combined with Guinea's political will and capacity to improve the lives of its citizens, has helped the country rise from the lowest-ranked country on the United Nations Development Program's Human Development Index from 1991 to 1994 to 161 out of 174 countries in 1999. Despite structural changes made to the previously socialist economy, the country's potential to

translate its substantial natural resource base into improved social and economic benefits for Guinea's 7.2 million citizens has yet to be reached. Instead, Guinea is characterized by a high population growth rate, low literacy levels, poor levels of school enrollment, and a burgeoning AIDS epidemic. The external security crisis has caused the government to divert resources and adjust its development plan at the expense of a new poverty reduction strategy to which it has committed. Significant opportunities to enhance economic growth resulting from the cancellation of Guinea's official debt under the Heavily Indebted Poor Countries (HIPC) Debt Relief Initiative and its eligibility for the Africa Growth and Opportunity Act (AGOA) are potentially jeopardized by these unstable conditions.

THE USAID PROGRAM:

FY 2002 Estimate: \$21.923 million

FY 2003 Request: \$24.166 million

USAID's program will continue to support Guinea's development efforts through four strategic objectives—natural resource management, health, education, and democracy—and by reinforcing the intrinsic linkages between these sectors. USAID assists Guinea to (1) improve natural resource management through increased sustainable agricultural production and economic growth; (2) improve the health of the Guinean population; (3) build human capacity through basic education and training; and (4) improve local and national governance through active citizen participation and conflict mitigation.

USAID's program responds to the Agency's focus on conflict mitigation and to the three program pillars of Economic Growth, Agriculture and Trade; Global Health; and Democracy, Conflict, and Humanitarian Assistance. Key activities to be implemented in FY 2002 include those that will

significantly improve the economic well-being of thousands of small-scale farmers as a result of increased cash crop production, more efficient agricultural marketing, and more profitable rural enterprises. These economic incentives will also motivate the rural communities to invest more in the conservation of their natural resource base, especially the protection of Guinea's tropical forests. USAID plans to address the newly documented rapid rise in HIV/AIDS prevalence with a multi-sectoral program and strategy that raise Guinea's institutional capacity to battle this new threat to its security. Success in the eradication of polio will be consolidated to ensure that it does not reappear. In addition, the Expanded Program of Immunization against other preventable diseases will be significantly strengthened. Education sector activities that promote sustained school enrollment among girls and rural equity will be expanded into 11 new prefectures. The most critical and current source of conflict in Guinea will be addressed through the provision of support to four political parties so as to engage the opposition, the ruling party, and the administration in a dialogue that promotes transparency and non-violence in the upcoming legislative elections.

OTHER PROGRAM ELEMENTS: U.S. Government assistance to Guinea in FY 2001 focused on responding to the humanitarian crisis that erupted as a result of cross-border attacks sustained from September 2000 to March 2001. The USAID Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA) provided \$8.6 million to support emergency agricultural programs, provide essential food and non-food items, and coordinate humanitarian efforts targeting refugees and Guineans displaced by the conflicts. The Department of State's Bureau of Population, Refugees and Migration provided \$22.8 million that was channeled through U.N. agencies, the International Committee of the Red Cross, and PVOs in order to respond to the humanitarian crisis. USAID's Education for Development and Democracy Initiative (EDDI) provides a scholarship fund to promote girls' enrollment in school. EDDI also will provide internet connectivity for the University of Kankan and the Guinean National Assembly, enabling both institutions access to technology and information. P.L. 480 Title II activities, with a total monetized value of \$7.4 million, focussed on food security and sustainable agricultural production.

OTHER DONORS: The United States and France are Guinea's first and second largest bilateral partners. French development assistance focuses on natural resource management, fisheries, and

In 2000, bilateral and multilateral donors contributed a total of \$251,000,000 in development and humanitarian assistance to Guinea.

education. Other major bilateral donors and their principal areas of focus include Japan (health and natural resource management), Germany (education, health and NRM), Canada (NRM, health and education) and Kuwait. Multilateral donors include the United Nations agencies, the World Bank (social sector restructuring), and the European Union (infrastructure and NRM). The European Union focuses on NRM activities in

the areas of Upper Niger and the Gambia River, and supports the development of a transnational park in the Fouta Djallon highlands and Upper Guinea. German assistance helps protect two large classified forests in Guinea's Forest Region. The World Bank, WHO and UNICEF are important health sector partners and contribute to improving the routine immunization program, to which Japan contributes all vaccines. The World Bank and German assistance provide health centers with equipment and pharmaceuticals for sexually transmitted infections, while Germany co-funds with USAID private-sector social-marketing activities. The World Bank, the European Union, Japan, Germany, the African Development Bank, and France support school construction programs, as well as programs promoting girls' enrollment in school; France, the World Bank, and Germany are also involved in supporting teacher training and curriculum development programs in the education sector.

Guinea
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	9,930	9,354	0	0
Child Survival and Health Programs Fund	0	0	5,650	0
Development Assistance	8,634	9,168	12,942	20,725
PL 480 Title II	8,965	10,712	3,331	3,441
Total Program Funds	27,529	29,234	21,923	24,166

STRATEGIC OBJECTIVE SUMMARY

675-001 Increased use of sustainable natural resource management practices				
DA	3,572	5,638	5,979	7,880
675-002 Increased use of essential FP/MCH and STI/HIV AIDS-prevention services and practices				
CSD	4,925	4,360	0	0
CSH	0	0	5,650	0
DA	2,800	2,230	0	4,960
675-003 Quality primary education provided to a larger percentage of Guinean children, with emphasis on girls and rural children				
CSD	5,005	4,994	0	0
DA	0	0	5,700	6,500
675-004 Improved local and national governance through active citizen participation				
DA	2,262	1,300	1,263	1,385

Kenya

THE DEVELOPMENT CHALLENGE: Kenya is at a crossroads. The upcoming general election in 2002, promising the first new president after more than two decades, offers a real political transition and an opportunity for political and economic transformation. There are presently two broad challenges: Kenya's current political and governance structure in which public office is used for private gain; and Kenya's stagnating economic performance. While the problems facing Kenya reflect in part challenges such as recurring droughts, floods, falling export commodity prices, violent conflict and public security concerns, Kenya's poor performance is also due to a policy environment that is not conducive to rapid and sustained economic growth. The new leadership will have the opportunity to restore public confidence and promote economic growth.

Kenya has considerable resources that could allow it to grow at a significantly greater rate than it has over the last decade. Kenya benefits from a hard working, comparatively well educated population; a dynamic entrepreneurial private sector at the microenterprise to the multinational level; a relatively diversified economy; and basic infrastructure, albeit in need of repair and modernization. Compared to most of Africa, Kenya has relative political stability and its government institutions are growing towards those of a mature and effective democracy.

Over 13% of the adult population are HIV-positive and HIV is estimated to result in a 1.3% reduction in annual economic growth.

However, over the past 40 years, the population of Kenya has nearly quadrupled, from eight million in the early 1960s to about 30 million today, diminishing the impact of a \$10.5 billion gross domestic product (GDP) to a per capita GDP of only \$350. HIV sero-prevalence rose from 4.8% of the adult (ages 15 to 49) population in 1990 to 13.5% in 2000. Following decades of steady decline, mortality of children under age five increased by 25% during the 1990s. Malaria continues to be the infectious disease that kills the most children, but HIV/AIDS is becoming an important factor. Despite the reduction in fertility, and the increase in mortality, the population continues to grow by over 2% annually, well in excess of the economic growth rate and far too fast for the country's natural resource base. Over half of Kenya's population lives below the poverty line. Its economic structure and production practices need to be modernized to improve its competitiveness and meet the demands of its rapidly growing population without straining Kenya's limited arable land and natural resource base. Kenya's economic growth rate declined from 1.4% in 1998 to a negative 0.3% in 2001 mainly due to severe drought, poor infrastructure, and insecurity. Widespread corruption and weak governance institutions undermine management of public resources, the effectiveness of the public service, the rule of law, and accountability. Weak governance institutions and increasing population also keep infrastructure such as roads, railway, and telecommunications from needed maintenance or modernization. These weaknesses deter private investment, higher economic growth, job creation, and poverty reduction.

Kenya remains a high priority country for U.S. foreign policy interests. Kenya has consistently supported the United States in its fight against terrorism and transnational threats to U.S. national security. As the third largest economy in sub-Saharan Africa, Kenya is the dominant economy in the Greater Horn of Africa. Kenya, as a center for commercial and economic activity in a regional market of nearly 200 million people, has the potential to promote economic growth and stability throughout the region.

THE USAID PROGRAM:

FY 2002 Estimate: \$49.971 million

FY 2003 Request: \$58.827 million

USAID's integrated strategic plan identifies four strategic objectives for which funding is requested: health and family planning, natural resources management, democracy and governance, and economic growth. USAID's program continues and builds upon program successes in crucial areas such as family planning, smallholder agriculture, microenterprise development, democracy and

governance, and HIV/AIDS. The population and health program will work to reduce fertility rates and the risk of HIV/AIDS transmission through sustainable, integrated family planning, health services, child survival interventions, health sector reform, and improved health care financing. USAID's increase in FY 2003 resources will expand the fight against HIV/AIDS. The natural resources management program will work to improve natural resources management in targeted biodiverse areas by and for stakeholders and will have the added benefit of contributing significantly to the resumption of economic growth since tourism is Kenya's second largest earner of foreign exchange. The democracy and governance program will work to increase the effectiveness of civil society organizations, increase the independence of Kenya's parliament, and promote a more transparent and competitive electoral process. USAID's program to promote increased rural household incomes will focus on improvements to smallholder agriculture and increased micro-enterprise activities in rural areas.

ONGOING PROGRAMS FOR WHICH NO NEW FY 2002 OR FY 2003 FUNDING IS REQUESTED

The USAID/Kenya program includes the following activities for which USAID is not requesting new funds, but is continuing to expend funds already appropriated.

Number:	Title:	Last Notified	Planned Completion:
615-004	Bomb Response Program	FY02CBJ, p. 244	FY2003

OTHER PROGRAM ELEMENTS: With funding from USAID/Washington, the Kenya program has supported malaria research through the Centers for Disease Control and Prevention. In collaboration with USAID/Washington, three U.S. private voluntary organizations are implementing child survival interventions in Kenya. With funding from USAID's Education for Development and Democracy Initiative and from the Leland Initiative, USAID has helped provide scholarships to secondary school girls from poor families, assisted 22 educational institutions, provided internet connectivity to primary and secondary schools and e-mail services to Kenya's parliament. Funding provided jointly by USAID/Kenya and other regional and bilateral missions working in the region has dramatically increased the use of improved technologies resulting in increased milk production per cow, and increased incomes for small dairy farmers.

OTHER DONORS: Among the leading bilateral donors to Kenya, the United States ranks as the third largest after Japan and the United Kingdom (UK). The main donors to the democracy and governance sector include the UK, the Netherlands, Denmark, Sweden, Germany, the European Union (EU), and Canada. The World Bank, the African Development Bank, Germany, the EU, and Japan support development of non-traditional agricultural exports. USAID is the leading donor in the micro- and small enterprise sector in Kenya. Other donors that support microfinance services (credit and savings) include the UK, the EU, the Netherlands, Denmark, and the United Nations Development Program (UNDP). In the natural resources management (NRM) sector, the major donors include the Netherlands, the UK, Japan, Sweden, Belgium, Finland, Germany, Denmark, the EU, the World Bank, the UNDP, and the United Nations Environment Program (UNEP). USAID is the leading donor to Kenya's population and health sector. Other donors in this sector include the UK, Japan, United Nations Children's Fund (UNICEF), United Nations Fund for Population Activities, the Joint United Nations Programme on HIV/AIDS (UNAIDS), EU, the German Kreditanstalt fur Wiederaufbau (KfW), and the World Bank. There is a high degree of coordination among USAID and other donors.

Kenya
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	11,370	13,272	0	0
Child Survival and Health Programs Fund	0	0	27,763	0
Development Assistance	21,503	19,927	12,347	46,693
Economic Support Fund	700	2,400	0	0
PL 480 Title II	29,664	48,174	9,861	12,134
Total Program Funds	63,237	83,773	49,971	58,827

STRATEGIC OBJECTIVE SUMMARY

615-001 Effective Demand for Sustainable Political, Constitutional and Legal Reform Created				
DA	4,500	0	0	0
ESF	700	0	0	0
615-002 Increased Commercialization of Smallholder Agriculture and Natural Resources Management				
DA	10,703	0	0	0
615-003 Reduce Fertility and the Risk of HIV/AIDS Transmission Through Sustainable, Integrated Family Planning and Health Services				
CSD	11,370	13,272	0	0
CSH	0	0	27,763	0
DA	6,300	5,800	0	33,413
615-005 Improved Natural Resources Management in Targeted Biodiverse Areas by and for the Stakeholders				
DA	0	3,200	2,518	2,980
615-006 Sustainable Reforms and Accountable Governance Strengthened to Improve the Balance of Power Among the Institutions of				
DA	0	2,330	2,494	3,000
ESF	0	2,400	0	0
615-007 Increased Rural Household Incomes				
DA	0	8,597	7,335	7,300

Liberia

Liberia has not recovered from the Civil War and its aftermath. Much of the economy has been destroyed. Physical, human and social infrastructures have been severely damaged. Many Liberians are still psychologically affected.

THE DEVELOPMENT CHALLENGE: Long after presidential elections in 1997 marked the end of its civil war, Liberia continues to face overwhelming challenges. The economy and the Government of Liberia (GOL) are in disarray and basic human needs are being supplied by the donor community. Eighty percent of the country's 2.6 million people live in poverty. Eighty percent are illiterate. Severe unemployment has become the norm. Corruption is widespread. The current government's policies on human

rights and fostering regional insecurity have prevented the international community from providing the support that Liberia desperately needs to overcome its serious problems. Fiscally, the government is in a dire financial condition. Liberia's external debt amounts to over \$2.2 billion, more than five times its GDP. Most revenues and expenditures are off-budget. Therefore, the GOL does not have the means to service this debt and provide for the basic human needs of its people. Given the current political environment, and until such time as effective engagement can be resumed with the GOL, USAID will be working with international and local non-governmental organizations and community groups to help provide basic services, while directing its primary effort toward the strengthening of Liberia's civil society to build self-reliance and foster civic education and human rights. In this way, civil society will, hopefully, be positioned to take advantage of a political opening whenever that might occur. USAID will also support national reconciliation between political parties, as well as working with the international donor community in supporting Liberia's presidential and general elections scheduled for 2003.

U.S. assistance has been critical to maintaining internal stability to avoid a return to a destructive and costly humanitarian crisis. USAID programs have provided social services to resettled populations, training for ex-combatants, support for health and educational institutions, and feeding programs for vulnerable groups. The USAID program supports U.S. national interests through promoting good governance, reducing human suffering, and promoting regional stability.

THE USAID PROGRAM:

FY 2002 Estimate: \$6.519 million *FY 2003 Request:* \$6.227 million

The attached Program Data Sheets cover the three Strategic Objectives (SOs) for which USAID is requesting funds. These three SOs concentrate on increasing civil society's capacity for supporting the restoration of good governance in Liberia while improving food security and access to essential health care services.

In FY 2002, USAID assistance will fund international and national non-government organizations (NGOs) by integrating and supporting maternal, reproductive and child health services, including HIV/AIDS. The USAID/Liberia program will continue to implement activities that improve the food security and health status of the Liberian people. USAID, in cooperation with the international donor community, will provide assistance to prepare for viable 2003 presidential and general elections. USAID activities in FY 2002 are funded with resources from the Development Assistance Account, P.L. 480 Title II, and the Child Survival and Health Fund.

In FY 2003, USAID plans to refocus its agricultural activities on key issues affecting rural economic growth. The program will work within the current political and economic transitional context now facing Liberia, but will attempt to start addressing the long-term developmental issues confronting the nation. If approved, the Rural Economic Growth program will replace the current agricultural program beginning in FY 2004. Health activities will continue, with greater focus on community capacity building. In addition, USAID intends to take the lead in strengthening health sector NGOs enabling them to engage the government in a dialogue on key health sector policy issues affecting

the population. USAID will also continue its assistance in civic education and human rights. Activities in FY 2003 will be supported with resources from the Development Assistance fund and P.L. 480 Title II.

ONGOING PROGRAMS FOR WHICH NO NEW FY 2002 OR FY 2003 FUNDING IS REQUESTED: The USAID program in Liberia under the previous strategy has residual activities that are ongoing and require no new FY 2002 funding.

<u>Number:</u>	<u>Title:</u>	<u>Last Notified:</u>	<u>Planned Completion:</u>
669-001:	Successful Democratic Transition, Including Free and Fair Elections.	CBJ, FY 2001 pp. 264-269	FY 2001
669-002:	Successful Transition from Relief to Recovery Through a Community Reintegration Program.	CBJ, FY 2001 pp. 268-271	FY 2001

OTHER PROGRAM ELEMENTS: The USAID/Liberia mission has been enhanced with funding from the Leahy War Victims Fund and the Displaced Children and Orphans Fund. The Leahy War Victims Fund has been used to provide corrective surgical services as well as prostheses and physiotherapy for the disabled. Physiotherapy for children affected by polio and other mobility disorders is also being provided. The Displaced Children and Orphans Fund supports activities that promote social and economic reintegration of war-affected youth through their participation in vocational and literacy education, child's rights advocacy, youth networking and HIV/AIDS education and awareness activities at the community level.

The European Union is Liberia's largest donor, followed by the United States, which provides one third of the total assistance to Liberia.

OTHER DONORS: The deteriorating political situation coupled with the GOL's involvement in the Sierra Leone conflict has resulted in increasing alienation from the international community. United Nations sanctions against members of the current Government remain in force. This has manifested itself in a significant decrease of donor engagement in the country. The European Union

(EU) remains Liberia's largest donor, followed by the United States. Coordination with the EU has been exceptionally close and can be seen with the geographic coverage of development programs. For the most part, the EU has provided coverage in southern and eastern Liberia, with USAID covering the northern counties (with the exception of Lofa County for security reasons). Taiwan has also provided significant assistance towards the country's reconstruction program. Other major bilateral and multilateral donors include Britain, Canada, Denmark, France, the Netherlands, Sweden, and the United Nations. Neither the World Bank nor the International Monetary Fund is active in Liberia. Donor activities include assistance to improve food security, democracy and governance, income generation, and basic health care.

Liberia
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	2,552	1,850	0	0
Child Survival and Health Programs Fund	0	0	2,000	0
Development Assistance	4,140	5,720	3,225	5,200
PL 480 Title II	3,271	3,062	1,294	1,027
Total Program Funds	9,963	10,632	6,519	6,227

STRATEGIC OBJECTIVE SUMMARY

669-001 Successful Democratic Transition, Including Free and Fair Elections				
DA	1,000	0	0	0
669-002 Successful Transition From Relief to Recovery through a Community Reintegration Program				
CSD	2,552	0	0	0
DA	3,140	0	0	0
669-003 Increased Use of Essential Primary Health Care (PHC) Services Through Civil Society, 669-003				
CSD	0	1,850	0	0
CSH	0	0	2,000	0
DA	0	850	0	2,100
669-004 Increased Food Security In Targeted Areas, 669-004				
DA	0	3,270	2,665	2,500
669-005 Increased Role of Civil Society in Democratic Governance, 669-005				
DA	0	1,600	560	600

Madagascar

THE DEVELOPMENT CHALLENGE: Poverty, unproductive agriculture and weak governance continue to threaten Madagascar's unique natural resource base and its biodiversity. The vast majority (70%) of Madagascar's population (growing at over 3% per year) depends on low-productivity, extensive agriculture for its livelihood. Yet, this is the main and most severe source of environmental degradation. Deforestation, bush fires, and extensive cropping of marginal lands result in destruction of ground cover necessary to prevent soil erosion, contributing to an annual loss of significant amounts of topsoil. Degradation threatens not only biological diversity, but also watershed and soil stability vital to the agrarian economy, and carbon storage to mitigate climate change.

Seventy-one percent of Madagascar's people were living in poverty in 2000. Poverty in Madagascar is more widespread in rural areas; 75% of the rural population lives below the poverty line, compared to 50% in urban areas. Forty-nine percent of Malagasy people are illiterate. Infant mortality (under age 1) has improved slightly to 88 deaths per 1,000 and maternal mortality is stable at 488 deaths per 100,000. This situation is mainly due to low economic growth and a rapidly increasing population against the backdrop of the country's 20 years of failed socialist economic and regulatory policies that discouraged private sector investment and growth.

The national presidential election held on December 16, 2001 marks an important step on the country's continuing path towards democratic development, following on late 2000 elections of provincial councils. This recent movement toward greater decentralization provides an opening to bring development activities closer to local populations and to adjust inputs to local needs and circumstances.

U.S. foreign assistance to Madagascar is motivated by three primary interests: Madagascar's natural resources – notably its unique biodiversity, which is of immeasurable global importance; the country's growing importance as a commercial partner, as demonstrated by its exceptional response to the African Growth and Opportunity Act (AGOA); and the deep poverty of its people, exacerbated by their vulnerability to recurrent natural disasters, continued food insecurity, and discontinuity in government management of social sector priorities. Complementary interests include the nascent HIV/AIDS epidemic, which further threatens improved economic well being, and the evolution of the country's transition to democracy.

THE USAID PROGRAM:

FY 2002 Estimate: \$27.247 million

FY 2003 Request: \$28.260 million

The Program Data Sheets provided cover the three objectives for which USAID is requesting funds. FY 2002 is the final year of funding for USAID/Madagascar's FY 1998-2003 strategy. A new strategy will be approved in FY 2002 with funding beginning in FY 2003. The new program is expected to focus on: environment; agriculture and trade development; health, population and nutrition; and democratic governance. Requested P.L. 480 food aid resources are critical to assuring that USAID's assistance reaches vulnerable populations.

OTHER PROGRAM ELEMENTS: USAID continues to play a catalytic role in bringing the benefits of the Internet to Madagascar using past investments from Leland Initiative and additional resources from the Africa Regional Education for Democracy and Development Initiative. USAID helped to extend the capacity of the Internet gateway in the capital as well as to install a high-speed Internet Point of Presence in four of Madagascar's most important secondary cities over the last two years. Establishment of a local Cisco Networking Academy, a campus computer network and Internet connectivity to Malagasy civil society and other partner organizations will be completed in early 2002. In collaboration with the Africa Regional Office of the Global Technology Network, a local branch for Madagascar was established, with 110 local firms expressing interest in the Global

Technology Network program. One firm has concluded a contract with a U.S. company and seven Malagasy firms are actively involved in negotiations. With USAID/Washington funding, awareness workshops on regional and multilateral trading systems and the development of a strategic plan for the Madagascar-U.S. Business Council are underway. USAID/Washington funds also are supporting partial privatization and financial service improvements at the National Savings Bank. USAID will continue to implement cyclone rehabilitation and disaster preparedness activities, for which \$20 million in International Disaster Assistance funds was received in FYs 2000 and 2001.

OTHER DONORS: In rank order the World Bank, France, the United States, the European Union, and Japan are the key donors. Transportation and communications, health and education, environment, and agriculture remain the priority investment areas for donor support. Donor coordination is well established on disaster relief, HIV/AIDS prevention, structural reform, natural resource management, rural development and food security, improved governance and transparency, and strengthening civil society. USAID has also established fruitful partnerships with other donors, private businesses and foundations. In the past year, alone, USAID has leveraged resources from the Packard Foundation, CISCO Networking Academies, Global Alliance for Vaccination and Immunization (GAVI), Conservation International, and Catholic Relief Services.

Madagascar
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	4,050	4,185	0	0
Child Survival and Health Programs Fund	0	0	8,975	0
Development Assistance	12,916	15,183	9,240	17,528
Economic Support Fund	132	0	0	0
PL 480 Title II	7,102	5,011	9,032	10,732
Total Program Funds	24,200	24,379	27,247	28,260

STRATEGIC OBJECTIVE SUMMARY

687-001 Improved environment for private initiative				
DA	1,866	1,763	1,240	785
ESF	132	0	0	0
687-002 Smaller, healthier families				
CSD	4,050	4,185	0	0
CSH	0	0	8,975	0
DA	3,600	4,237	0	7,743
687-003 Biologically diverse ecosystems conserved in priority conservation zones				
DA	7,450	9,183	8,000	9,000

Malawi

THE DEVELOPMENT CHALLENGE: The United States' national interests in Malawi are the promotion of development through market-based economic growth and support for democratic governance. In 1994, Malawi underwent a peaceful political transition from decades of one-party autocracy to a multi-party democracy. Accompanying this political transformation were fundamental economic liberalization and political reforms. Further economic reforms and democratic institutional development are necessary to ensure the continued consolidation of a free market democracy in Malawi, a U.S. ally and supporter of U.S. interests in regional development and political issues.

Malawi's political and economic development is impeded because it is a landlocked, single cash crop agricultural economy with concentrated ownership of assets, limited foreign and domestic investment, and a high population growth and density. A legacy of authoritarian abuses has left a heritage of cultural tolerance to political terror within civil society, effectively curbing the expression of democratic freedoms. Life expectancy in Malawi is under 40 years. Infant mortality is 104 per 1,000 and malnutrition afflicts 50% of the population. Only half of the population has access to safe drinking water and 16% of the adult population is infected with HIV/AIDS. The World Bank estimated that Malawi is one of the poorest countries in the world with a per capita gross domestic product in 2000 of \$180.

Life expectancy is under 40 years and falling because of HIV/AIDS. 50% of the population is malnourished. Infant mortality is 104 per 1,000; HIV/AIDS affects 16% of the adult population; and GDP per capita is less than \$180.

Malawi's economic growth potential is constrained by limited human capacity. The country's basic education system is weak; schools are overcrowded; teachers are not adequately trained; and teaching materials are inadequate.

External debt in December 2001 was \$2.5 billion, owed primarily to multilateral institutions, with debt servicing absorbing more than a quarter of the Government of Malawi's (GOM's) revenue. Malawi is not indebted to the United States directly. In December 2000, Malawi was approved for debt relief under the Enhanced Heavily Indebted Poor Country initiative; this is expected to reduce Malawi's average annual debt service by about \$50 million over the next five years.

THE USAID PROGRAM:

FY 2002 Estimate: \$32.742 million *FY 2003 Request:* \$37.167 million

FY 2002 funds will be used to promote economic growth, democracy and governance, health, family planning, health and nutrition, and basic education. The FY 2003 USAID program aims to increase economic productivity by addressing critical needs in health and education. At the same time, USAID seeks to create income and employment opportunities for the average Malawian so that USAID's short-term investments in the social sectors of democracy, health, and education can be sustained over the long term. Food security and economic growth will be fostered through agricultural reform and modern farming practices that can translate into increased agricultural productivity, efficiency, and global market access, which in turn create off-farm employment opportunities. USAID programs promote citizens' understanding of their rights and responsibilities to increase participation in democratic decision-making.

A community-level social mobilization campaign supported by USAID has resulted in a marked increase in female enrollment at the primary level and a dramatic increase in the number of girls entering secondary school. FY 2003 funds will address the quality of education, which declined as a result of the policy decision to promote universal enrollment. Activities will improve teachers' professional skills; develop the schools' abilities to respond to the needs of the student population; and ensure the successful implementation and monitoring of critical reform policies.

All FY 2002 and FY 2003 funds will support ongoing programs as described in the following Program Data Sheets.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED:

The USAID program in Malawi includes the following objectives for which USAID is not requesting new funds, but is continuing to expend funds already appropriated.

<u>Number:</u>	<u>Title:</u>	<u>Notified</u>	<u>Completion:</u>
612-001	Increased Agricultural Incomes	FY02 CBJ, p. 313	FY 2003
612-002	Natural Resource Management	FY02 CBJ, p. 317	FY 2003
612-003	Improved Health including Child Health	FY02 CBJ, p. 321	FY 2002
612-004	Quality Basic Education	FY02 CBJ, p. 326	FY 2002
612-005	Democratic Participation	FY02 CBJ, p. 330	FY 2002

OTHER PROGRAM ELEMENTS: In addition to the resources requested in the Program Data Sheets, USAID has an ongoing P.L. 480 Title II Food for Development program. This activity is integrated into the Mission's economic growth and health, population and nutrition programs. In addition, the Mission continues to work closely with the centrally managed Famine Early Warning System (FEWS) to assist Malawi in its food monitoring situation, and the Leland Initiative, which has opened up the Internet to commercial interests and lowered cost to Malawian consumers. The Mission also works closely with the Africa Bureau in the development of Malawi's private sector and trade capacity. Specifically, African Trade and Investment Project (ATRIP) funding has permitted the development of Malawian business interests in support of the African Growth and Opportunity Act (AGOA) and direct foreign investment, while the Equity and Growth through Economic Research (EAGER) Project has enabled the mission to identify constraints or barriers to private sector expansion.

OTHER DONORS: Overall development assistance to Malawi totals about \$400 million per year, excluding debt relief. The United Kingdom is by far the largest bilateral donor and works in many sectors, including budget support. The scale of the USAID program ranks in the second tier of bilateral donors, which includes Canada, Norway, Japan, Germany and Denmark. Germany focuses on health, education, and democracy and governance; Norway is addressing HIV/AIDS, health, agriculture, and natural resources; Japan works in agriculture and infrastructure while Denmark concentrates on democracy and governance, education, agriculture, and natural resource management. The Canadian program focuses on health, HIV/AIDS and education. In conjunction with the United Kingdom and Denmark, USAID is assisting the Malawian National Assembly to improve the interaction between civil society and government. Multilateral donors include the United Nations agencies, the European Union, the World Bank, the International Monetary Fund and the African Development Bank.

Malawi
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	11,856	14,862	0	0
Child Survival and Health Programs Fund	0	0	15,615	0
Development Assistance	19,048	13,150	13,028	30,877
PL 480 Title II	4,003	1,754	4,099	6,290
Total Program Funds	34,907	29,766	32,742	37,167

STRATEGIC OBJECTIVE SUMMARY

612-001 Increased Agricultural Incomes on a Per Capita Basis				
DA	8,379	0	0	0
612-002 Increased Sustainable Use, Conservation and Management of Renewable Natural Resources				
DA	6,387	3,500	0	0
612-003 Increased Adoption of Measures that Reduce Fertility and Risk of HIV/AIDS Transmission, Including Improved Child Health				
CSD	8,300	0	0	0
DA	2,800	0	0	0
612-004 Increased Access to, and Improved Quality and Efficiency of Basic Education, Especially for Girls				
CSD	3,556	0	0	0
612-005 Institutional Base for Democratic Participation Strengthened and Broadened				
DA	1,482	0	0	0
612-006 Sustainable Increases in Rural Incomes				
DA	0	6,170	7,273	8,589
612-007 Increased Civic Involvement in the Rule of Law				
DA	0	1,200	755	808
612-008 Behaviors Adopted that Reduce Fertility and Risk of HIV/AIDS and Improve Child Health				
CSD	0	10,651	0	0
CSH	0	0	15,315	0
DA	0	2,280	0	17,080
612-009 Improved Quality and Efficiency of Basic Education				
CSD	0	4,211	0	0
CSH	0	0	300	0
DA	0	0	5,000	4,400

Mali

Mali ranks 153rd out of 162 countries on the United Nations Human Development Index. Infant mortality is 123 per 1,000. 66% of Mali's population is under 26 years old.

THE DEVELOPMENT CHALLENGE: A landlocked Sahelian country with a per capita income of \$250 and a population of 10.5 million, Mali has an agriculturally based economy in which cotton, livestock and cereals predominate. Mali's high level of poverty makes it one of the most compelling cases for development assistance. Mali's development challenges include:

- a rapidly growing population with a fertility rate of 6.7;
- an adult population with 75% illiteracy;
- a low level of agricultural production with limited infrastructure;
- a fragile natural resource environment with a high vulnerability to unreliable rainfall;
- community organizations with limited ability to serve as partners in a decentralized government system;
- a population with 72.8% below the poverty line;
- the fourth highest rate of infant mortality in the world; and
- the thirteenth highest maternal mortality rate in the world.

Notwithstanding its economic problems, Mali has made remarkable progress in liberalizing its economy and has laid the foundation for a vibrant system of decentralized democratic governance. Mali has set an example within West Africa for political and economic liberalization, which is essential for increased U.S. trade and investment. Mali is a force for stability in the region and has been forthright in its support of the United States.

During his May 2001 visit to Mali, Secretary of State Colin Powell said that Mali is an example to the world on how to peacefully transition from a dictatorship to a free and democratic government. Mali has been commended by the World Bank and International Monetary Fund for economic reform, currently illustrated by the government's participatory development of the Poverty Reduction Strategic Plan. Mali has made exceptional progress in market liberalization, having lifted controls on all consumer pricing, including for food and fuel. Decentralized decision-making and effective civic action are progressing steadily, with community-level governing councils operating nationwide.

THE USAID PROGRAM:

FY 2002 Estimate: \$32.756 million

FY 2003 Request: \$32.961 million

The Program Data Sheets describe the specific activities to be funded by USAID in FY 2002 and FY 2003. USAID assistance to Mali is concentrated in five strategic areas:

- increasing access to improved health care and basic education;
- increasing economic opportunities and income (largely through agriculture);
- strengthening civil society, community organizations and local government;
- improving access to and use of development information (using Internet and rural radio); and
- enhancing regional stability in northern Mali.

These areas address the priorities of the United States while matching Mali's development concerns. USAID/Mali's strategy supports the Malian government's goal of poverty reduction through private sector-led growth and increased access to health services and educational opportunity. USAID/Mali's strategy is based on a diversified economy offering broad participation by all of Mali's citizens, in order to generate larger amounts of investment, higher incomes and improved living standards.

USAID/Mali plans to use a portion of the FY 2002 funds to implement ongoing programs in health, basic education, economic growth, agriculture, environment, democratic governance, development

in the North and information and communication technologies under Mali's Country Strategic Plan FY 1996 to FY 2003. USAID is currently designing a new Country Strategic Plan FY 2003 to FY 2012 that builds upon successes achieved. USAID expects to review Mali's new strategic plan in mid-2002. When approved, USAID/Mali plans to use the balance of FY 2002 funds, in addition to FY 2003 funding, for new programs in health, basic education, economic growth, agriculture, environment, democratic governance, and information technology, under the new Mali Country Strategic Plan that will be implemented from FY 2003 to FY 2012.

USAID continues to be a leader in donor coordination and aid reform in Mali, with active participation in the formulation of Mali's Poverty Reduction Strategic Plan and collaborative efforts at programming assistance to priority sectors, principally in the areas of health, family planning, basic education, decentralization, trade, and agriculture.

OTHER PROGRAM ELEMENTS: Mali actively participates in the Leland Initiative, the Education for Development and Democracy Initiative, the Micro-enterprise Initiative, the Heavily Indebted Poor Country Debt Reduction Initiative, the Internet for Economic Development Initiative, and the Africa Trade and Investment Policy Program. Mali is a partner in the new Cutting Hunger in Africa Initiative and Malian President Konare serves on its Board of Directors. Food For Peace P.L. 480 resources are monetized in other countries to generate local currency that is used for development activities in Mali and neighboring countries under a regional food security program.

Donors provided about \$300 million to support Mali's development in 2000.

OTHER DONORS: The United States is a major donor, ranking third and providing roughly 12% of Mali's total bilateral and multilateral donor assistance in 2000. In order of importance, the other major donors include: the World Bank, European Union, France, International Monetary Fund, Japan, United Nations agencies, Germany, the Netherlands, Canada, Norway, Switzerland, and Belgium. Coordination with other donors is implemented largely through the aid reform initiative of the Development Assistance Committee of the Organization for Economic Cooperation and Development.

Mali
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	12,878	12,433	0	0
Child Survival and Health Programs Fund	0	0	13,321	0
Development Assistance	22,370	22,054	19,435	32,961
Development Credit Authority	0	99	0	0
Economic Support Fund	0	750	0	0
PL 480 Title II	3,905	2,372	0	0
Total Program Funds	39,153	37,708	32,756	32,961

STRATEGIC OBJECTIVE SUMMARY

688-001 Improved social and economic behaviors among youth				
CSD	12,178	12,433	0	0
CSH	0	0	5,800	0
DA	4,117	5,995	2,700	0
688-002 Increased value-added of specific economic sectors to national income				
DA	10,753	5,782	3,319	0
DCA	0	99	0	0
688-003 Community organizations in target communes are effective partners in democratic governance				
DA	3,500	4,687	2,300	0
ESF	0	750	0	0
688-004 Improved access to and facilitated use of information				
DA	1,200	1,500	450	0
688-005 Development in the North				
CSD	700	0	0	0
DA	2,800	4,090	1,181	0
688-XX6 Reproductive and Child Health				
CSH	0	0	7,521	0
DA	0	0	0	11,421
688-XX7 Expanded and Improved Basic Education				
DA	0	0	3,469	6,050
688-XX8 Shared Governance Through Decentralization				
DA	0	0	1,636	4,692
688-XX9 Accelerated Economic Growth				
DA	0	0	3,830	9,798
688-Y10 Information Technology				
DA	0	0	550	1,000

Mozambique

THE DEVELOPMENT CHALLENGE: Mozambique remains a major African success story, sustaining strong gross domestic product growth -- reaching 14.8% in 2001 -- in the years since its model war-to-peace transition. The country continues to press forward with economic and political restructuring. The government's internationally endorsed poverty reduction action plan is the blueprint for policy changes and programs to accelerate broad-based economic growth and create economic opportunities for families to lift themselves out of poverty. There are six priority areas: agriculture and rural development; education; health; basic infrastructure (roads, energy, water); good governance, and justice; and macroeconomic and financial sector policies. Based on this strategy, in September 2001 the international community approved the reduction of Mozambique's international debt under the Enhanced Heavily Indebted Poor Countries initiative; other creditors followed suit with debt relief pledges at the October 2001 Consultative Group meetings.

Given Mozambique's importance in providing ocean access for several landlocked countries and its proximity to the industrial heartland of South Africa, political stability and economic growth in Mozambique contribute to U.S. national interests of peace, stability, and economic growth throughout Southern Africa. As a rapidly growing economy, Mozambique provides an emerging market for U.S. exports and continues to attract significant U.S. investment in agriculture, fisheries, minerals, and natural gas reserves.

The Government of Mozambique's central objective is to reduce levels of absolute poverty from 70% in 1997 to 60% in 2005 and to 50% by the end of this decade. Its action plan emphasizes policies to stimulate investment and productivity, in order to sustain broad-based annual GDP growth averaging at least 8%.

Still, the development challenges in this transition economy are daunting. Per capita annual GDP is still only about \$220. The currency was devalued in 2001 by 31%. While inflation is low, it did reach double digits in 2001. In the political sphere, although both the influence of civil society and government transparency and accountability continue to grow, crime and pervasive petty corruption must be subdued to restore citizen and investor confidence in state institutions. Sixty percent of adults are illiterate, and while the majority of seven-year-olds now attend school, fewer than 20% of them are likely to reach secondary school. Despite increased vaccination rates and better access to basic health services, life expectancy remains 46 years. Even if successfully checked in the medium term, the costs of HIV/AIDS to Mozambique's economy are expected to be large, with: (1) the loss of economically active adults in their prime earning years; (2) increased dependency, i.e., more children, especially orphans, for each economically productive adult; and (3) increased costs of treating the ill and the dying, and reduced savings and capital accumulation capacity of family and friends. Donor resources and private investment are needed if Mozambique is to maintain its growth.

Continued U.S. assistance will speed Mozambique's recovery from natural and man-made disasters, foster accelerated and more broad-based economic growth through agriculture and increased international trade, reduce poverty, stem the spread of HIV/AIDS, and contribute significantly to overall peace and security in sub-Saharan Africa. Mozambique is a model of the continent's potential -- a desperately poor country joining the global economic system through profound and sustained democratic and economic reform. U.S. assistance will play an increasingly critical role in the country's future.

THE USAID PROGRAM:

FY 2002 Estimate: \$48.319 million

FY 2003 Request: \$62.362 million

Both ongoing and new activities are summarized in the following four Program Data Sheets, which describe activities to achieve:

- Increased rural household income;

- Effective democratic governance;
- Increased use of essential maternal/child health and family planning services; and an
- Improved enabling environment for private sector-led growth and development.

Each of these programs makes a direct and significant contribution to one or more of the Administration's foreign aid pillars (economic growth, agriculture, and trade; global health; and democracy, conflict prevention, and humanitarian assistance). Together, they broaden participation in political life and economic growth for all Mozambicans.

USAID field activities target the most populous and high-potential areas of the country – Manica, Nampula, Sofala, and Zambezia provinces – through community-level investments in the agricultural sector. The agriculture program also works at the national level, refining the role of the public sector while building capacity in the private sector. The community level health initiatives also work in the same provinces, as well as Gaza and Niassa provinces, while HIV/AIDS interventions are delivered nationwide. The democracy program strengthens the national legislature and mechanisms for citizen participation, including political parties and civil society organizations. USAID's program to support a viable enabling environment for private sector-led growth facilitates the dialogue between government and the private sector to refine and implement a pro-trade and investment approach to economic growth. In FY 2002 USAID will continue implementation of a \$132 million international disaster assistance funded post-flood reconstruction program in roads (\$35 million), railroads (\$55 million), and agricultural and commercial trade recovery (\$42 million).

OTHER PROGRAM ELEMENTS: P.L. 480 Title II food aid continues to be an integral part of USAID's program in both FY 2002 and 2003 and complements the efforts to help rural poor households to raise incomes and improve food security.

OTHER DONORS: Overall donor assistance to Mozambique's economic growth and poverty reduction strategy is expected to total approximately \$722 million in 2002, with \$577 million in grants and the balance as concessional loans. The U.S. remains the largest bilateral donor, providing over \$54 million in grants and monetized food aid in FY 2002. Other major donors include the World Bank, the International Monetary Fund, the United Nations agencies, the European Union, the Netherlands, Sweden, Denmark, Switzerland, Italy, France, and Norway. Portugal, South Africa, and the United Kingdom are major sources of private investment in Mozambique. Donor coordination working groups are active in all of USAID's strategic areas. A common and important aspect is Mozambican Government leadership of each working group. USAID is partnered with the World Bank, the European Union (EU) and other bilateral European donors, in close cooperation with the Ministry of Agriculture, to improve agricultural policy and restructure the agricultural public sector. USAID is a leading member of the Ministry of Health-chaired donor working group that includes Canada, the Netherlands, the EU, Japan, the World Bank and several other European Governments. USAID and the World Bank have also implemented complementary efforts to improve the environment for private sector growth. Of particular note are ten public-private forums to discuss and develop policies that foster private sector-led growth and development.

Mozambique
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	11,950	12,953	0	0
Child Survival and Health Programs Fund	0	0	19,277	0
Development Assistance	37,569	31,469	21,681	45,492
Economic Support Fund	500	600	0	0
PL 480 Title II	23,627	23,137	7,361	16,870
Total Program Funds	73,646	68,159	48,319	62,362

STRATEGIC OBJECTIVE SUMMARY

656-001 Increased rural household income in focus area				
DA	25,177	18,840	17,910	19,842
656-002 Government and civil society are effective partners in democratic governance at the national and local levels				
DA	1,872	1,912	1,261	1,350
ESF	500	600	0	0
656-003 Increased use of essential maternal and child health and family planning services in focus areas				
CSD	11,950	12,953	0	0
CSH	0	0	19,277	0
DA	6,100	5,250	0	21,800
656-004 Improved enabling environment for private sector-led growth and development				
DA	4,420	5,467	2,510	2,500

Namibia

Namibia's distribution of income is among the most inequitable in the world; 20% of Namibians are infected with HIV/AIDS.

THE DEVELOPMENT CHALLENGE: Namibia has emerged as an African success story since its independence from South Africa in 1990. Great strides have been made in building a parliamentary democracy, expanding the benefits of a free-market economy, and equalizing and expanding education opportunities. These investments have contributed to continued peace and security, but it will take more time to overcome the inequality in income and related poverty that a century of colonialism and apartheid left in its wake.

With the wealthiest 1% of the population earning more than the poorest 50%, Namibia's income distribution is among the most unequal in the world. Unemployment is estimated at 35% while another 25% of the population is underemployed. The inability to generate adequate levels of employment is a symptom of economic stagnation, with the growth per capita averaging just 1.5% since independence. Slow economic growth will continue until Namibia is able to fully shed the colonial economic model whereby resources are extracted and exported with little value added. Prospects are enhanced by the government's commitment to free market policies, Namibia's modern telecommunications and transportation infrastructure, and the rich resource base on which the country rests.

As serious as the unemployment problem is, the greatest threat to Namibia's future is an HIV infection rate of 20%. AIDS deaths have already cut into the ranks of teachers and other key professionals and the country has seen its life expectancy at birth drop from 60 years in 1991 to 46 years today. The epidemic is expected to result in 118,000 orphans by 2006 and a 15% to 25% shrinkage of the economy by 2010.

In addition to seeking the country's support for U.S. foreign policy, the U.S. national interest in Namibia is based on the desire to maintain and deepen Namibia's status as an African success story and to enhance its ability to contribute to peace, security, and stability on the African continent.

THE USAID PROGRAM:

FY 2002 Estimate: \$6.758 million

FY 2003 Request: \$5.48 million

USAID is requesting funds for ongoing objectives which, together, are designed to strengthen Namibia through the economic, social and political empowerment of historically disadvantaged Namibians. These programs promote private enterprise development, improve education in grades one through four, increase the environmental and economic benefits of community based natural resource management, strengthen democracy and curb the spread of HIV/AIDS. FY 2002 funds will be used to finance ongoing activities under four of these objectives.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED:

The USAID program in Namibia includes the following objective for which USAID is not requesting new funds, but is continuing to expend funds already appropriated.

<u>Number:</u>	<u>Title:</u>	<u>Last Notified:</u>	<u>Planned Completion:</u>
673-004	Democracy and Governance	FY 02 CBJ, p. 419	FY 2003

OTHER PROGRAM ELEMENTS: With funding totaling \$3.0 million provided over FYs 2000 and 2001, the Education for Democracy and Development Initiative (EDDI) continues to support

USAID's bilateral programs, including the introduction of information technology to accelerate development, the promotion of youth entrepreneurship, and assistance for the education and social needs of children orphaned by the HIV/AIDS crisis. In FY 2001, USAID's Regional Center for Southern Africa (RCSA) contributed \$1 million to help support the achievement of objectives under the Community Based Natural Resource Management Program. Plans are underway for the RCSA to make an additional contribution to the program in FY 02.

USAID's HIV/AIDS program budget has been supplemented with support from the Regional and Urban Development Office (RUDO) and the Africa Bureau's Office of Sustainable Development. RUDO will continue to support in FYs 02-03 the efforts of local government authorities to reduce HIV/AIDS impacts at the community level. RUDO and the Center for Democracy and Governance have provided support for the democracy program. With the support of the Leland Initiative and the Center for Human Capacity Development's DOT.COM program, USAID is designing a cross-cutting information technology strategy in FY 2002 to be implemented during the FY 2002-2003 period. Over the FY 2001-2002 period, the Center for Human Capacity Development is also financing an International Foundation for Education Self Help program in which four American volunteers are training local teachers and Namibian bankers are sent for short-term training in the U.S.

OTHER DONORS: USAID is the second largest bilateral donor in Namibia, after Germany. Despite its relatively modest size, the USAID program is visible, strategic, and results-oriented. While donor coordination in Namibia could be improved, relationships are good, and USAID works actively with other donors to ensure complementarity in its sectors of interest. United Nations agencies have begun to play an important role in catalyzing a coordinated response to the HIV/AIDS epidemic.

Namibia
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	4,002	4,383	0	0
Child Survival and Health Programs Fund	0	0	500	0
Development Assistance	7,237	5,498	6,258	5,480
PL 480 Title II	434	0	0	0
Total Program Funds	11,673	9,881	6,758	5,480

STRATEGIC OBJECTIVE SUMMARY

673-001 Economic empowerment of historically disadvantaged Namibians through accelerated private sector growth				
DA	2,760	0	1,350	1,400
673-002 Improved delivery of quality primary education to Namibian learners in grades 1-4 in the most disadvantaged schools				
CSD	3,002	1,998	0	0
DA	1,000	0	2,684	1,800
673-003 Increased benefits received by Historically Disadvantaged Namibians from sustainable local management of natural resources				
DA	2,619	3,800	2,224	1,880
673-004 Increased accountability of parliament to all Namibian citizens				
DA	858	1,698	0	0
673-005 Increased Service Utilization and Improved Behavior Related to STDs and HIV/AIDS in Target Communities in Namibia				
CSD	1,000	2,385	0	0
CSH	0	0	500	0
DA	0	0	0	400

Nigeria

Nigeria's is the third fastest growing population in the world, behind India and Pakistan. The population of 120 million will double in 24 years. Life expectancy is 55 years; literacy rate is 50%; under-five mortality is 143 per 1,000 live births; and HIV/AIDS affects over 2.7 million people.

THE DEVELOPMENT CHALLENGE: With the 1998-9 transition from military to elected government in Nigeria, the U.S.-Nigeria bilateral relationship moved from confrontation to intensive cooperation on a full range of economic, political, and security issues. The United States strongly supports Nigeria's democratic transition, recognizing its immediate and long-term implications for the country and the region as a whole. Nigeria is Africa's most populous country, accounts for 8% of U.S. oil imports, and is the dominant economic and political force

in West Africa. There is more U.S. investment in Nigeria than in any other country in Africa. Nigeria's population is extremely diverse. It has the largest Muslim population in Africa. Nigeria has supported regional stability through its diplomacy and through its peacekeeping efforts throughout West Africa. Nigeria, however, has not yet overcome a legacy of disastrous military rule and statist economic mismanagement. It continues to struggle to consolidate democratic institutions and the rule of law, develop a sustainable market-based economy, and boost public confidence in the democratic transition. The fast-approaching national, state, and local elections in 2003 bring additional urgency to reform efforts.

Despite Nigeria's relative oil wealth, poverty is widespread. It ranks 136 out of 162 on the UN Human Development Index of social indicators. GNP per capita, at about \$260, is below the level at independence 40 years ago. About 66% of the population now falls below the extreme poverty line of roughly one U.S. dollar a day. Life expectancy is only 52 years and the infant mortality rate is 143 per 1,000 live births. A high annual population growth rate (3%) will double the population in 24 years and health crises, including the HIV/AIDS pandemic, are worsening. Although Nigeria's 5.8% HIV prevalence rate reported in a November 2001 Government of Nigeria sentinel survey, is relatively low compared to other African countries, the United Nations ranked Nigeria as the fourth worst affected country in the world in 1999 based on the number of HIV infections. Nigeria's political and economic development is hampered by the failure to develop its non-oil sectors, pervasive corruption, underdeveloped economic, political and legal institutions, poor infrastructure, limited foreign and domestic investment, poor economic management, and a high population growth rate.

THE USAID PROGRAM:

FY 2002 Estimate: \$55.614 million

FY 2003 Request: \$66.235 million

The USAID program in Nigeria has four objectives: (1) to sustain Nigeria's transition to democratic civilian government; (2) to strengthen the country's capacity to undertake key economic reforms and revive growth in the agriculture sector; (3) to develop a foundation for education reform; and (4) to increase the use of family planning, HIV/AIDS prevention, and child survival services.

For FY 2002, funds will be used to implement ongoing institutional capacity-building programs as well as programs with more direct people-level impact, in support of these objectives. In democracy and governance, funds will be used to: strengthen key governance institutions such as the National Assembly, state legislatures, and state courts; support national, state and local elections; increase political party participation; and strengthen civil society organizations. In economic reform and agriculture, efforts will continue to improve economic management, privatize key enterprises, extend improved agricultural technologies to rural communities, accelerate efforts in biotechnology development, increase the availability of financing to micro and small enterprises, and address key environmental concerns. In education, efforts will continue to improve English language literacy and math skills in primary schools and provide workforce development training and job opportunities for

unemployed youth. In health, efforts will continue to eradicate polio, increase coverage of routine immunizations, improve maternal and child nutrition, increase the use and quality of voluntary family planning services, and prevent and control infectious diseases such as malaria. For HIV/AIDS, the program will continue to focus attention on prevention and assisting HIV positive individuals as well as persons affected by HIV/AIDS, including orphans. Specific activities to be funded by FY 2002 and FY 2003 appropriations are described in more detail in the following Program Data Sheets.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: The USAID program in Nigeria includes the following special objective for which USAID is not requesting new funds, but is continuing to expend funds already appropriated:

<u>Number</u>	<u>Title</u>	<u>Last Notified</u>	<u>Planned Completion</u>
620-010	Infrastructure and Energy	FY02CBJ, p. 473	FY 2003

OTHER PROGRAM ELEMENTS: The West Africa Regional Program (WARP) being implemented in Nigeria aims to enhance economic integration through assistance to public and private sector institutions, including the development of competitively priced and reliable supplies of energy. WARP also focuses on the development of early detection and response mechanisms to prevent regional conflicts. WARP activities provide support to ECOWAS in Nigeria through technical assistance and training for the West Africa Power Pool, West Africa Gas Pipeline, and other economic integration and regional conflict prevention activities. The African Rural Social Science program provides small research grants for policy analysis in rural development, building capacity for researchers and providing analyses and data for policy decisions. The Sustainable Tree Crop Program, being implemented by the International Institute for Tropical Agriculture, strives to improve the quality of production and marketing of coffee and cocoa for export.

OTHER DONORS: USAID is one of the largest bilateral donors, second only to the British, and plays a key role in macroeconomic management, agriculture, democracy and governance, education and the health sector. USAID collaborates with the World Bank, UNESCO, the United Nations International Children's Education Fund (UNICEF), the United Nations AIDS Program, the United Nations Development Program (UNDP), World Health Organization, the British Department of International Development (DFID), the European Union, the Japanese International Cooperation Agency (JICA), and other international organizations such as the Gates Foundation, Rotary International, and the Packard Foundation. USAID co-chairs the in-country donor committees on democracy and governance with UNDP, and education with UNESCO. USAID is the largest bilateral donor in the democracy and governance and education sectors. USAID is a key player in macroeconomic reform and collaborates with the World Bank and the International Monetary Fund on key macroeconomic policy initiatives and capacity building in key economic management institutions. In health, USAID has joined forces with the Japanese government on a joint effort to address HIV/AIDS and infectious diseases. As a result of USAID's technical expertise and knowledge of the HIV/AIDS situation in Nigeria, the Japanese are developing a program to fund both HIV/AIDS prevention and infectious disease programs that will complement USG and other donor efforts to date.

Nigeria
PROGRAM SUMMARY
(In thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	17,000	23,363	0	0
Child Survival and Health Programs Fund	0	0	37,066	0
Development Assistance	20,500	30,941	18,548	66,235
Economic Support Fund	20,000	23,445	0	0
Total Program Funds	57,500	77,749	55,614	66,235

STRATEGIC OBJECTIVE SUMMARY

620-006 Transition to Democratic Civilian Governance Sustained				
DA	5,500	8,099	6,886	7,373
ESF	4,900	9,330	0	0
620-007 Strengthen Institutional Capacity for Economic Reform and Enhance Capacity to Revive Agricultural Growth				
DA	7,000	9,142	7,492	11,131
ESF	3,000	10,309	0	0
620-008 Develop the Foundation for Education Reform				
CSD	2,000	3,163	0	0
DA	2,500	2,700	4,170	5,375
ESF	1,000	2,351	0	0
620-009 Increased use of Family Planning/Maternal and Child Health/ HIV/AIDS Services and Preventive Measures within a Supportive				
CSD	15,000	20,200	0	0
CSH	0	0	37,066	0
DA	4,000	11,000	0	42,356
ESF	0	1,055	0	0
620-010 Improved Management of Critical Elements of the Infrastructure and Energy Sector				
DA	1,500	0	0	0
ESF	11,100	400	0	0

Rwanda

THE DEVELOPMENT CHALLENGE: Eight years after the 1994 genocide, Rwanda continues to recover from the devastating loss of human capacity and destruction of much of its basic social and economic infrastructure. Serious threats to security are ongoing, with intermittent rebel incursions into Rwanda, turmoil in neighboring Burundi and the Democratic Republic of the Congo, and current tension with former ally Uganda.

Average adult literacy rate is 52%; average of 5.8 births per woman; 51% of civil servants have not completed secondary school.

Over 60% of Rwanda's eight million people live below the poverty line. The health sector continues to face severe problems with average life expectancy dropping to 40 years, and an infant mortality rate of 107 per 1,000 births. HIV/AIDS, malaria and tuberculosis combined with the lack of child and reproductive health services and adequate nutrition are the main causes of morbidity and mortality. The process of demobilizing and reintegrating tens of thousands of ex-combatants and the expected release of tens of thousands more prisoners under *gacaca*, the traditional legal process to try genocide-related crimes that begins this year, will pose even greater challenges to security and economic development. These groups are expected to contribute to an increase in the overall rate of HIV/AIDS infection, presently estimated at 11% for Rwandan adults.

Rwanda is characterized by weak democratic institutions. While the government is developing democratic governmental processes, help is needed to ensure transparency and inclusiveness. The first local elections in Rwanda's history were held in 2001. The justice system is being strengthened to fairly and efficiently address the backlog of over 120,000 untried cases for genocide-related crimes. Local governments are beginning to assume responsibility for many of the social services previously maintained by the central government. The government is involved in an impressive effort to educate and inform citizens of their rights and responsibilities under a more pluralistic system.

The high population growth rate (over 3%), in a country that is already densely populated (317 people/square kilometer), results in a tremendous pressure on the land and on the environment. An estimated 91% of the working population is engaged in agriculture at the subsistence level with the average farm size decreasing from 2.5 acres in 1991 to 1.75 acres in 2000. Current farming practices often result in severe erosion, which in turn causes a decline in soil fertility and increases the over-use of hazardous pesticides, resulting in numerous environmental problems.

The U.S. national interest in Rwanda is primarily humanitarian—to reduce the possibility of future ethnic violence and humanitarian catastrophes. A second, equally important U.S. national interest in Rwanda is peace and stability in the region. A healthy, educated and productively employed population living in a democratic environment will accomplish this goal.

USAID PROGRAM:

FY 2002 Estimate: \$24.687 million

FY 2003 Request: \$29.152 million

The USAID program is well-focussed and targeted to address Rwanda's challenges. The following Program Data Sheets cover in more detail the three objectives for which USAID is requesting funds, and the specific activities to be funded by FY 2002 and 2003 appropriations. These three objectives concentrate on institutional enhancements in food security and economic growth through investment in the agricultural sector, the continued development of the rule of law and transparency in governance, and the improvement and availability of health services. The USAID program utilizes HIV/AIDS funds to promote behavior change, provide care and support to infected persons, and assist vulnerable children and families. HIV/AIDS prevention and mitigation, gender, and conflict prevention are cross-cutting themes that are being addressed under all three objectives. FY 2002

funds will be used to implement the programs as currently planned and previously described in last year's Congressional Budget Justification.

OTHER PROGRAM ELEMENTS: P.L. 480 food aid continues to be an integral part of USAID's program in FY 2002 and 2003. Food aid supports efforts to improve agricultural productivity and increase food security. Under the Leland Initiative, USAID also intends to use FY 2002 funds to carry out new activities in the area of information communication technology. Child Survival grants are funded by the Democracy, Conflict and Humanitarian Assistance Bureau.

OTHER DONORS: Donor coordination is good. The United Kingdom and the United States are Rwanda's first and second largest bilateral partners. USAID, along with the United Kingdom, Germany, the European Union, Swedish International Development Cooperation Agency, Switzerland, Belgium and the United Nations Development Program actively coordinate activities related to national unity and reconciliation

Other major bilateral donors and their principle areas of focus, include Germany (conflict management and civic education), Belgium (judicial matters), United Kingdom (education), Sweden (human rights and social sector restructuring), Switzerland (civil society), France (policy), Canada (gender) and the Netherlands (justice and decentralization). Multilateral donors include the United Nation agencies, the European Union, the World Bank (social sector restructuring), the International Monetary Fund (economic credits and loans) and the African Development Bank.

Rwanda
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	6,950	7,167	0	0
Child Survival and Health Programs Fund	0	0	10,300	0
Development Assistance	9,820	6,997	5,311	18,173
Economic Support Fund	4,000	2,100	0	0
PL 480 Title II	10,028	10,394	9,076	10,979
Total Program Funds	30,798	26,658	24,687	29,152

STRATEGIC OBJECTIVE SUMMARY

696-001 Increased rule of law and transparency in governance				
DA	1,872	2,965	862	923
ESF	4,000	2,100	0	0
696-002 Increased use of sustainable health services in target areas				
CSD	6,950	7,167	0	0
CSH	0	0	10,300	0
DA	0	148	0	12,150
696-003 Increased ability of rural families in targeted communities to improve household food security				
DA	7,948	3,884	4,449	5,100

Senegal

THE DEVELOPMENT CHALLENGE: Senegal is the United States' most influential ally in French-speaking sub-Saharan Africa and a bulwark of stability in a region marked by conflict and humanitarian crises. A multiparty democracy, predominantly Muslim but secular, Senegal is a moderating voice in the Islamic and African worlds. Senegal is also one of the few countries in the world to have succeeded thus far in containing the spread of HIV/AIDS (HIV prevalence is estimated at 1.7%). An active participant in regional peacekeeping and conflict resolution efforts, Senegal strongly affirmed the right of the United States to defend itself against terrorism and organized an African initiative against terrorism in October 2001. The President of Senegal co-authored and co-chairs the "New Partnership for Africa's Development" – a strategy for addressing Africa's development challenges through increased investment and trade, new infrastructure and technology, good governance and conflict resolution. In sum, Senegal is important to U.S. interests as a stable democracy, a key African ally in the fight against terrorism and a proactive opinion leader on the continent.

An estimated 54% of Senegalese families live in poverty, maternal and child mortality rates are high and literacy is low.

While Senegal's tolerance, political pluralism, and good human rights record exert a stabilizing influence, widespread rural poverty, urban unemployment, and weak institutional capacity are major challenges confronting the country. With few minerals, limited arable land and a population of more than 9 million, Senegal ranks low on the 2000 United Nations' Human Development Index (145th out of 162 countries). A prolonged, low-intensity conflict in the southern

Casamance region continues to inflict severe hardship on the population and to disrupt social and economic development in one of the country's most productive agricultural regions. Reforms adopted in 1995 have brought sustained economic growth, with real gross domestic product (GDP) increasing at more than 5% per year and an inflation rate below 3%. Despite this, real per capita GDP (\$550 in 1999) has stagnated since independence in 1960. Senegal's external debt in 2000 was \$3.2 billion (78% of GDP); debt rescheduling through the Paris Club limited debt service to 12.3% of exports.

Slow progress in reducing poverty is the result of many factors including:

- Historically low investments in human resources and inadequate social services as manifested by low literacy rates (more than 66% of Senegalese women are illiterate) and high rates of maternal mortality (510 per 100,000 live births) and child mortality (143 per 1,000);
- Rapid population growth (2.7% per year) that puts pressure on the natural resource base and diminishes the impact of economic growth;
- A poor climate for business investment; and
- Insufficient political empowerment and lack of transparency in local government that inhibit grassroots initiatives, limit local governments' ability to make critical investments in economic and social infrastructure and allow conflicts to fester unresolved.

Senegal's development challenge is thus to: (1) create more productive opportunities without overexploiting the natural resource base; (2) improve accessibility and quality of education and primary health care; and (3) deepen democratic values and strengthen democratic processes, particularly at the local level and in the Casamance.

THE USAID PROGRAM:

FY 2002 Estimate: \$27.755 million

FY 2003 Request: \$28.380 million

USAID's program targets Senegal's development constraints and challenges. FY 2002 funds will be used to implement programs in private enterprise (including microenterprise and agriculture), democratic local governance (including basic education and local management of natural resources),

health (including HIV/AIDS, child survival, maternal health, malaria and tuberculosis), girls' education and conflict resolution in the Casamance as previously described in the FY 2002 Congressional Budget Justification. USAID requests FY 2003 funds for objectives in private enterprise, democratic local governance, and health.

OTHER PROGRAM ELEMENTS: A new PL480 Title II program that both distributes and monetizes U.S. food commodities will be launched in FY 2002 in Senegal and The Gambia to increase food security, promote sesame marketing and contribute to conflict resolution in the Casamance region. The Loan Portfolio Guarantee program is increasing small and medium-sized enterprises' access to credit – to date, a Senegalese commercial bank has made 13 loans valued at \$600,000. In the health sector, funds from the Centers for Disease Control's Global AIDS Program strengthen HIV/AIDS surveillance and voluntary counseling and testing services. With USAID central funds, U.S. Private Voluntary Organizations are promoting a gender-balanced approach for reinforcing the political and managerial capacities of youth associations and non-governmental organizations to be catalysts for HIV/AIDS prevention and awareness, implementing child survival activities and expanding microfinance.

OTHER DONORS: Direct development assistance to Senegal in the form of grants and concessional loans from over 19 multilateral and bilateral donors is estimated at \$398 million in 2000. The United States provided \$25 million or approximately 6% of external assistance in 2000, ranking it eighth behind France, the World Bank, Japan, the European Union, Taiwan, Germany and the African Development Bank. Despite relatively limited resources, USAID plays a prominent role among donors as a result of its field presence and Senegalese interest in U.S. technology and expertise. The U.S. leads the private sector donors group and coordinates its efforts with other donors in the areas of decentralization, environment, health and education. In 2001, Senegal qualified for approximately \$31 million in debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative. Senegal will receive additional debt relief beginning in 2002 if its Poverty Reduction Strategy Paper is approved. The additional resources will be devoted to improving health and education services and promoting private sector development, thus setting the stage for more rapid and sustainable growth.

USAID is the largest donor in HIV/AIDS and family planning and leads private sector donor coordination.

Senegal
PROGRAM SUMMARY
(In thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	6,900	10,366	0	0
Child Survival and Health Programs Fund	0	0	14,405	0
Development Assistance	17,153	13,375	13,350	28,380
PL 480 Title II	295	834	0	0
Total Program Funds	24,348	24,575	27,755	28,380

STRATEGIC OBJECTIVE SUMMARY

685-001 Sustainable increases in private sector income generating activities in selected sectors				
DA	6,073	3,562	4,800	6,726
685-002 More effective democratic and accountable local management of services and resources in targeted areas				
DA	5,380	4,800	5,940	6,892
685-003 Increased and sustainable use of reproductive health services (child survival, maternal health, family planning, and sexuality)				
CSD	6,900	9,866	0	0
CSH	0	0	14,405	0
DA	2,700	3,255	0	14,762
685-008 Increased Girls' Access and Retention in Targeted Primary and Vocational Schools				
DA	1,000	0	700	0
685-009 Improved Enabling Conditions for Peace via Economic, Social and Political Development				
CSD	0	400	0	0
DA	2,000	1,758	1,910	0

Sierra Leone

THE DEVELOPMENT CHALLENGE: The United States has several important issues at stake in Sierra Leone, the epicenter of West African regional instability. The U.S. has a humanitarian interest in preventing a recurrence of the lawlessness and brutal violence that has produced thousands of deaths, injuries, and assorted war crimes, and hundreds of thousands of refugees. The U.S. has a strong interest in limiting the capacity of Liberian President Charles Taylor to continue his destabilizing role in the region. The U.S. also has an interest in supporting the United Kingdom's considerable investment of political and diplomatic capital, and military assistance, to stabilize the situation in Sierra Leone. Broad U.S. goals are to help foster an environment in which the government can control its territory, protect its citizens, provide for legal exploitation of the country's resources and future economic development, and hold free and fair elections.

The planned program of transition assistance will help restore stability to the country, which is striving to overcome over a decade of human suffering. The USAID program of assistance in Sierra Leone complements planned USAID activities in the adjacent war-affected areas of Guinea. This approach will strengthen the overall impact of USAID's assistance beyond that which would be possible by focusing effort on one side of the border or the other.

GDP Per Capita	\$126;
Population	4.7 million;
Infant Mortality	168 per 1,000;
Child Mortality	283 per 1,000;
Life Expectancy	37 years;
Literacy Rate	20%.

After several setbacks, the end to the eleven-year conflict in Sierra Leone may finally be near at hand. With the support of the UN peacekeeping force, and contributions from the World Bank and the international community, demobilization and disarmament of Revolutionary United Front (RUF) and Civil Defense Forces (CDFs) combatants is nearing completion. Re-establishment of government authority throughout the country is slowly proceeding and national elections are scheduled to take place in May 2002.

The country's transition from war to peace presents formidable challenges, as the full toll of the conflict -- social, economic, and physical -- is tallied. Sierra Leone now appears at the bottom of the UN's Human Development Index, which includes a combination of indicators such as life expectancy, infant mortality, and child mortality. Although real GDP increased by 3.8% in 2000 against a population growth rate of 2.6%, this follows a cumulative decline of 25% during 1997-99 and approximately 66% since 1970. Visible evidence of the war is abundant. Much of the country's public infrastructure, shelter, and education and health facilities have been destroyed. Over 300,000 people await relocation from refugee camps to their home communities. Sierra Leone's diamond-producing regions in particular -- the last RUF strongholds to disarm -- show the effects of years of RUF occupation and reckless mining. Once-thriving towns such as Koidu lie in ruins. Large swaths of land in the towns and in the countryside continue to be ravaged by thousands of youth in search of precious stones, and rivers run red from the topsoil runoff produced by unregulated mining. Although peace has now been declared in Sierra Leone, the possibility for resumed conflict will remain a concern until the transnational region that includes Guinea's Parrot's Beak, Liberia's Lofa County and the Eastern Region of Sierra Leone can be stabilized and the issues that gave rise to the original conflict are addressed. These include marginalization of youth, unequal distribution of basic human social services and programs, and government mismanagement.

The U.S. must also deal with several internal threats to Sierra Leone's long-term stability. Chief among the internal threats are poor governance, including a lack of effective popular participation in government; widespread corruption; and a destabilizing concentration of wealth. These conditions, combined with the effects of the war, led to what many now characterize as Sierra Leone's "state collapse," a condition where the most basic public functions are not performed and public confidence in government is deeply eroded. Clearly, much rebuilding needs to be done, in both the physical and social senses.

THE USAID PROGRAM:

FY 2002 Estimate: \$26.331 million

FY 2003 Request: \$3.868 million

USAID's program addresses some of the country's key challenges as it transitions from war to peace. The following Program Data Sheets cover the two strategic objectives for which USAID is requesting funds. The first strategic objective will concentrate on reintegrating war-affected youth into society, supporting the reconciliation process, and rebuilding the physical infrastructure damaged during Sierra Leone's conflict. The planned activities use a community-based approach that addresses food security and agriculture, health services, and income-generating opportunities for ex-combatants, community residents, resettled refugees and those displaced by the war. Support for reintegration will be designed to dovetail with the on-going emergency and transition efforts supported by USAID's Bureau for Democracy, Conflict and Humanitarian Assistance (DCHA).

The second strategic objective focuses on developing democratic institutions, addressing human rights abuses, promoting public discourse, and strengthening the effectiveness of government's and local communities' oversight and monitoring of the diamond sector. The majority of FY 2002 funds will be used to implement the program in regions of the country that have been most severely devastated by the conflict.

OTHER PROGRAM ELEMENTS: In addition to this bilateral program, USAID is funding activities in Sierra Leone through the Office of Transition Initiatives (OTI), Food for Peace (FFP), and the Office of Foreign Disaster Assistance (OFDA). OTI activities, which end in March 2002, provide training to former combatants and other community members to facilitate the reintegration process; work with the Government of Sierra Leone and civil society to improve the management of the country's diamond export certification regime; and work through a media NGO to develop reconciliation and reintegration radio programming. Emergency P.L. 480 food aid is provided in FY 2002 for internally displaced people and other war affected groups.

OTHER DONORS: In terms of humanitarian assistance, the USG continues to be the leading provider to Sierra Leone. The USG was the largest single donor to the UN Consolidated Appeal for Sierra Leone in CY 2001, providing approximately 54% of the total contributed. The next largest humanitarian donor, the United Kingdom (which ranks first in development assistance) provided 10%. The European Union's humanitarian arm, ECHO, provided approximately 9% (not including contributions to UNHCR and ICRC). Other major donors providing humanitarian assistance (by rank order) include Sweden, Japan, the Netherlands, Switzerland, Norway, and Germany.

Sierra Leone
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	500	1,884	0	0
Child Survival and Health Programs Fund	0	0	325	0
Development Assistance	0	3,116	3,417	3,868
Economic Support Fund	0	950	9,000	0
PL 480 Title II	23,265	32,975	13,589	0
Total Program Funds	23,765	38,925	26,331	3,868

STRATEGIC OBJECTIVE SUMMARY				
636-001 Advancement of Reintegration Process for War-torn Populations in Targeted Communities				
CSD	500	1,884	0	0
CSH	0	0	325	0
DA	0	2,616	2,016	2,368
ESF	0	950	3,000	0
636-002 DG Institutions' Capacity Strengthened				
DA	0	500	1,401	1,500
ESF	0	0	6,000	0

Somalia

Somalia's Human Development Index indicators are dismal: 47 years for life expectancy; adult literacy rate is 17%; primary school enrollment is 13%.

THE DEVELOPMENT CHALLENGE: Since the collapse of the Barre regime in 1991, Somalia has existed in name only, with no central government or public services. Somalia has among the world's highest maternal mortality and infant mortality rates. Most of the population relies upon international

agencies to provide basic health, education and water services.

The key challenge for USAID and other donors is bringing the various political factions together to reconcile and to create institutions to peacefully manage conflict, share resources and provide essential services. Many Somalis are heavily dependent on humanitarian assistance from international donors. Even as some progress is made towards peace and recovery, more than 700,000 Somalis continue to be precariously vulnerable, especially to drought. Insecurity remains the greatest constraint to providing relief to the most vulnerable. In this context, it is difficult to identify and exploit economic opportunity to provide jobs and incomes that can demonstrate to people that peace is more rewarding than conflict. The repeated formal and informal Saudi Arabian bans on Somali livestock, rampant inflation, lack of infrastructure and partial failure of rains leading to severely limited water supplies and insufficient harvest in some parts of the country all severely and adversely affect the Somali economy.

U.S. national interests are clear. Stability and security in the greater Horn of Africa region cannot be achieved without an end to conflict and potential Somali support for terrorism. The U.S. provides an alternative to extremism in Somalia through its humanitarian assistance and support for long-term economic, social and democratic development.

THE USAID PROGRAM:

FY 2002 Estimate: \$ 15.833 million

FY 2003 Request: \$ 2.900 million

The Program Data Sheets provided cover the three objectives approved for Somalia; it should be noted that the third objective is supported primarily by humanitarian and food assistance. The two development assistance funded objectives are improving local governance and mitigating conflict and promoting livelihoods. These two objectives focus on strengthening the governance capacity of communities, civil society organizations and local authorities in stable regions of Somalia (Somaliland and Puntland) and promote economic opportunities by supporting activities such as rehabilitation of urban water facilities and improvement of agriculture infrastructure. The specific activities to be funded by FY 2002 and FY 2003 appropriations are described in more detail in the Program Data Sheets. USAID will use all of the FY 2002 funding and the FY 2003 request to fund ongoing programs.

OTHER PROGRAM ELEMENTS: USAID addresses Somalia's challenges by targeting development assistance, emergency assistance, and food aid on specific problems. Humanitarian aid resources provided by USAID/Washington are targeted at the strategic objective of meeting the needs of critical groups, the third strategic objective.

Humanitarian assistance is devoted to supplementary nutrition programs, re-establishment of infant growth monitoring, rehabilitation of health facilities, provision of essential medicines, immunization programs, rehabilitation of water resources, and the provision of seeds and tools to rural farm families in central and southern Somalia. Food assistance supports

internally displaced people and vulnerable families, mainly in four regions of southern Somalia.

OTHER DONORS: Somalia receives aid from a number of multilateral and bilateral sources. The U.S. is the second largest donor after the European Union (EU), which provides assistance in rural development, livestock production and marketing, and irrigation infrastructure. The EU also provides food aid through the World Food Program (WFP) and international non-governmental organizations, and support for physical infrastructure rehabilitation, education, and small and medium enterprise and income generation activities. Other major donors include Italy; and the Netherlands, Denmark, Norway, and Sweden. France, Britain, Canada, and Belgium are other bilateral donors. Several U.N agencies, particularly United Nations Development Program and United Nations Children's Fund, provide significant assistance. Saudi Arabia has been the main supporter of the Transitional National Government, along with Italy.

USAID has provided funds to the United Nations Development Program to support the Somalia Aid Coordination Body (SACB) Secretariat. The SACB is a coordination group, made up of donors, U.N. agencies, and non-governmental organizations designed to provide a framework for a common approach to the allocation of aid resources in Somalia. There are five main sector committees relating to key areas of rehabilitation and development assistance.

Somalia
PROGRAM SUMMARY
(In thousands of dollars)

Accounts	FY 2000 Actual *	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	0	500	0	0
Child Survival and Health Programs Fund	0	0	500	0
Development Assistance	0	2,500	2,467	2,900
PL 480 Title II	11,412	9,702	12,866	0
Total Program Funds	11,412	12,702	15,833	2,900

STRATEGIC OBJECTIVE SUMMARY

649-004 Strengthened Capacity for Local Governance and Conflict Mitigation				
DA	0	1,400	1,600	980
649-005 Increased Opportunities for Productive Livelihoods				
CSD	0	500	0	0
CSH	0	0	500	0
DA	0	1,000	767	1,820
649-006 Critical Needs Met for Vulnerable Groups				
DA	0	100	100	100

* FY 2000 program obligated under Greater Horn of Africa Initiative

South Africa

50% of the total population live below the poverty line. There are more people living with HIV/AIDS in South Africa than any other country in the world. Each day, 1,900 more people become infected.

THE DEVELOPMENT CHALLENGE: Seven years after the fall of apartheid and the installation of South Africa's first democratic government, the country's progress in closing the gap between the historically privileged and disadvantaged classes has been remarkable. Over 1.2 million low-cost houses have been constructed and four million people have been connected to water. Two sets of free and fair national and local elections have been held. Major transformations of the judicial, educational, health and governance systems have been launched. Yet, the absolute gap remains disturbingly large. Rooted in the legacy of apartheid, South Africa has a very high level of income inequality, and that disparity is growing. Only three percent of whites live in poverty, compared to nearly 60% of black South Africans. Similarly large disparities are found in job skills, education, health care and housing. A very high overall unemployment rate of 26% (even higher among disadvantaged groups) and negligible formal sector job creation characterize South Africa's labor market. Violent crime has become endemic. The murder rate is the third worst in the world, and the rape rate is the worst. The nine percent conviction rate is amongst the lowest in the world. South Africa's health system, ranked by the World Health Organization at a dismal 175th out of 191 member states, struggles under the weight of AIDS and related diseases. Over 4.2 million people are infected, approximately 20% of the population. The children also suffer. Child mortality rates, average by African standards, have now begun to worsen, and the number of AIDS orphans is rising. By 2005, South Africa will need to care for upward of one million new orphans.

Since many South Africans still have not reaped tangible benefits from the country's sharp turn to democracy and aggressive effort to integrate into the world economy, a growing number of observers now mark the next five years as critical for South Africa's future. A recent survey indicates that South Africans place less trust in elected institutions, see them as less responsive to public opinion, and are less satisfied with their performance than in 1998. The survey found that they also are much less supportive and committed to democracy than are citizens of neighboring countries. It is unclear how long South Africa's pursuit of prudent monetary and fiscal policies, public-private partnerships to deliver services, privatization, and greater international and regional trade will continue if the policies do not translate into more jobs and improved living conditions for all. The economy's sluggish growth of 2.5% in 2001 and current projections of 3.0% per annum for the next three years is discouraging and insufficient to create the needed jobs.

U.S. national interests in South Africa build on the country's growing role as a regional political and economic leader in southern Africa and, increasingly, the continent. Politically, South Africa leads the multinational peace effort in Burundi and provides troops for the peace effort in the Democratic Republic of Congo. South Africa and Nigeria have led Africa in defining the New Partnership for Africa's Development (NEPAD) and in committing African states to take primary responsibility for advancing good governance and ending conflicts on the continent. South Africa's role in support of the war against terrorism following the acts of September 11 has been strong and continues. Economically, South Africa remains by far the most important U.S. trading partner in sub-Saharan Africa, excluding Nigeria, a major oil exporter. In 2000, trade between the U.S and South Africa exceeded seven billion dollars, 25% of all U.S. trade with Africa. Even with its negligible domestic growth, South Africa has, because of its sheer size and extensive first-world infrastructure, become the largest investor in other African countries.

THE USAID PROGRAM:*FY 2002 Estimate:* \$54.474 million*FY 2003 Request:* \$62.428 million

USAID is requesting funds for six programs that support the country's economic and democratic transformation to reduce disparities between historically privileged and disadvantaged groups. The program enhances capacities of institutions, skills of individuals, and linkages between South Africa and the United States. More specifically, the program strengthens the criminal justice system's ability to prosecute criminals and improves the health system's ability to deliver primary health care, particularly interventions to combat HIV/AIDS, related diseases, and maternal and child mortality. In education, the program redresses the legacies of apartheid by targeting training to close critical skills gaps in the short term while assisting in the transformation of the national educational system to become more inclusive and results-oriented. Finally, the program fosters linkages that did not exist or were constrained under apartheid. Small, medium, and micro-enterprises in urban and agricultural areas are linked to larger businesses and markets in South and southern Africa and the U.S., and their growth helps create jobs. Financial institutions, new local governments formed from previously disparate and segregated communities, and civil society groups are brought together into new public-private partnerships to increase environmentally sound municipal services and housing for low income South Africans. FY 2002 funds will be used to implement these ongoing programs in democracy and governance, education, health, economic policy and capacity building, market-driven job creation, and municipal services and shelter. FY 2003 funds will be used for the continuation of these programs. All FY 2002 and FY 2003 funds will support ongoing programs as described in the following Program Data Sheets.

OTHER PROGRAM ELEMENTS: More than 20 centrally funded activities complement the bilateral program, primarily in education, agriculture and enterprise development, and health. USAID/Washington funds 17 grants to U.S. universities to assist South Africa's historically disadvantaged institutions in transforming their institutions. It also funds two farmer-to-farmer grants and the Global Technology Network. These activities transfer technology and marketing skills, helping South African firms and farmers become more competitive and integrated in domestic and international markets. Two research activities funded by USAID/Washington advance efforts to reduce the transmission of HIV/AIDS and deliver a better-balanced package of services through primary health centers. Funds will also be used to support activities under the U.S.- South Africa Cooperation Forum.

OTHER DONORS: Donor coordination is generally good and organized by technical sector. USAID is the largest bilateral donor and second largest overall donor to South Africa. The largest donor is the European Union (health, education, criminal justice reform and community water projects). Other major bilateral donors and their principal areas of focus include the United Kingdom (health, private sector development, democracy and governance, labor and criminal justice); Germany (democracy and governance, education, health and economic policy); and Sweden (democracy, governance, labor and poverty alleviation).

South Africa
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	13,188	17,362	0	0
Child Survival and Health Programs Fund	0	0	20,625	0
Development Assistance	32,979	32,665	33,849	62,428
Development Credit Authority	756	289	0	0
Economic Support Fund	700	800	0	0
Total Program Funds	47,623	51,116	54,474	62,428

STRATEGIC OBJECTIVE SUMMARY

674-001 Democratic Consolidation Advanced				
CSD	100	0	0	0
DA	9,752	9,048	6,679	6,679
ESF	700	800	0	0
674-002 Increased Access to Quality Education and Training				
CSD	4,988	3,200	0	0
CSH	0	0	700	0
DA	6,775	2,529	7,522	9,900
674-004 Improved Capacity to Formulate, Evaluate and Implement Economic Policies				
CSD	1,150	500	0	0
DA	4,814	5,508	5,355	5,200
674-006 Increased Access to Shelter and Environmentally sound Municipal Services				
CSD	200	0	0	0
DA	5,048	7,095	6,202	6,602
DCA	756	289	0	0
674-008 Increased Use of Primary Health Services and HIV/AIDS Prevention/Mitigation Practices				
CSD	6,750	13,662	0	0
CSH	0	0	19,925	0
DA	1,200	1,125	0	24,750
674-009 Increased Market-Driven Employment Opportunities				
DA	5,390	7,360	8,091	9,297

Sudan

Ongoing civil war has internally displaced more than 4 million Sudanese; people-to-people reconciliation has mitigated a long-standing ethnic conflict that caused displacement.

THE DEVELOPMENT CHALLENGE: Sudan has been embroiled in a civil war for the past 19 years. Two million Sudanese have died of war-related causes. The war, coupled with frequent droughts, has caused a long term humanitarian crisis, requiring humanitarian assistance of \$1.3 billion over the past 11 years from the United States alone.

Conflict and related human rights abuses are the primary development challenges for USAID in southern and eastern Sudan. The isolation of some opposition-controlled areas, such as the Nuba Mountains, in combination with continued warfare, have effectively stalled development in some regions and prevented access to even the most essential goods and services. The vast areas over which assistance needs to be provided, the enormous physical challenges – from swamp to desert-like conditions – and the lack of basic infrastructure make development logistically very difficult and costly. Many Sudanese in areas outside of Government of Sudan (GOS) control lack the capacity to manage their own rehabilitation and development as a result of little or no access to basic education, agricultural skills, business opportunities or markets for the past several decades. Extremely high rates of illiteracy, poor quality production and inaccessible markets are the results of historical underdevelopment in southern Sudan and 19 years of war. There has been a near-total disruption of health care services in areas outside of Government of Sudan (GOS) control. Polio, malaria, Guinea worm, river blindness, and other diseases are prevalent. HIV/AIDS is a significant threat in opposition-held areas of Sudan. Many communities in areas outside of government control are working hard to help themselves, but need support in becoming more efficient and effective.

The U.S. national interests in Sudan are to end international terrorism, promote regional stability, and safeguard human rights. Given its size, potential oil wealth, and location in the volatile Horn of Africa, it is important to U.S. interests to see the Sudanese reach a just, negotiated resolution to the civil war in Sudan.

THE USAID PROGRAM:

FY 2002 Estimate: \$12.249 million

FY 2003 Request: \$22.3 million

In order to strengthen the momentum for reconciliation, increase the engagement of the various factions in the peace process, and address severe constraints to development in stable areas outside of GOS control, USAID is expanding its program beginning in FY 2002. The Program Data Sheets provided below cover the three objectives for which USAID is requesting funding. These objectives concentrate on conflict prevention, food security, and primary health care, with the overall goal of building Sudanese capacity and reducing their dependency on external assistance. FY 2002 Development Assistance funds will be used to implement programs in: improved governance, including rule of law; expanding and consolidating peace-building among communities, including pastoralist groups; conflict mitigation; voluntary return and resettlement of displaced persons; economic rehabilitation, including agricultural revitalization; basic and vocational education; and improved access to health care. The specific activities to be funded by FY 2002 and FY 2003 appropriations are described in more detail in the following Program Data Sheets. USAID will use a portion of the FY 2002 funding to begin new agriculture and education activities, while the remaining amount will fund ongoing efforts. The current strategy for Sudan is scheduled to expire in FY 2002, and it is likely to be extended with modifications.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED:
 Prior to FY 2001, USAID funds for Sudan were obligated under a Regional Economic Development Services Office for East and Southern Africa (REDSO/ESA) strategic objective. USAID is not requesting new funds for this objective, but is continuing to expend funds already appropriated.

<u>Number:</u>	<u>Title:</u>	<u>Last Notified</u>	<u>Planned Completion:</u>
623-003	GHAI Implementation	FY02 CBJ, p. 763	FY 2003

OTHER PROGRAM ELEMENTS: USAID integrates humanitarian and development assistance in addressing the challenges posed by Sudan. Various USAID funding sources (DA, emergency assistance and food aid) are jointly programmed to achieve U.S. Government objectives and to avoid duplication or overlap. The United States provides over 80% of total food assistance to Sudan. In FY 2001, USAID together with the U.S. Department of Agriculture provided 133,000 metric tons of commodities (worth more than \$110 million) in P.L. 480 Title II food assistance to meet critical food needs of vulnerable populations in both northern and southern Sudan. The World Food Programme (WFP) is USAID's largest implementing partner, helping to deliver food in the more remote areas countrywide, especially in southern Sudan. Humanitarian access to a number of locations is often difficult due to harsh environmental conditions and insecurity, requiring the food be flown in, and allocated through a direct distribution program. Even under these conditions, food assistance reached over 3 million beneficiaries last year. In relatively stable areas, food assistance complements development activities by providing an increased focus on school feeding and food-for-work activities to enhance rural development. USAID's Africa Bureau implements the Strategic Analysis for Capacity Building activity to foster policy studies and build Sudanese expertise in agriculture and natural resources management. USAID's Office of Foreign Disaster Assistance supports emergency programs to meet basic service, food security and health care needs of vulnerable groups in drought affected and conflict prone areas. The Department of State provides funding to strengthen the negotiating capacity of northern and southern opposition movements affiliated with the umbrella group, the National Democratic Alliance. The Department also supports refugee programs in Kenya and Uganda. USAID's Regional Economic Development Support Office for East and Southern Africa manages the programs outlined in the Program Data Sheets while other, primarily humanitarian, programs are managed by USAID/Washington and the Department of State.

It is important to note that humanitarian assistance is provided in both government controlled and opposition controlled areas of Sudan (to war and drought affected populations), whereas development assistance is provided only in areas outside government control.

OTHER DONORS: The U.S. is the only major donor providing development assistance to areas outside Government of Sudan control. The European Commission may re-establish its assistance program in selected food insecure areas of southern Sudan in 2002.

Sudan
PROGRAM SUMMARY
(In thousands of dollars)

Accounts	FY 2000 Actual *	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	0	1,000	0	0
Child Survival and Health Programs Fund	0	0	500	0
Development Assistance	0	3,500	10,881	22,300
Economic Support Fund	0	10,000	0	0
PL 480 Title II	36,181	40,888	888	0
Total Program Funds	36,181	55,388	12,249	22,300

STRATEGIC OBJECTIVE SUMMARY

650-001 Enhanced environment for conflict reduction				
CSD	0	500	0	0
DA	0	1,500	5,351	9,480
ESF	0	10,000	0	0
650-002 Enhanced food security through greater reliance on local resources				
DA	0	1,500	5,530	12,520
650-003 Enhanced primary health care through greater reliance on local capacities				
CSD	0	500	0	0
CSH	0	0	500	0
DA	0	500	0	300

* FY 2000 program obligated under the Greater Horn of Africa Initiative

Tanzania

Life expectancy is under 50 years; infant mortality is 90 per 1,000; and 8% of the adult population is infected with HIV/AIDS.

THE DEVELOPMENT CHALLENGE: Tanzania has moved from three decades of one-party socialism to a multi-party democracy. Fundamental and largely successful economic liberalization and structural reforms have accompanied this political transformation. However, Tanzania's political and economic development is seriously impeded by a number of factors. These include high population growth rates coupled with high rates of infectious diseases, unsustainable use of natural resources, widespread corruption, and limited foreign and domestic investment. Human and institutional capacities are also extremely limited. Tanzania's social indicators reflect this low level of development. Over 50% of an estimated 36 million people live in extreme poverty, surviving on less than US \$1 per day. Dependency ratios are 50% and rising. Life expectancy is under 50 years and falling; infant mortality is 90 deaths per 1000 and rising -- largely as a result of the rapid spread of HIV/AIDS. Conservative estimates are that 8% of the population is infected with HIV/AIDS. Tanzania's economy is also burdened with supporting one of the largest refugee populations in the world, the result of civil wars in neighboring countries.

Tanzania's per capita Gross Domestic Product for 2001 was estimated at \$260. External debt in December 2001 was \$7.03 billion, with potential debt servicing absorbing about 30% of the Government of Tanzania's domestic revenue. The debt is owed primarily to multilateral institutions. In November 2001, Tanzania was approved for \$3 billion in debt relief under the enhanced Heavily Indebted Poor Country Initiative. Resulting savings of approximately \$118 million per year will be mainly allocated to priority sectors including education, health, and agriculture. The economy is growing at about 5% per year, which is reasonable but insufficient to have major impact on poverty. That would require a minimum of 8% growth annually. To increase economic growth, Tanzania must increase agricultural productivity and export earnings over the next decade, increase internal revenue, and reduce corruption.

U.S. national interests in Tanzania are twofold: Tanzania has the potential to serve as a political and economic model in an unstable region; and its leaders have played an active role in resolving the multiple crises in the Great Lakes region. Moreover, it is a stalwart U.S. ally in the war on terrorism.

THE USAID PROGRAM:

FY 2002 Estimate: \$26.414 million

FY 2003 Request: \$32.936 million

The Program Data Sheets provided below cover the four objectives for which USAID is requesting funds. These four objectives concentrate on improving the health of women and children and preventing the spread of HIV/AIDS; improving conservation of natural resources; fostering continued democratic progress through expanded public-private partnerships; and expanding market linkages to increase rural incomes. FY 2002 funds will be used to implement ongoing programs as well as undertake certain new activities in response to changing circumstances. USAID will use the FY 2003 request to fund activities within current strategic objectives. The FY 2003 request includes an increase in HIV/AIDS funding, which will scale up efforts against HIV/AIDS and sexually transmitted diseases.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: USAID's program in Tanzania includes the following objectives for which USAID is not requesting new funds. The programs will continue to expend funds already appropriated.

<u>Number:</u>	<u>Title:</u>	<u>Last Notified</u>	<u>Planned Completion:</u>
621-002	Foundation Established for Adoption of Sustainable NRM practices	FY02 CBJ, p. 623	FY 2003
621-004	Increased Micro & Small Enterprise in the Economy	FY02 CBJ, p. 632	FY 2002
621-005	Rural Roads Improved in Sustainable Manner	FY02 CBJ, p. 636	FY 2003
621-006	Suffering of Bomb Victims Reduced and Disaster Response Enhanced	FY02 CBJ, p 639	FY 2003

OTHER PROGRAM ELEMENTS: In addition to the bilateral program, USAID/Washington supports activities in Tanzania through the Education for Democracy and Development Initiative, the Matching Grant Program, the Child Survival Grants program, and the Women in Development small grants program. The Famine Early Warning System also provides support to the Government of Tanzania on food availability.

Overall development assistance to Tanzania totals about \$1 billion per year, excluding debt relief.
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OTHER DONORS: Coordination is a high priority for donors in Tanzania. Japan and the United Kingdom are Tanzania's first and second largest bilateral partners, together providing more than one-third of bilateral assistance. Japan supports the agriculture and transport sectors; the UK assists public financial management and is the largest proponent of direct assistance to the Government of Tanzania. Other major bilateral donors with their principal areas of focus include: Denmark (health); Sweden (natural resources); Norway (energy); the Netherlands (rural development), and Germany (environment activities, some of which are jointly managed with USAID). Multilateral donors include the United Nations agencies, the European Union, the World Bank and the Africa Development Bank. The World Bank and IMF provide over 50% of all multilateral financing. The African Development Bank supports rural micro enterprises and the European Union finances rural roads and basic education.

Tanzania
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	9,800	10,725	0	0
Child Survival and Health Programs Fund	0	0	16,700	0
Development Assistance	14,322	10,378	8,124	32,936
PL 480 Title II	4,668	29,256	1,590	0
Total Program Funds	28,790	50,359	26,414	32,936

STRATEGIC OBJECTIVE SUMMARY

621-001 Increased use of family planning/maternal and child health and HIV/AIDS preventive measures				
CSD	9,800	10,725	0	0
CSH	0	0	16,700	0
DA	3,900	4,158	0	22,490
621-002 Foundation Established for Adoption of Environmentally Sustainable NRM Practices in Tanzania				
DA	3,154	0	0	0
621-003 Civil society and government are more effective partners in governance				
DA	1,950	0	1,350	1,346
621-004 Increased micro and small enterprise participation in the economy				
DA	3,000	0	0	0
621-005 Rural roads improved in a sustainable manner				
DA	2,318	0	0	0
621-008 Improved Conservation of Coastal Resources and Wildlife in Targeted Areas				
DA	0	3,070	3,017	4,000
621-009 Increased micro and small enterprise participation in the economy II				
DA	0	3,150	3,757	5,100

Uganda

Per capita GDP is \$320; child mortality is 152 per 1,000; 800,000 adults are living with HIV/AIDS; 43% of adult women are illiterate; nearly 600,000 people are internally displaced due to conflict.

THE DEVELOPMENT CHALLENGE: Uganda emerged from decades of political upheaval and economic mismanagement 15 years ago to become a development success story, with GDP growth between 1992 and 2000 averaging 6.7% per year. Uganda is also a poverty alleviation success story, with the proportion of Ugandans living in poverty declining from 56% in 1992/93 to 35% in 1999/00. Uganda's Poverty Eradication Action Plan is a model poverty reduction strategy and enabled Uganda to be the first country to qualify for debt relief under the Heavily Indebted Poor Country Initiative (HIPC) and the enhanced HIPC. However, Uganda's

successes are also very fragile. In 2001, annual GDP growth dropped to 5.1%, private investment is low at 10% of GDP or less, and annual government revenues are stagnant at under 12% of GDP.

Most Ugandans derive their livelihood from subsistence farming, but agricultural productivity is declining, the natural resource base is being degraded, and Ugandan products are not competitive in regional and international markets. The quality of health and educational services is poor, and these services are unable to adequately address key issues of high infant and child mortality, a basic education system that has been successfully reformed but that is stretched to its limits by a massive influx of pupils, and persistent high fertility. Over half of the population is under the age of 15, vulnerable to a new wave of HIV/AIDS infection, and population growth is high at 3% per year, eroding social service gains and adding 300,000 job seekers to the economy every year. The Government of Uganda has undertaken a far-reaching decentralization program that puts service provision, planning and budgeting into the hands of locally elected officials. However, this program has been hampered by poor capacity both centrally and in local government units. Continued political instability in the north and west, linked to regional conflicts, undermines both economic growth and poverty alleviation. Concerns about the government's lack of commitment to multi-party democracy have been increasing.

Primary U.S. national interests in Uganda are economic development and regional stability. Uganda's prosperity and stability are essential to growth and stability in the east and central African regions. Uganda has also demonstrated its strong commitment to the global war on terrorism.

THE USAID PROGRAM:

FY 2002 Estimate: \$ 67.284 million

FY 2003 Request: \$78.824 million

In response to the challenges articulated above, the USAID integrated strategic plan, approved in June 2001, is based on three new strategic objectives that support the program goal of assisting Uganda to reduce mass poverty. The Program Data Sheets provided below cover the three new objectives for which USAID is requesting funds. The program builds on proven successes and incorporates new approaches to environmentally sustainable growth, human capacity development, and effective governance. The economic growth, agriculture and environment program will expand economic opportunities for rural Ugandans through an integrated agriculture, food security, trade, and environmental sustainability approach that will increase the competitiveness of Uganda's exports, increase agricultural productivity, create jobs, and increase household income. The human capacity program will build individual skills and capabilities through integrated health and education interventions targeted at the key age groups of infants and young children, the school-aged population, and adults. This approach will reduce HIV/AIDS prevalence, ensure that more children survive early childhood and complete primary school, reduce fertility, and address the needs of vulnerable children and people living with AIDS. The democracy and governance program is

focused on effectiveness and participation and will simultaneously address the institutional weaknesses of the legislative branch and local governments, increase accountability in governance and enhance citizen participation in decision-making. The program will also address the special needs of conflict-affected areas of the country by supporting local communities to engage in coalition-building, peace dialogue, reintegration, and development. All estimated FY 2002 and requested FY 2003 funds will be obligated to these three new strategic objectives.

ONGOING PROGRAMS FOR WHICH NO NEW FY 2002 OR 2003 FUNDING IS REQUESTED: The USAID program in Uganda includes six objectives for which USAID is not requesting new funds, but is continuing to expend funds already appropriated.

<u>Number</u>	<u>Title</u>	<u>Last Notified</u>	<u>Planned Completion</u>
617-001	Increased rural household income	FY02 CBJ p. 654	FY 2007
617-002	Natural resource management	FY02 CBJ p. 659	FY 2004
617-003	Primary education reform	FY02 CBJ p. 664	FY 2002
617-004	Maternal/child health and HIV/AIDS	FY02 CBJ p. 669	FY 2003
617-005	Democracy and governance	FY02 CBJ p. 674	FY 2003
617-006	Northern Uganda reintegration	FY02 CBJ p. 679	FY 2002

OTHER PROGRAM ELEMENTS: USAID has utilized funds from other USAID programs and activities in addition to its bilateral budget to support specific initiatives. Funds have been received from the Education for Development and Democracy Initiative (EDDI) for a girls' scholarship program and, in concert with funds from the Leland Initiative, used in a program of Internet connectivity and computer-assisted learning in six primary teachers' colleges. Working with Ugandan and U.S. private sector partners, EDDI resources have also provided Makerere University with the first wireless network in the region. Uganda also benefits from other USAID/Washington-funded activities to support the regional famine early warning system network and tree crops development. The Uganda program also receives support from USAID/Washington for contraceptive procurement, social marketing, policy dialogue, child survival, and land use systems management. Resources from the Greater Horn of Africa Initiative have funded a water hyacinth control program on Lake Victoria, and conflict mitigation activities. P.L. 480 Title II food aid continues to be an integral part of USAID's program in FY 2002 and 2003. Food aid complements other USAID efforts in the areas of economic growth, agriculture, environment, HIV/AIDS and food security. Uganda has been designated as a focus country for administration initiatives in agriculture, trade, and HIV/AIDS.

OTHER DONORS: Uganda receives significant donor support (approximately \$500 million per annum). The U.S. is the second largest bilateral donor following the United Kingdom, whose portfolio focuses on justice, law, and order, agriculture and environment, education, health, and public administration. Other key bilateral donors include Denmark (infrastructure, education, health, agriculture, water, democracy, private sector), the Netherlands (decentralization, local government capacity building, gender), Sweden (natural resources, democratic governance, infrastructure, trade and industry) and Japan (health and sanitation, human resource development, basic education infrastructure, and agricultural development). Other bilateral donors include Norway, Italy, and Ireland. Multilateral donors include the World Bank, the United Nations Development Program (UNDP), the United Nations International Children's Fund (UNICEF), the European Union (EU), and the International Monetary Fund (IMF). The Bank's non-lending program covers rural development, capacity building and private sector development, while the loan portfolio funds infrastructure, civil service reform, and HIV/AIDS. The EU supports infrastructure, education, health, agriculture, environment, private sector and sanitation. The USG plays a key role in donor coordination, chairing five sectoral donor groups (private sector, Northern Uganda, environment, commercial justice, and Parliament) and participating in nine others.

Uganda
PROGRAM SUMMARY
(In thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual *	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	21,868	30,680	0	0
Child Survival and Health Programs Fund	0	0	34,150	0
Development Assistance	29,544	19,198	22,724	62,944
Economic Support Fund	400	595	0	0
PL 480 Title II	18,844	31,290	10,410	15,880
Total Program Funds	70,656	81,763	67,284	78,824

STRATEGIC OBJECTIVE SUMMARY

617-001 Increased rural household income				
DA	16,240	7,595	0	0
617-002 Critical ecosystems conserved to sustain biological diversity and to enhance benefits to society				
DA	6,878	4,377	0	0
617-003 Quality basic education for an increased percentage of Ugandan children				
CSD	8,818	8,799	0	0
617-004 Increased service utilization and changed behaviors, related to reproductive/maternal/child health in selected districts				
CSD	13,050	21,543	0	0
DA	5,300	5,000	0	0
617-005 Civic pluralism expanded and constitutional checks and balances implemented				
DA	1,326	571	0	0
ESF	0	595	0	0
617-006 Improved foundation for reintegration of targeted areas of Northern Uganda				
CSD	0	338	0	0
ESF	400	0	0	0
617-007 Expanded Sustainable Economic Opportunities for Rural Sector Growth				
DA	0	0	13,810	16,250
617-008 Improved Human Capacity				
CSH	0	0	34,150	0
DA	0	0	7,854	45,559
617-009 More Effective and Participatory Governance				
DA	0	1,655	1,060	1,135

*FY 2001 ESF includes direct apportionment to Department of State of \$295,000

Zambia

THE DEVELOPMENT CHALLENGE: Zambia has gone through a political and economic transition from decades of one-party autocracy to multi-party democracy. It is making progress toward liberalizing its economy, increasing foreign trade and privatizing state-owned enterprises. The continuous contraction of the economy in the 1980s has been reversed over the past decade. Gross Domestic Product grew by 3.6% in 2000, and a growth rate of five percent is estimated in 2001. Improved financial discipline has resulted in a decrease in inflation from 30.1% in 2000 to 18% in 2001. Zambia's commitment to private sector-led economic growth is demonstrated by several reforms, including the establishment of a stock market, relaxation of government controls over exchange and interest rates, and the attainment of full convertibility for the national currency.

Despite these positive developments, there remain many impediments to political and economic progress in Zambia. These obstacles include Zambia's landlocked status, limited foreign and

Life expectancy at birth has declined from 49 years in 1992 to 43 in 2001, largely due to the HIV/AIDS crisis.

domestic investment, a legacy of authoritarian leadership, corruption, and a high population growth rate of 2.9%. One of the greatest threats to Zambia's future development is the HIV/AIDS pandemic. Approximately 20% of adults in Zambia are infected with HIV. As AIDS death rates accelerate, a secondary epidemic of

orphans and vulnerable children is developing. At the end of 2000, an estimated 1.25 million children (27.4% of children under age 15) were orphaned, and the number of children not attending primary school exceeded 700,000.

Zambia held presidential, parliamentary and local government elections on December 27, 2001 with both international and local monitoring. The newly-elected President is Levy Mwanawasa of the ruling party, who defeated the lead opposition candidate 29% to 27% (35,000 votes). A multi-party legislature in Zambia has been seated, with the opposition now representing 71% of voters and holding just over 50% of the seats. This new legislature, differing from the previous ruling party-dominated legislature, may open the door for the implementation of parliamentary reforms.

The recent elections in 2001 follow a spirited public debate in which civil society successfully mobilized itself to resist an unconstitutional third term for former President Frederick Chiluba.

Zambia is key to U.S. national interests and foreign policy priorities in the Southern Africa region. Zambia is a leader in regional conflict resolution efforts, particularly in the Democratic Republic of Congo. It is a priority country in the U.S. Government's worldwide effort to stem the HIV/AIDS pandemic, due in part to recent successes in curbing the spread of the disease in the country. Zambia has a record of economic and political reforms over the past ten years and is a model of peace and stability in a troubled region.

THE USAID PROGRAM:

FY 2002 Estimate: \$42.741 million

FY 2003 Request: \$50.285 million

The USAID program in Zambia has four areas of focus. They include: 1) increasing incomes in rural areas; 2) improving the quality of basic education for children; 3) improving integrated child health care and reproductive health services, including HIV/AIDS interventions; and 4) expanding civic participation in democratic governance. To improve rural incomes, USAID supports innovative programs dealing with agricultural privatization, conservation-related farming technology, and community-based natural resource management in protected areas. USAID's effort to encourage rural development includes a microenterprise credit program. In education, USAID supports basic education and nutrition on a community level, while promoting novel approaches to improve access to education for the rural poor, girls, orphans, and other vulnerable children. In the health sector, USAID supports a range of cutting-edge programs that reduce death and suffering. Zambia is a priority country for the worldwide "Roll-Back Malaria" program, and receives special attention in the fight against HIV/AIDS.

USAID supports national programs in family planning and maternal health, vitamin A food fortification and supplementation, immunization, and integrated management of childhood illnesses. In recognition of the fact that HIV/AIDS is not just a health problem but an overall development challenge, USAID has designed a cross-cutting coordination mechanism that improves the capacity of all development sectors in Zambia to deal with the wide-ranging impacts of the disease. Finally, USAID programs in Zambia promote democracy and the peaceful exchange of viewpoints by supporting public debates on major issues of civic concern.

FY 2002 funds will be used to implement the program as currently planned and previously described in the FY 2002 Congressional Budget Justification. Program activities to be funded by FY 2002 and FY 2003 appropriations are described in more detail in the Program Data Sheets. The increase in program funding levels from FY 2002 to 2003 is primarily due to increased HIV/AIDS funding.

OTHER PROGRAM ELEMENTS: In economic growth, USAID collaborates with USAID's Regional Center for Southern Africa trade program, dealing with World Trade Organization concerns, the Southern African Development Community country steering committees, the Africa Growth and Opportunity Act, and various regulatory issues. USAID also works with the Common Market for Eastern and Southern Africa to promote closer regional trade ties. The regional Corridors of Hope project provides financial support that leverages bilateral funding for cross-border HIV/AIDS prevention activities targeting high-risk populations. USAID/Washington funds the Adventist Development and Relief Agency and the Salvation Army World Service to improve health care services, and also supports Project Concern International in building the capacity of Zambian nonprofit organizations to provide services locally. USAID's Education for Development and Democracy Initiative and the Progressive Life Center established a pilot partnership between two girls' high schools in Zambia and Washington, D.C., focusing on the self-growth and development of adolescent females. P.L. 480 Title II food aid continues to be an integral part of USAID's program in FY 2002 and complements the efforts to help rural poor households to improve food security.

OTHER DONORS: Overall, the United States ranked third in 2000 among bilateral donors, after the United Kingdom and the Netherlands. The World Bank is Zambia's largest multilateral donor. Other key multilateral donors include the European Union (EU) and the African Development Bank.

USAID programs in Zambia are marked by a spirit of collaboration. USAID collaborates with the World Bank in areas of privatization and in the preparation of Zambia's Poverty Reduction Strategy. The World Bank is the main donor supporting the Ministry of Agriculture's extension work, and also works with USAID on programs benefiting the tourism and wildlife sectors. Germany and the EU work in partnership with USAID to strengthen small and medium business associations in Zambia. Sweden collaborates with USAID to address regulation of the microfinance and power sectors. Norway and the International Fund for Agricultural Development have initiated activities that support USAID's rural group business model. Additionally, Norway, the Netherlands, and USAID jointly support a public-private Agricultural Forum. USAID is the lead donor on the World Trade Organization's Integrated Framework for Trade, in conjunction with both multilateral and bilateral donors. The United Nations Development Program's Growth Triangle program aims at increasing cross-border trade between Zambia, Malawi and Mozambique, complementing other USAID efforts. Many partners join USAID in supporting health reforms in Zambia, including Denmark, Sweden, Norway, the United Kingdom, Ireland, the Netherlands, Canada and UNICEF. Under the auspices of the US-Japan Common Agenda, the Japan International Cooperation Agency joins with USAID to implement key health and education interventions. USAID collaborates with many international donors and United Nations agencies to increase investment in basic education, with a special focus on the advancement of girls' education. Finally, USAID and the EU worked together successfully in support of the recent national elections.

Zambia
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	16,328	26,838	0	0
Child Survival and Health Programs Fund	0	0	30,830	0
Development Assistance	16,000	10,255	11,822	50,285
Economic Support Fund	0	300	0	0
PL 480 Title II	811	0	89	0
Total Program Funds	33,139	37,393	42,741	50,285

STRATEGIC OBJECTIVE SUMMARY

611-001 Increased incomes of selected rural groups				
DA	9,786	6,725	6,260	6,958
611-002 Improved quality of basic education for more school-aged children				
CSD	728	4,965	0	0
DA	2,000	0	4,700	5,000
611-003 Increased use of integrated child and reproductive health, and HIV/AIDS interventions				
CSD	15,600	21,873	0	0
CSH	0	0	30,830	0
DA	3,200	2,880	0	37,404
611-004 Expanded opportunity for effective participation in democratic governance				
DA	1,014	650	862	923
ESF	0	300	0	0

Zimbabwe

THE DEVELOPMENT CHALLENGE: Zimbabwe is a country of immense human and natural potential. Ten years ago it was one of the most developed countries in southern Africa. Today 60% of the population lives on less than \$1 per day, unemployment is 70%, and inflation has reached 107%. The land redistribution program is disrupting agricultural production and leaving farm workers without homes or jobs. Mass hunger is a real possibility as the Government of Zimbabwe has neither funds nor credit to replenish its food reserves. There are increasing cases of violence and intimidation as the March 2002 presidential election approaches.

Life expectancy has fallen to 52 years, infant mortality is 65 per 1,000, under five child mortality is 102 per 1000, and 25% of the adult population is infected by HIV/AIDS.

Zimbabwe's per capita gross domestic product in 2000 was \$421 before declining to \$385 in 2001. External debt in December 2001 was \$2.7 billion. The Government of Zimbabwe is not currently servicing its debt and most multilateral and bilateral donor resources are being withdrawn or reduced. Overall donor assistance to Zimbabwe was \$219 million in 1999 as compared to the estimated \$37.5 million for 2001.

The United States national interests in Zimbabwe are in building democracy and implementing an effective response to the catastrophic HIV/AIDS epidemic. With the current food shortages, humanitarian relief has also become a priority.

THE USAID PROGRAM:

FY 2002 Estimate: \$11.173 million

FY 2003 Request: \$18.108 million

USAID is requesting funds for three objectives which concentrate on mitigating the HIV/AIDS crisis, enhancing citizens' participation in economic and political decision-making, and expanding economic opportunities for disadvantaged groups. FY 2002 funds will be used to implement the ongoing activities to fight the HIV/AIDS epidemic through increasing awareness and use of condoms; encouraging and supporting microenterprises; and working with civil society organizations, parliament, and local authorities to listen to and represent the interests of the populace. A humanitarian assistance program will also be initiated.

All FY 2003 funds requested by USAID/Zimbabwe will be used to continue funding current programs. The funding increase under the FY 2003 request will broaden support to HIV/AIDS and family planning and reproductive health activities. Depending on the outcome of the critical March election, USAID will consider expanding certain objectives or review the implementation of its program with the Government of Zimbabwe.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED:

The USAID program in Zimbabwe includes the following objectives for which USAID is not requesting new funds, but is continuing to expend funds already appropriated.

Number:	Title:	Last Notified:	Planned Completion:
613-001	Natural Resources Management Strengthened for Sustainable Development	FY 2002 CBJ p.719	FY 2003
613-002	Broadened Ownership in a Growing Economy	FY 2002 CBJ p.723	FY 2002

OTHER PROGRAM ELEMENTS: In addition to the bilateral program, USAID has an ongoing centrally-managed program to enhance democracy through support for freedom of the press, rule of law, free and fair elections and human rights. USAID's Regional Center for Southern Africa, based in Botswana, manages 15 regional programs that include Zimbabwe. Four of the programs deal with natural resource management. Three programs support agricultural research and policy development and five programs support the development of southern Africa regional trade and economic integration. The remaining three programs encourage anti-corruption, enhanced legislative processes, and greater media freedom. USAID is currently negotiating a P.L. 480 emergency food assistance program for Zimbabwe in coordination with the World Food Program. The Famine Early Warning System Network is a long-running Africa Bureau regional project providing support for regional food security monitoring, analysis and reporting throughout several selected countries, including Zimbabwe, and multiple regions of Africa. USAID centrally funds the regional Corridors of Hope activity which make condoms more available and accessible to target groups by expanding social marketing of the devices through branded advertising and promotional activities.

OTHER DONORS: In addition to the United States, the major donors include the European Union (governance, social services, and environment), the United Kingdom (poverty, environment, AIDS/health, private sector), Germany (health, education, environment, self-help) and Japan (environment, AIDS, other health, education, infrastructure, private sector). Norway, Sweden, and the Netherlands sponsor smaller programs. Currently the Government of Zimbabwe is in arrears to all of its multilateral lending institution partners, so programs of the World Bank and International Monetary Fund (IMF) are on hold with the IMF stand-by agreement having been suspended in 1999. Donor coordination is excellent. Most bilateral donors have reduced or stopped government-to-government assistance, opting to channel help through non-governmental organizations. The United Nations family of agencies remains active in Zimbabwe in several sectors including HIV/AIDS, health, education, environment, and governance. USAID leads the coordination of HIV/AIDS programs in-country and, even though a minor donor in natural resources and environment, it has a leading coordination role in this program as well. The United Nations just issued a Humanitarian Assistance and Recovery Program appeal to all donors for \$81 million for 2002, to which the United States expects to make a significant food contribution.

Zimbabwe
PROGRAM SUMMARY
(In thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual *	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	5,200	6,438	0	0
Child Survival and Health Programs Fund	0	0	9,473	0
Development Assistance	6,926	6,384	1,700	18,108
Economic Support Fund	800	3,280	0	0
Total Program Funds	12,926	16,102	11,173	18,108

STRATEGIC OBJECTIVE SUMMARY

613-008 Enhanced citizens' participation in economic and political decision making				
DA	2,286	2,790	1,700	1,885
ESF	800	3,280	0	0
613-009 HIV/AIDS Crisis Mitigated				
CSD	4,700	5,939	0	0
CSH	0	0	8,973	0
DA	2,000	2,084	0	15,723
613-010 Access to Economic Opportunities for Disadvantaged Groups Expanded				
CSD	500	499	0	0
CSH	0	0	500	0
DA	2,640	1,510	0	500

* FY 2001 ESF includes direct apportionment to Department of State of \$175,000

**Regional Economic Development Services Office
For East and Southern Africa (REDSO/ESA)**

THE DEVELOPMENT CHALLENGE: Internal and cross-border violence is on the upswing in east and southern Africa, greatly hampering development progress. Regional conflict in the Democratic Republic of the Congo, civil wars in Sudan and Somalia, and armed insurgencies in Rwanda, Burundi, and Uganda continue to destabilize the region. In addition, heightened internal political tensions, such as those related to upcoming national elections in Kenya, deter potential foreign and domestic investors. Borders, such as that between Somalia and Kenya, are porous, impeding control of terrorism and arms flows. Conflict, droughts and continued deterioration of food production have resulted in frequent food emergencies in the region, affecting more than 18 million people.

Economic performance in the region is uneven. Some countries experienced little or no-growth in 2001 while others have growth estimated to be as high as 5%. Population growth continues to fuel increased demand for expansion of agricultural lands, often at the expense of important and traditional grazing areas and impeding protection of the region's incomparable wildlife, an important magnet for tourism. Infectious diseases, such as HIV/AIDS, malaria, and tuberculosis, seriously affect productivity and overwhelm national public health systems. Of the 36 million people living with HIV/AIDS worldwide by the close of 2000, over 25 million were in sub-Saharan Africa. HIV/AIDS is now the leading cause of death on the continent and affects millions in REDSO/ESA's region. These transnational challenges clearly demonstrate the need for regional approaches to food security, conflict prevention and health care issues, but indigenous management systems and infrastructure are weak.

The REDSO/ESA program, co-located in Nairobi with USAID/Kenya, fully supports U.S. national interests in the region. Improved regional stability and political integration will facilitate progress in the global war on terrorism. Economic cooperation and the opening of markets will promote growth and increased opportunities for U.S. trade and investment, in addition to lessening dependence on international humanitarian assistance. Reducing transmission of HIV/AIDS and other infectious diseases will work to diminish the risk of further economic disruption, political disintegration, impoverishment and conflict. While improving African public health, this work will also ultimately support U.S. national interests in the region.

THE USAID PROGRAM:

FY 2002 Estimate: \$22.458 million

FY 2003 Request: \$27.288 million

The Program Data Sheets provided cover the three objectives for which USAID is requesting funds. REDSO/ESA covers 23 countries in east and southern Africa and thereby assists those smaller countries lacking a U.S. bilateral development program, such as Djibouti, to benefit from regional activities undertaken by USAID. REDSO/ESA's three objectives include enhancing east and southern African capacity to achieve food security through dissemination of improved, environmentally sustainable agriculture practices, increased trade and better climate forecasting. They also focus on improving regional management of conflict and building the capacity of regional health organizations, with an emphasis on strengthening responses to the HIV/AIDS pandemic. FY 2002 DA and CSH funds and prior year Economic Support Fund (ESF) funds will be used to implement the program as currently planned and previously described in the FY 2002 Congressional Budget Justification, as well as to carry out selected new activities.

ONGOING PROGRAMS FOR WHICH NO NEW FY 2002 OR FY 2003 FUNDING IS REQUESTED:

The REDSO/ESA program includes the following objectives for which USAID is not requesting new

funds, but is continuing to expend funds already appropriated.

<u>Number:</u>	<u>Title:</u>	<u>Last Notified:</u>	<u>Planned Completion:</u>
623-001	Program and Tech Support	FY02 CBJ, p. 753	FY 2003
623-002	Critical Information	FY02 CBJ, p. 757	FY 2003
623-003	GHA Implementation	FY02 CBJ, p. 763	FY 2003

OTHER PROGRAM ELEMENTS: As a regional mission, REDSO/ESA supports other USAID missions in east and southern Africa with technical, legal, financial management, food assistance and procurement services. In addition, REDSO/ESA implements a regional assistance program. REDSO/ESA also assists in the management of USAID's large (almost \$400 million in FY 2001) P.L. 480 emergency and non-emergency food assistance programs in 14 countries in East and Southern Africa. It provides support for U.S. Department of Agriculture's Title I, Title II Food for Progress, and Title II Section 416 food aid program (\$200 million in FY 2001) operating in seven countries in the region. The USAID humanitarian assistance office manages substantial emergency programs in the region that are coordinated with bilateral programs in each country as well as with the REDSO/ESA regional program. USAID/Washington programs in population, health and nutrition play an important supporting role in providing technical assistance and training for regional African institutions. For example, centrally-funded health projects are helping to disseminate a comprehensive methodology for use in regularly assessing the national level performance of logistics and pharmaceutical management systems for countries in the region. They also support regional training workshops to address logistics management systems needed for HIV/AIDS commodities.

OTHER DONORS: Donor coordination is good. The European Union and the United States are the first and second largest donors supporting direct assistance to regional institutions such as the Intergovernmental Authority on Development and the Common Market for East and Southern Africa. Other important donors supporting regional activities in food security, conflict prevention and health include the World Bank, Canada, and the African Development Bank. USAID closely cooperates with Germany, especially for assistance on conflict prevention and early warning systems, and with United Nations agencies, such as the World Health Organization, in maternal/child health and HIV/AIDS prevention.

REDSO-ESA
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	6,900	5,514	0	0
Child Survival and Health Programs Fund	0	0	12,075	0
Development Assistance	17,360	11,350	10,383	27,288
Economic Support Fund	0	250	0	0
Total Program Funds	24,260	17,114	22,458	27,288

STRATEGIC OBJECTIVE SUMMARY

623-001 Effective Program and Technical Support to ESA Missions

CSD	680	0	0	0
DA	2,377	0	0	0

623-002 Increased Utilization of Critical Information by USAID and Other Decision-makers in the Region

CSD	4,820	0	0	0
DA	2,820	0	0	0

623-003 Establish a strong basis for implementation of the Greater Horn of Africa Initiative (GHAII)

CSD	1,400	0	0	0
DA	12,163	0	0	0

623-005 Enhanced African Capacity to Achieve Regional Food Security

DA	0	6,803	7,658	9,750
ESF	0	250	0	0

623-006 Enhanced Capacity for Managing Conflict in the Region

DA	0	3,342	2,710	3,363
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623-007 Enhanced Regional Capacity to Improve Health Systems

CSD	0	5,514	0	0
CSH	0	0	12,075	0
DA	0	1,205	15	14,175

Initiative for Southern Africa

THE DEVELOPMENT CHALLENGE: Southern Africa, a region that encompasses 14 countries, has substantial natural resources, a market of \$179 billion, and a total population of 190 million. The Southern African Development Community (SADC) unites these countries in a regional framework with broad economic and political goals. Strong economic growth in some member states pushed overall real economic growth in the region to 3.5% in 2000, compared with 1.9% in 1999. The national interests of the United States in the southern Africa region include trade and investment, enhanced regional security and stability through improved governance and democratization, HIV/AIDS control, improved natural resource management, and hunger prevention.

Over the past ten years, political and economic policy reforms by southern African governments plus positive U.S. engagement have resulted in a sustained social and economic transformation in the region. Democracy is taking hold; a majority of southern African nations hold regularly scheduled elections that increasingly meet internationally established norms. South Africa transitioned to democratic rule in 1994, and its annual economic growth rate since then (2.7%) is three times higher than during the apartheid era. Namibia has managed a similar democratic and economic transition. Mozambique, Zambia, Malawi and Tanzania have taken positive steps towards sustaining democratic processes and market-oriented economic reforms, while Botswana has used its democratic institutions to build one of the most prosperous nations in sub-Saharan Africa. The region is economically and politically resilient and can serve as a catalyst for growth in all of Africa.

Countries supported by the Initiative for Southern Africa include Angola, Botswana, the Democratic Republic of the Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, the Seychelles, Swaziland, Tanzania, Zambia, and Zimbabwe.

Notwithstanding this progress in achieving democratic reforms and economic growth, the region still faces formidable challenges. Overall average economic growth still remains well below the six to seven percent level required to lift the region from poverty. Achieving this rate of growth will require higher levels of domestic savings, foreign direct investment, and external development assistance. Moreover, the region continues to experience high rates of unemployment and poverty. An estimated 40% of the people of the region live in abject poverty. Between 30% and 40% of potential workers are either unemployed or have low-paying jobs in menial labor or agriculture. These high rates of poverty and unemployment could lay the groundwork for future regional political instability. Most SADC countries are landlocked, resulting in high import and export costs. Existing transportation and communications networks are inadequate to support effective international trade and business expansion. High HIV/AIDS infection rates, ranging from 10% in Mauritius to 35% in Botswana, pose a severe threat to continued growth and stability over the medium and long term. Continued violence and instability in Zimbabwe, the Democratic Republic of the Congo, and Angola adversely affect the investment climate throughout the region and reduce opportunities for effective use of natural resources.

THE USAID PROGRAM:

FY 2002 Estimate: \$17.367 million *FY 2003 Request:* \$24.731 million

The Initiative for Southern Africa is USAID's regional development program covering southern Africa. It is managed from the agency's Regional Center for Southern Africa in Gaborone, Botswana, and is distinct from USAID's bilateral country programs in the region. The Initiative for Southern Africa includes activities that address: 1) establishment and strengthening of democratic practices and norms; 2) expansion of trade and investment; 3) improvement in management of shared wildlife and natural resources; and 4) agricultural development through technological changes in farming practices and increased trade in farm products. These objectives build the

capacity of regional institutions; harmonize policies in the trade, customs, agriculture, environment, and democracy sectors; increase the participation of the private sector in development; and generate employment and income growth. USAID will use FY 2002 funds to implement ongoing regional programs in democracy, trade, agriculture and natural resources management. The specific activities to be funded with FY 2002 and FY 2003 appropriations are described in more detail in the following Program Data Sheets.

ONGOING PROGRAMS FOR WHICH NO NEW FY 2002 OR FY 2003 FUNDING IS REQUESTED: USAID is not requesting new funds in FY 2002 for the following objective, but will utilize funds already appropriated in previous fiscal years.

<u>Number:</u>	<u>Title:</u>	<u>Last Notified:</u>	<u>Planned Completion:</u>
690-005	Create Capacity for Informed Decision Making	FY 98	FY 2002

OTHER PROGRAM ELEMENTS: Through the Education for Democracy and Development Initiative, USAID is providing equipment to the University of Botswana to improve the quality of its course offerings and to conduct outreach programs increasing women's enrollment in science and mathematics programs. USAID is funding the rehabilitation of two sections of the Botswana's major commercial highway, using regional International Development Assistance (IDA) flood supplemental appropriations. The USAID Office of Foreign Disaster Assistance provides training for disaster management in several countries in southern Africa.

OTHER DONORS: USAID's regional activities are well coordinated with those of other donors. The European Union and USAID are the two largest donors to SADC countries in the trade and investment, natural resource management, and agricultural sectors. France and USAID provide joint regional assistance in agricultural policy analysis. Sweden, the United Kingdom, Germany and the World Bank join with USAID in offering regional technical assistance concerning management of water resources. Along with Germany, Sweden and the African Development Bank, USAID promotes regional trade and the development of transportation corridors in southern Africa.

ISA
PROGRAM SUMMARY
(In thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Development Assistance	22,415	1,251	17,367	24,731
Economic Support Fund	1,000	998	0	0
Total Program Funds	23,415	2,249	17,367	24,731

STRATEGIC OBJECTIVE SUMMARY

690-001 Increased Regional Capacity to Influence Democratic Performance				
DA	1,900	1,251	1,367	1,464
690-002 A More Integrated Regional Market				
DA	9,103	0	13,000	18,517
690-011 Broadened U.S.-SADC Cooperation				
ESF	1,000	998	0	0
690-012 Increased Regional Cooperation in the Management of Shared Natural Resources				
DA	7,812	0	0	1,000
690-013 Expanded Commercial Markets for Agricultural Technologies and Commodities in the SADC Region				
DA	3,600	0	3,000	3,750

West African Regional Program

Gains in school enrollment and infant mortality have been offset by persistently high population growth rates.

THE DEVELOPMENT CHALLENGE: Key socioeconomic indicators for West Africa reveal that the region is unlikely to meet the United Nations Development Program's (UNDP) goal of reducing poverty by half by 2015. Many West Africans lack access to the social

services, infrastructure and political institutions that are the prerequisites for a healthy and productive life. Investment in the region has yielded gains in school enrollment and infant mortality, only to be offset by persistently high population growth rates (2.7%) and a per capita gross domestic product that is now lower than it was a decade ago. Over the last three years, the region's combined economic growth rate has averaged around 2%, which is up to four percentage points below the 6% required to reach the poverty reduction goals. Factors cited for the decline include a precipitous drop in the prices of critical export commodities, low domestic investment and savings rates in all but three of the 15 countries that comprise the region, declining foreign direct investments (now half the level of the early 1980s), and high levels of external debt. More ominously, the HIV/AIDS infection rates are increasing relentlessly. Unsurprisingly, "Afropessimism" appears to be on the rise at the very moment when development experts estimate that investment, including donor assistance levels, must double in order to have an appreciable impact on reducing current poverty rates.

Two events in 2001 reinforce the need to invest in programs that promote regional integration. The first, the New Partnership for Africa's Development (NEPAD), is a comprehensive strategy which argues that Africa's future is in its own hands and that it cannot depend upon the magnanimity of others. Developed by African leaders, it signals the emergence of the political will required to address the continent's development challenges on a united basis. Although NEPAD is a continent-wide initiative, it is based upon the assumption that sub-regional approaches to development are essential. NEPAD implies that sub-regional organizations, such as the Economic Community of West African States (ECOWAS), must take the lead in forging and implementing common African positions on key development issues. The second event, the September 11th terrorist attack, has underlined the interconnected nature of our global society. It has also highlighted the need to build global and regional partnerships to combat terrorism and to ensure the spread of democratic values. In such an environment, the West African Regional Program (WARP), with its goal of regional political stability and economic prosperity, clearly supports U.S. national interests.

THE USAID PROGRAM:

FY 2002 Estimate: \$26.846 million

FY 2003 Request: \$34.711 million

WARP has just completed its initial year of operation. The program's geographic focus includes: Benin, Burkina Faso, Cameroon, Cape Verde, Cote d'Ivoire, The Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, and Togo. The program, which is managed out of Bamako, covers strategic objectives that deal with developmental obstacles that can be most effectively addressed through actions taken at a regional level in partnership with the leading sub-regional organizations. They include economic integration, health (with a focus on HIV/AIDS prevention), food security and conflict prevention. WARP's objectives are therefore intended to:

- (1) support regional economic integration through (a) improved sub-regional trade and investment policies, and (b) increased capacity of West African institutions to provide a reliable and affordable supply of electrical energy;
- (2) increase the sustainable use of services and products in the area of HIV/AIDS, reproductive health, maternal health and child survival;
- (3) ensure food security and effective natural resources management by supporting the policies and programs of WARP's regional partners (both public and private sector); and

(4) support the development and implementation of conflict prevention programs by regional organizations and civil society groups.

WARP's partners are the premier regional organizations and non-governmental organizations and networks including ECOWAS, the Permanent Interstate Committee for Drought Control in the Sahel, the West African Farmers Association and the West African Health Organization. FY 2002 funds and the FY 2003 request will be used to implement ongoing WARP Strategic Objectives. The specific activities to be funded by FY 2002 and FY 2003 appropriations are described in detail in the four following Program Data Sheets.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: The WARP program includes the following objectives for which USAID is not requesting new monies but will continue to expend funds already appropriated. These programs are residual activities of two precursors to WARP: the Sahel Regional Program and the Family Health and AIDS project.

<u>Number</u>	<u>Title</u>	<u>Last Notified</u>	<u>Planned Completion</u>
624-001	Reproductive Health, HIV/AIDS, Child Survival	FY02 CBJ, p.817	FY 2001
625-001	Trade and Investment Policy Options	FY02 CBJ, p.838	FY 2001
625-002	Civil Society/Government Dialogue	FY02 CBJ, p.843	FY 2001
625-003	Decision-Makers Have Access to Information	FY02 CBJ, p.847	FY 2001

Due to legal restrictions on assistance, there are no bilateral assistance programs with Liberia, Côte d'Ivoire or The Gambia.

OTHER PROGRAM ELEMENTS: Six countries in the region have bilateral programs, most of which feature activities in health, economic growth and democratic governance. Additionally, most countries in the region without USAID bilateral missions receive funding from USAID/Washington-based programs. Of note are P.L. 480 Food for Peace programs (\$90 million for both emergency and development programs in FY 2002) and those in the area of health, environment and food security. WARP coordinates its activities with both bilateral and USAID/Washington programs with an eye to ensuring complementarity and avoiding duplication. For example, WARP shares information sources and implementation partners with the Famine Early Warning System Network program, and collaborates with USAID bilateral missions on the design and funding of HIV/AIDS prevention programs that target the major routes traveled by migrants and truckers in the region.

OTHER DONORS: Among multilateral donors there has been a definite trend towards working at the regional level. The World Bank has recently finalized its West Africa Regional Strategy and the UNDP has opened an office in Dakar. In terms of sectoral preferences, multiple donors (UNDP and the development agencies of Canada, the United Kingdom, and Germany) are involved in natural resource management, including bio-diversity and climate change. There are also seven major health sector projects focusing on infectious diseases. The most important health project, however, is the World Bank's \$25 million HIV/AIDS prevention project covering the highly-traveled Abidjan, Cote d'Ivoire through Lagos, Nigeria corridor. The World Bank has large finance projects, Germany has programs in agriculture and fisheries, and both the European Union (EU) and African Development Fund are sponsoring major energy initiatives. Donor coordination in the region is good and getting better. Currently, ECOWAS is receiving support from USAID and the World Bank for the creation of a West Africa Power Pool. Additionally, USAID and the EU are formulating a joint program of assistance in conflict prevention for ECOWAS.

WARP
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual *	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	10,700	11,367	0	0
Child Survival and Health Programs Fund	0	0	21,048	0
Development Assistance	16,777	17,246	5,798	31,521
Economic Support Fund	300	645	0	0
PL 480 Title II	0	0	0	3,190
Total Program Funds	27,777	29,258	26,846	34,711

STRATEGIC OBJECTIVE SUMMARY

624-001 Increase Use of Selected, Regional Reproductive Health, HIV/STI, and Child Survival Services and/or Products in the WCA Region				
CSD	10,500	0	0	0
DA	6,900	0	0	0
624-004 Regional Economic Integration Strengthened in West Africa				
DA	0	3,870	2,000	2,000
ESF	0	495	0	0
624-005 Increased Sustainable Use of Selected Reproductive Health, STI/HIV/AIDS, Child Survival and Maternal Health Services and/or				
CSD	0	11,367	0	0
CSH	0	0	21,048	0
DA	0	8,195	0	23,503
624-006 Food Security and ENV/NRM Policies and Programs Strengthened and Implemented in West Africa				
DA	0	4,763	3,366	5,556
624-007 Early Detection and Response Mechanisms to Prevent Regional Conflicts Established and Functioning				
DA	0	418	432	462
ESF	0	150	0	0
625-001 Assist Governments, Regional Institutions and Private Sector Associations to Identity, Clarify, and Implement Policy Options				
DA	3,806	0	0	0
ESF	300	0	0	0
625-002 Regional Dialogue Increased on the Role of Civil Society and Communal, Local and National Governments in Achieving Improved				
DA	390	0	0	0
625-003 Decision Makers Have Ready Access to Relevant Information on Food Security, Population and the Environment				
CSD	200	0	0	0
DA	5,681	0	0	0

* FY 2001 ESF includes direct apportionment to Department of State of \$150,000

AFRICA REGIONAL

Despite relative gains in overall economic performance, Africa still lags behind the rest of the developing world in every major quality-of-life indicator.

THE DEVELOPMENT CHALLENGE: Despite progress in such areas as economic growth, expanded health and education coverage (more girls are enrolled in school), sub-Saharan Africa is still confronted with daunting problems compared to the rest of the developing world, including low rates of economic growth, limited trade and investment, a high burden of disease, rampant corruption, endemic hunger and overall poverty. Health

delivery systems, family planning services, and basic education struggle to meet needs that are exacerbated by a rapidly growing HIV/AIDS pandemic that has infected 25 million Africans and left 10 million children orphaned. Periodic natural disasters, such as last year's famine in the Congo basin and drought in the Horn of Africa, combined with conflicts afflicting more than a third of all sub-Saharan countries, have caused widespread need for humanitarian assistance. There are signs of reform and promise. Ten years ago, only four democracies were in place and today there are roughly nine democracies in sub-Saharan Africa. More countries are making reforms now, though not all reforms have yet been translated into good governance.

The U.S. national interests in Africa are multifold. Reducing poverty, mitigating conflict, and promoting democracy are critical goals for USAID and our development partners—are central, in fact, to U.S. national security and regional stability. A prosperous and democratic Africa will benefit the U.S. economy as a partner in trade and investment, will be a more effective collaborator in improving global health and confronting such diverse threats as environmental degradation and global terrorism, and will reduce the need to supply U.S. humanitarian funds in response to recurring crises. Ultimately, it will help create a more peaceful world in which the U.S. can thrive. Program objectives have been developed within this context that contribute to all USAID goals.

THE USAID PROGRAM:

FY 2002 Estimate: \$272.342 million

FY 2003 Request: \$287.043 million

The Program Data Sheets provided below cover 14 objectives for which USAID is requesting funds. These stress a number of common themes: (1) developing Africans' capacity to design and manage their own programs; (2) maintaining a focus on sustainability; (3) using cross-sectoral linkages to increase program performance; and (4) establishing partnerships—African, other international and U.S.—to maximize the impact of USAID resources.

The regional program works with numerous partners, supporting USAID bilateral missions and collaborating with African and international governmental and non-governmental organizations. Drawing on its continent-wide experience, USAID has developed a number of Africa regional activities to supplement bilateral programs. These activities are designed: (1) to provide assistance in a more cost-effective way by maximizing economies of scale; (2) to support, strengthen and accelerate African development and certain sub-regional African institutions that cannot be supported through bilateral programs; and (3) to respond quickly to new development challenges and crises.

The program itself comprises three distinct types of activities. First, USAID provides policy-relevant information and helps African countries and partners use this information to improve their policies, programs and strategies for development. Second, it builds Africa's capacity to manage its own development by strengthening African institutions. Third, it helps African countries and institutions build more effective regional channels for economic and technical cooperation. In FY 2002 the program will seek to deepen the scope and impact of its existing programs while strengthening cooperation among sectors in areas of increasing concern, such as HIV/AIDS and conflict mitigation.

ONGOING PROGRAMS FOR WHICH NO NEW FY 2002 OR FY 2003 FUNDING IS REQUESTED:

The USAID Other Africa Regional program includes the following objective for which USAID is not requesting new funds, but is continuing to expend funds already appropriated.

<u>Number:</u>	<u>Title:</u>	<u>Last Notified:</u>	<u>Planned Completion:</u>
698-018	Adoption of Policies and Strategies for Increased Sustainability, Efficiency, and Equity of Basic Education Services	FY02 CBJ, p. 883	FY2002

Agricultural Development: Hunger, now afflicting over half of Africa's 600 million people, threatens to become even more widespread in sub-Saharan Africa. At the same time, studies show that agriculture is a cost-effective engine of economic growth. USAID's program and its initiative to Cut Hunger in Africa will focus on developing policy solutions to market problems, advancing technology development, and enhancing nutrition through micronutrient activities and biotechnology.

Economic Growth: Via the TRADE initiative and other programs, USAID will develop activities to support increased trade and investment by and in African countries. Building free markets is a crucial program goal. Activities will include improving the policy and regulatory environment, building relationships between U.S. and sub-Saharan African firms, strengthening African business groups to foster joint ventures, and increasing African access to the Internet and other information technologies.

Environment: USAID supports training and policy-change efforts that increase local control over community resources, a highly effective means of addressing environmental challenges. USAID has leveraged its efforts by coordinating donors, partners and research networks and by greater use of advanced information technology, including satellites and the Internet.

Human Capacity: USAID supports the reform of basic education systems in Africa. Its ongoing goal is to increase access to education for African children—especially girls—without lowering quality. USAID will design and begin implementation of the President's Initiative on Education in Africa. Another major focus will be working with African governments on managing the continuing impact of the HIV/AIDS pandemic on their educational systems.

Health and Population: USAID's activities work to improve the quality and sustainability of African health care services; all emphasize increased African capacity to design, manage and evaluate health systems. Skyrocketing HIV/AIDS rates have spurred USAID to help African countries test and apply aggressive new approaches to combating the disease. The program in family planning and reproductive health supports effective work in research, advocacy, social marketing of contraceptives, and behavior change communications. Other innovative USAID programs target polio, TB, malaria, malnutrition, respiratory diseases, diarrhea, vaccine-preventable illnesses and maternal/child health, as well as the widespread lack of access to health services.

Democracy and Governance: The program and a new anti-corruption initiative support those African countries that are striving to improve democratic governance by focusing on strengthening civil society and on decentralization, transparency and accountability in the public sector. Particularly promising are efforts to build community participation and management into programs in other sectors, such as education and health care, in ways that advance those sectors while reinforcing democracy and governance as a whole.

Humanitarian Assistance: Whether caused by floods, drought, pests or armed conflict, the onrush of humanitarian crises in Africa shows no sign of abating. These emergencies threaten lives, economic growth, democratic progress, and regional stability. USAID's regional crisis prevention and mitigation

programs will continue to research and disseminate the tools needed to identify and avert impending crises, blunt their impact and helps nations to recover.

OTHER PROGRAM ELEMENTS: When appropriate, USAID's Africa regional program works in tandem with the pillar bureaus' programs to make sure that appropriated dollars are spent in the most cost-effective manner. While much of the Africa regional program is unique from a global development perspective, there are often cases where the region can leverage a pillar bureau's resources by using the pillar bureau's implementation mechanisms. This programmatic synergy makes USAID a more effective agency, in terms of both results vs. resources used and overall, long-term development impact.

Effective donor coordination ensures that efforts are not duplicated.

OTHER DONORS: USAID continues to work with a number of international and bilateral donors. Effective coordination by USAID enables donors to avoid program duplication, streamline efforts and pool monies for maximum impact. Notable among international donors are the World Bank, the European Union, the United Nations Children's Fund, and the World Health Organization's African Regional Office. Bilateral donors include Japan, Canada, Britain, Germany and the

Scandinavian countries. The program is also closely coordinated with host country development strategies and works with African non-governmental organizations, building partnerships and networks with all of these.

**Africa Regional
PROGRAM SUMMARY**
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	36,488	38,771	0	0
Child Survival and Health Programs Fund	0	0	37,822	0
Development Assistance	60,509	81,619	128,472	186,061
Economic Support Fund	28,218	22,216	91,000	77,000
PL 480 Title II	29,923	31,556	15,048	23,982
Total Program Funds	155,138	174,162	272,342	287,043

STRATEGIC OBJECTIVE SUMMARY

698-001 Broad-based support for Africa				
CSH	0	0	4,654	0
DA	6,944	8,110	17,283	22,823
ESF	12,947	3,606	76,000	77,000
698-013 Strengthen cross-sectoral synergies between democracy and governance and Africa Bureau programs in key areas				
DA	3,280	3,415	4,100	11,500
ESF	2,571	4,894	0	0
698-014 Adoption of improved strategies, programs, and activities for accelerated, sustainable, and equitable economic growth				
DA	15,489	18,418	21,754	18,838
ESF	1,700	1,250	0	0
698-015 Adoption of improved agricultural policies, programs and strategies				
CSD	100	200	0	0
CSH	0	0	200	0
DA	7,400	20,383	27,893	32,500
698-016 Adoption of affordable and more effective mechanisms for producing, sharing, and using development information				
CSD	745	325	0	0
DA	400	253	1,500	1,500
ESF	1,000	0	0	0
698-017 Accelerate progress in the spread of strategically viable and environmentally sound environmental management systems				
DA	7,000	7,900	14,902	8,500
698-018 Adoption of policies and strategies for increased sustainability, efficiency, and equality of basic education services				
CSD	4,453	4,291	0	0
698-019 Adoption of policies and strategies for increased sustainability, quality, efficiency, and equality of health services				
CSD	18,268	17,895	0	0
CSH	0	0	22,268	0
DA	0	0	0	16,175
698-020 Adoption of policies and strategies for increased sustainability and quality of family planning services				
CSD	150	0	0	0
CSH	0	0	2,500	0
DA	1,900	2,361	0	2,200
698-021 Adoption of cost-effective strategies to prevent the spread and mitigate the impact of HIV/AIDS				
CSD	5,200	8,921	0	0
CSH	0	0	4,000	0
DA	0	0	0	6,800

	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
698-022 Improved policies, strategies and programs for preventing, mitigating, and transiting out of crises				
CSD	1,300	200	0	0
CSH	0	0	200	0
DA	7,600	6,458	9,762	32,225
698-023 Adoption of effective tools, methods and approaches for improving application of environmental procedures and strategies				
DA	641	740	800	700
698-024 Polio eradicated in selected countries in a manner that build sustainable immunization programs				
CSD	6,072	4,845	0	0
CSH	0	0	4,000	0
DA	0	0	0	1,500
698-025 Education for Development and Democracy Initiative				
CSD	200	2,094	0	0
DA	9,855	13,581	0	0
ESF	10,000	12,466	15,000	0
698-x26 Support to Africa Bilateral Basic Education Programs and New Presidential Initiative				
DA	0	0	30,478	30,800

Includes P.L. 480 Title II for Burkina Faso, Cameroon, Cape Verde, Central Africa Republic, Chad, Djibouti, Gambia, Mauritania, Niger and Sao Tome

ASIA AND THE NEAR EAST

THE DEVELOPMENT CHALLENGE

Aside from its humanitarian value, foreign assistance is one of the United States' most effective foreign policy tools for promoting regional stability. By encouraging a prosperous, healthy, educated population that is able to participate in democratic processes, USAID reduces the risk of terrorism, regional conflict, refugee flows, and the spread of infectious diseases that all threaten the interests of the United States. Nowhere are these threats more apparent than in the Asia and Near East (ANE) region and its three subregions: South Asia, the Middle East, and East Asia. Through its foreign assistance programs, the United States also has the opportunity to help Asia and the Near East respond to globalization and explore the benefits of regional cooperation.

1. South Asia

The events of September 11th highlighted the strategic importance of this subregion to the United States, and the importance of improving economic and social conditions in South Asia to U.S. national security. South Asia faces some of the most daunting development problems in the world. The region is home to one-fifth of the world's population and 40% of the world's poor. More than half of the region's children under the age of five are malnourished.¹ South Asia has the world's highest adult illiteracy rates, second highest fertility levels, a rapidly growing HIV/AIDS epidemic, widespread prevalence of infectious diseases, low socioeconomic status for women and girls, increasing urbanization and pollution, and staggering infant and child mortality. Each of these phenomena also threatens political stability, as millions of poor and dispossessed are susceptible to radical and sometimes anti-American ideologies.

Economic Growth, Agriculture, and Trade

Poverty is the most glaring barrier to human development in South Asia. Half a billion people live on less than a dollar a day. Agriculture is crucial to South Asia's economy: 25% of GDP comes from the agriculture sector (compared to the worldwide average of four to five percent), and 58% of workers are in agriculture. Yet, the subregion is a net importer of food. Major constraints on the sector include low productivity and poor management of scarce water resources. Finally, lack of access to education or poor-quality education for a large sector of South Asian society inhibits poverty reduction and economic growth. Thirty-five percent of men and 59% of women in South Asia cannot read.

Bangladesh: USAID's agribusiness programs in Bangladesh reduce poverty and increase food security. USAID helped expand shrimp exports to over \$350 million per year by introducing hygienic processing practices and promoted environmentally-friendly freshwater shrimp species. In addition, since 1990 USAID has supported a home gardening program that has helped establish over 10,000 new private nurseries and 1.1 million homestead gardens that provide income and an additional source of nutritious food to rural households.

USAID work in this pillar focuses on improving economic growth and education to reduce poverty. USAID is committing more resources to improve performance in agriculture and assist South Asia's transformation from a subsistence-based agricultural system to one of greater income-generation and food security. Because of the importance of education in improving productivity and earning potential, as well as the links between literacy and improved health and governance, USAID will expand current basic education programming throughout the subregion.

Global Health

South Asia's incredibly high child mortality rates exemplify overall poor health conditions. Twenty-two percent of children in Afghanistan and 12% of children in Pakistan do not live past the age of five. Tuberculosis, malaria, cholera, and dengue fever are rampant, and HIV/AIDS infections are increasing faster than in any other region.

¹ "South Asia Regional Brief," September 2000.

USAID's health interventions in South Asia concentrate on basic health interventions and programs that combat the spread of infectious disease. USAID support for basic health will focus on establishing essential services at the community level, including heavy emphasis on maternal and child health programs. HIV/AIDS interventions will remain focused on preventing the spread of the epidemic from groups who engage in high-risk behaviors, i.e., drug use and unprotected sex, to the general population. In India, USAID will continue to concentrate on two of the states with the highest incidence of HIV/AIDS: Maharashtra and Tamil Nadu.

Democracy, Conflict, and Humanitarian Assistance

Poor governance in South Asia not only foments unrest and conflict, it also undermines progress in other development sectors. South Asia's numerous intrastate and cross-border conflicts, history of martial law, and the threat of failed states as havens for terrorism all underscore the importance of strong democratic institutions, robust political debate, and active citizens.

USAID programs in this pillar support the American democratic values of good governance and active civil participation. USAID also stresses cooperation in the subregion around issues such as human trafficking and energy. It is in the United States' national interests to help solve pressing development problems while forging improved relationships between sometimes-hostile neighbors.

2. Middle East and North Africa

The Middle East and North Africa's vast oil resources and potential for conflict make the subregion pivotal to U.S. strategic interests. The subregion controls 70% of the world's known oil reserves. At the same time, the Middle East has the most meager freshwater resources in the world, and increasing competition for water will exacerbate an already volatile political climate. By addressing development problems, such as stagnant economies, high unemployment and population growth rates, lack of participatory government, poor education and health conditions, and competition over scarce natural resources, USAID assistance advances the U.S. goals of creating the necessary conditions for peace and preserving American access to petroleum resources in the Middle East.

Jordan: USAID provides assistance to the Customs Department of Jordan to streamline import processing and thereby reduce importer and exporter clearance times and administrative burdens. An additional benefit is that it increases financial transparency. A major element of this assistance has been provision of the computer and communications hardware needed by the Customs Department to implement an automated commercial processing system. Jordan now operates the system at most of its major ports of entry.

Economic Growth, Agriculture, and Trade

While some countries in the Middle East have made progress in reforming their economies, more needs to be done to integrate the subregion into the global economy and raise levels of investment. Increased investment and economic growth will in turn help provide jobs to the subregion's enormous population of young people: in Yemen and Egypt, 48% and 37% of their respective populations are under the age of 15, and unemployment rates in most Middle Eastern states exceed 15%. Increases in already high rates of unemployment may further destabilize the region and exacerbate the conditions that gave rise to the September 11th attacks.

USAID projects will focus more heavily on legal and regulatory reform programs that will foster an economic environment in which competition and investment flourish. Besides enabling stronger economic growth, USAID will develop a more productive and employable workforce through education programs targeted especially at those entering the workforce. Without renewed focus on education, Middle Eastern countries will either be left behind or forced to import skilled labor.

Global Health

The increasing population of the region seriously impedes development and places further demands on already scarce resources, such as water and jobs. Although some progress has been made in reducing

the rate of population growth in the last decade, the Middle East still tends to have very high rates of total fertility. For example, the average woman in Gaza and Yemen has more than six children.²

Through projects such as community health centers, USAID promotes healthier children and more self-sufficient women who can take advantage of family planning. Healthy mothers and children provide the starting point for addressing the root causes of poverty: poor education, high unemployment, and unsustainable resource use. Family planning empowers women and encourages smaller, healthier families with better opportunities for education and living productive lives.

Democracy, Conflict, and Humanitarian Assistance

The looming water crisis is the Middle East's most severe environmental problem and requires continuous resource negotiations among Arab and Israeli users, as well as Egyptians and sub-Saharan Africa users of Nile-basin water. The subregion has the lowest per capita availability of freshwater in the world—and these resources are declining. Furthermore, water quality in the region is deteriorating due to over-extraction, salinity increase from over-irrigation, and raw or inadequately treated wastewater. Both deteriorating quality and decline in total available resources will increase the likelihood of conflict among competing water users.

USAID efforts focus on mitigating the chances that water shortages will spark or intensify regional conflict in the Middle East. By focusing on water management both within and among states, USAID can promote peace in the subregion and address an important environmental need at the same time. Indeed, water management may be the most effective and direct means by which USAID can support the U.S. interest in a more peaceful Middle East.

3. East Asia

East Asia is struggling to emerge from a legacy of financial and political crises. Some countries are in a state of economic and political transition, intrastate conflict threatens fragile democracies in several East Asian nations, and authoritarian regimes persist. Levels of development vary from agrarian Mongolia to post-industrial Japan, and effects of the Asian financial crisis of the late 1990s linger across the region. Cambodia has the highest rate of HIV infection in Asia. Due to the region's geographic location amid major shipping routes, the existence of important U.S. allies, and the emergence of China as a military and economic power, stability in East Asia is vital to U.S. strategic interests. Last but not least, combating terrorist networks that operate in East Asia and addressing the root causes of terrorism are top U.S. priorities.

Cambodia: USAID-supported prevention measures lead to a decline in HIV prevalence. There is good news from Cambodia, which has the highest HIV/AIDS rates in Asia, and is one of USAID's four highest-priority countries in its expanded response to HIV/AIDS. According to UNAIDS' December 2001 "AIDS Epidemic Update," Cambodia shows that early, large-scale, focused prevention programs can keep HIV infection rates lower in high risk groups and can reduce the risk of HIV spreading to the general population. From the mid to late 1990s, prevention measures in Cambodia have led to a decline in high-risk behavior among men and increasing condom use. UNAIDS reports that HIV prevalence among pregnant women declined from 3.2% in 1997 to 2.3% at the end of 2000—suggesting that the country's epidemic may soon be under control.

Economic Growth, Agriculture, and Trade

Weak economic governance and pervasive corruption contributed to the expansion of financial and currency crises into the full Asian economic crisis; the absence of sound social policies and a social "safety net" exacerbated its impact on the region's poor and marginalized. Although the "Asian model of development" has been credited with leading to exceptional growth in East Asia, it has yet to put into place systems that mitigate or reduce the impacts of economic downturns, i.e., strong economic governance, transparent financial systems, employment policies, insurance programs, and other safety

² U.S. Bureau of the Census, International Database 2000

net mechanisms. Although much of East Asia is richly endowed with natural resources, mismanagement of these resources is an obstacle to economic growth and improved public health.

USAID is helping East Asian countries increase competition, transparency, and accountability in capital markets and other financial sector institutions. Its programs work to liberalize international trade, increase the degree of competition within domestic economies, eliminate restraints on foreign and domestic investment, and privatize infrastructure. USAID programs in East Asia also encourage sound natural resources management, energy sector reform, biodiversity conservation, and clean urban and industrial development.

Global Health

The Asian Development Bank estimates that the share of HIV/AIDS-related illnesses in the sub-region will triple in the next 20 years, unless preventive measures are undertaken.³ In East Asia, where risk factors are high and reports of HIV/AIDS in China and Burma are causing particular concern, the virus could erode development gains and destabilize a region of immense strategic and economic importance to the United States. At present, excepting Cambodia, Burma, and localized epidemics in some countries, seroprevalence rates are still relatively low in East Asia. This provides a unique opportunity for USAID to prevent the epidemic from reaching catastrophic proportions. USAID has identified HIV and

Philippines: USAID supports the peace process in Mindanao and addresses some of the root causes of terrorism.

USAID has assisted some 13,000 former combatants to become commercial level producers of corn, rice, or seaweed through its Livelihood Enhancement and Peace (LEAP) Program (and LEAP's predecessor programs). USAID plans to assist an additional 10,000 former combatants through the program. USAID-assisted rural banks in Mindanao extend microfinance services to over 34,000 clients. Finally, USAID plans to strengthen governance in Muslim areas of Mindanao through decentralization and anti-corruption programs.

related infectious diseases such as tuberculosis as a grave threat to health in East Asia, and employs both cross-border and national programs to combat their spread.

Democracy, Conflict, and Humanitarian Assistance

The Asian Development Bank in Manila estimates that as much as one-third of all public investment in many Asian-Pacific nations is being squandered on graft.⁴ The development of market economies, new constituencies for reform within civil society, and stronger rule of law will improve governance standards in East Asia, especially at the local level. USAID programs will support strong civil society organizations that promote responsible public participation that will help prevent East Asian rulers from acting with impunity.

PROGRAM AND MANAGEMENT CHALLENGES

USAID faces three main program and management challenges in the ANE region. First, in an environment of constrained Agency program and personnel resources, USAID will need to adjust available program and personnel resources to tackle heightened foreign policy priorities (i.e., Pakistan and Afghanistan; and increased efforts in basic education) without jeopardizing existing bilateral and regional development activities. Existing activities remain critical to achieving development progress and stability in the three subregions.

Second, USAID must respond to requests to initiate or expand programs in nonpresence countries while identifying better ways to manage nonpresence country assistance. USAID must be able to deliver meaningful development results toward achievement of US foreign policy objectives, even in an environment of constrained program and personnel resources.

Finally, USAID looks forward to fulfilling the vision that is captured in the Global Development Alliance. Considering the daunting problems facing the ANE region, USAID programs alone are not enough.

³ ADB News and Events, News Release, August 14, 2001.

⁴ Michael Richardson, "In Many Asian Countries, Public Anger at Corruption Is on the Rise," *International Herald Tribune*, January 22, 2001.

USAID must foster greater collaboration with key bilateral donors and private sector entities (foundations, companies, NGOs, etc) to leverage resources in order to maximize efforts and achieve the United States' foreign policy objectives.

OTHER DONORS

Excluding its assistance to Israel, the United States ranks third among donors in this region. The top two lenders are Japan and the World Bank, followed by the United States, the European Union, Germany, France, and the Asian Development Bank. USAID continues to work with these donors and United Nations agencies to reach a consensus on development priorities and to coordinate programs in every USAID-assisted country in the region. In particular, USAID will seek new opportunities to cooperate with Japan on parallel programs in Asia and the Middle East.

FY 2003 PROGRAM

For the ANE region, \$2,645,612,000 is requested for FY 2003 programs. Of this amount, \$464.2 million is Development Assistance and \$2.034.8 billion is Economic Support Funds, and \$146.6 million is P.L. 480 (Title II) resources.

A subregional breakdown of the FY 2003 request is as follows:

- East Asia—\$312.1 million
- South Asia—\$598.5 million
- Middle East and North Africa—\$1.589 billion; and
- Regional—\$145.8 million.

By USAID pillar, the FY 2003 request is as follows:

- Economic Growth, Agriculture, and Trade—\$2.000 billion
- Global Health—\$293.6 million
- Democracy, Conflict, and Humanitarian Assistance—\$184.8 million; and
- The Global Development Alliance - \$20 million.

**Asia and Near East
PROGRAM SUMMARY**
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	89,980	110,533	0	0
Child Survival and Health Programs Fund	0	0	212,028	0
Development Assistance	204,161	222,807	211,100	464,248
Economic Support Fund	2,517,573	2,036,558	1,891,500	2,034,750
FREEDOM Support Act	6,000	0	0	0
PL 480 Title II	249,297	194,216	153,822	146,614
Total Program Funds	3,067,011	2,564,114	2,468,450	2,645,612

**East Asia
PROGRAM SUMMARY**

(in thousands of dollars)

Country/ Fund Account	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Burma				
Child Survival and Disease Programs Fund	3,000	2,000	0	0
Development Assistance	0	993	0	0
Economic Support Fund	3,500	3,492	6,500	6,500
Total Burma	6,500	6,485	6,500	6,500
Cambodia				
Child Survival and Disease Programs Fund	3,550	9,420	0	0
Child Survival and Health Programs Fund	0	0	15,000	0
Development Assistance	0	0	0	22,500
Economic Support Fund	10,000	14,967	20,000	17,000
PL 480 Title II	7,071	2,422	0	0
Total Cambodia	20,621	26,809	35,000	39,500
China				
Economic Support Fund	1,000	0	5,000	5,000
Total China	1,000	0	5,000	5,000
East Timor				
Economic Support Fund	25,500	24,945	25,000	19,000
PL 480 Title II	6,089	0	0	0
Total East Timor	31,589	24,945	25,000	19,000
Indonesia				
Child Survival and Disease Programs Fund	18,950	19,580	0	0
Child Survival and Health Programs Fund	0	0	35,568	0
Development Assistance	53,050	51,483	38,704	71,472
Economic Support Fund	22,500	49,890	50,000	60,000
PL 480 Title II	18,110	12,233	4,831	10,244
Total Indonesia	112,610	133,186	129,103	141,716
Laos				
Child Survival and Health Programs Fund	0	0	1,000	0
Development Assistance	0	0	1,000	2,000
Total Laos	0	0	2,000	2,000
Mongolia				
Economic Support Fund	6,000	11,974	12,000	12,000
FREEDOM Support Act	6,000	0	0	0
Total Mongolia	12,000	11,974	12,000	12,000
North Korea				
PL 480 Title II	60,853	1,776	0	0
Total North Korea	60,853	1,776	0	0

Country/ Fund Account	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Philippines				
Child Survival and Disease Programs Fund	7,200	9,450	0	0
Child Survival and Health Programs Fund	0	0	25,599	0
Development Assistance	22,500	30,334	24,459	50,659
Economic Support Fund	0	7,202	21,000	20,000
Total Philippines	29,700	46,986	71,058	70,659
Thailand				
Child Survival and Health Programs Fund	0	0	1,000	0
Development Assistance	0	0	750	3,250
Total Thailand	0	0	1,750	3,250
Vietnam				
Child Survival and Disease Programs Fund	1,500	2,494	0	0
Child Survival and Health Programs Fund	0	0	4,106	0
Development Assistance	1,250	2,999	6,950	12,456
Total Vietnam	2,750	5,493	11,056	12,456
Total Program Funds	277,623	257,654	298,467	312,081

**South Asia
PROGRAM SUMMARY**

(In thousands of dollars)

Country/ Fund Account	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Afghanistan				
Child Survival and Health Programs Fund	0	0	2,000	0
Development Assistance	0	0	10,000	0
Economic Support Fund	0	0	17,250	0
Emergency Response Fund	0	0	168,200	0
PL 480 Title II	13,905	29,294	40,005	0
Total Afghanistan	13,905	29,294	237,455	TBD
Bangladesh				
Child Survival and Disease Programs Fund	14,836	15,500	0	0
Child Survival and Health Programs Fund	0	0	39,950	0
Development Assistance	31,063	42,050	21,870	57,220
Economic Support Fund	0	0	3,000	7,000
PL 480 Title II	23,525	67,658	19,176	45,082
Total Bangladesh	69,424	125,208	83,996	109,302
India				
Child Survival and Disease Programs Fund	22,750	24,593	0	0
Child Survival and Health Programs Fund	0	0	41,678	0
Development Assistance	28,700	28,905	29,200	75,185
Economic Support Fund	0	4,989	7,000	25,000
PL 480 Title II	116,782	78,064	86,431	91,288
Total India	168,232	136,451	164,309	191,473
Nepal				
Child Survival and Disease Programs Fund	7,000	9,250	0	0
Child Survival and Health Programs Fund	0	0	20,000	0
Development Assistance	9,900	12,158	7,597	31,698
Economic Support Fund	0	0	3,000	6,000
PL 480 Title II	0	0	2,803	0
Total Nepal	16,900	21,408	33,200	37,698
Pakistan				
Child Survival and Health Programs Fund	0	0	5,000	0
Development Assistance	0	0	10,000	58,888
Economic Support Fund	0	0	9,500	200,000
Emergency Response Fund	0	0	600,000	0
PL 480 Title II	537	1,855	0	0
Total Pakistan	537	1,855	624,500	250,000

Country/ Fund Account	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Sri Lanka				
Child Survival and Disease Programs Fund	700	300	0	0
Child Survival and Health Programs Fund	0	0	300	0
Development Assistance	3,650	3,399	5,150	6,050
Economic Support Fund	0	0	3,000	4,000
Total Sri Lanka	4,350	3,699	8,450	10,050
Total Program Funds	273,348	317,915	1,151,910	598,521

**Middle East and North Africa
PROGRAM SUMMARY**

(In thousands of dollars)

Country/ Fund Account	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Algeria				
PL 480 Title II	0	0	776	0
Total Algeria	0	0	776	0
Egypt				
Economic Support Fund	727,267	693,471	655,000	615,000
PL 480 Title II	714	323	0	0
Total Egypt	727,981	693,794	655,000	615,000
Israel				
Economic Support Fund	949,056	838,152	720,000	600,000
Total Israel	949,056	838,152	720,000	600,000
Jordan				
Economic Support Fund	199,500	149,670	150,000	250,000
Total Jordan	199,500	149,670	150,000	250,000
Lebanon				
Development Assistance	0	600	600	500
Economic Support Fund	15,000	34,923	35,000	32,000
Total Lebanon	15,000	35,523	35,600	32,500
Morocco				
Child Survival and Disease Programs Fund	3,000	4,902	0	0
Child Survival and Health Programs Fund	0	0	4,600	0
Development Assistance	7,250	5,665	5,713	6,713
PL 480 Title II	0	591	0	0
Total Morocco	10,250	11,178	10,313	6,713
West Bank and Gaza				
Economic Support Fund	485,000	84,813	72,000	75,000
Total West Bank and Gaza	485,000	84,813	72,000	75,000
Yemen				
Economic Support Fund	0	3,991	5,000	10,000
PL 480 Title II	1,711	0	0	0
Total Yemen	1,711	3,991	5,000	10,000
Total Program Funds	2,388,496	1,817,121	1,648,689	1,589,213

East Asia
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	34,200	42,944	0	0
Child Survival and Health Programs Fund	0	0	82,273	0
Development Assistance	76,800	85,809	71,863	162,337
Economic Support Fund	68,500	112,470	139,500	139,500
FREEDOM Support Act	6,000	0	0	0
PL 480 Title II	92,123	16,431	4,831	10,244
Total Program Funds	277,623	257,654	298,467	312,081

BURMA

More than 25% of the population subsists on less than \$1 a day; infant mortality is 79 per 1000; an estimated 1.6 million Burmese people have fled fighting and poor economic conditions; another 1.5 million are internally displaced.

THE DEVELOPMENT CHALLENGE: U.S. Government foreign policy towards Burma seeks (1) progress toward democracy; (2) an improved human rights climate; and (3) more effective counternarcotics efforts. The U.S. also pursues a global strategic goal of preventing or minimizing the human costs of conflict and natural disasters.

Conditions in Burma continue to reflect the State Peace Council's (SPDC, formerly the State Law and Order Restoration Council or SLORC) struggle for political and military control of the country. Despite multiparty elections in 1990 that resulted in the main opposition party, the National League for Democracy (NLD), winning a decisive victory, SPDC refused to hand over power. During most of the past decade, the SPDC has attempted to divide the NLD and weaken key opposition leader and Nobel Peace Prize recipient Aung San Suu Kyi's authority as well as her reputation among members of the international community. However, in late 2000, the SPDC initiated talks with Aung San Suu Kyi that have led to the release of some political prisoners and reopening of some NLD offices in Rangoon and Mandalay. It is unclear if ongoing talks will lead to eventual transition to civilian rule.

The military believes it is the only institution capable of keeping Burma united as a single country, and that pluralism is destructive to national unity. It views economic progress, reform, and liberalization as secondary to the maintenance of political control. The military is now more powerful than it has ever been, due to an aggressive recruitment program, improved weaponry, and cease-fire agreements with several ethnic armies that have allowed troops to be concentrated in fewer areas.

The SPDC has signed cease-fire agreements with all but three armed insurgent groups representing the Shan, Karenni, and Karen ethnic groups. The army continues to scour the homelands of these people for resistance and forcibly relocate entire villages in its efforts to eliminate armed resistance. Extrajudicial killings, torture, forced labor, rape, and other abuses commonly occur in most ethnic states.

Economic policies pursued by the Burmese Government have resulted in a deteriorating social and economic situation. Approximately 13 million of Burma's 48 million people, more than 25% of the population, live below the subsistence level of \$1 per day. Ten percent of Burmese children are severely malnourished, and 20% suffer nutritional deficits, according to a recent World Bank report.

As a result of ethnic fighting and deteriorating economic conditions in Burma, more than 1.6 million people have fled Burma and an estimated 1.5 million more remain inside Burma as internally displaced people. Of the population that fled Burma, approximately 155,000 reside in refugee camps in Thailand and Bangladesh and more than 800,000 live as illegal migrant workers in Thailand, Bangladesh, India, China, and Malaysia.

THE USAID PROGRAM: In FY 2002, USAID will devote \$6.5 million to its Burma program and requests \$6.5 million for FY 2003. USAID suspended assistance to Burma following the 1988 suppression of the pro-democracy movement. A FY 1993 earmark of \$1 million reinstated USG assistance, initially through the Department of State's Bureau for Democracy, Human Rights and Labor (State/DRL). Since 1998, USAID has co-funded and co-managed the Burma earmark with State/DRL. In FY 1999, 2000, and 2001, the Appropriation Act earmarked \$6.5 million to support democracy in Burma and support for pro-democracy groups and refugees located outside Burma. This earmark was funded with \$3 million in Development Assistance and Child Survival funds for humanitarian activities along the Burma-Thailand border, and \$3.5 million in Economic Support

Funds for pro-democracy activities. Humanitarian activities include improving primary healthcare and food security for refugees, and improving the quality of education that refugee children receive. Democracy activities support training and advocacy for transition to a democratic government in Burma.

ONGOING PROGRAMS FOR WHICH NO FY 2002 FUNDING IS REQUESTED: None.

OTHER PROGRAM ELEMENTS: The Department of State's Population, Refugee and Migration Program funds refugee assistance activities that complement USAID activities.

OTHER DONORS: The activities being funded under the earmark operate independently of the Burmese regime, but are coordinated with over 30 other donor agencies through either the Burma Donors Forum or the Coordinating Council for Support to Displaced Persons in Thailand. Bilateral donor programs that focus on humanitarian assistance to Burma and to Burmese Refugees include the Netherlands, Denmark, Sweden, Australia, and the United Kingdom. Multilateral donors with activities in Burma include the United Nations Children's Fund, the United Nations Development Program, the World Food Program, and the United Nations High Commission for Refugees.

Burma
PROGRAM SUMMARY
(In thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	3,000	2,000	0	0
Development Assistance	0	993	0	0
Economic Support Fund	3,500	3,492	6,500	6,500
Total Program Funds	6,500	6,485	6,500	6,500

STRATEGIC OBJECTIVE SUMMARY

482-002 Democracy and Humanitarian Assistance				
CSD	3,000	2,000	0	0
DA	0	993	0	0
ESF	3,500	3,492	6,500	6,500

Total Transfers

CAMBODIA

THE DEVELOPMENT CHALLENGE: The United States was one of the principal architects of the 1991 Paris Peace Accords, which effectively ended decades of civil war in Cambodia. Our national

Thirty-six percent of Cambodians live on only 45 cents a day or less; 45% of children five and under are malnourished.

interest lies in assuring that our investment in that process is not lost. Promotion of democracy, good governance, and continued improvement of human rights are the United States' main foreign policy objectives in Cambodia. Addressing global problems of infectious disease, especially HIV/AIDS, is also of great importance.

The decade since the Accords has seen the establishment of important institutions of Cambodia's governance system, including the National Assembly and Senate, two national elections in 1993 and 1998, and the first multiparty local elections, scheduled for February 3, 2002. With assistance from the United States, Cambodia has passed a law providing for prosecution of senior leaders of the Khmer Rouge in a mixed tribunal and is in discussion with the United Nations about making it operational. The Cambodian Government has committed itself to a Governance Action Plan, in consultation with donors, which charts a comprehensive and ambitious reform program. Cambodia was admitted to the Association of Southeast Asian Nations in 1999 and is actively pursuing World Trade Organization accession.

Cambodia's struggle to rebuild comes after 30 years of civil strife and warfare, including the genocidal Khmer Rouge period. Ranked 121st of 162 countries on the United Nations Development Program's most recent Human Development Index, Cambodia's annual per capita GDP is less than \$300; 85% of Cambodians live in rural areas where life is harsh and access to basic services is difficult; and life expectancy is only in the mid-50s. Infant mortality stands at 95 per 1,000 live births, maternal mortality rates are among the highest in Asia, and Cambodia is facing the most serious documented HIV/AIDS epidemic in the region, with an adult prevalence rate around 3%. There is an alarming indication that literacy may actually be declining. In 1998 the adult literacy rate was 67.3%, including 79.5% for males and 57.0% for females, but the primary school completion rate was only 51.0% for males and 33.9% for females. Cambodia's ravaged infrastructure and decimated human resource base from the many years of war and neglect remain a serious constraint to development. As a result, intense capacity building is required in every sector.

Among developing countries and especially transition economies in the region, Cambodia stands out for having a vibrant civil society. Highly committed domestic human-rights organizations now function both as watchdogs—monitoring government compliance with international human-rights standards—and as trainers. In the run-up to the 2002 local elections, domestic election-monitoring organizations are educating voters and monitoring the election process; they will have observers in all of Cambodia's approximately 12,400 polling stations.

THE USAID PROGRAM: USAID's FY 2002 estimate is \$20 million in Economic Support Funds and \$15 million in Development Assistance. The FY 2003 request is for \$17 million in Economic Support Funds and \$22.5 million in Development Assistance. Since restrictions were imposed on U. S. assistance to the Cambodian central government in 1997, USAID has supported only activities of nongovernmental organizations (NGOs) for democracy and human rights, HIV/AIDS prevention, reproductive and child health, and microfinance. The restrictions on assistance to the central government have since been lifted for activities on HIV/AIDS, antitrafficking, and basic education programs. USAID is currently developing a new three-year strategy for the Cambodia program, during which the feasibility of a basic education program will be explored. A new strategic objective for health and HIV/AIDS has already been approved in order to expedite progress against the HIV epidemic. USAID's program in Cambodia supports two Agency pillars: Global Health, and Democracy, Conflict and Humanitarian Assistance. The principal objectives of the program are to

promote respect for human rights and democratic processes and to increase the use of HIV/AIDS prevention and family health services.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: The USAID program in Cambodia includes the following objective for which USAID is not requesting new funds but is continuing to spend funds previously appropriated.

Number	Title	Last Notified	Planned Completion
442-002	Improved Reproductive Health and Child Health	FY02 CBJ, p. 42	FY 2003
442-004	Enhanced Assistance for War and Mine Victims	FY02 CBJ, p. 49	FY 2003
442-005	Reduced Transmission of STIs and HIV/AIDS in High Risk Populations	FY02 CBJ, p. 53	FY 2003
442-007	Expanded Access to Sustainable Financial Services	FY02 CBJ, p. 57	FY 2003

OTHER PROGRAM ELEMENTS: Pillar Bureau programs such as the Leahy War Victims Fund carry out additional activities complementary to USAID's strategic objectives in Cambodia. In FY 2002, activities will focus on provision of prosthetics and orthotics, vocational training, and job placement for war and mine victims and the disabled. Building the capacity of Cambodian NGO service-providers through training and coordination within the sector will be emphasized. In addition, funding from the Bureau for Democracy, Conflict and Humanitarian Assistance for four child survival grants to NGOs complements bilateral family-health activities. The grants support innovative approaches to community-based health information and services, including an immunization tracking system called a "world's best buy" in a 1998 evaluation.

Overall development assistance to Cambodia totals about \$500 million annually.

OTHER DONORS: Donors coordinate well in most areas, particularly in promotion of good governance and social sector reforms. The United States is the third largest bilateral donor. Japan and Australia are Cambodia's first and second largest bilateral partners. USAID and Japan work jointly on activities targeting HIV/AIDS and infectious diseases. Other major donors and their chief areas of support are as follows: France (higher education in law and medicine, legal and judicial reform, and rural development), Germany (health, land management, and rural development), Sweden (governance, social sectors, and rural development) and the United Kingdom (UK) (governance, health, and HIV/AIDS). Multilateral donors include the United Nations agencies, the Asian Development Bank (health and education, poverty alleviation, and roads), the World Bank (governance, social sectors, and rural development), and the European Union (governance and elections support, health, and HIV/AIDS). In addition to programs in health and education, governance, and administrative reform, the United Nations Development Program provides support for elections with funding from the UK, Australia, and Canada.

Cambodia
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	3,550	9,420	0	0
Child Survival and Health Programs Fund	0	0	15,000	0
Development Assistance	0	0	0	22,500
Economic Support Fund	10,000	14,967	20,000	17,000
PL 480 Title II	7,071	2,422	0	0
Total Program Funds	20,621	26,809	35,000	39,500

STRATEGIC OBJECTIVE SUMMARY

442-001 Strengthened Democratic Processes and Respect for Human Rights				
ESF	4,250	8,514	13,000	17,000
442-002 Improved Reproductive and Child Health				
CSD	1,500	0	0	0
ESF	4,000	4,703	0	0
442-004 Enhanced Assistance for War and Mine Victims				
ESF	1,000	1,000	0	0
442-005 Reduced Transmission of Sexually Transmitted Infections and HIV/AIDS among High-Risk Populations				
CSD	2,050	9,420	0	0
ESF	0	750	0	0
442-007 Expanded Access to Sustainable Financial Services				
ESF	750	0	0	0
442-009 Increased Use of HIV/AIDS and Family Health Services and Appropriate Health-Seeking Behavior				
CSH	0	0	15,000	0
DA	0	0	0	22,500
ESF	0	0	7,000	0

Total Transfers

CHINA

THE DEVELOPMENT CHALLENGE: Cooperation between the United States and China is vital to regional security, prosperity, and peace. China plays a key role in international security through its permanent membership in the United Nations Security Council and arms sales. China is also an increasingly important U.S. trade partner: the total value of trade between the countries in 2000 was more than \$122 billion.¹

There is no USAID presence in the People's Republic of China (PRC). The United States maintains principled and purposeful engagement with the PRC. Since the United States-China dialogue began, there have been important gains in a number of critical areas, although differences remain. The Chinese Government does not share core American values on human rights, religious freedom, and democracy. The United States and China continue to view Taiwan and Tibet from widely different perspectives. The United States believes that the way to narrow these differences, and to take advantage of the many areas where U.S. and Chinese interests coincide, is through regular contacts and dialogue. The United States is pursuing human rights and other elements in a broad bilateral dialogue.

Since 1979, China has been engaged in an effort to reform its economy. The Chinese leadership has adopted a pragmatic perspective on many political and socioeconomic problems, and has sharply reduced the role of ideology in economic policy. Political and social stability, economic productivity, and public welfare are considered paramount. The Chinese government began emphasizing increased personal income and consumption. The Chinese government has also focused on foreign trade as a major vehicle for economic growth.

In the 1980s, China tried to combine central planning with market-oriented reforms to increase productivity, living standards, and technological quality without exacerbating inflation, unemployment, and budget deficits. China pursued agricultural reforms, dismantling the commune system and introducing a household-based system that provided peasants greater decision making in agricultural activities. The Chinese government also encouraged nonagricultural activities such as village enterprises in rural areas. Other initiatives have been the promotion of self-management for state-owned enterprises, increased competition in the marketplace, and facilitation of direct contact between Chinese and foreign trading-enterprises. China has come to rely more upon foreign financing and imports.

The Chinese Government's efforts to promote rule of law are significant and ongoing. After the Cultural Revolution, China's leaders aimed to develop a legal system to restrain abuses of official authority and revolutionary excesses. In 1982, the National People's Congress adopted a new state constitution that emphasized the rule of law under which even party leaders are theoretically held accountable. Since 1979, when the drive to establish a functioning legal system began, more than 300 laws and regulations, most of them in the economic area, have been enacted. The use of mediation committees—informed groups of citizens who resolve about 90% of China's civil disputes and some minor criminal cases at no cost to the parties—is one innovative device. There are more than 800,000 such committees in both rural and urban areas.

THE USAID PROGRAM: USAID began an ESF-funded Rule of Law activity managed by USAID's Democracy, Conflict, and Humanitarian Assistance Bureau in FY 2001 with \$1 million in ESF, and will supplement that program with \$5 million in ESF in FY 2002. The FY 2003 request of \$5 million in ESF will be used to continue these activities.

ONGOING PROGRAMS FOR WHICH NO FY2002 OR FY 2003 FUNDING IS REQUESTED: None.

¹ Imports and exports. Source: *Directions of Trade*, International Monetary Fund.

OTHER PROGRAM ELEMENTS: Over the past seven years USAID's American Schools and Hospitals Abroad (ASHA) program has provided over \$4.5 million to construct and equip the Center for American Studies (FUDAN). ASHA has also supported the Johns Hopkins Center for Chinese-American Studies in Nanjing and provided a grant to Project Hope to support a training activity for the Shanghai Children's Medical Center. USAID plans to help implement a \$2 million (Title I funds) farmer-to-farmer program beginning in FY 2002 in cooperation with the U.S. Department of Agriculture. Also, the Department of State administers a \$3 million program to help Tibetan communities preserve their cultural traditions, promote sustainable development, and conserve the environment. The program is implemented through NGOs located outside of China that can provide the Tibetan communities with access to financial, technical, marketing, environmental, and educational resources they need for equitable and sustainable development.

OTHER DONORS: Important donors include the World Bank, Japan, Germany, and the United Kingdom.

China
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Economic Support Fund	1,000	0	5,000	5,000
Total Program Funds	1,000	0	5,000	5,000

STRATEGIC OBJECTIVE SUMMARY

484-001 Tibetan Community Support				
ESF	1,000	0	0	0
435-003 Selected Foreign Policy Concerns Addressed				
ESF	0	0	5,000	5,000

Total Transfers

EAST TIMOR

East Timor's adult literacy rate is below 50%. Per capita GDP was estimated at \$303 in 2001.

THE DEVELOPMENT CHALLENGE: In 2001, the East Timorese continued their progress toward independence by taking three crucial steps: electing a constituent assembly; progress in drafting a Constitution; and forming an all-Timorese Council of Ministers. As East Timor approaches full independence in May 2002, popular support for democracy and free-market economic development remains high. Despite this progress, significant challenges remain. East Timor, already one of the poorest areas of Southeast Asia, was ravaged by violence and destruction following its vote for independence from Indonesia in 1999. Per capita GDP—only \$431 in 1996—has dropped by an estimated 40 to 50% following the destruction, and has since made only modest gains. As East Timor slowly rebuilds, it must contend not only with widespread poverty but with literacy rates well below 50%, a lack of technical skills and expertise, and little experience in self-governance. Urban unemployment is very high. Schools, hospitals, communication facilities, and power plants—all badly damaged or destroyed during the post-referendum violence—are only slowly being rehabilitated or rebuilt.

U.S. foreign policy interests in East Timor focus on this new nation's transition to a democratic government and market economy. Normalizing East Timor's relationship with Indonesia, its closest neighbor and largest trading partner, is another key priority. As one of the first and largest foreign aid providers during East Timor's transition period, the United States is recognized as a credible and efficient source of outside advice and assistance by the East Timorese. Projected funding levels through FY 2003 will enable the United States to continue its central role in East Timor.

THE USAID PROGRAM: USAID will devote \$25 million in FY 2002 and is requesting \$19 million in FY 2003. The USAID program in East Timor supports two key strategic objectives: promoting economic recovery and strengthening democratic institutions. FY 2002 funds will support economic recovery by expanding participation in USAID's coffee cooperative program and increasing incomes from the export of East Timor's primary cash commodity, coffee. USAID will also develop other profitable agricultural crops, fund community-level rehabilitation; strengthen democratic institutions, and contribute to the U.N.-administered consolidated trust fund for East Timor (CFET). FY 2003 funds will continue training and mentoring farmers, managers, and processors in practices to maximize productivity and profits, and to assume full management of the coffee project; expand health clinics in coffee-growing areas; establish purchasing and distribution cooperatives to reduce prices and of consumer goods; and continue to assist the country's transition to democratic governance.

Economic Revitalization and Growth. The USAID economic growth program in East Timor focuses on agricultural development and trade. USAID will continue its support for Cooperativa Café Timor (CCT), a federation of Timorese-owned organic coffee cooperatives, through a technical assistance grant to the National Cooperative Business Association (NCBA). The coffee project strongly supports USAID's goal of encouraging broad-based economic growth and agricultural development by expanding rural employment opportunities and producing coffee and other agricultural products that demand the highest prices in international markets. Forty percent of East Timor's annual coffee harvest is purchased by cooperatives established through USAID financing and technical assistance and 18,000 families—approximately 10% of the total population—benefit directly from the CCT program. In FY 2002 and FY 2003 the project will further expand the number of farmers participating in coffee cooperatives.

Through expanded training and mentoring activities, USAID will focus on developing East Timorese capacity to assume overall management of the project, a priority reflected in the Agency goal supporting education and training. The project will also continue to diversify beyond coffee into other high-value crops to increase farmers' income and reduce reliance on a single product. The

project has established clinics to provide basic health services to coffee farmers and their families, which are supported through a portion of the coffee profits. These clinics, the only source of quality health care in many rural areas, employ over 70 Timorese medical personnel. The project plans to add more health clinics.

USAID's Office of Transition Initiatives (OTI) activities focus on key gaps in the economic recovery of East Timor and regions in most need of efforts to promote stability. These interventions include targeted grants that support a greater diversification of income sources and in sectors that have the greatest potential. Also, OTI is assisting the East Timorese in key policy analysis that are critical to economic revitalization and independence.

As the East Timorese government takes shape in the coming years, USAID may extend its economic revitalization activities to provide macroeconomic policy assistance. As interest in this area is high, any new activities would be closely coordinated with other donors and be responsive to specific requests from the government.

Democratic Development. USAID's assistance program for East Timor's nascent post-conflict democracy focuses on four areas: new legislative and executive bodies at the national and local level; the justice sector; local and national-level civil society; and the media. Following on assistance to the Constituent Assembly elections and constitutional drafting process, USAID anticipates providing additional assistance to the newly elected executive and legislative branches in establishing democratic institutions. To support the development of the rule of law in East Timor, USAID will focus on training and advising judges, prosecutors, investigators, defenders, and court officials. Support for NGO advocacy at local and national levels and for effective media will help ensure that mechanisms for two-way communication between Timorese leaders and the public continue, especially for the next few critical years. Through its OTI and Mission programs, USAID implements activities that support media development, rule of law, the Serious Crimes Unit, and pilot projects in community policing and civilian-military relations.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: The USAID program in East Timor includes the following objectives for which USAID is not requesting new funds, but is continuing to expend funds already appropriated.

<u>Number</u>	<u>Title</u>	<u>Last Notified</u>	<u>Planned Completion</u>
472-002	Selected Develop. Needs Addressed	FY02 CBJ, p. 72	FY 02

OTHER PROGRAM ELEMENTS: A rule of law program, managed by USAID's Bureau for Democracy, Conflict, and Humanitarian Assistance, has provided support to the judiciary, particularly in regard to the establishment of the Serious Crimes Unit and training for judges and public defenders. These activities will wind down in FY 2002 and USAID will develop follow-on rule of law activities.

OTHER DONORS: Coordination among donors in East Timor is good, with all donors participating in twice-yearly coordination meetings and all resident donors participating in monthly coordination meetings. The United Nations is expected to design a successor mission to the U. N. Transitional Administration in East Timor (UNTAET) that will remain in East Timor after independence. Donors support two trust funds—a World Bank-administered trust fund (TFET), in partnership with the Asian Development Bank (ADB), and a Consolidated Fund for East Timor (CFET), administered by UNTAET for the administrative costs of government and to strengthen the capacity of the Timorese elected government. The International Monetary Fund, World Bank, and ADB are engaged in the management of economic policy as well as the development of broad strategic objectives. Major bilateral donors include Japan, Portugal, and Australia.

East Timor
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Economic Support Fund	25,500	24,945	25,000	19,000
PL 480 Title II	6,089	0	0	0
Total Program Funds	31,589	24,945	25,000	19,000

STRATEGIC OBJECTIVE SUMMARY

472-001 Revitalization of the Local Economy				
ESF	18,600	13,603	11,500	7,000
472-003 Democratic Development Strengthened				
ESF	6,900	11,342	13,500	12,000

Total Transfers

INDONESIA

Nearly 60% of the population lives below the poverty line of \$2 a day.

THE DEVELOPMENT CHALLENGE: The United States has a strong national security interest in Indonesia and the two nations share a long history of friendship and mutual support. As the world's fourth most populous state, and largest Muslim country, Indonesia can play a fundamentally important role in efforts to combat terrorism and maintain political stability in Southeast Asia. Its 220 million people are

a major market for U.S. goods. Indonesia's importance also stems from its enormous natural resources, rich biodiversity, and strategic location across key shipping lanes linking Europe, the Middle East, and Asia.

Indonesia faces remarkable challenges as it takes on three major tasks: economic reform, a transition to democracy after 30 years of military authoritarian rule, and a massive decentralization of power to nearly 400 local governments. The task has not been easy, and the country continues to suffer through a period of political and economic uncertainty. The budget is in crisis, the economy fragile, and new political leadership has only begun to provide some sense of stability to what has been a turbulent ride since the fall of Suharto in May 1998.

The turbulence is reflected in the numbers. More than 1.3 million Indonesians have been displaced by ethnic, religious, and separatist violence. Economic growth dropped from 4.8% to 3.5% in 2001, inflation has grown to 12%, and the budget deficit is close to four percent of GDP. Indonesia's policy makers continue to be slow in seizing opportunities to implement necessary economic structural reforms such as bank and corporate restructuring, privatization, and fiscal reform. Rising unemployment has pushed many people below the poverty line, increasing the appeal of radical and extremist elements. Corruption, exacerbated by a weak justice sector, permeates all levels of society, politics, and the economy, seriously undermining reform efforts. Declining government resources for the health system imperils many Indonesians, and HIV/AIDS is spreading at an alarming rate among high-risk populations.

At the same time, the country and its people have demonstrated remarkable resilience. Decentralization has moved forward—two million government officials and 20,000 government offices have been transferred from central to local control. In August 2001, the presidency transferred peacefully and constitutionally from Abdurrahman Wahid to Megawati Sukarnoputri, ending a long period of political and economic turmoil that had stymied reform efforts, tainted relations with the IMF, and discouraged foreign investment. The parliament has begun to play an increasingly active role, considering more than 100 pieces of legislation including laws on bank secrecy and money laundering. Civil society is flourishing and an independent media has grown exponentially. The reduction of massive energy subsidies is easing pressure on the national budget.

The events of September 11th and subsequent actions to combat terrorism have had special implications for U.S. policy interests in Indonesia. Indonesia's response to the global war on terrorism has been mixed. Small but vocal militant groups were outspoken in their initial reaction to the war in Afghanistan; moderate voices, and the government itself, have increasingly gained footing and are working to restore the image of Indonesia as a country tolerant of diversity and committed to cooperating in dealing with terrorism.

THE USAID PROGRAM: USAID will devote \$74,272,000 DA and \$50,000,000 ESF to its FY 2002 program and requests \$71,472,000 DA and \$60,000,000 ESF for FY 2003. The USAID program in Indonesia supports all four Agency Pillars: Economic Growth, Agriculture and Trade; Global Health; Democracy, Conflict and Humanitarian Assistance; and the Global Development Alliance (GDA). It focuses on 1) accelerating Indonesia's democratic transition, through civil society development, strengthening democratic institutions, and conflict prevention and mitigation; 2) promoting

economic recovery and growth; 3) facilitating Indonesia's decentralization process, concentrating on local service delivery and budget planning in sectors such as natural-resource management and health; 4) reducing the threat of conflict and crisis in Indonesia related to ethnic and religious violence, internally displaced persons, and natural disasters; and 5) addressing health-sector priorities such as child survival, family planning, and HIV/AIDS.

By concentrating activities in certain geographic areas, the programs maximize impact, capitalize on synergies, and make the most of limited resources. Innovative private sector partnerships, including a national health campaign, resource city exchanges between U.S. and Indonesian local governments, and development partnerships with private companies, leverage USAID resources and support the GDA. While Food for Peace activities offer immediate relief to the poor, economic growth work on food policy is helping the Government rationalize pricing to make food staples more affordable and available. Linkages with regional universities provide a forum for local dialogues on a host of topics, from revenue sharing, to public television, to performance-based budgeting.

The events of September 11th led to USAID's reassessment of programs and priorities. While reaffirming that USAID programs mitigate the underlying causes of terrorism, such as the frustration and disenfranchisement generated by rising poverty in Indonesia, the review also led to new initiatives. A program supporting moderate mass-based Islamic organizations was expanded to promote better cooperation on inter-religious issues, increase public understanding and appreciation of democracy and religious tolerance, bolster civic education efforts in faith-based and secular schools, and strengthen the ability of Muslim women's organizations to promote messages of peace among less educated groups. This expansion will help ensure that moderate, peaceful voices are represented in Indonesia's ongoing dialogue on religion. Pending legislation on money laundering and anti-terrorism took on new relevance, and USAID stepped up its technical assistance to help the government pass and implement strong laws. Upcoming activities will continue and expand efforts that focus on youth, basic education, public diplomacy, and conflict resolution.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: None.

OTHER PROGRAM ELEMENTS: USAID is carrying out activities in Indonesia through global and regional programs in health (polio and tuberculosis), economic growth (Asian Economic Recovery Assistance program) and environment (U.S.-Asia Environmental Partnership and East Asia and Pacific Environment Initiative). The State Department's East Asia and Pacific Women's Rights Initiative has provided funding for antitrafficking programs in Indonesia. The bilateral program is complemented by activities funded by USAID's Office of Foreign Disaster Assistance (OFDA) and Office of Transition Initiatives (OTI). OFDA emergency and disaster relief activities enhance USAID's Title II food assistance and programs related to internally displaced persons. OTI activities are aligned with programs supporting Indonesia's democratic transition in conflict areas such as Aceh, the Maluku, and Papua.

OTHER DONORS: The United States is the second largest bilateral donor in Indonesia behind Japan. Other major bilateral donors include the Netherlands, Australia, Germany, the United Kingdom, and Canada. Through flexible and responsive programming, USAID plays a leadership role among donors, most notably in civil society development, decentralization, natural resources management, and health and humanitarian assistance. USAID works closely with the major multilateral donors: the World Bank, the Asian Development Bank (ADB), the International Monetary Fund (IMF), the European Union, and the United Nations agencies. The World Bank-chaired Consultative Group on Indonesia (CGI) coordinates donor assistance to Indonesia. The United Nations-led Partnership for Governance also coordinates donor interventions on civil society, corporate governance, anticorruption, decentralization, justice sector reform, and poverty reduction.

Indonesia
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	18,950	19,580	0	0
Child Survival and Health Programs Fund	0	0	35,568	0
Development Assistance	53,050	51,483	38,704	71,472
Economic Support Fund	22,500	49,890	50,000	60,000
PL 480 Title II	18,110	12,233	4,831	10,244
Total Program Funds	112,610	133,186	129,103	141,716

STRATEGIC OBJECTIVE SUMMARY

497-007 Democratic Reforms Sustained and Deepened				
DA	14,000	8,180	8,000	7,500
ESF	11,000	18,080	16,000	23,500
497-008 Health of Women and Children Improved				
CSD	18,950	19,580	0	0
CSH	0	0	35,568	0
DA	8,000	9,678	0	32,788
497-009 Impact of Conflicts and Crises Reduced				
DA	3,000	3,506	4,000	4,500
ESF	0	0	11,500	10,000
497-010 Decentralized and Participatory Local Government				
DA	6,500	9,496	7,451	6,951
ESF	0	2,500	7,000	7,000
497-011 Foundation Set for Rapid, Sustainable, and Equitable Economic Growth				
DA	6,850	5,623	5,123	5,123
ESF	11,500	11,827	14,000	18,000
497-012 Strengthened and Decentralized Natural Resources Management				
DA	14,700	10,500	10,500	10,500
ESF	0	1,500	1,500	1,500
497-013 Energy Sector Governance Strengthened				
DA	0	4,500	3,630	4,130
497-XXX State Dept & BHR Funds				
ESF	0	15,983	0	0

Total Transfers

LAOS

Life expectancy is 54 years; infant mortality is 93 per 1000; and per capita income is just \$330.

THE DEVELOPMENT CHALLENGE: For a generation, U.S. national interests in Laos have focused on three main issues: reducing the cultivation of opium through law enforcement, crop substitution and infrastructure development; finding the remains of U.S. MIAs; and assisting in the removal of unexploded ordinance. All three of these "heritage issues" continue to be important. The long-term

U.S. interest is to encourage a transition to representative government with a significantly improved human rights record and a viable, market-based economy. The United States also has a humanitarian interest in addressing the effects of the country's extreme poverty by providing assistance to improve health and income generation in rural areas. The aim is to help the impoverished people of Laos without helping or lending credence to the one-party Communist regime. The crop substitution programs, particularly those involving sericulture, serve the dual purpose of poverty reduction and opium poppy eradication.

Laos is one of the poorest and least developed countries in East Asia. In 2001, the World Bank estimated that Laos' 5.6 million people had a per capita income of just \$330. Agriculture remains the economic mainstay, contributing 53% of the Gross Domestic Product (GDP) and employing over 80% of the labor force. Social indicators in Laos, among the worst in the world, are comparable to those of sub-Saharan Africa; e.g. infant mortality in Laos is 93 per 1000 births, compared with an average of 92 in Sub-Saharan Africa. Life expectancy in Laos is under 54 years. According to the available information, Laos currently has a low level of HIV/AIDS. However, systematic and nationwide surveillance for HIV is not yet in place so the future course of the epidemic is uncertain. With Laos being surrounded by countries such as China, Thailand, and Vietnam that have significant numbers of HIV infections and with the current levels international migration, it is very likely that the epidemic will continue to spread in Laos in the absence of appropriate interventions. A significant HIV epidemic would have a serious impact on development efforts in Laos.

The Government of Laos is one of the few remaining official communist states. The country's economy remains hampered by inadequate infrastructure and deficient health and education services to support its workforce and population. While the government has stated its intention to decentralize control and encourage private enterprise, the transition from a centrally planned and controlled economy to a more market driven one is moving very slowly. The government recognizes that it needs considerable technical assistance, training and donor and private sector investment if it is to modernize its economy and address the critical health, education and employment generation issues. With reforms moving relatively quickly in Vietnam, this may encourage Laos to undertake the necessary reforms, including improving its human rights record, to attract outside support. The continuation of reforms in Vietnam and the increasing availability of Thai broadcasting may create greater incentives for the regime to undertake necessary reforms.

THE USAID PROGRAM: USAID will use \$1,000,000 in Development Assistance (DA) funds and \$1,000,000 in Child Survival and Health (CSH) funds in FY 2002 and requests \$2,000,000 in DA for FY 2003. In 1999, USAID launched the Laos Economic Acceleration Program for the Silk Sector (LEAPSS). This program was built on experiences developed under the Lao-American Crop Control Program, and has the specific objective of making the production of raw and processed silk a viable economic alternative to opium production. Program activities have expanded the area under mulberry cultivation and increased the volume of silk produced. Activities also assist with improving the processing and marketing of raw silk and silk weavings, to improve the status of women weavers and increase profitability for silk producers. Program activities focus efforts in two provinces where some of the most intensive fighting occurred in Laos during the war. This program is presently funded through FY 2003. The program partner is World Education/World Learning Consortium.

USAID's other objective in Laos is to maintain the low levels of HIV prevalence by strengthening the local capacity to monitor the epidemic and behaviors contributing to its spread while also educating those at risk and highlighting the importance of prevention. Through Regional HIV/AIDS Programs in the Asia and Near East Bureau, USAID has supported a small number of HIV/AIDS activities in Laos since 1998. In addition, the Regional HIV/AIDS Programs have supported cross-border activities (involving Laos, Thailand, and Vietnam) in order to expand surveillance and educate mobile populations on HIV prevention. These activities will now be funded under the new SO 439-005.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: None.

OTHER PROGRAM ELEMENTS: In addition to the LEAPSS program, USAID supports four other activities through regional and global programs.

- The Leahy War Victims Fund supports the Laos War Victims Assistance which has, since 1990, programmed more than \$6.5 million to support the refurbishing of emergency care facilities, training of emergency care staff, and financial support for civilians injured by war era unexploded ordnance.
- The Asia and Near East Bureau's Regional HIV/AIDS and Infectious Diseases program supports activities directed at slowing the cross-border transmission of HIV/AIDS, tuberculosis and malaria between Thailand and Laos, and between Vietnam and Laos. Program partners are Family Health International and Population Services International.
- The East Asia and Pacific Environmental Initiative supports a small community-based wildlife management program in Laos. The program partner is Conservation International.
- USAID's worldwide human capacity development program is helping improve the institutional capacity in Laos to train physicians in the primary specialties of pediatrics and internal medicine. USAID's partner is Case Western University.

OTHER DONORS: Donor coordination is good. USAID coordinates activities with Japan, Germany, Sweden, France, Australia, and Norway. Bilateral donor efforts focus on education, health, and rural development. The World Bank and the Asian Development Bank focus on the financial sector and state-owned enterprise reforms needed to create an enabling environment for private sector development.

Laos
PROGRAM SUMMARY
(In thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Health Programs Fund	0	0	1,000	0
Development Assistance	0	0	1,000	2,000
Total Program Funds	0	0	2,000	2,000

STRATEGIC OBJECTIVE SUMMARY

439-004 Laos Economic Acceleration Program for the Silk Sector				
DA	0	0	1,000	1,000
439-005 Strengthen the Laos National Response to HIV/AIDS				
CSH	0	0	1,000	0
DA	0	0	0	1,000

Total Transfers

MONGOLIA

THE DEVELOPMENT CHALLENGE: Mongolia, a large, land-locked country with a small population, provides an important and increasingly rare example for Central Asia and beyond of how to manage a difficult economic transition within a democratic political framework.

Mongolia, more than twice the size of Texas, has a population of 2.4 million – and less than 1,000 miles of paved roads.

Mongolia has emerged in recent years as an important force for stability in a strategic part of the world. It shares long land borders with a rapidly emerging China to the south and the resource-rich Siberian region of Russia to the north. Few countries have been as friendly to the United States or as quick to voice strong support in the global war on terrorism.

Mongolia's transition to democracy is a remarkable achievement with ramifications that go well beyond its frontiers. Over the last decade, the country has had nine elections, three each at the local, parliamentary and presidential level. Governments have been elected to power in free and fair elections—and then peacefully relinquished that power in response to subsequent elections. Mongolia's admirable record in this area stands in stark contrast to its five Central Asian neighbors, each of which is still governed by the same former Communist ruler who assumed power when these countries were granted independence more than ten years ago.

USAID's challenge is to help Mongolia create an attractive environment for private investment, combat corruption with a functioning court system, strengthen public sector fiscal management, and spur economic opportunity in rural areas while continuing to consolidate its democratic transition by implementing reforms to encourage opposition party development. Nearly 80% of the Mongolian economy is now in private hands—up from virtually nothing a decade ago—and total GDP is estimated at \$1 billion (or around \$450 for each of the 2.4 million people in the country). However, the debt burden will soon be equivalent to Mongolia's annual GDP and is a growing concern, as are annual economic growth rates that have stagnated in recent years at around one to two percent. Unpredictable weather conditions, including drought and two successive severe winters, have also had an adverse effect on an economy that is heavily dependent on the livestock sector. The USAID program is actively addressing these issues.

Mongolia's three largest trading partners are China, Russia, and the United States. Traditional sources of foreign exchange include minerals, meat and cashmere. In addition, a number of new sources of income have emerged in recent years, including tourism, textile exports, remittances from workers abroad and over flight fees. These over flight fees are paid by the more than 20,000 commercial airplanes that crossed Mongolian air space in 2001, many on the polar route between North America and East Asia.

U.S. national interests in Mongolia center largely on its strategic location between Russia and China, two traditional rivals that are also nuclear powers and important global players. In addition, Mongolia provides an important though fragile example of economic reform and democratization in a potentially unstable part of the world. Finally, Mongolia consistently provides strong support for U.S. positions on many international issues, including those related to the ongoing war on terrorism.

All USAID activities in Mongolia promote at least one of two objectives, the shift to a market economy and the consolidation of a true democracy.

USAID PROGRAM: USAID will devote \$12 million in ESF to its Mongolia program in FY 2002 and has requested \$12 million in ESF in FY 2003. USAID's objectives are focused on the two key issues facing Mongolia, namely the shift to a market economy and the consolidation of a true democracy. Approximately two-thirds of USAID funding is devoted to promoting private sector led economic growth. Specific activities target Mongolia's large nomadic and rural population; new private sector companies; and improved economic management. USAID has provided funds for vocational training for disadvantaged teenagers and will remain

vigilant to the needs of vulnerable children. The remaining one-third of the program focuses on key institutions that are essential to a properly functioning democracy. USAID uses funds to help reform the judiciary; make parliament more efficient; and strengthen political parties. Specific programs are targeted, well crafted, and results oriented.

OTHER PROGRAM ELEMENTS: Bilateral program resources are on occasion supplemented by additional funding. For example, farmer-to-farmer programs in rural Mongolia have in the past received support from both the USAID Mission and the Economic Growth, Agriculture, and Trade Bureau. In addition, USAID is now competing for potential central funding for rural microfinance.

USAID works closely with the State Department country team to integrate foreign assistance programs with broader U.S. government objectives. For example, proceeds from the sale of Section 416(b) wheat support the USAID-funded Gobi Initiative. Similarly, international visitor programs routinely involve topics that help strengthen USAID programs in such areas as trade, investment, and transparency in government. The active military assistance program also represents an important element of U.S. foreign policy in Mongolia, among other things helping to prepare the Mongolian armed forces for potential peacekeeping duties in troubled parts of the world such as Afghanistan.

Total foreign assistance to Mongolia exceeds \$300 million annually. Japan is the largest bilateral donor and the Asian Development Bank is the largest multilateral donor.

OTHER DONORS: Mongolia receives more than \$300 million in foreign aid each year, one of the highest per capita assistance levels in the world. Though donors profess a commitment to coordination, problems sometimes emerge related to duplication. Regular Consultative Group (CG) meetings help promote coordination at a macro level. Sector-specific meetings on important topics such as energy and information technology are increasingly held.

USAID is committed to a pragmatic, results-oriented approach that gives the U.S. assistance effort influence within the donor community well beyond the size of its budget. USAID plays a catalytic role in addressing some of the major issues in the country, including privatization, rural finance and democracy. For example, USAID's Gobi Initiative represented the first significant donor program outside the capital city, providing a model for other donors to follow. Every major USAID-funded initiative in Mongolia also includes examples of cooperation with one or more other donors. The fact that USAID funding is entirely in grant form represents a notable contribution at a time when increasing concern is being voiced about Mongolia's growing indebtedness.

The Asian Development Bank (ADB) is the single largest multilateral donor. Other multilateral donors include the World Bank, International Finance Corporation, European Union, and various UN agencies. The European Bank for Reconstruction and Development (EBRD) will soon begin providing advisory services and would like to start a loan assistance program once its board approves.

Japan is Mongolia's major bilateral source of loan as well as grant assistance. Both the United States and Germany provide substantial grant assistance to the country. A number of other donors provide modest amounts of additional support. These other donors include Sweden (governance); Netherlands (energy conservation); Canada (rural and urban development); Korea (energy and health); the Czech Republic (health); Russia (humanitarian aid); China (housing); and India (information technology). Another possible and relatively unusual donor nation is the United Arab Emirates (UAE), which recently offered to help finance a hydroelectric plant in the countryside.

Nongovernmental organizations (NGOs) such as the Soros Foundation and World Vision make important contributions to Mongolia, each managing annual development programs valued at around \$3 million. Numerous other NGOs from the United States, Japan, Europe, and elsewhere also provide important support, especially in the social sectors.

Mongolia
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Economic Support Fund	6,000	11,974	12,000	12,000
FREEDOM Support Act	6,000	0	0	0
Total Program Funds	12,000	11,974	12,000	12,000

STRATEGIC OBJECTIVE SUMMARY

438-001 Accelerate and Broaden Environmentally Sound Private Sector Growth				
ESF	6,000	8,974	8,000	9,000
FSA	4,640	0	0	0
438-002 Consolidate Mongolia's Democratic Transition				
ESF	0	3,000	4,000	3,000
FSA	1,360	0	0	0

Total Transfers

PHILIPPINES

THE DEVELOPMENT CHALLENGE: The Philippines is a critical partner in the global war on terrorism. Since the September 11, 2001 terrorist attacks on the United States, President Gloria Macapagal Arroyo has stood shoulder-to-shoulder with the United States. She granted access rights to U.S. ships and planes and moved swiftly to achieve passage of an anti-money laundering bill, developed

Philippine President Gloria Macapagal Arroyo stands firmly with the United States in the global war on terrorism.

with USAID assistance, to aid international efforts to cut off funding for terrorist organizations. She requested U.S. help in defeating the Abu Sayyaf, an armed terrorist group holding U.S. hostages in Mindanao. The Philippines has proven in the recent

past to be a platform for terrorists to plan and organize international attacks.

The Philippines is a recognized leader among Southeast Asian nations as they confront the political and economic challenges presented by China's World Trade Organization (WTO) admission. This recent development will present either an opportunity for new markets or an overwhelming challenge from fierce competition. The Asian Financial Crisis, followed in 1999 by the internal conflict with the Muslim separatist groups, brought foreign investment almost to a standstill in the Philippines. Hostage taking by the Abu Sayyaf ended tourism in Mindanao. The current worldwide economic downturn and the bursting of the information technology bubble slashed demand for the Philippines' largest export—electronic components. The cumulative economic impact has been staggering. Per capita GDP tumbled from \$1,019 in 1999, to \$977 in 2000, and is estimated to have dropped further still in 2001.

Although its democratic system has demonstrated vibrancy and resilience, the Philippines remains East Asia's economic growth laggard. Between 1975 and 1999, per capita income grew by only 14%, compared to 326% in Indonesia, 153% in Malaysia, and 220% in Thailand. Poverty afflicts 40% of the population, the highest incidence in Southeast Asia—much higher than Malaysia (8% in 1998), Thailand (12.9% in 1998), and Indonesia (20.4% in 1999). The country's natural resources are being severely depleted.

Corruption and unbridled population growth are the most critical factors contributing to the Philippines' continued poor economic growth and poverty.

Corruption and unbridled population growth are the most critical factors contributing to the Philippines' continued poor economic growth and poverty. The country has East Asia's fastest growing population: 2.36%, as compared with 1% in Thailand and 1.6% in Indonesia. Lack of transparency and corruption constrain performance at all levels of the executive branch, the legislature, and the judiciary. Systemic and structural weaknesses allow corruption to flourish, inhibiting the development of competitive markets, deterring foreign investors, and severely limiting the Government's ability to raise revenue. Uneven distribution of the benefits of economic growth has disproportionately excluded the Muslim minority, strengthening the resolve of armed separatist groups in the Mindanao, some elements of which have been linked to Osama bin Laden's al Qaeda terrorist network. The ongoing conflict feeds the cycle of poor economic performance by scaring off private investors, halting tourism, and draining fiscal coffers of funds needed for infrastructure and education.

Over half of USAID's FY 2002 and FY 2003 funds will support activities in Mindanao, particularly in conflict-affected areas, and national level initiatives that have an impact on counterterrorism.

THE USAID PROGRAM: USAID will devote \$50,058,000 in DA and \$21,000,000 in ESF in FY 2002, and requests \$50,659,000 in DA and \$20,000,000 in ESF in FY 2003. The program will help reduce the conflict in Mindanao; combat corruption and improve the quality of governance; improve competitiveness within the private sector; support trade-related measures such as intellectual property rights,

biotechnology, and customs reform; promote family planning; promote health, particularly for HIV/AIDS and TB; and preserve and restore the natural environment.

The four Strategic Objectives for which USAID is requesting funds are: to strengthen the prospects for peace in Mindanao; to improve the investment climate by helping reduce corruption and poor governance; to reduce unwanted fertility, maternal and child morbidity, TB mortality and HIV/AIDS prevalence; and to improve environmental management and enforcement. Over half of these funds will support activities in Mindanao, particularly in conflict-affected areas, and national level initiatives that have an impact on counterterrorism. All funds are for ongoing objectives. In addition, USAID is considering Global Development Alliance funding that will leverage private sector resources to develop renewable energy sources in remote areas of the country.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: The USAID program in the Philippines includes the following objectives for which USAID is not requesting new funds, but is continuing to expend funds previously appropriated.

Number	Title	Last Notified	Planned Completion
492-001	Economic development of Mindanao	FY 02 CBJ, p. 156	FY 2004
492-005	Reduce global warming	FY 02 CBJ, p. 177	FY 2003
492-007	Control the spread of HIV/AIDS, TB, dengue, and malaria	FY 02 CBJ, p. 187	FY 2003

OTHER PROGRAM ELEMENTS: The Philippines has received significant amounts of U.S. PL 480 Title I loan assistance: \$30 million in FY 1999 and \$40 million in FY 2000 and in FY 2001. The Government of the Philippines has requested another \$40 million loan from the FY 2002 program. Proceeds of the sale of commodities are used to fund Government of the Philippines activities for agriculture and fisheries modernization, and in coordination with USAID, for activities supporting the peace process in Mindanao and coastal resources management.

OTHER DONORS: Donor coordination is excellent, with major collaborative efforts on many current issues including economic governance, the Mindanao peace process, health, local governance, environmental management, power-sector reform, and poverty reduction. Japan is the largest donor (50% of the total donor commitments in 2000), followed by the Asian Development Bank (25%) and the World Bank (21%). Major bilateral donors include the United States, Japan, Australia, Germany, and Canada. The Japanese are focusing on strengthening economic infrastructure and the World Bank and the Asian Development Bank on poverty reduction and corruption issues. The UN agencies are active in poverty alleviation, environmental improvement, human development, child welfare, and family planning. The UNDP is supporting the Mindanao peace process. The Australians support rural income generation, health, education, and the environment, especially in Mindanao. The Germans give priority to vocational training, industrial and urban environmental management, maritime safety, and health and family planning. The Canadians are focusing on private sector strengthening, and strengthening of democratic institutions and civil society, including Mindanao.

Philippines
PROGRAM SUMMARY
(In thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	7,200	9,450	0	0
Child Survival and Health Programs Fund	0	0	25,599	0
Development Assistance	22,500	30,334	24,459	50,699
Economic Support Fund	0	7,202	21,000	20,000
Total Program Funds	29,700	46,996	71,058	70,699

STRATEGIC OBJECTIVE SUMMARY

492-001 Accelerate the Economic Transformation of Mindanao				
DA	2,500	200	0	0
492-002 Investment Climate Less Constrained by Corruption and Poor Governance				
DA	200	6,402	5,982	9,192
ESF	0	3,991	6,700	5,000
492-003 Reduced Fertility Rate and Improved Maternal and Child Health				
CSD	3,700	4,500	0	0
CSH	0	0	25,599	0
DA	14,000	17,865	0	24,050
ESF	0	0	2,000	0
492-004 Environmental Management Improved				
DA	0	4,367	13,667	13,667
492-005 Reduced Growth of Greenhouse Gas Emissions				
DA	5,000	0	0	0
492-006 Broadened Participation in Formulation and Implementation of Public Policies in Selected Areas				
DA	800	0	0	0
492-007 Threat of HIV/AIDS and Selected Infectious Diseases Reduced				
CSD	3,500	4,950	0	0
492-010 Prospect for Peace in Mindanao Strengthened				
DA	0	1,500	5,200	3,750
ESF	0	3,211	12,300	15,000

Total Transfers

THAILAND

THE DEVELOPMENT CHALLENGE: The United States and Thailand have a long history of cooperation on economic and social development issues. USAID formally ended its bilateral assistance program in September 1995 and closed its Regional Support Mission in Bangkok in September 1996. Since then USAID has managed discrete activities through three regional programs: HIV/AIDS, democracy and governance, and environment. The regional mission in Phnom Penh, Cambodia is responsible for management oversight for USAID's Thailand program.

The 1997-1998 Asian financial crisis exposed the weaknesses of Southeast Asia's economic systems, and almost totally collapsed the region's financial and capital markets, forcing thousands of companies to close, throwing millions out of work, and creating massive drops in government revenues. Devaluation of country currencies stimulated exports in 1999 and 2000, enabling countries to contain inflation and restore some jobs, but also delay needed fundamental economic governance reforms. Reliance on exports for growth also made Thailand more vulnerable to the worldwide economic slowdowns now being experienced in the U.S., Europe and Japan.

After being the epicenter of the HIV/AIDS epidemic in Asia for many years, Thailand's aggressive campaign to address the disease has resulted in a stabilizing of epidemic in recent years. However, the national adult prevalence rate of 2% remains among the highest in Asia and about 750,000 Thai people are currently infected with HIV. In addition, the 1997-1998 Asian financial crisis resulted in decreased spending on public health in Thailand and also contributed to migration and population displacement in the region. As a result, poor and mobile populations experienced decreased access to healthcare services and education while behaviors favoring HIV transmission (e.g., sex work) increased. These events not only affected the HIV/AIDS epidemic in Thailand, but also the people who visited from Burma, Cambodia, China, Laos, and Vietnam. Since HIV/AIDS predominately affects the core part of the labor force (i.e., 15-45 age group), this disease has a direct impact on economic and social development.

USAID regional programs provide Thailand with the technical assistance it needs to promote economic governance reforms, improve environmental management of Thai municipalities and industries, and halt the spread of infectious diseases such as HIV/AIDS, drug resistant malaria, and tuberculosis. With migrant laborers playing a significant role in the economic development of Southeast Asia, their health and well-being is critical to the development process in the region.

THE USAID PROGRAM: USAID plans to use \$750,000 in Development Assistance (DA) and \$1,000,000 CSH in FY 2002 for activities benefiting Thailand. USAID is requesting \$3,250,000 in DA in FY 2003. Because there is no USAID Mission in Thailand, all Thailand activities are implemented through USAID's regional programs. USAID will use FYs 2002 and 2003 funds to provide technical assistance to protect vulnerable populations along its borders from infectious diseases and improve the environmental regulatory framework.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: None.

OTHER PROGRAM ELEMENTS: None.

OTHER DONORS: World Bank, The Asian Development Bank, Japan International Cooperation Agency, the World Health Organization, and the European Union.

Thailand
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Health Programs Fund	0	0	1,000	0
Development Assistance	0	0	750	3,250
Total Program Funds	0	0	1,750	3,250

STRATEGIC OBJECTIVE SUMMARY

493-002 Selected Foreign Policy Concerns Addressed in Thailand				
CSH	0	0	1,000	0
DA	0	0	750	3,250

Total Transfers

VIETNAM

Vietnam ranks 101st (out of 162) in terms of the Human Development Index. GDP per capita is less than \$400. Ninety percent of the poor live in rural areas. Under-five children mortality is 42 per 1,000; 34% of the children under-five are

THE DEVELOPMENT CHALLENGE: U.S. national interests in Vietnam are to gain Vietnamese cooperation on POW/MIA accounting and freedom of emigration; encourage compliance with international standards of human rights and the rule of law; support economic reform and opportunities for U.S. companies; and promote regional stability. Economic and social development will help create a more prosperous and confident Vietnam that is prepared to play an increasing role in the regional and international community.

Vietnam is now undergoing its transition from a centrally planned to a market oriented economy. Since beginning a reform and adjustment initiative in 1986, Vietnam has made remarkable progress across a broad range of socioeconomic development measures. Life expectancy has increased to nearly 68 years and adult literacy has been maintained at over 90%. Vietnam ranks 101 out of 163 countries in the Human Development Index. Its current level of gross domestic product (GDP) per capita is less than \$400.

Though poverty was reduced by 33% over the past 10 years, poverty reduction is still at the forefront of the Government of Vietnam's (GOV's) agenda for the coming decade. The gap between urban and rural areas has been increasing; so has the differentiation between the rich and the poor. Nearly 90% of the poor live in rural areas, are often farmers with low levels of education, and have limited access to land, capital, technology, information, and basic social services. They are also particularly vulnerable to natural disasters, which frequently occur in Vietnam. Malnutrition and micronutrition deficiencies are serious problems and significant causes of maternal, child, and infant mortality. HIV is found in all 61 provinces, and the conditions exist for the expansion of the epidemic.

THE USAID PROGRAM: USAID will spend \$11,056,000 in Vietnam in FY 2002 and requests \$12,456,000 for FY 2003. USAID provides assistance to Vietnam to enhance the environment for trade and investment. The objectives of this program are to strengthen the Vietnamese private sector, and to help the GOV to deepen trade and investment related reforms consistent with its commitments in the Bilateral Trade Agreement. Successful implementation of these reforms will also help Vietnam meet some of the requirements for accession into the World Trade Organization (WTO).

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: None.

OTHER PROGRAM ELEMENTS: USAID's Bureau for Global Health provides assistance to improve access to services for vulnerable groups through the Leahy War Victims Fund and the Displaced Children and Orphan Fund. The HIV/AIDS program helps Vietnam control the spread of HIV/AIDS by improving surveillance capacity and prevention interventions, and assisting people living with AIDS. The Office of Foreign Disaster Assistance helps Vietnam improve its disaster preparedness capacity, focusing on flood forecasting and mitigation. The United States-Asia Environmental Partnership (US-AEP) improves Vietnam's overall environmental financing and regulatory framework and develops decentralized approaches to urban and natural resource management through partnerships between U.S. and Vietnamese cities. Finally, USAID provides assistance to women and children rescued from trafficking.

OTHER DONORS: Japan, the largest donor to Vietnam, is investing in large-scale infrastructure projects, technology training, transportation, and health. The Asian Development Bank and the World Bank focus on modernizing the banking system and reform of state-owned enterprises. The United Nations Children's Fund (UNICEF), United Nations Development Programme (UNDP), United

From 1993 - 2000,
cumulative donor
pledges amounted to
some \$17.5 billion.

Nations Fund for Population Activities (UNFPA), and the World Health Organization (WHO) support health activities, disaster preparedness, institutional development, education, and rural development. Other major bilateral donors include France, Denmark, Sweden, the Netherlands, Australia, Canada, and Germany. Major donors involved in the health sector include UNAIDS, the Asian Development Bank, Glaxo Wellcome, Ford Foundation, Germany, the European Union, Australia, and the Netherlands.

Vietnam
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	1,500	2,494	0	0
Child Survival and Health Programs Fund	0	0	4,106	0
Development Assistance	1,250	2,999	6,950	12,456
Total Program Funds	2,750	5,493	11,056	12,456

STRATEGIC OBJECTIVE SUMMARY

440-006 Enhanced Environment for Trade and Investment				
DA	1,250	2,999	5,450	6,950
440-007 Improved Access to Services for Selected Vulnerable Groups				
CSD	1,500	2,494	0	0
CSH	0	0	4,106	0
DA	0	0	1,500	5,506

Total Transfers

**South Asia
PROGRAM SUMMARY**

(In thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	45,286	49,643	0	0
Child Survival and Health Programs Fund	0	0	106,928	0
Development Assistance	73,313	86,412	83,817	220,151
Economic Support Fund	0	4,969	42,750	242,000
PL 480 Title II	154,749	176,871	148,215	136,370
Total Program Funds	273,348	317,915	383,710	598,521

AFGHANISTAN

THE DEVELOPMENT CHALLENGE: The terrorist attacks on September 11th and U.S. military actions in Afghanistan have placed that country at or near the top of the U.S. foreign policy agenda. Decades of conflict, years of severe drought, governmental mismanagement, and the related loss of livelihoods and educational opportunities for the Afghan people, especially women and girls, have created a humanitarian and development crisis in Afghanistan. Estimates suggest that over 50% of the population live in absolute poverty, with average life expectancy only 46 years. Afghans experience exceptionally high levels of malnutrition and maternal and child mortality, and up to 7.5 million Afghans are estimated to be dependent on external food aid. Unemployment is 50% or higher, and the illiteracy rate is as high as 70%. With virtually all key institutions destroyed, the recovery and reconstruction of Afghanistan will require a concerted and financially significant, multiyear, national and multidonor effort.

Speaking at the January 21 donors' conference in Tokyo, Secretary Powell outlined U.S. development goals for Afghanistan, emphasizing "high-impact projects that quickly create jobs, generate income, get money flowing through the economy again, rebuild critical infrastructure, and encourage the successful return of the millions of refugees and internally displaced persons." Turning to the longer term, he said, "key among the U.S. goals are helping to restore the agricultural sector, the heart of the Afghan economy. There must be agricultural alternatives to poppy cultivation in order to prevent drug processing and trafficking. We have to rebuild the education and health systems, both of which are devastated from decades of war and oppression. We must provide rehabilitative care and vocational training for Afghanistan's millions of disabled citizens."

Other pressing development needs in Afghanistan include rebuilding food security—both the availability of food and people's access to it; meeting basic health needs; renewing educational opportunities, especially for girls, the disabled, and demobilized combatants; and bolstering the creation of institutions of political and economic governance.

Grain production is Afghanistan's traditional agricultural mainstay. Wheat, dried fruit, nuts, and livestock products are the traditional exports of this mainly rural country. Overall agricultural production declined dramatically following three years of drought as well as the sustained fighting, instability in rural areas, and deteriorated infrastructure. Soviet efforts to disrupt production in resistance-dominated areas also contributed to this decline, as did the disruption to transportation resulting from ongoing conflict. The war against the Soviet Union in the 1980s and the ensuing civil war in the 1990s also led to migration to the cities and refugee flight to Pakistan and Iran, further disrupting normal agricultural production. Recent studies indicate that agricultural production and livestock are only sufficient to feed about half of Afghanistan's population. Urban shortages are exacerbated by the deterioration of the already limited road network, resulting from war and the absence of government-financed maintenance. Afghanistan has the capacity to recover its agricultural productivity, provided that the drought breaks and market structures emerge. Despite 20 years of conflict, the remains of an agricultural extension service exist; technical specialists are available; and private sector-led marketing of inputs and crops has been carried out.

THE USAID PROGRAM: USAID plans to spend \$12,000,000 DA and \$17,250,000 ESF in FY 2002, and is requesting an amount yet to be determined in FY 2003. Over the last year, the United States has provided over \$300 million in emergency food and humanitarian assistance. It is now time to move quickly to create jobs and start rebuilding Afghanistan's agricultural sector, its healthcare system, and its educational system. As part of these efforts, the United States has begun immediately to print and distribute nearly ten million textbooks in Dari and Pashtu and to work with UNICEF to vaccinate 2.2 million Afghan children against measles.

USAID has developed a program designed both to make a quick impact and to lay the foundation for continued assistance. The program will permit the United States to move beyond the immediate

needs for relief assistance by introducing reconstruction programs in the key development sectors of agriculture, education, health, and democracy. By focusing the program on these key areas, USAID can ensure funds are spent on their most productive uses rather than being spread too thinly.

Education and health are closely related problems in Afghanistan. The human development statistics are staggering: Afghans rank among the least healthy people in the world. Life expectancy is 44 years for women and 43 years for men. Women in Afghanistan are more than 200 times more likely to die in childbirth than women in the United States. In fact, last year far more women died in childbirth than men, women, and children died as a result of war and conflict. Severe malnutrition makes people more vulnerable to disease and death. Underlying causes include war and conflict, and the low status of women. Food insecurity contributes to the wide prevalence of infectious disease as well, due to limited potable water and poor sanitation.

International attention has already been drawn to the dire state of education in Afghanistan. The symbolic and physical importance of formal schooling is important. Given the paucity of available textbooks and supplies, and the lack of trained personnel, International Disaster Assistance has already been directed for the printing and dissemination of materials to government, home, and community schools, the provision of essential classroom supplies, and the recruitment and training of teachers. Educational texts and supplies need to be available at the start of the new school year.

Women are key to successful reconstruction in Afghanistan. USAID will prioritize the participation of women in the health and education sectors. Carefully designed and implemented programs can draw women into civil society and employment through the healthcare and school systems. In the longer run, this will promote local involvement to identify and respond to community needs. Both the health situation of Afghans and the capacity for response have been profoundly affected by a history of severe and systematic discrimination against women. Over time, this has produced a generation with limited education, widespread poverty, and high fertility, with which the rudimentary health system is poorly equipped to deal.

OTHER PROGRAM ELEMENTS: In FY 2002, USAID has budgeted \$50 million in International Disaster Assistance (IDA) funds for agriculture rehabilitation, livelihoods and income generation, improving health and creating incentives for stability. Approximately \$6 million in OTI funds will be used for media activity grants and counter-narcotics activities. The amount of \$77 million in P.L. 480 Title II food is being used to address immediate food shortages and areas of chronic hunger. It will also be used to re-establish the shattered lives of Afghans through the rebuilding of critical systems: agriculture, education, health & welfare, infrastructure, and employment. All these activities have the broader effect of stabilizing the country through close collaboration with national, district and community authorities. Roughly \$52.6 million in Migration and Refugee Assistance funds will be used to support the repatriation of Afghan refugees currently in Pakistan and Iran and to support large numbers of returning refugees and internally displaced persons through community-based health, education, shelter and water and sanitation projects. The amount of \$17.25 million in Economic Support Funds will be used for short-term, high-impact projects in the political or security sectors. Approximately \$15 million in INL funds will be applied to counter-narcotics programs, law enforcement training, development of a criminal code, and de-mining. USDA will provide \$44.9 million of 416(b) food for relief and recovery activities.

OTHER DONORS: At the January 2002 Donors' conference in Japan, 61 countries pledged over \$1.8 billion in development aid for immediate Afghan reconstruction. In addition to the United States, the biggest donors will be Japan, Saudi Arabia, the 12 European Union (EU) member states and the EU commission, the United Kingdom, Germany, Australia, Turkey, Iran, China, India, and Pakistan.

Afghanistan
PROGRAM SUMMARY
(In thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Health Programs Fund	0	0	2,000	TBD
Development Assistance	0	0	10,000	TBD
Emergency Response Fund	0	0	168,200	TBD
Economic Support Fund	0	0	17,250	TBD
PL 480 Title II	13,905	29,294	40,005	0
Total Program Funds	13,905	29,294	237,458	0

STRATEGIC OBJECTIVE SUMMARY

306-001 Reestablish Food Security				
DA	0	0	10,000	TBD
306-002 Create Conditions for Stability				
CSH	0	0	2,000	TBD
306-003 Rehabilitate Afghanistan as a Nation-State				
ERF	0	0	168,200	TBD
ESF	0	0	17,250	TBD

Total Transfers

BANGLADESH

THE DEVELOPMENT CHALLENGE: Key U.S. national interests in Bangladesh include encouraging stable democratic governance and respect for human rights, promoting market-oriented growth and economic prosperity to help raise living standards and reduce the large bilateral trade imbalance, and advancing national security. USAID's program also serves U.S. global interests in stabilizing world population, eliminating hunger and food insecurity, protecting human health, promoting environmentally responsible growth and providing humanitarian assistance in times of disaster.

While Bangladesh is recognized for its progress in family planning, agriculture, food security, girls' education, rural electrification and disaster response, the country remains one of the poorest, most populous and disaster-prone in the world. Bangladesh, a moderate Islamic democracy, supports the international coalition against terrorism.

Four out of 10 Bangladeshis live in poverty; half the country's children are malnourished and 61% are illiterate. The annual gross national product (GNP) per capita is \$360.

The country's endowments include its human resource base, rich agricultural land, relatively abundant water and—more recently discovered—substantial reserves of

natural gas. Nevertheless, a set of immediate and longer-term constraints must be addressed for more rapid improvement in incomes and living standards for Bangladesh's population.

The labor services of Bangladesh's people, whether employed in garment factories or as guest workers abroad, are the country's main export. The recent global economic slowdown has severely affected export earnings, exacerbating an already high fiscal deficit and contributing to a precarious balance-of-payments situation. Moreover, sustainable poverty reduction will only be realized with improvements to public health and education systems, and with a vibrant, diversified job-creating economy.

Public health shortfalls encompass not only basic maternal and child healthcare, but also newer threats of HIV/AIDS and groundwater arsenic contamination. Even with continued reductions in fertility rates, the population will surpass 200 million in the next 25 years. The weak education system at all levels places limits on skills acquisition for the work force. Economic growth rates over the last decade have been insufficient to create the number of jobs and incomes that, in turn, can underwrite improved education and basic health services for Bangladesh's 133 million people.

At present, agriculture contributes only 25% of gross domestic product (GDP) but must absorb 60% of the labor force. Bangladesh must diversify and upgrade its productive base and increase trade in a way that carefully manages its resource endowments. Recently discovered rich natural gas reserves are not yet exploited and many rural zones do not have access to electricity. Remaining wetlands and forest reserves are under intense and increasing pressure.

Both environmental and economic pressures sow the seeds of potential conflict, challenging political systems and stability. Bangladesh is internationally recognized for holding the most free and fair elections in its history in October 2001. The country must now consolidate key national and local democratic structures and tackle urgent public administration issues, particularly corruption. Despite impressive strides in opening education to women relative to its neighbors, there is much work yet ahead, especially to bolster protection of human rights in issues such as trafficking in humans. In overcoming these daunting challenges, Bangladesh will elevate its influence within the Islamic world as a voice for moderation, and as a positive force for peace and stability in South Asia.

THE USAID PROGRAM: USAID plans to spend \$61,820,000 in DA, \$3,000,000 in ESF, and \$19,176,000 in PL 480 funds in FY 2002. USAID is requesting \$57,220,000 in DA, \$7,000,000 in ESF, and \$45,082,000 in P.L. 480 funds in FY 2003. USAID's health objective is to further

reduce population growth and fertility while continuing to improve children's health and to stop the spread of infectious diseases, including HIV/AIDS. The small enterprise/agribusiness objective seeks to reduce poverty by encouraging more broad-based economic growth, expanding the formal economy through agribusiness and small business development, increasing the role of the private sector, and promoting higher value exports. Important regional and national environmental problems are addressed under the environmental objective to improve the management of water resources and conservation of tropical forests. USAID's energy objective supports privatization and efficient development of Bangladesh's energy sector. With the food security and disaster preparedness objective, USAID helps to ensure that the ultra-poor can benefit from economic growth. USAID pursues its democracy and governance objective to build internal demand for good governance by concentrating on local government, parliamentary efficacy and human rights, and by emphasizing, in particular, trafficking and abuses against women and children. New initiatives planned for FY 2002 will help expand Bangladesh's role in the global economy through improvements in basic education, information technology and enhanced enterprise development assistance. Additional FY 2002 economic support funds (ESF) resources will support new programs to provide key analytical information concerning arsenic contamination of groundwater, and to help jumpstart privatization of the power sector. New programs planned for FY 2003 include a labor initiative to protect the rights of female workers, additional technical assistance in the financial and energy sectors with ESF resources, and enhanced assistance in forestry and wetland conservation with development assistance (DA) resources.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: The USAID program in Bangladesh includes the following objective for which USAID is not requesting new funds but is continuing to spend funds previously appropriated.

<u>Number</u>	<u>Title</u>	<u>Last Notified</u>	<u>Planned Completion</u>
388-003	Broadened Participation in Local Congressional Decision-Making And More Equitable Justice	FY 01 CBJ, p. 34	FY 2002

OTHER PROGRAM ELEMENTS: Support from the Global Health Bureau is integral to implementing health activities, and providing key support in contraceptive procurement. A Democracy, Conflict and Humanitarian Assistance Bureau matching grant contributes to child survival in rural areas. A two-year agreement with the U.S. Department of Energy provides analytical support to energy sector development through the U.S. Geological Survey and the Minerals and Mining Service of the Department of the Interior. Participation in the South Asian Regional Initiative (SARI) includes SARI/Energy training and technical assistance to promote regional energy cooperation and SARI/Equity to prevent the trafficking of women and children. P.L. 480 resources support a range of development and disaster-related activities for the poor. With monetized P.L. 480 Title II food aid resources, USAID manages local currency development projects that complement program dollar financed programs, including projects in child labor and research in wheat and horticulture.

OTHER DONORS: The five largest donors to Bangladesh are the World Bank, the Asian Development Bank, Japan, the European Union and USAID. USAID coordinates with multilateral banks in agriculture, water resources, energy, and in health. Multilateral cooperation includes United Nations Family Planning Agency and United Nations Children's Fund (population, health, education, and children's rights); the International Labor Organization (child labor); the World Food Program (food security); and United Nations Development Program (democracy and disaster). Bilateral donors include Japan (energy, agriculture, rural development, health, and disaster relief); the European Commission (poverty reduction, food security, health and education); United Kingdom (enterprise development, fisheries, education, democracy and health); Germany and Switzerland (enterprise development); the Netherlands (water resources); Norway (energy and education); Canada (energy); and Denmark (poverty reduction, local government and private sector support).

Bangladesh
PROGRAM SUMMARY
(In thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	14,836	15,500	0	0
Child Survival and Health Programs Fund	0	0	39,950	0
Development Assistance	31,063	42,050	21,870	57,220
Economic Support Fund	0	0	3,000	7,000
PL 480 Title II	23,525	67,658	19,176	45,062
Total Program Funds	69,424	125,208	83,996	109,302

STRATEGIC OBJECTIVE SUMMARY				
388-001 Fertility Reduced and Family Health Improved				
CSD	14,836	14,000	0	0
CSH	0	0	39,950	0
DA	18,975	26,000	0	32,500
388-003 Improved Representation of Interests of Women and the Rural Poor				
DA	920	0	0	0
388-005 Growth of Agribusiness and Small Business				
DA	6,585	5,700	5,000	5,600
ESF	0	0	0	3,500
388-006 Improved Management of Open Water and Tropical Forest Resources				
DA	0	1,800	2,900	2,700
ESF	0	0	0	500
388-007 Improved Performance of the Energy Sector				
DA	2,196	2,500	4,770	5,470
ESF	0	0	1,500	1,500
388-008 Improved Food Security for Vulnerable Groups				
DA	1,300	3,050	3,700	2,600
ESF	0	0	1,500	1,500
388-009 Strengthened Institutions of Democracy				
CSD	0	1,500	0	0
DA	1,067	3,000	5,500	8,350

Total Transfers

INDIA

THE DEVELOPMENT CHALLENGE: The USAID program advances the transformation of the U.S.-India relationship by addressing four of the nine U.S. national interests identified in the U.S. Mission Performance Plan: (1) economic prosperity achieved through opening markets; (2) global issues of population growth, infectious diseases, and climate change; (3) development and democracy concerns of alleviating poverty, reducing malnutrition, and improving the status of women; and (4) humanitarian response by saving lives and reducing suffering associated with disasters. India has the potential to be a catalyst for economic growth and development in an unstable region, and is a key U.S. ally in the war on terrorism.

India faces daunting challenges. Economic reforms of the 1990s lifted more than 100 million people out of abject poverty, but economic growth is now faltering. More than 300 million people

are still poor. Six critical issues must be addressed to continue India's impressive gains in poverty alleviation—

One-sixth of the world's people and one-third of the world's poor live in India. It has 30% of the world's births, 20% of the world's maternal deaths and 25% of the world's child deaths. More than half of India's children are malnourished. Two-thirds of city dwellers lack sewerage and one-third lack potable water. About four million people are infected with HIV and more than two million develop active tuberculosis each year. Only 54% of women are literate, compared with 76% of males.

are still poor. Six critical issues must be addressed to continue India's impressive gains in poverty alleviation—

(1) **Population Stabilization and Child Survival:** Good health is still an elusive goal for hundreds of millions. With more than a billion people, India accounts for more than one sixth of global population growth (17 million additional people a year). One of every 11 children dies before reaching the age of five. More than 125,000 women die every year from pregnancy and child birth-related causes.

(2) **HIV/AIDS and Infectious Diseases:** India has nearly four million HIV infected people. Other infectious diseases, such as tuberculosis and polio, are rife. Over 420,000 Indians die annually from tuberculosis. India is one of the world's last reservoirs of polio.

(3) **Infrastructure:** India is rapidly urbanizing, with an increased need for better quality services that are both economically and environmentally sustainable. Power and clean water are particularly important. The growing demand for power, fueled

largely by high-ash coal, makes India a major global polluter, with significant health consequences. The inability to fully reform the power sector has dramatically increased India's fiscal deficit.

(4) **Equity:** Girls' enrollment in school lags behind that of boys. Estimates indicate that 100 million children are "out of school," with over 44 million of these children employed in industries.

(5) **Economic Reform:** Economic reforms led to stronger growth, higher investment flows and a growth in trade. However, real gross domestic product (GDP) growth is decelerating. An inefficient financial system, a growing fiscal deficit, inadequate infrastructure and inefficient power sector management are the principal constraints.

(6) **Humanitarian Assistance:** India is prone to natural disasters. In the past year it has suffered from a devastating earthquake, widespread drought, and severe flooding.

The September 2001 Presidential determination to waive the Glenn Amendment sanctions on India permits USAID support for new economic and social investments. These investments will accelerate India's growth, provide new opportunities for U.S. business, and mitigate critical social constraints.

THE USAID PROGRAM: USAID will devote \$70,878,000 in DA, \$7,000,000 in ESF, and \$86,431,000 in P.L. 480 funds in FY 2002. USAID is requesting \$75,185,000 in DA, \$25,000,000 in ESF, and \$91,288,000 in P.L. 480 funds in FY 2003 for India's seven strategic objectives. These objectives focus on improving the quality of and access to reproductive health services; providing supplementary food and health services to the poor; fostering energy efficiency, improving environmental conditions in urban areas; reducing transmission of infectious diseases; expanding service delivery networks for women; improving capacity of financial markets and government to accelerate economic growth; and reducing suffering associated with natural disasters and establishing conditions for rehabilitation. FY 2002 funds will be used to implement the program as currently planned and previously described in the FY 2002 Congressional Budget Justification. USAID also intends to use FY 2002 funds to carry out certain new activities in response to changing circumstances. The specific activities to be funded by FY 2002 appropriations are described in more detail in the following Program Data Sheets. USAID is currently developing a new Country Strategic Plan for FY 2003–FY 2007. USAID will use the FY 2003 request to fund new strategic objectives to respond to India's pressing needs by focusing on economic growth, health, energy/environment, humanitarian assistance, and education programs.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: None.

OTHER PROGRAM ELEMENTS: In addition to the bilateral program, the Asia and Near East Bureau's (ANE) South Asia Regional Initiative/Energy (SARI/Energy) program encourages regional cooperation in energy development and the eventual trade in clean energy resources among South Asian countries. ANE's Improved South Asia Regional Stability through Democracy and Human Rights objective funds programs to combat abusive child labor practices and improve women's microfinance services. The United States-Asia Environmental Partnership promotes a clean environmental revolution in India. The Bureau for Global Health has an activity in India to reduce fertility through voluntary practices. The Bureau for Economic Growth, Agriculture, and Trade has a Regional Urban Development Office in India, which frames the policy and provides strategic direction to USAID's shelter and urban programs in the South and Central Asia region. USAID's Bureau for Democracy, Conflict, and Humanitarian Assistance activities in India promote child survival, reduce the spread of HIV, treat victims of torture and violence, help electric cooperatives meet growing electrical services needs, increase food quality and quantity, and demonstrate U.S. educational and medical technologies and practices in India.

South Asian development challenges—poor governance, tenuous civil liberties and individual rights, adult illiteracy, and poor economic growth—threaten the region's prospects for longterm development and stability. USAID plans a new initiative in South Asia to improve the region's social and economic conditions, and thereby reduce the risk of regional and global instability. India will be a key beneficiary of the new initiative.

OTHER DONORS: The United States is the third largest bilateral donor to India, after Japan and the United Kingdom. Six multilateral and 13 bilateral donors provide economic assistance to India. USAID collaborates with other donors on reproductive health, HIV/AIDS and other infectious diseases, air pollution control, urban environmental infrastructure, and women's empowerment.

India
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	22,750	24,593	0	0
Child Survival and Health Programs Fund	0	0	41,678	0
Development Assistance	28,700	28,805	29,200	75,185
Economic Support Fund	0	4,989	7,000	25,000
PL 480 Title II	116,782	78,064	86,431	91,288
Total Program Funds	168,232	136,451	164,909	191,473

STRATEGIC OBJECTIVE SUMMARY

386-002 Reduced Fertility and Improved Reproductive Health in North India				
CSD	3,500	0	0	0
CSH	0	0	11,900	0
DA	14,500	15,905	0	12,000
386-003 Improved Child Survival and Nutrition in Selected Areas of India				
CSD	3,000	4,300	0	0
CSH	0	0	8,000	0
DA	0	0	0	5,660
PL 480	116,782	78,064	86,431	91,288
386-004 Increased Environmental Protection in Energy, Industry and Cities				
DA	8,900	8,288	13,650	16,700
ESF	0	0	3,000	10,000
386-007 Reduced Transmission and Mitigated Impact of Infectious Diseases, Especially STD/HIV/AIDS in India				
CSD	15,000	17,593	0	0
CSH	0	0	21,778	0
DA	0	0	0	23,135
386-009 Expanded Advocacy and Service Delivery Networks for Women and Girls				
CSD	1,250	700	0	0
DA	1,800	0	3,306	7,506
ESF	0	0	0	8,000
386-011 Increased Capacity of Financial Markets and Government to Transparently and Efficiently Mobilize Resources				
DA	3,500	3,616	12,242	10,182
ESF	0	4,989	2,500	5,000
386-012 Recovery, Reconstruction and Rehabilitation Needs Met for Targeted Vulnerable Groups				
CSD	0	2,000	0	0
DA	0	996	0	0
ESF	0	0	1,500	2,000

Total Transfers

NEPAL

THE DEVELOPMENT CHALLENGE: Landlocked between India and China with some of the most rugged topography on earth, Nepal was never colonized and remained totally isolated from outside influence until 1951. Since opening its doors, Nepal has made a remarkable transition from an isolated medieval kingdom without the most rudimentary infrastructure to a modern nation state. In 1990, Nepal made a dramatic political transition from a traditional Kingdom to a modern constitutional monarchy.

However, Nepal's transformation has yet to reach many of its citizens in inaccessible mountain villages. Although its per capita income is \$244, 42% of the population earns less than \$100 per

More than half of Nepal's 23 million people live on less than a dollar a day.

year. Poverty reduction is Nepal's overriding development challenge. Many of its social indicators are among the lowest worldwide. Nearly 40% of its population lack access to basic healthcare and education. Eighty percent of its citizens rely on subsistence agriculture, but only 20% of Nepal's rugged terrain is arable. Agricultural production can be expanded only through increasing irrigation and introducing improved

technologies and seed varieties. Additionally, Nepal has abundant hydropower resources but has been unable to exploit it. As a result of its internal insurgency, the tourist industry and the manufacturing sector have suffered major setbacks, leading to rising unemployment. Over the past 40 years, wars between Nepal's largest neighbors—China, India, and Pakistan—have led to a steady influx of refugees on its northern and eastern borders.

Nepal's relationship with India is complex. Nepal benefits from Nepali workers' remittances from India and the cheap goods and services that flow freely across its borders. However, the border is Nepal's only real conduit for the movement of goods and services and, on occasion, India has unilaterally restricted the free movement of goods.

The transition to democracy produced an array of leftist political parties. In 1994, one communist party faction withdrew from the political process. Vowing a Maoist revolution modeled on Peru's Shining Path, it pledged to end parliamentary democracy and bring down the economic system. The Government of Nepal (GON) retaliated with a police campaign that resulted in a number of human rights abuses. Starting in a remote rural section and employing classic Marxist strategy, the Maoists gained increasing control over rural areas, eventually establishing Maoist governments in five of Nepal's 75 districts, and then expanded their operations over much of the rural countryside. Maoist-affiliated unions and student groups shut down schools, exorted money under the guise of "taxation," and successfully called nationwide strikes. Since 1994, over 2,000 people have been killed.

The GON has taken several bold steps to fight corruption, decentralize services, re-establish security, and win hearts and minds in conflict areas. These efforts have been thwarted by insufficient human and financial resources and by Maoist determination to drive out all GON presence in rural areas. Most recently, in November 2001, the Maoists unilaterally ended peace talks with the GON and immediately launched attacks across Nepal and in Kathmandu on the military, local and national police officials, and businesses. In response, the GON declared an official state of emergency, designated the Maoists as "terrorists," and authorized the deployment of the army.

U.S. national interests are well served with a developed, economically stable Nepal. The country is strategically important as a buffer zone between the two most populous nations—China and India—in a volatile region of the world. By supporting Nepal's struggle to eliminate the underlying causes of its homegrown insurrection, the United States is making important contributions to regional stability and the global war on terrorism. USAID's proposed activities will provide timely and strategic assistance to help end this conflict and restore public confidence in government.

THE USAID PROGRAM: USAID will devote \$27,597,000 in DA, \$3,000,000 ESF, and \$2,603,000 in P.L. 480 funds in FY 2002, and requests \$31,696,000 DA and \$6,000,000 ESF in FY 2003 for the four objectives described in the following Program Data Sheets. USAID provides affordable health and family planning services, promoting private sector development of hydropower, and strengthening democratic processes through selected government institutions, and ensuring the wise use and equitable distribution of natural resources. In addition, FY 2002 funds will be used to implement a new Special Objective for a program to mitigate the underlying causes of the growing Maoist insurrection.

ONGOING PROGRAMS FOR WHICH NO NEW FY 2002 OR FY 2003 FUNDING IS REQUESTED:

The USAID program includes the following objective for which USAID is not requesting new funds, but is continuing to expend funds already appropriated.

<u>Number</u>	<u>Title</u>	<u>Last Notified</u>	<u>Planned Completion</u>
367-001	Agriculture and Forestry	FY 2002 CBJ, p. 303	FY 2002

OTHER PROGRAM ELEMENTS: USAID's South Asian Regional Initiative (SARI) addresses regional issues, such as energy pricing and distribution (SARI/E) and trafficking of women and children (SARI/Q). Based in New Delhi, the Regional Urban Development Office (RUDO) provides funding to Kathmandu Metropolitan City to carry out a program on domestic and medical waste management. The USAID mission in Nepal will assist RUDO in the monitoring and coordinating the project. Another USAID-financed program in Nepal, is the Bureau for Economic Growth, Agriculture, and Trade's Farmer-to-Farmer program, which provides experienced U.S. professionals to work on short-term specific agribusiness assignments with farmers.

OTHER DONORS: Bilateral donor assistance to Nepal amounts to approximately \$450 million, and multilateral grant assistance is nearly \$280 million annually. Japan and United States are the first and second largest bilateral partners, respectively. Other major bilateral donors include Denmark (energy, natural resources); United Kingdom (governance, rural infrastructure); Germany (rural development, health); Switzerland (rural development, infrastructure); Norway (energy, urban water supply); Netherlands (rural development); Finland (mapping, governance); and Canada (civil society). Major multilateral donors include the United Nations Development Program (agriculture, development administration, and industry); the World Bank; the Asian Development Bank; European Union; and World Food Program.

Nepal
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	7,000	9,250	0	0
Child Survival and Health Programs Fund	0	0	20,000	0
Development Assistance	9,900	12,158	7,597	31,896
Economic Support Fund	0	0	3,000	6,000
PL 480 Title II	0	0	2,603	0
Total Program Funds	16,900	21,408	33,290	37,896

STRATEGIC OBJECTIVE SUMMARY

367-001 Increased Sustainable Production and Sales of Forest and High-Value Agricultural Products				
DA	300	0	0	0
367-002 Reduced Fertility and Protected Health of Nepalese Families				
CSD	7,000	9,250	0	0
CSH	0	0	20,000	0
DA	6,500	6,500	0	20,449
367-003 Increased Women's Empowerment				
DA	1,900	0	0	0
367-004 Increased Private Sector Participation and Investment in Environmentally and Socially Sound Hydropower				
DA	1,200	185	0	0
367-006 Increased Private Sector Participation and Investment in Environmentally and Socially Sustainable Hydropower Development				
DA	0	2,318	2,200	2,447
367-007 Strengthened Governance of Natural Resources and Selected Institutions				
DA	0	2,855	3,647	5,800
367-008 Restoring Political Stability and Expanding Confidence in Democracy				
DA	0	300	1,750	3,000
ESF	0	0	3,000	6,000

Total Transfers

PAKISTAN

THE DEVELOPMENT CHALLENGE: Since September 11th, Pakistan has become a critical frontline state in the war against terrorism. In the expectation of instability in Pakistan and the region, commerce is shrinking, the rupee is declining in value, and the Government of Pakistan has and will continue to incur costs associated with an influx of refugees and additional internal security expenses. Loss of export markets has caused many manufacturers to drastically cut back or stop production and lay off thousands of workers, further exacerbating the country's economic crisis. The U.S. national interest centers on helping to maintain political stability in Pakistan and assisting the Pakistan Government with the international campaign against terrorism.

Nationwide, literacy rates are approximately 59% for males and 35% for females. Males attend school for an average of 1.9 years while females attend for an average of 0.7 years.

Pakistan is a nation struggling to emerge from civil and economic crisis. During the past decade, the standard of living has deteriorated, poverty has increased, public institutions have decayed, resulting in inadequate provision of essential services of any quality; and political and legal institutions lack the public's trust due to corruption and cycles of political turmoil. Pakistan's return to a path toward democratic and economic reform is in the U.S. strategic interest.

Since independence, Pakistan has shifted among various forms of parliamentary, military, and presidential governments in pursuit of political stability. The Pakistani people have often looked to the military, during times of political crisis, to serve as the government of last resort. This has resulted in alternating cycles of military and civilian rule, a type of praetorian civil-military relationship that has perpetuated the military's involvement in political process and arrested the development of a sustainable democracy. As a result, the country has experienced considerable difficulty developing stable, cohesive political and civil-society organizations.

Civil society in Pakistan is generally weak and has only recently begun to address macropolitical issues. Nonetheless, there are some potentially promising results beginning to emerge from the efforts of coalitions and networks of NGOs and community-based organizations (CBOs) to educate citizens about the meanings of democracy, representation, and the role of the voter. This effort was conducted within the context of the local government elections that concluded in August 2001. These networks of NGOs and CBOs have focused on strengthening the content, rather than the form, of the democratic process, and now provide a potential opportunity for the United States to promote sustainable democracy in the run up to the anticipated return to civilian rule.

Pakistan faces the twin challenges of reviving growth and reducing poverty. This will require rapid economic growth in agriculture, which represents 26% of GDP and employs 44% of the labor force. GDP growth hinges on crop performance. Pakistan's agriculture depends on irrigation, yet over the past two decades the productivity of the sub-sector has declined steadily due to the deterioration of the physical infrastructure and the institutional capacity to manage water at all levels. The country also faces the challenge of land degradation.

Pakistan's major health indicators demonstrate large unmet needs. The total fertility rate is 4.8, contraceptive prevalence is only 28%, and the population growth rate is 2.2% per year (compared with India's 1.7%). Estimated infant mortality is 85 per 1000 live births, under five mortality is 103 per 1000 live births, and maternal mortality is 533 per 100,000. Immunization rates are low with less than 60% of one-year olds fully immunized. Twenty-six percent of children under five are moderately to severely underweight; only 1% of young children receive vitamin A supplementation; and only 19% of households use iodized salt.

The education sector, in particular, is in a critical state of disarray. While substantial investments have been made in building schools, access is not uniform and the overall quality of education

remains very poor. Teachers are poorly qualified, frequently hired through political patronage, and receive little in-service training. Indicators for literacy, enrollment, and retention demonstrate the dire need for systemic reform. Nationwide, literacy rates are approximately 59% for men and 35% for women. The average years of schooling for a male are 1.9 years while that of females is only 0.7 years. Thirty-seven percent of boys and 55% of girls never enter school; of those who do, 50% drop out within the first five years. Only 29% of children make it to the secondary school level. This systemic failure of the education system stems from issues of both access and quality, seriously hindering Pakistan's future development prospects.

THE USAID PROGRAM: USAID plans to spend \$624,500,000 in Pakistan in FY 2002 and requests \$250,000,000 in FY 2003. USAID is establishing a field mission in Pakistan. Until now, USAID has provided modest assistance under U.S. legal provisions that allow assistance to, and through, nongovernmental organizations (NGOs) for humanitarian purposes. USAID's Pakistan NGO Initiative (PNI) was launched in September 1994, extended in November 1997, and will terminate in 2002. PNI has implemented activities related to economic development, girls' education, women's and children's health, child labor, and microenterprise development.

USAID launched a new education program in Pakistan during 2001. The U.S. Congress granted legislative authority for this program in response to the grave state of the public education system and the belief that a poorly educated populace impedes economic development and more readily supports extremist actions. The initial phase of this program aimed to increase girls' access to primary education. In 2002, the USAID education program will be significantly expanded to include assistance to the Government of Pakistan. This assistance will target educational policy, administration, teacher training, and curriculum development. USAID will also support activities that strengthen civil society organizations and political parties, and improve the health of the Pakistani people. In FY 2003, USAID plans fund activities that support economic growth through the agriculture sector.

ONGOING PROGRAMS FOR WHICH NO FY 2002 FUNDING IS REQUESTED: The USAID program in Pakistan includes the following objective for which USAID is not requesting new funds, but is continuing to expend funds already appropriated:

<u>Number</u>	<u>Title</u>	<u>Last Notified</u>	<u>Planned Completion</u>
391-004	Pakistan NGO Initiative	FY 02 CBJ, p. 331	FY 2002

OTHER PROGRAM ELEMENTS: In addition to its programs in basic education, democracy, agriculture, and health, USAID provided a cash transfer of \$600,000,000 in FY 2002 to the Government of Pakistan from funds made available under the Emergency Supplemental Appropriations Act (P.L. 107-38). USAID plans to make a \$200,000,000 cash transfer to the Government of Pakistan in FY 2003. The Government of Pakistan has committed to use the rupee equivalent of these funds for education, health, and job creation programs.

OTHER DONORS: World Bank (poverty reduction, fiscal reform and decentralization, financial sector, education, agriculture and natural resources, civil service reform, water and sanitation, health, energy, telecommunications and transportation); Asian Development Bank (governance, judiciary, agriculture and natural resources, education, health, water, infrastructure, energy, trade, financial sector); United Kingdom (education, health, trade, poverty, democracy and governance); Germany (education and training, health, rural development, energy, environment and natural resources); Japan (health, education); Canada (education, civil society, health, environment, energy, private-sector development); European Union (education, health, trade, environment and natural resources management); United Nations Children's Fund (nutrition, health, education); United Nations Development Program (governance, gender, environment and natural resources, agriculture, poverty reduction).

Pakistan
PROGRAM SUMMARY
(In thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Health Programs Fund	0	0	5,000	0
Development Assistance	0	0	10,000	50,000
Emergency Response Fund	0	0	600,000	0
Economic Support Fund	0	0	9,500	200,000
PL 480 Title II	537	1,855	0	0
Total Program Funds	537	1,855	624,500	250,000

STRATEGIC OBJECTIVE SUMMARY

391-003 Pakistan Primary Education and Literacy Program				
DA	0	0	10,000	21,500
ESF	0	0	5,000	0
391-004 Pakistan Democracy and Governance Program				
DA	0	0	0	6,000
ESF	0	0	2,000	0
391-005 Emergency Economic Assistance to Pakistan				
ERF	0	0	600,000	0
ESF	0	0	2,500	200,000
391-XXX Agricultural Growth and Employment				
DA	0	0	0	10,000
391-YYY Improved Basic Health Services				
CSH	0	0	5,000	0
DA	0	0	0	12,500

Total Transfers

SRI LANKA

THE DEVELOPMENT CHALLENGE: Key U.S. national interests in Sri Lanka include supporting democratic institutions and processes, including curbing terrorism and finding a peaceful solution to the 18-year war. The new government is one of the friendliest to the United States in Sri Lankan history and was very supportive of the United States in the aftermath of the events of September 11, 2001. By helping to resolve Sri Lanka's internal war, the United States is making an important contribution to regional stability and the global war on terrorism. In addition, the U.S. national interest is served by further promoting free markets, transparency, rule of law and respect for workers' rights, in order to integrate fully Sri Lanka into the global economy and provide greater opportunities for U.S. goods, services, and capital.

Sri Lanka weathered a year of internal political and economic stress. The fighting intensified in its 18-year war in the north and east, and included an attack on the international airport by the Liberation Tigers of Tamil Eelam (LTTE). Political instability led to the postponement of its parliament for two months; and two of the most violent parliamentary elections in history occurred over a 14-month period. Exports declined by over 8%; the budget deficit rose to nearly 10% of gross domestic product; exchange reserves dropped from \$2.6 billion to \$2.1 billion, and gross national product growth plunged from an annual average rate of 5.5% in the 1990's to minus 0.6%. Adding to the country's economic woes, as a result of the previous government's failure to meet budget expenditure terms, the International Monetary Fund postponed further drawdown of its Standby Agreement Facility after Sri Lanka had withdrawn only \$131 million of the agreement's \$253 million total.

Despite all the negative events over the past year, the December 2001 change in government has injected optimism into the populace that a peaceful solution to the war can be found and that the economy will recover from the recent downturn. In one of its first moves, the new government requested Norway to restart the talks that could lead to a peace agreement with the LTTE. In response, the LTTE unilaterally declared a one-month cease-fire "to give peace a chance" and the government reciprocated.

The new government has a critical mass of highly respected private sector individuals in key cabinet positions. Many of these individuals have been active in USAID's competitiveness activity. They understand the need and have the ability to create an environment that facilitates private sector led growth and employment generation.

Compared with its neighbors, social indicators for Sri Lanka remain high, although they do not include data from the conflict zone. Sri Lanka ranks 81st of 162 countries on the UNDP's Human Development Index. Per capita income is \$826. Life expectancy is 69.3 years for men and 75.0 years for women. Infant mortality is 17 per 1,000 live births; the literacy rate is 88.6% for females and 94.3% for males. While respectable, these indicators are at risk of eroding if the social, political, and economic constraints are not effectively addressed.

THE USAID PROGRAM: USAID plans to spend \$5,450,000 in DA funds and \$3,000,000 in ESF funds in FY 2002, and is requesting \$6,050,000 DA and \$4,000,000 ESF in FY 2003. The three USAID objectives focus on increasing Sri Lanka's competitiveness in the global marketplace; creating and enhancing economic and social opportunities for disabled and disadvantaged groups; and promoting peace, good governance, human rights awareness and enforcement, and providing psychological counseling to communities in the northern and eastern conflict zones. FY 2002 funds will be used to implement ongoing activities that assist industry and government to develop and implement strategies and for appropriate policies and programs to address barriers to competitive trade and investment. USAID will support the provision of improved prosthetic and orthotic devices for the disabled; develop capacity of organizations to advocate on behalf of the disabled; and implement social programs for families and children affected by the war. Beginning in FY 2003, a

new USAID program will promote peace and good governance and will assist in the promotion of Sri Lankan citizens' rights, as well as providing counseling and other support to victims of torture in the conflict zones in the North and East.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: The USAID program in Sri Lanka includes the following objective for which USAID is not requesting new resources but is continuing to expend funds already appropriated.

<u>Number</u>	<u>Title</u>	<u>Last Notified</u>	<u>Planned Completion</u>
383-001	Improved Framework for Trade and Investment	FY 2002 CBJ, page 344	FY 2005

OTHER PROGRAM ELEMENTS: USAID implements its democracy program with Economic Support Funds provided through the South Asia Regional Democracy Fund. This program supports activities in the areas of election administration, human rights, peace-building, and rule of law. USAID participates in the South Asia Regional Initiative that supports activities in the areas of energy and equity. Finally, the United States—Asia Environmental Partnership (USAEP) program supports the introduction of environmentally friendly technologies into Sri Lanka.

OTHER DONORS: The United States is the sixth largest donor. The leading donors are Japan, the Asian Development Bank (ADB), the World Bank, the United Nations Development Program (UNDP), Germany, and China.

Norway is the lead donor in the Peace Talks. In the economic growth area, Norway, the U.S., and Germany work in the private sector, while Japan, the United States, the ADB and the World Bank work with the government of Sri Lanka. The United States, United Kingdom, Norway, European Union, World Bank, UNDP, Germany, and Australia support democracy and human rights programs. Many donors have funded local and foreign election observers and monitors. The Government of Sri Lanka allows NGOs to work in the war-affected areas of the north and east. USAID complements the efforts of the United Nations Children's Fund, the World Health Organization, the United Nations High Commission on Refugees and international voluntary organizations in providing health care, rations, and shelter to displaced populations.

Sri Lanka
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	700	300	0	0
Child Survival and Health Programs Fund	0	0	300	0
Development Assistance	3,650	3,399	5,150	6,050
Economic Support Fund	0	0	3,000	4,000
Total Program Funds	4,350	3,699	8,450	10,050

STRATEGIC OBJECTIVE SUMMARY

383-001 Improved Framework for Trade and Investment				
DA	500	0	0	0
383-003 Enhanced Economic and Social Opportunities for Disadvantaged Groups				
CSD	700	300	0	0
CSH	0	0	300	0
DA	700	400	400	800
383-004 Increased Sri Lankan Competitiveness in the Global Marketplace				
DA	2,450	2,999	3,250	3,250
383-005 Peace, Good Governance, and Respect for Citizen's Rights Promoted				
DA	0	0	1,500	2,000
ESF	0	0	3,000	4,000

Total Transfers

Middle East and North Africa**PROGRAM SUMMARY**

(In thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	3,000	4,902	0	0
Child Survival and Health Programs Fund	0	0	4,800	0
Development Assistance	7,250	6,285	6,313	7,213
Economic Support Fund	2,375,823	1,805,020	1,637,000	1,582,000
PL 480 Title II	2,425	914	776	0
Total Program Funds	2,388,498	1,817,121	1,648,689	1,589,213

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EGYPT

THE DEVELOPMENT CHALLENGE: Egypt, a strong moderating force in the Middle East, has long been an important ally of the United States. Egypt and the United States share multifaceted strategic interests that include the achievement of stability and peace in the region. In the post-September 11th era, Egypt was one of the first Arab countries to publicly condemn the attacks and support the United States in the war against terrorism. The historic and continuing bilateral relationship that the U.S. has with Egypt serves the national security interests of both countries. It also promotes economic prosperity in Egypt through further developing the country's market-based economy that is transitioning from 40 years of state control. A key U.S. goal is for Egypt to become a fully integrated and competitive participant in the global economy.

Egypt made significant economic progress in the 1990s with major reforms that strengthened macroeconomic discipline, reined in inflation, and privatized many state-owned enterprises. Real economic growth averaged more than 4.6% over the decade and per capita Gross Domestic Product (GDP) has climbed above \$1,500. Formidable challenges remain, however. Recurrent liquidity problems began in 1998 and, while successive devaluations totaling more than 25% have redressed some foreign exchange imbalances, hard currency shortages have persisted, especially after September 11th. Partly as a result, economic growth has slowed, the private sector faces increasing uncertainties, and the earlier growth of foreign direct investment has stalled. Privatization has slowed—with a still-sizable public enterprise sector—and despite general economic improvements, the gap between newly created jobs and the rising numbers of labor force entrants may actually be widening. Thus, for both the Government of Egypt (GOE) and USAID, accelerating job creation has emerged as an overriding goal. The GOE is aware the reform program needs renewed attention, but domestic and international circumstances facing Egypt create political obstacles.

USAID is working with the GOE to advance the reform process. More investment—both domestic and foreign—is necessary if higher growth rates are to be sustained and more new jobs created. This requires improving the legal infrastructure, easing the heavy burden of tariffs and other trade barriers, rationalizing the foreign exchange regime, removing market constraints for labor and capital, and restructuring the tax system while increasing transparency. Recent actions show the GOE's willingness to make difficult economic decisions. For example, a free-trade agreement with the European Union has been signed and is now awaiting ratification, despite opposition of local interests fearing increased competition. Budget reporting has become more transparent, plans are underway for the central bank to become more autonomous, and, as mentioned above, the long-fixed exchange rate has been devalued. Job creation must match labor-force entrant numbers, and the proficiencies of these entrants must correspond closely with the needs of the market, both in relatively sophisticated areas like management and information technology and in the more fundamental skills imparted by basic education.

The positive effects of past family planning and mother/child health programs are clearly discernible, but greater efforts will be needed if the demand for and supply of new labor force entrants are to be balanced. Further health improvements for all Egyptians not only bolster living standards, but also support gains in labor productivity. As USAID begins to phase out its activities in infrastructure, millions of Egyptians enjoy greatly expanded access to utility services. Egypt continues to put in place the vital underpinnings for its continued economic growth, including the foundation for increased private investment. Further advances in the management of Egypt's unique natural resource base are needed. Specifically, quality of life can be improved for the country's citizens by meeting higher standards for water and air quality. Also, Egypt and the rest of the world will benefit from protecting irreplaceable historic and natural monuments upon which the crucial tourism sector depends.

THE USAID PROGRAM: USAID plans to spend \$655 million in ESF in Egypt in FY 2002 and is requesting \$615 million in ESF in FY 2003. The Mission Performance Plan stresses accelerating

economic growth—essential to strengthening Egypt as a stable and prosperous U.S. ally. The overall goal of USAID's strategy is a globally competitive economy that benefits Egyptians equitably. Three strategic objectives aim at creating private sector jobs: (1) bolster the trade and investment environment; (2) develop competitiveness skills; and (3) increase access to sustainable utility services. Four strategic objectives target the enhancement of the human and natural resource base: (1) upgrade natural resource management; (2) provide health services; (3) strengthen governance and participation; and (4) improve basic education to meet market demand.

For these Agency priorities in FY 2002, USAID plans to spend the following amounts of economic support funds: \$502.5 million—economic growth and agriculture; \$39.4 million—human capacity development; \$43.1 million—population and health; \$45 million—environment and \$25 million—democracy. USAID will request funding for similar priorities in FY 2003 as explained in the following Program Data Sheets.

OTHER PROGRAM ELEMENTS: Supplementary USAID-funded programs contribute to the achievement of the overall development goal specified in USAID's Egypt strategy. For example, through the Middle East Regional Cooperation Program (MERC), Egypt and other Arab countries have the opportunity to collaborate with Israel in developing and improving the quality of life in the subregion. Egypt also benefits from the U.S.-Israel Cooperative Development and Research Program (CDR). These programs administer collaborative research grants between Arab countries and Israel (MERC), and between developing countries, including Egypt and Israel (CDR). Some of the recent MERC and CDR activities that have benefited Egypt have included investigation of infectious poultry diseases found in Egypt; development of sensitive and accurate methods to detect Middle Eastern agricultural plant viruses; initiation of a registry of human cancer incidence by the Middle East Cancer Consortium to share information between different countries in the Middle East; analysis of maximum sustained yield of freshwater fisheries in Egypt, resulting in the recommendation to establish a hatchery for Tilapia fish; establishment of a regional information service on the safe and effective use of pesticides in Egypt; and improved coastal monitoring of coral reef areas in the Red Sea. The U.S.-Egypt Science and Technology Agreement that grants intended to positively influence development in Egypt.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED:

<u>Number</u>	<u>Title</u>	<u>Last Notified</u>	<u>Completion</u>
263-018	Infrastructure	FY 2002 CBJ, page 375	FY 2005

OTHER DONORS: Egypt is a major recipient of bilateral and multilateral aid from at least 38 official and institutional donors. On a per capita basis, net official development assistance flows to Egypt since 1990 have been among the highest in the world. The United States is the largest single donor with the widest-ranging program. Other major donors include the European Union, with major programs in education enhancement, health sector reform, industrial modernization, and support to the government's Social Fund for Development; Germany, with programs in environment, water supply and water management, agriculture, and solid waste management; Japan, with programs in environment, technology, small and medium enterprises, transportation planning, water management, and improved management of the Suez Canal; and various Arab organizations (the Abu Dhabi Fund for Development, the Arab Fund for Economic and Social Development, The Kuwait Fund for Development, the Saudi Fund for Development, and the Islamic Development Bank), with programs in industry, infrastructure, housing, and support for the Social Fund for Development. Other donors include Canada, Denmark, Finland, Italy, the Netherlands, Spain, Sweden, Switzerland, and the United Kingdom.

Egypt
PROGRAM SUMMARY
(In thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Economic Support Fund	727,267	693,471	655,000	615,000
PL 480 Title II	714	323	0	0
Total Program Funds	727,981	693,794	655,000	615,000

STRATEGIC OBJECTIVE SUMMARY

263-016 Environment for Trade and Investment Strengthened				
ESF	495,743	440,796	510,800	501,000
263-017 Skills for Competitiveness Developed				
ESF	10,000	65,000	19,010	33,323
263-018 Access to Sustainable Utility Service in Selected Areas Increased				
ESF	109,846	53,803	0	0
263-019 Improved Management of the Environment and Natural Resources in Targeted Sectors				
ESF	36,481	40,780	48,480	11,000
263-020 Healthier, Planned Families				
ESF	52,422	58,100	46,490	38,900
263-021 Egyptian Initiatives in Governance and Participation Strengthened				
ESF	8,775	11,092	9,420	17,877
263-022 Basic Education Improved to Meet Market Demands				
ESF	14,000	23,900	20,800	12,900

Total Transfers

ISRAEL

THE DEVELOPMENT CHALLENGE: Israel has long been a strong ally of the United States. Israel strongly condemned the September 11th attacks on the United States, and the close bilateral relationship that the United States has with Israel serves the national security interests of both countries. USAID assistance provides Israel the funds it needs to promote economic reforms.

A fundamental U.S. Government objective in Israel is to reduce Israel's balance-of-payment pressures as it continues to pursue the economic reforms required for financial stability and structural adjustments needed for rapid, sustainable growth. Since 1993, export competitiveness has improved, and inflation has been reduced. Expanding business investment and governmental infrastructure investment, coupled with sustained export growth, are helping Israel reach its gross domestic product growth rate potential of about five percent.

Israel's economy has responded favorably in recent years to the restructuring imposed after the crises and hyperinflation of the mid-80s. Since 1990 the economy has become increasingly sophisticated and technologically advanced. In FY 1999, Congress began a reduction of the economic assistance earmark in recognition of this progress. The government still faces economic challenges associated with absorbing nearly 900,000 immigrants since 1989 in a country of only six million. Israel's economy slowed down considerably in 2001 from the strong growth levels of 2000. The Israeli economy grew by six percent in 2000, with zero inflation. Foreign investment, mostly in the high-tech sector, soared, reaching a record \$9 billion. Growth in 2000 would have been even greater had it not been for a sharp downturn at the end of the year. Growth plunged 10% (annualized basis) in the fourth quarter of the year from third quarter levels.

The end of the year downturn was caused by a combination of factors. The violence in Israel and the West Bank and Gaza led to a steep drop in the number of foreign tourists. Construction and agriculture were hurt by the sudden loss of Palestinian workers, unable to travel to jobs in Israel because of closures imposed by the Israeli military. A drop in economic growth in the United States led to a lower level of exports. Finally, the steep drop on the stock exchange resulted in a decrease in the rate of new foreign investment in Israel. Many Israeli high-tech firms list on U.S. stock exchanges (nearly 100 Israeli firms are listed, more than from any country outside North America).

The U.S. Government strongly supports Israel's reform measures and underscores its support at the U.S.-Israel Joint Economic Development Group (JEDG), which traditionally meets annually. These high-level policy discussions also help to reinforce Israel's commitment to the reform process. Beyond maintaining a stable macroeconomic environment, the reduction of unemployment will require reform of the financial sector, the reduction in labor market inflexibility, the continuation of trade liberalization, and an acceleration of the privatization program. The United States intends to promote Israel's economic and political stability through continued support of its economy.

THE USAID PROGRAM: The United States, acting through the USAID, will provide \$720,000,000 in FY 2002 funds to Israel as a cash transfer. These funds will be used by Israel primarily for repayment of debt to the United States, including re-financed Foreign Military Sales debt, and purchases of goods and services from the United States. The U.S. State Department will continue to encourage Israeli reform to reduce government spending and deficits, to improve tax and public wage structures, to increase privatization, to reform labor markets, and to continue to liberalize its trade regime.

In FY 2003, the anticipated cash transfer will be \$600,000,000.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: None.

OTHER PROGRAM ELEMENTS: In addition to the cash transfer to Israel, USAID's Global Bureau for Economic Growth, Agriculture and Trade manages a number of regional programs that involve Israel.

The Middle East Regional Cooperation (MERC) Program promotes technical cooperation between Israel and its Arab neighbors, with particular attention to the development needs of those countries. The Cooperative Development Research (CDR) Program brings Israeli and developing country scientists together to collaborate in solving problems relevant to the developing countries. The Cooperative Development Program (CDP) provides funding for the State of Israel's own general development assistance program, which is implemented by the Center for International Cooperation (known as MASHAV), a part of Israel's Ministry of Foreign Affairs.

OTHER DONORS: The United States is the largest bilateral donor to Israel.

Israel
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Economic Support Fund	949,056	838,152	720,000	600,000
Total Program Funds	949,056	838,152	720,000	600,000

STRATEGIC OBJECTIVE SUMMARY

271-001 Support Policy Reform for Financial Stability				
ESF	949,056	838,152	720,000	600,000

Total Transfers

JORDAN

THE DEVELOPMENT CHALLENGE: In addition to the pivotal role it plays in Middle East regional stability, combating terrorism, and serving as a model of reform, a critical domestic challenge this year is spreading the benefits of economic reform and growth more broadly within the society. The Jordanian economy is highly vulnerable to regional and global political and economic shocks. The closure of traditional markets and the effects of the September 11th terrorist acts in the United States have negatively affected Jordan's ability to overcome the many development challenges it faces.

The Government of Jordan (GOJ), led by King Abdullah II, has embarked on a program of far-reaching economic and social-sector reforms. A multi-faceted plan to accelerate the national social and economic transformation in Jordan is based on an aggressive growth budget over the next four years. This process is designed to maintain Jordan's macroeconomic stability and strengthen its credibility with the international financial community. USAID/Jordan is well positioned to assist in this ambitious undertaking and to support Jordan as a key ally and development partner through efforts in population and family health, water resources, and economic opportunities for Jordanians.

The population of Jordan is 5.1 million. This is over nine times the population in 1952 when the United States began providing economic assistance. While the total fertility rate has declined from 7.3 children per family in 1976 to 3.5 in 2001, the current natural rate of increase is 2.3%, with a total population growth rate of 2.8%. This will lead to a doubling of the population by about the year 2027. This high population growth rate places severe demands on Jordan's limited water resources and is a key factor in the current high rates of unemployment and under-employment.

Jordan is one of the ten most water-deprived countries on earth. Jordan needs to do whatever it can to use its water resources efficiently. Ninety percent of Jordan receives less than eight inches of rain annually. Of that, 90% is lost to evaporation. As a result of three years of drought, reservoirs which should contain 178 mcm of water contain only 37 mcm. Water is scarce in the entire region and will continue to be a critical issue for peace and economic development for decades to come.

In 2002, there will be 37,000 new entrants to the work force. With unemployment currently at 14.9% and rising since September 11th, and with "under-employment" adding perhaps another 5%, there will be few employment opportunities for these new entrants without faster economic growth and labor market reforms. In addition, the "safety valve" of employment in the Arabian Gulf is disappearing, placing a burden on the domestic economy. With 50.5% of Jordan's population currently under age 20, and almost 40% below the age of 15, the situation will only get worse.

THE USAID PROGRAM: USAID will devote \$150 million in ESF in FY 2002 to Jordan and is requesting \$250 million in ESF in FY 2003. USAID's program focuses on three strategic objectives (SOs): Improved Water Resources Management; Improved Access to and Quality of Reproductive and Primary HealthCare; and Increased Economic Opportunities for Jordanians. At the higher funding level, USAID/Jordan does not plan to add any new strategic objectives. However, it will expand the scope of activities to include social sector issues related to education, population, and family health. Additionally, one Intermediate Result indicator each will be added to the water resources and economic opportunities objectives to track rural development and poverty statistics under these strategic objectives. USAID will work with the State Department and the Jordanians to put in place the appropriate mechanisms to program and manage the increased funding level. The proposed activities and mechanisms are outlined in the Program Data Sheets below.

ONGOING PROGRAMS FOR WHICH NO 2002 OR FY 2003 FUNDING IS REQUESTED: None.

OTHER PROGRAM ELEMENTS: There are three USAID programs not managed by USAID's field mission. The first is the Middle East Regional Cooperation (MERC) initiative funded and managed by USAID's Bureau for Economic Growth, Agriculture, and Trade (EGAT). Most of the MERC projects in Jordan are in environmental protection, health, water and agriculture. Examples include the Aqaba Regional Peace Park (protecting the coral reefs), the Middle East Cancer Consortium, Eradication of the Mediterranean Fruit Fly, and Education for Peace. To date, approximately 35 projects have involved both Jordanian and Israeli partners, with a total funding level (all partners included) of almost \$28 million. Three projects involving environmental protection and agriculture were approved in FY2001. The life of project ranges from three to five years. Jordan's portion is approximately \$514,000.

Second, the USAID field mission reviewed and approved two U.S.-Israel Cooperative Development Research (CDR) Projects for a total of approximately \$400,000. The two three-year projects are collaborative research between Israel, Jordan, and the United States on the use of bees in agriculture.

Third, the USAID field mission assisted the U.S. Embassy in programming the equivalent of \$25.78 million in local currency proceeds from the sale of 200,000 tons of Section 416(b) wheat. USAID provided information to the Embassy on the GOJ's National Assistance Fund (NAF) for the poor, which was included in USG negotiations with the GOJ. Approximately \$3 million will be allocated to the NAF from these resources.

OTHER DONORS: During FY 2001, Jordan received a total of \$216,345,335 in grant assistance and \$216,028,354 in loan assistance from thirty-five foreign governments and multilateral agencies. USAID (including USDA Section 416(b) assistance) provided 77% of total grant aid and was the single largest donor for the fourth year in a row. Japan was the second largest donor, with 10% of the total, followed by Italy (4%), the United Kingdom (3%), and Canada (1.5%). The World Bank, Islamic Development Bank, Arab Fund, European Union, United Nations Development Program, and the Governments of Spain, Germany, and Norway together provided the remaining 4.5% of grant aid. Of total loans, the World Bank was the largest creditor at 55%, followed by Spain (15%), Switzerland (9%), Italy (6%), Abu Dhabi Development Fund (4.6%), Denmark (3.3%), France (1%), and Norway (0.7%).

Jordan
PROGRAM SUMMARY
(In thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Economic Support Fund	199,500	149,670	150,000	250,000
Total Program Funds	199,500	149,670	150,000	250,000

STRATEGIC OBJECTIVE SUMMARY

278-002 Improved Water Resources Management				
ESF	83,000	43,845	45,000	75,000
278-003 Improved Access to and Quality of Reproductive and Primary Health Care				
ESF	20,000	17,938	18,000	41,500
278-005 Increased Economic Opportunities for Jordanians				
ESF	96,500	87,887	87,000	133,500

Total Transfers

LEBANON

THE DEVELOPMENT CHALLENGE: Lebanon continues to face challenges as formidable as those following the May 2000 withdrawal of Israeli forces from South Lebanon, when all eyes focused on re-establishing sovereignty, stability, and security; now it must revitalize its economy in a country emerging from two decades of occupation and a devastating civil war. The withdrawal presented a newly elected and reform-minded government with an historic opportunity to rebuild and redefine Lebanon—as a nation intent on liberalizing its economy; a people dedicated to advancing democratic institutions, human rights, and the rule of law; and a partner wedded to achieving regional peace and global prosperity. These remain core priorities for the Lebanese leadership, along with the new, post-September 11th challenge of combating terrorism. They also form the crux of U.S. national and foreign policy interests in Lebanon.

Lebanon made progress this past year in meeting these challenges. For example, the Government of Lebanon's (GOL) recent signing of the long-awaited Euro-Mediterranean Partnership, in tandem with upcoming negotiations on World Trade Organization (WTO) membership, are key steps in Lebanon's bid for an increased share of regional and global trade. A new value-added tax, along with actions favorable to privatization, budget belt-tightening, and administrative streamlining, could add much-needed efficiencies and revenues to the public sector. Elections in formerly-occupied municipalities not only signaled the GOL's commitment to extend its sovereignty southward, but, for the first time in nearly 40 years, formally activated local government and grassroots decision-making nationwide. Safety and security were also enhanced when Lebanese Armed Forces, working closely with troops from the United Nations Interim Forces in Lebanon (UNIFIL), began demining operations and mine awareness campaigns in the south's most heavily mined areas. Since September 11th, the GOL has also actively supported U.N.-originated counter-terrorism measures.

Nonetheless, the pace of economic and administrative reform is slow, as are the reintegration and recovery measures in the south. The GOL is broke, and the economy is in crisis. Public debt, rising 20% per year, is at an alarming \$28 billion, equaling 170% of GDP. Servicing this debt consumes 90% of public revenues, leaving little for investment. Unemployment and underemployment are believed to exceed 25%, with rural areas particularly hard-hit. Investment law, judicial recourse, intellectual property rights, and business ethics are major challenges, dampening investor confidence and pushing much of Lebanon's highly talented workforce to the Gulf States and beyond. Remittances from abroad, estimated conservatively at 25% of GDP, are a safety net and at times a lifeline for what many families see as a no-growth economy with few opportunities. There is an increasing reliance on external donor funding for financial and budgetary support, and even basic services.

Complicating this situation are the many religious, regional, political, and cultural differences embedded in Lebanese society—historic, deep-rooted cleavages that fuel gridlock, impede good governance, undercut collective action for the common good, and make "political will" hard to define. Syria's presence, symbolized by some 20,000 troops, influences all major government decisions and effectively limits Lebanon's sovereignty. Lebanon's border with Israel remains contested; entrenched Hizballah forces and Israeli overflights are a constant reminder of the South's volatility, curbing resettlement, dampening investment, and weakening development efforts. This issue took a new twist when the United States reiterated Hizballah's place on its Foreign Terrorist Organizations list, requesting the GOL to freeze Hizballah assets. The GOL disagreed, launching a debate with the United States, and with other western and regional partners, on Hizballah's status as a terrorist or resistance organization. The outcome could have far-reaching effects on Lebanon's security, stability, and economy, as well as on USAID's program.

THE USAID PROGRAM: USAID's FY 2002 program will devote \$35,000,000 in Economic Support Funds (ESF) and \$600,000 in Development Assistance (DA) funds. USAID is requesting \$32,000,000 ESF and \$500,000 DA for FY 2003. The program will focus on expanding and

adding value to existing activities, as detailed in the Program Data Sheets below and as previously described in the FY 2002 CBJ. Funds will (1) expand small-scale NGO-based income-generating and infrastructure activities in poor rural areas through investments in key productive and service sectors, notably agriculture, agribusiness, tourism, water, dairy, and microenterprises; (2) strengthen the policy, regulatory, and legal environment for Lebanon's upcoming membership in the World Trade Organization (WTO); (3) promote democracy, good governance, and program sustainability by supporting key institutions, particularly municipalities, Parliament, oversight agencies, the media, and civil society organizations; and (4) improve the health, safety, security, and overall economic well-being of rural residents through appropriate environmental technologies and de-mining activities. Geographic emphasis will continue focusing on areas of high need and good economic potential, recognizing that real recovery, revitalization, and reintegration can only take place with the active support of local and national players. USAID will also promote strategic alliances, particularly in the "Internet for development" arena, to capitalize on Lebanon's strengths in information and communication technology, and to bring together the best talent and ideas in the private, NGO, university, and host country communities. The FY 2003 program will continue along the above lines, pending the outcome of an upcoming strategy review aimed at defining USAID investments for the FY 2003-2005 period.

The USAID program—known for its balanced, responsive, targeted, community-oriented approach to development—is well positioned to address many of Lebanon's economic, institutional, governance, environmental, safety, and security challenges.

USAID will also promote strategic alliances, particularly in the "Internet for development" arena, to capitalize on Lebanon's strengths in information and communication technology, and to bring together the best talent and ideas in the private, NGO, university, and host country communities. The FY 2003 program will continue along the above lines, pending the outcome of an upcoming strategy review aimed at defining USAID investments for the FY 2003-2005 period.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: None.

OTHER PROGRAM ELEMENTS: Lebanon benefits from the Leahy War Victims Fund for a number of mine action activities, chief of which is a Resource Cooperative aimed at creating economic opportunities for mine-injured survivors and their families in the district of Jezzine, Lebanon's most heavily mined and casualty-afflicted area (see SO 268-005 below). USAID will continue to receive War Victims Funds. USAID is also benefiting from FY 2001 FORWARD (Fostering Resolution of Water Resources Disputes) funds for water management activities in South Lebanon.

OTHER DONORS: Donor coordination in Lebanon is active. The most recent United Nations Development Program (UNDP) reports list Arab countries as the main source of Lebanon's external funding, led by the Kuwait Fund for Arab Economic Development (transport infrastructure); the Arab Fund for Economic and Social Development (human resource development, energy); the United Arab Emirates (de-mining); Saudi Arabia (infrastructure, social services); and the Islamic Development Bank (infrastructure). Also active are the World Bank (broad-based development); the European Union (EU--training, development administration, rural development, trade); France (technical cooperation, training); United Nations organizations (broad-based development); Italy (agriculture, infrastructure, water); Canada (development administration, economic management); and Norway (technical cooperation, social services). Bilateral assistance accounts for 55% of disbursements; multilaterals account for 38% and NGOs for 7%. USAID, while approximately 10th in resource levels, is consistently among the top three in actual spending. USAID's main donor partners are the World Bank, EU and UNDP for rural development and environmental activities; the EU and UNDP for administrative reform and municipal development; the EU for trade (Euro-Med and WTO agreements); and France for water resource management.

Lebanon
PROGRAM SUMMARY
(In thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Development Assistance	0	600	600	500
Economic Support Fund	15,000	34,923	35,000	32,000
Total Program Funds	15,000	35,523	35,600	32,500

STRATEGIC OBJECTIVE SUMMARY

268-001 Reconstruction and Expanded Economic Opportunity				
ESF	14,100	22,964	23,000	20,000
268-002 Increased Effectiveness of Selected Institutions Which Support Democracy				
ESF	900	5,481	7,000	7,000
268-005 Improved Environmental Practices				
DA	0	600	600	500
ESF	0	6,478	5,000	5,000

Total Transfers

MOROCCO

THE DEVELOPMENT CHALLENGE: It is in the United States' national interest to foster a long-term, strong relationship with this moderate, stable, Arab and Islamic country. Morocco was among the very first Arab countries to publicly condemn the attacks of September 11 and voice its support to the American people. Since then, Morocco, and in particular King Mohammed VI, has continued to support the United States in the war against terrorism. Morocco has proven to be a reliable ally over the years, providing troops for Desert Storm, Bosnia, and Kosovo. And over the years, Morocco has provided important low-key intermediations in efforts to find peace in the Middle East.

Morocco has embarked on a program of political, social, and economic reform unique to the Middle East and North African region. With former King Hassan II's appointment of a former opposition exile as Prime Minister in 1998, followed by the ascension to the throne of King Mohamed VI in 1999, Morocco's leaders have clearly signaled their commitment to transparency and democracy, as well as social and economic development. The government has pursued policy choices for more economic liberalization and openness. Decentralization has given new authorities to local officials and civil society has blossomed. Education is a high priority for the King, and a national education charter is in place, which mirrors many of the elements targeted under USAID's current program; 1999-2009 has been declared by the King as "the education decade." The King and the Government have also pledged open and fair parliamentary elections in September 2002.

At the same time, the country faces formidable development challenges. Poverty is increasing because of the lack of economic opportunities and productive resources: more than 5.3 million

Illiteracy affects over half of the total population and about two-thirds of the women. For every 100,000 live births, 230 mothers die. In 2000, Morocco's UNDP Human Development Index rank was 124 (out of 174).

Moroccans (19% of the total population) live on less than one dollar per day and another 30% are at risk. Repetitive droughts further jeopardize Morocco's economic base and drive impoverished farmers and families to urban slums. They swell the ranks of the unemployed, as urban unemployment passed 20% in 2000. The September 11 events added to Morocco's woes, as its tourism sector was hard-hit. Even so, Moroccans place high hopes on tourism for their economic future. Morocco's per capita income in 2000 was estimated at \$1,180, which qualifies it as a middle-income country. However, its social indicators are closer to those found in a low-income country. For example, 53% of the population (66% of

females) is illiterate, compared to 11% (17% of females) in Jordan, a country similar in terms of per capita income; the gross primary enrollment rate is only 86%; maternal mortality reached 230 per 100,000 live births (vs. 41 in Jordan). Overall, Morocco ranks 124th on the United Nations Development Program's Human Development Index, well behind its North African neighbors and Jordan, which ranked 92nd.

THE USAID PROGRAM: USAID plans to devote \$10.313 million in FY 2002 and requests \$6.713 million for FY 2003. USAID's program targets one key economic region of Morocco in order to maximize impact. A two-pronged approach uses demonstration projects to introduce new technologies or approaches, paralleled by policy dialogue at the national and regional levels to encourage sustainability and replication of USAID's interventions. USAID's two key strategic objectives for which funding is being requested are linked and focus on the two fundamental resource issues for Morocco's economy: 1) increasing opportunities for domestic and foreign investment, and 2) improving water resources management. Two special objectives address key long-term issues of health and education: 1) promoting sustainable population, health and nutrition programs, and 2) increasing basic education attainment for girls in rural areas. USAID gives particular attention to gender and public-private partnerships to maximize synergies across sectors. USAID does not intend to use FY 2002 funds to carry out new activities. In addition to supporting ongoing activities, FY 2003 funds will be used for a new activity in basic education, to complement the current education program and further support Morocco's education reform effort.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: None.

OTHER PROGRAM ELEMENTS: The U.S. North African Economic Partnership aims to improve trade and investment within the region and with the United States. The Middle East Democracy Fund supports efforts to improve the capacity and participation of civil society in support of citizens' rights. In addition, USAID manages local currency generated from the Section 416(b) monetization program. These funds support microcredit programs in rural areas and demonstration projects in the water sector, particularly methods to combat soil and wind erosion. The Regional Urban Development Office for the Near East and North Africa (RUDO/MENA) provides valuable management and technical services to the USAID field office. It currently manages two activities that focus on decentralization and community development. RUDO also provides assistance on urban-related issues. RUDO will further support USAID's bilateral program by cost-sharing technical staff and technical assistance for two new Development Credit Authority agreements (wastewater treatment systems and slum upgrading); a partnership with the Cities Alliance to develop City Development Strategies; and one regional activity (partnership with the Middle East North Africa Urban Forum).

OTHER DONORS: In 1999, official donor assistance to Morocco totaled about \$678 million in loans and grants. The largest multilateral donor programs are those of the World Bank, followed by the European Union and the African Development Bank. Regarding bilateral grant programs, U.S. assistance ranked third (8%) after France (61%), and Germany (20%). USAID and other donor strategies focus primarily on community development; decentralization; small and medium enterprises; and policy reforms to improve the investment environment, the telecommunications sector, and agriculture. Donors work increasingly with local communities and NGOs. France focuses primarily on rural development and potable water, with strong emphasis on participatory community development. German aid has shifted from loans to exclusively grants, mainly in potable water and environmental management. The United Nations Development Program has completely shifted from sectoral initiatives to crosscutting themes integrated into the environmental management, governance, poverty, and social sectors. Gender considerations are emphasized across all activities. The World Bank and African Development Bank loans essentially finance infrastructure and macroeconomic structural reforms.

USAID continues to play a far more significant role than its program size indicates. USAID is perceived as the leading donor in investment climate, microenterprise development, maternal and child healthcare, and water resources management. USAID also partners with other donors and in particular with Moroccan foundations and nongovernmental organizations (NGOs) to create complementary programs. In recent years, two Moroccan social development institutions also became significant supporters of local development programs and USAID was successful in leveraging more than \$5 million in additional resources for microcredit and soil erosion prevention.

Morocco
PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	3,000	4,902	0	0
Child Survival and Health Programs Fund	0	0	4,600	0
Development Assistance	7,250	5,685	5,713	6,713
PL 480 Title II	0	591	0	0
Total Program Funds	10,250	11,178	10,313	6,713

STRATEGIC OBJECTIVE SUMMARY

608-005 Increased Opportunities for Domestic and Foreign Investment				
DA	2,750	2,685	1,985	2,165
608-006 Improved Water Resources Management in the Sous-Massa River Basin				
DA	1,500	1,000	2,300	3,000
608-007 Key Interventions Promote Sustainability of Population, Health and Nutrition Programs in Morocco				
CSD	1,500	3,414	0	0
CSH	0	0	4,600	0
DA	3,000	2,000	0	0
608-008 Increased Attainment of Basic Education among Girls in Selected Rural Provinces				
CSD	1,500	1,488	0	0
DA	0	0	1,428	1,528

Total Transfers

WEST BANK AND GAZA

THE DEVELOPMENT CHALLENGE: Since the Al Aqsa Intifada (uprising) began in September 2000, the social and economic situation of Palestinians in the West Bank and Gaza has dramatically declined. The most direct economic hardship is the loss of an estimated 75,000 Palestinian jobs in Israel; including family members, this loss has affected some 750,000 Palestinians. Unemployment has jumped from 10% to 38% and the estimated percentage of the population living under the poverty rate of \$2 per person per day has jumped to 46%. Total income losses arising from Israeli-imposed border closures amount to around \$2.4 billion, in addition to over \$300 million in infrastructure damage. Estimated losses include decreased domestic output and income, lost labor income from Israel, damage to property and structures, costs of additional burdens on health and social services, and decreased revenue transfers from Israel.

These losses are catastrophic to an economy with an annual gross domestic product (GDP) of approximately \$4.75 billion before September 2000. The massive disruption in the Palestinian economy has directly affected the ability of the Palestinian Authority (PA) to pay civil service salaries and deliver basic services. USAID believes that the projected 19% further decline in Gross National Income per capita coupled with sustained and further tightening of the closures will lead to a much greater scale of human hardship.

The development problem that has confronted USAID since September 2000 is how to relieve the increasing suffering of ordinary Palestinians through appropriate "emergency" projects while maintaining a longer-term developmental approach. USAID has reprogrammed significant funds for emergency response activities that address urgent and critical needs. USAID has obligated more than \$54 million for this purpose and has plans to obligate an additional \$83 million during fiscal year 2002, for a total of \$137 million. These emergency response projects include employment generation, microenterprise financial services, emergency health services, improved service delivery through nongovernmental organizations (NGOs), increased support for the United Nations Relief Works Agency (UNRWA), and expansion of small infrastructure projects. USAID has also maintained programs that address other basic needs, i.e., water and health that contribute to the development of institutions necessary to sustain essential services.

THE USAID PROGRAM: USAID plans to use \$323,445,569 from prior year funds and \$72,000,000 in ESF in FY 2002 funding. USAID requests \$75,000,000 in ESF in FY 2003. USAID will use FY 2002 funds to implement projects to ensure efficient development of the private sector; develop new water resources; improve democracy, governance, and the rule of law; increase access for mothers and children to higher-quality healthcare; provide basic community services; and ensure access to higher education and training for a broad range of Palestinians.

Despite the violence and other challenges associated with the situation, USAID has achieved meaningful results during the past 15 months, has helped avoid a more serious crisis from emerging, and has laid the basis for the advancement of important US foreign policy goals. While USAID has altered the manner in which it does business in the West Bank and Gaza, a strategic focus has been maintained and oversight responsibilities are uncompromised.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: None.

OTHER PROGRAM ELEMENTS: In FY 2000, USAID received Wye Supplemental Funds in addition to its annual operating year program budget. Wye funds are being used to develop new water resources in Gaza and the West Bank, principally through construction of a Gaza Desalination Plant and Regional Water Carrier. Combined, these two projects will provide a regular supply of fresh water to approximately one million people in Gaza for the first time. Wye also funds community services projects, which provide villagers throughout the West Bank and Gaza with new and improved infrastructure, including new agricultural roads, water cisterns and new small water wells,

school playgrounds, and other village level projects. Wye funds also have contributed to emergency response activities, including major employment generation projects and UNRWA activities that respond to the most pressing needs of the poorest Palestinians. Wye funds are used to pay for higher education and training programs, which offer Palestinians the opportunity to receive further training and education in the United States and within the West Bank and Gaza. The Wye funds also pay for a significant maternal and child healthcare project, which includes training, health clinic upgrades, and healthcare system design and implementation. Finally, Wye funds rule of law projects that aim to train Palestinian lawyers and judges to ensure that the rule of law is observed throughout the judicial system.

OTHER DONORS: From March through December 2001, Arab League members, through the Islamic Development Bank, provided \$405 million and the European Union provided \$115 million in direct budgetary support to the Palestinian Authority. USAID's traditional donor partners are the World Bank (emergency employment, NGO development, and village level improvements), Norway (small-scale infrastructure), Japan (small-scale infrastructure), the United Nations (employment generation, refugee assistance, and grass roots development), and Germany (water infrastructure). In conversations with USAID, all the traditional donors indicate that they intend to sustain long-term programs at or above current levels despite project implementation problems due to the uprising.

Donor coordination in the West Bank and Gaza is highly organized, with several layers of donor coordination mechanisms. A Task Force on Project Implementation, which includes representatives from USAID, the European Union, the United Nations, and the World Bank, works closely with Israeli government officials to facilitate donor project implementation. The Joint Liaison Committee (JLC) includes the leading donors, and Israeli and Palestinian counterparts. Since the uprising started, the JLC donors have met on a regular, albeit informal basis. The Ad Hoc Liaison Committee (AHLC) consists of high-level decision-makers from capitals that discuss broad policy issues concerning donor work in the West Bank and Gaza in the company of Israeli and Palestinian representatives. To respond to the unfolding humanitarian crisis, the donors formed the Humanitarian Task Force for Emergency Needs (HFTEN), which provides continual analysis of the situation to all donors, the Palestinians, and the Israelis.

**West Bank and Gaza
PROGRAM SUMMARY
(in thousands of dollars)**

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Economic Support Fund	485,000	84,813	72,000	75,000
Total Program Funds	485,000	84,813	72,000	75,000

STRATEGIC OBJECTIVE SUMMARY

294-001 Expanded Economic Opportunities				
ESF	34,348	3,752	9,801	11,034
294-002 Greater Access to and More Effective Use of Scarce Water Resources				
ESF	265,552	60,384	52,450	44,606
294-003 More Responsive and Accountable Governance				
ESF	25,100	10,580	5,375	10,500
294-005 Selected Development Needs Addressed				
ESF	58,713	5,007	3,205	1,600
294-007 Healthier Palestinian Families				
ESF	31,287	5,090	1,369	6,110
294-008 Improved Community Services				
ESF	70,000	0	0	750

Total Transfers

YEMEN

Persistent poverty has contributed to Yemen having illiteracy, fertility, and infant mortality rates that are among the highest in the world. Nearly 75 percent of females and 44 percent of males are illiterate. The fertility rate is 6.4 children per mother, resulting in a population growth rate of three percent per year.

THE DEVELOPMENT CHALLENGE: Yemen's economic and political development is essential for achieving the key U.S. goal of stability in the Gulf region. Threatened by multiple and severe development challenges, Yemen requires targeted interventions and reforms in order to achieve political and economic stability. Yemen is critical to U.S. counterterrorism interests in the post-September 11th environment, and the United States will work with the Government of Yemen to deal with terrorists on Yemeni soil and to deter terrorists from seeking refuge in or transiting through Yemen.

The maturation of Yemen's democratic government and free-market economy are also in the U.S. interest. As indicated in the State Department's FY 2003 Mission Performance Plan for Yemen, the success of Yemen's democracy will directly influence political development throughout the Middle East. This success relies in

large part on a commitment by the U.S. to support Yemen in this transition. USAID will contribute to these efforts by helping with basic healthcare, family planning services, and improved access to education at all levels, particularly for Yemeni women.

In 1995, the Government of Yemen (GOY) began to implement ambitious macroeconomic stabilization and structural adjustment programs with primary support and guidance provided by the World Bank and International Monetary Fund, and assisted by a broad range of international donors. The objectives of these programs were to reduce fiscal imbalances and resulting inflation while promoting a basis for economic growth. In 1997, the GOY began to implement medium-term economic reform programs. The objectives of these programs were to establish a permanent basis for accelerated and sustainable non-oil sector growth, reduce unemployment, improve the country's social indicators, strengthen the social safety net, maintain financial stability, and achieve external stability. The reform measures helped improve economic performance. The annual real Gross Domestic Product (GDP) growth rate averaged 4.4% from 1995 to 1999 and rose to 6.5% in 2000. The fiscal deficit declined to an average of 3.3% of GDP for 1995-1999 despite the wide-ranging fluctuations in world oil prices, and in 2000 Yemen posted a substantial budget surplus of 9.4% of GDP. This large surplus resulted from a surge in revenue stemming from a 60% rise in world oil prices. Inflation (consumer price index) declined to single digit levels at 6% by 1997 and 8% in 1999, but reached 10.9% in 2000. Considerable improvements have been seen in the current account. The exchange rate stabilized after October 1995 in the range of Yemen Rials (YR) 124-128 to the dollar, but increased to YR 162 in 2000.

Despite the success that the GOY is achieving with its stabilization program, major economic and development challenges remain. The Republic of Yemen is among the 25 poorest and least developed countries in the world. Poverty in Yemen doubled between 1992 and 1998, with the number of households below the "food poverty line" rising from 9% to 17%. By including a broader range of minimum human requirements in the poverty line measurement, the percentage of households living in poverty rose from 19% to 33% over the same period. Poverty is becoming more widespread among Yemen's 18.3 million people. Yemen's real GDP per capita is around US\$300, and illiteracy and infant mortality rates are among the highest in the world. Illiteracy is particularly high among women and girls—with 74% of females and 44% of males illiterate—although Yemeni women benefit from universal suffrage. Average life expectancy is 53 years. Persistent poverty in Yemen has contributed to its fertility rate of 6.4 children per mother, one of the highest in the world, and a resulting population growth rate of 3% per year. Extremely weak social and economic services and institutions have left Yemen's population underserved in these areas.

THE USAID PROGRAM: USAID intends to devote \$5 million in FY 2002 and is requesting \$10 million in FY 2003. USAID completed the preliminary design of its new Yemen program in FY 2001 that encompasses health and education activities, in support of integrated community development at the district level. In FY 2001, \$3.991 million was allocated for Yemen. Of this amount, \$1.995 million was

budgeted for this new program, with the remaining \$1.996 million budgeted for a scholarship program administered by the U.S. Department of State's Bureau for Educational and Cultural Affairs. The funds appropriated in FY 2001 were made available to USAID in December 2001. USAID is now requesting proposals from international nongovernmental organizations to implement the new health and education programs.

In FY 2003, USAID intends to continue and expand its health and education activities to serve a greater number of communities in Yemen. Resources may also be used to fund program monitors.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: None.

OTHER PROGRAM ELEMENTS: In addition to the Asia and Near East Bureau's program, USAID's Bureaus for Global Health and Democracy, Conflict and Humanitarian Assistance implement several activities in Yemen:

- support for the electoral process in Yemen through assistance to the Supreme Electoral Commission;
- women's rights advocacy and legal rights;
- parliamentary strengthening/political party development; and
- support to improve the family planning and maternal health performance of female primary providers (also known as community midwives) in two governorates.

Through the 416(b) food aid program, the United States provided approximately 160,000 tons of surplus agricultural commodities in FY 2001 with the monetary equivalent of approximately \$34.4 million.

OTHER DONORS: The overwhelming majority of donor support goes to water management and social sector programs. All major donors recognize the importance of water management, health, and education (particularly girls' education). The World Bank is the largest donor, focusing on 1) public sector management, including civil service reform, budget reform and privatization; 2) attracting diversified private investment; 3) water management; and 4) poverty-oriented social sector improvements, particularly basic education for girls. Other donors with large programs are Japan (democracy, debt relief, agriculture, education, health, rural water, and fisheries); the Netherlands (water, health, agriculture, environment, gender, and cultural heritage); and Germany (water, sanitation and solid waste management, health, education and training, microenterprise, and good governance). USAID will coordinate its new program with other donors through the Yemen Social Development Fund.

Yemen
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Economic Support Fund	0	3,991	5,000	10,000
PL 480 Title II	1,711	0	0	0
Total Program Funds	1,711	3,991	5,000	10,000

STRATEGIC OBJECTIVE SUMMARY

279-004 Broad-Based Economic Growth				
ESF	0	3,991	5,000	10,000

Total Transfers

**ANE Regional
PROGRAM SUMMARY**
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	7,494	13,044	0	0
Child Survival and Health Programs Fund	0	0	16,227	0
Development Assistance	46,796	44,301	49,107	74,547
Economic Support Fund	73,250	114,079	72,250	71,250
Total Program Funds	127,542	171,424	137,584	146,797

ASIA AND THE NEAR EAST REGIONAL PROGRAMS

THE DEVELOPMENT CHALLENGE: The Asia and Near East (ANE) subregions present some of the greatest development challenges in the world, including—

- encouraging and maintaining peace and security, particularly in the Middle East, but increasingly in East and South Asia;
- fostering and restoring market-oriented economic growth;
- promoting democracy and rule of law, and improving the rights of disadvantaged groups; and
- combating problems that affect global security, stability, and economic development, i.e., environmental degradation, growing water scarcity, greenhouse gas emissions, HIV/AIDS and infectious diseases, population growth, and food insecurity.

THE USAID PROGRAM: USAID plans to use \$65,334,000 in DA and \$72,250,000 in ESF funds in FY 2002. USAID's FY 2003 request is for \$74,547,000 in DA and \$71,250,000 in ESF funds. USAID has seven regional strategic objectives that respond to the above challenges and one regional program that supports diverse analyses, innovation, and testing.

The Bureau's Program Development and Learning (PD&L) strategic objective provides a flexible vehicle for responding quickly, with short-term activities, to changing events and situations in the region. The PD&L program supports program planning, analysis, program assessments and evaluations, as well as Agency compliance with reporting and public information needs.

The United States-Asia Environmental Partnership (USAEP) engages the strengths of the U.S. Government and U.S. academic, business, and professional communities to address the environmental challenges of rapid industrial and urban growth in Asia. USAEP has demonstrated to U.S. and Asian partners that resource efficiency and environmental rigor are compatible with long-term economic growth and advanced prosperity. In addition to continuing the introduction of U.S.-developed technologies to Asian public and private entities, USAEP supports Asian countries' efforts to reduce air pollution and invest in cleaner fuels and technologies. Through USAEP, Asian decision-makers will become more receptive to the idea that enhancing competitiveness and access to global markets requires improved environmental performance. This receptivity will bring increasing investment in cleaner production, policy and regulatory reforms, and increasing benefits to U.S. business.

The Stabilize Population Growth and Protect Human Health objective responds to the growing threats of HIV/AIDS and other infectious diseases like tuberculosis and malaria. HIV/AIDS priorities are to slow the spread of the disease among high-risk groups, especially in mobile populations, and to minimize HIV rates in the general population. Infectious disease priorities are to expand subregional coordination of surveillance, monitor drug resistance, and prevent and treat tuberculosis and malaria. Through the regional strategic objective, USAID fosters partnerships with other donors, private sector organizations, and foundations. The HIV/AIDS and Infectious Diseases objective complements USAID's bilateral HIV and infectious disease activities, strengthens linkages among existing country-level programs, and expands local expertise through capacity building.

USAID's Encourage Economic Growth strategic objective focuses on improving the policy, legal, and regulatory environment for improved trade and investment. The South Asia Regional Initiative's energy program works to improve the regulatory, legal, policy and organizational changes needed to stimulate cross-border investment in energy infrastructure in South Asia, while the North Africa Regional Trade and Investment program addresses the legal, policy, and regulatory constraints to increased trade and investment among Morocco, Tunisia, and Algeria.

The Bureau's objective to Manage the Environment for Sustainability and Prosperity helps East Asian governments address national and regional environmental problems.

Finally, the ANE Bureau has three established objectives, one directed at each subregion, that support improved regional stability through democracy and human rights. Through these objectives, USAID and the Department of State coordinate the programming and management of regional democracy activities that promote the rule of law, strengthen democratic practices through more open political systems and more representative and accountable government, and improve respect for human rights.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: The ANE regional program includes the following objectives for which USAID is not requesting new funds but is continuing to spend funds previously appropriated.

Number	Title	Last Notified	Planned Completion
498-001	Accelerating Economic Recovery in Asia	FY 02 CBJ, pp. 532-534	FY 2002
498-002	Fostering Resolution of Water Resources Disputes	FY 02 CBJ pp. 535-538	FY 2002

OTHER PROGRAM ELEMENTS: None.

OTHER DONORS: USAID works with many multilateral and bilateral donors to ensure close coordination of efforts across the region. Principal donors include the World Bank, the Asian Development Bank, the European Union, Japan, and several UN agencies. Programs and activities are coordinated with other donors at both the country and regional levels.

**ANE Regional
PROGRAM SUMMARY**
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	7,494	13,044	0	0
Child Survival and Health Programs Fund	0	0	16,227	0
Development Assistance	46,798	44,301	49,107	74,547
Economic Support Fund	73,250	114,079	72,250	71,250
Total Program Funds	127,542	171,424	137,584	145,797

STRATEGIC OBJECTIVE SUMMARY

498-001 Accelerating Economic Recovery in Asia				
CSD	1,000	0	0	0
DA	11,750	0	0	0
ESF	5,000	0	0	0
498-002 Fostering Resolution of Water Resources Disputes				
DA	770	0	0	0
498-003 North Africa Regional Trade and Investment Initiative				
DA	1,000	0	0	0
ESF	5,000	0	0	0
498-007 Program Development and Learning				
CSD	1,494	1,535	0	0
CSH	0	0	8,450	0
DA	9,678	12,378	28,135	42,722
498-009 United States-Asia Environmental Partnership				
DA	15,000	14,878	10,000	8,000
498-012 Middle East Regional Democracy Fund				
ESF	6,000	3,991	5,000	5,000
498-014 South Asia Democracy				
ESF	8,000	0	0	0
498-015 East Asia and Pacific Environmental Initiative				
ESF	3,500	0	0	0
498-016 East Asia Regional Democracy Fund				
ESF	2,250	0	0	0
498-022 Stabilize Population Growth and Protect Human Health				
CSD	0	11,237	0	0
CSH	0	0	7,777	0
DA	0	0	0	13,303
498-023 Encourage Economic Growth				
DA	0	14,547	9,000	9,000
ESF	0	10,620	4,000	4,000
498-024 Manage the Environment for Sustainability and Prosperity				
DA	0	500	0	0
ESF	0	4,680	3,500	0
498-029 Asia & the Near East Regional HIV/AIDS and Infectious Disease Program				
CSD	5,000	0	0	0

	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
498-031 South Asia Regional Initiative/Energy Program (SARI/Energy)				
DA	8,600	0	0	0
ESF	3,000	0	0	0
498-036 Improve East Asia Regional Stability Through Democracy and Human Rights				
DA	0	0	100	0
ESF	2,500	6,341	9,000	9,000
498-037 Improve South Asia Regional Stability Through Democracy and Human Rights				
CSD	0	272	0	0
DA	0	2,000	1,272	922
ESF	0	10,477	3,500	2,000
498-xxx Department of State Programs				
ESF	38,000	77,970	47,250	51,250

EUROPE AND EURASIA

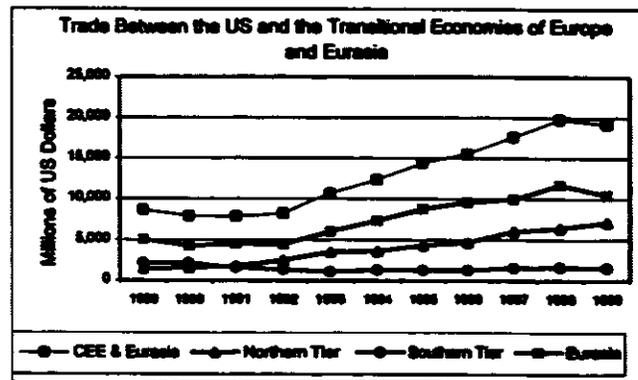
U.S. NATIONAL INTERESTS.

Assisting the transition countries of Europe and Eurasia (E&E)¹ furthers U.S. national interests in security, freedom, open markets, justice, and the resolution of global issues. During 2001, U.S. assistance programs served the national interests of the United States in significant ways.

Security. Economic, political, and social stability mitigates conflict and the likelihood of war, decreases diversion of nuclear weapons, and enhances opportunities to secure U.S. commercial access and viable outlets for oil and gas resources. In 2001, the largest security issue in the E&E region was the beginning of the war on terrorism in Central Asia.

Freedom. Encouraging citizen participation and fair and transparent governance supports the historic U.S. commitment to democratic ideals and human rights. During the last year, the United States began the difficult work of consolidating and extending the democratic gains made in Southeast Europe in 2000.

Open Markets. Helping these countries reform their economies, develop private enterprises, and compete in global markets expands opportunities for U.S. trade and investment. To date, 15 of 27 countries in the region have achieved full membership in the World Trade Organization (WTO). This promises to expand exports for the region, which fell from 20% in 2000 to 10% in 2001. The lion's share of foreign direct investment continues to go to a handful of European northern tier countries. For many of the transition countries, the ability to attract foreign investment continues below potential and will only improve as they restructure their economic and political systems.



Justice. The development of transparent legal frameworks and support for strengthened rule of law foster improved governance and greater public sector credibility. They also promote international investor confidence and help countries systematically address crime and corruption. Funding transfers to the State Department and Justice Department are aimed at improving law enforcement skills and technologies, including combating international crime and terrorism.

Global Issues. Although the global issues cited in 2000 (HIV/AIDS and infectious disease) remain critical, the overwhelming global issue to emerge in 2001 in the region is terrorism. The Central Asian Republics of Uzbekistan, Tajikistan, Turkmenistan, Kyrgyzstan, and Kazakhstan are playing a critical role in the war on terrorism. To support them in that effort, increased budget resources have been allocated to USAID for a variety of programs, including HIV/AIDS and infectious disease, but extending to programs to mitigate conflict and improve democratic development in the region. Such programs help reduce threats to stability, such as social unrest due to poverty, lack of employment opportunities, and inadequate social and communal services.

¹ The transition countries of Europe are in two geographical zones. The northern tier includes the Czech Republic, Hungary, Poland, Slovakia, and Slovenia and the former Baltic States of Estonia, Latvia, and Lithuania. Southeast Europe includes Albania, Bulgaria, Bosnia and Herzegovina, Croatia, the Federal Republic of Yugoslavia (Serbia, Montenegro, and Kosovo), the Former Yugoslav Republic of Macedonia, and Romania. USAID also provides assistance to Ireland and Cyprus focused on economic regeneration and conflict resolution. The transition countries of Eurasia include the Russian Federation, Ukraine, Belarus, Moldova, Armenia, Azerbaijan, Georgia and the Central Asian Republics (CAR) of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

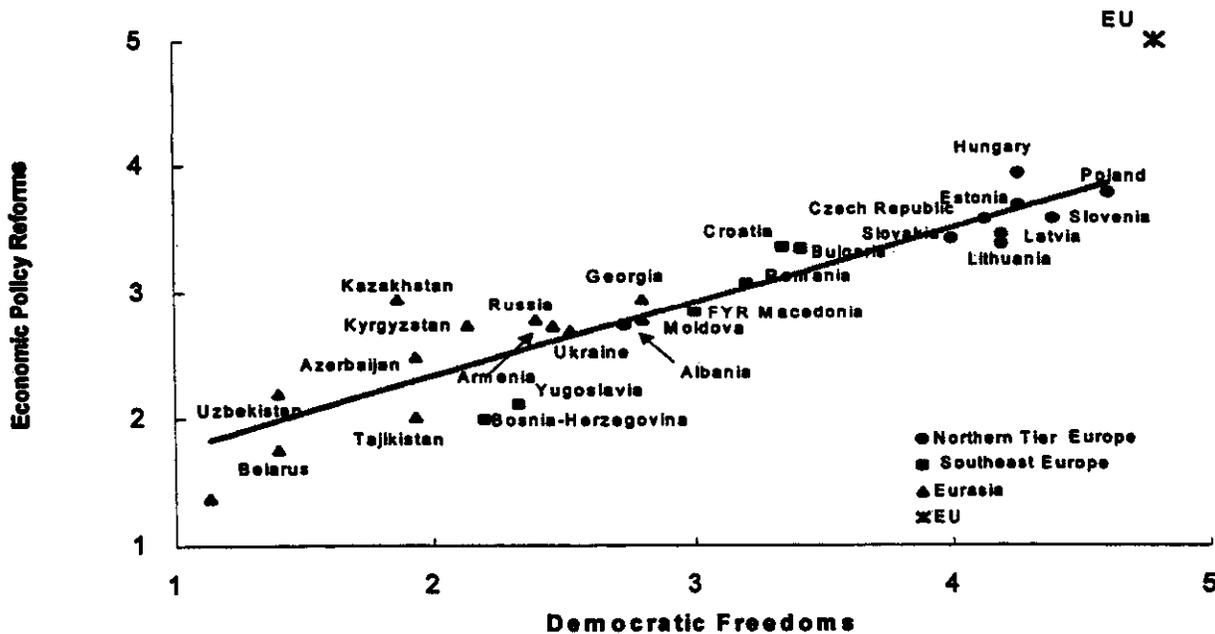
DEVELOPMENT CHALLENGE.

Transition Status and Obstacles

The development challenge in the E&E region remains one of transforming previously authoritarian, centrally planned societies into participatory democracies with strong market economies. Since the beginning of the transition in 1989, remarkable changes have occurred. The private sector now accounts for about 65% of Gross Domestic Product (GDP) throughout the region and Freedom House ranks 11 of the 27 formerly totalitarian E&E countries as free and 11 as partly free.

Thirteen years of experience reveals, however, that the region's transition cannot be accomplished quickly nor without setbacks, and ending U.S. assistance prematurely would undermine transition goals. Under Congressional directives, limited assistance activities were undertaken in the Baltics and Slovakia, countries whose USAID missions were closed. No USAID missions were closed in 2001.

**Economic Policy Reforms and Democratic Freedoms
in Europe and Eurasia: 2000**



Ratings of democratic freedoms are from Freedom House, *Nations in Transit 2000-2001* (2001), and assess reforms through October 2000. With one exception, economic policy reform ratings are from the European Bank for Reconstruction and Development, *Transition Report 2000* (November 2000), and cover events through September 2000; economic policy reform rating for Yugoslavia is from Freedom House, *Nations in Transit 2000-2001* (2001).

Key economic and political institutions are still weak, and corruption is widespread. Ethnic clashes in the Former Yugoslav Republic of Macedonia escalated in 2001, causing temporary withdrawal of some USAID personnel. In Eurasia, Ukraine and Russia registered progress in economic reform, but key democratic indicators across the region lag. The lack of democratic progress in the Central Asian Republics was thrown into sharp focus as they gained new international visibility in the war on terrorism.

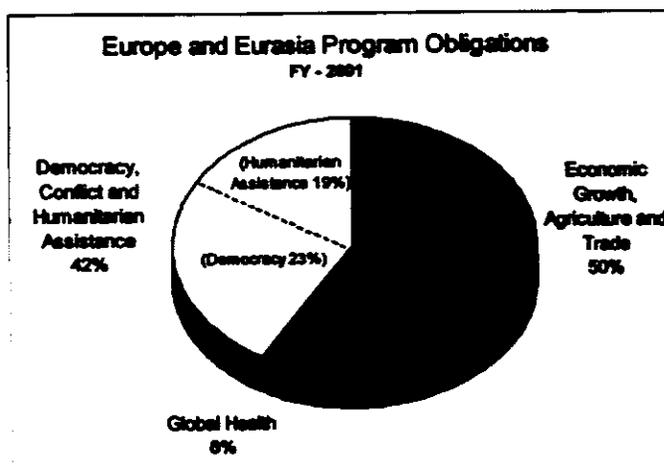
Regional Strategy and Linkages to USAID's Four Pillars

While policy reform, institutional development, and broad-based citizen participation are at the core of the E&E program, both regional and bilateral, USAID develops cross-sector approaches to address critical obstacles and changing circumstances in the region. During FY 2002 – FY 2003, these include: developing conflict mitigation programs to support the war on terrorism as well as to contribute to a better climate for reform, further developing social sector initiatives to broaden the benefits of reform and thereby sustain public support for it; and continuing to fight corruption on many fronts.

E&E sector programs support Agency goals and are highlighted within the context of USAID's four pillars: Economic Growth, Agriculture and Trade; Democracy, Conflict Prevention and Humanitarian Assistance; Global Health; and the Global Development Alliance.

Economic Growth, Agriculture and Trade: Half of USAID E&E resources were targeted to economic and related reforms during FY 2001. The program's focus is on development of market systems, and performance in this area is strong. Per capita foreign investment flows, while improving overall, have been ten times higher in the European northern tier than in Eurasia. Land reform continues to be the USAID's most significant contribution to agricultural development in the E&E region.

Democracy, Conflict Prevention and Humanitarian Assistance: About 42% of USAID resources to the region were allocated to this pillar during FY 2001. Increasingly, USAID is integrating conflict prevention modules into strategies in countries at-risk, such as Macedonia, Georgia, and the republics of Central Asia.



Global Health: In FY 2001, about 8% of USAID resources were allocated to health priorities in the region, including HIV/AIDS, infectious disease control, and maternal-child health. According to UN statistics, the steepest rise in new HIV infections worldwide took place in the former Soviet Union, most of it linked to illegal drug use. The introduction of community-based, primary health care practices has upgraded the clinical skills of family physicians, achieved cost-efficiencies, saved lives, and reduced the number of abortions.

Public-private Alliances: Currently, public-private alliances operating in the region include Enterprise Funds, the American International Health Alliance, and the Baltic American Partnership Fund. Building on this experience, USAID is developing new ways to engage present and potential partners.

External Debt

For most of the region, the volume of external debt remains manageable. While the ratio of external debt to exports has increased in many countries, the debt burden is manageable for most. For example, the ratio of external debt to exports increased in the region overall from 123% in 1996 to 137% in 2000, yet debt service (or debt payments as a percentage of exports) was 14% in 2000 regionwide (vs. 21% in Less Developed Countries (LDCs)). Debt service has been the highest in the Central Asian Republics (Kyrgyzstan and Uzbekistan 26%, Turkmenistan 22%) and Moldova, 22%.

PROGRAM AND MANAGEMENT CHALLENGES.

USAID approaches differ with each of the three sub-regions of Europe and Eurasia.

Southeast Europe: Promoting Stability through Regional Integration

In Southeast Europe, USAID focuses on mitigating conflict, supporting democratic processes, furthering economic reforms, and promoting regional cooperation among these countries and their speedy integration into Europe proper. A major management challenge for FY 2003 will be accomplishing these objectives under conditions of large budget reductions from FY 2002 in several countries.

Europe Northern Tier: Maintaining the Legacy

In the European northern tier, where there are no longer USAID missions, legacy mechanisms are grant-making funds, managed by private foundations, such as the Baltic-American Partnership Fund.

Eurasia: Staying the Course and Broadening the Benefits of Reform.

Progress on democratic transition and economic restructuring in Eurasia is a longer-term challenge, requiring a balance between a steady course on advancing reform at the national level and tailoring assistance programs to work with reformers at all levels of society. The differing rates of progress between economic and democratic reform also challenge the belief that the two are inevitably linked and may require the development of more creative approaches to democracy-building. An important objective is to reduce the potential for conflict and terrorism while promoting human rights and democratic freedoms and strengthening economic opportunities in Central Asia.

OTHER DONORS.

Principal partners include the European Union's programs for technical assistance to transition countries in Europe (PHARE) and Eurasia (TACIS), the World Bank, European Bank for Reconstruction and Development (EBRD), European bilateral donors, and Japan. Based on the latest available information for official development assistance (1999), the United States stands out as the largest bilateral donor in Eurasia, followed by Japan and Germany. USAID also partners with the Asian Development Bank on activities in the Central Asian Republics. In Europe, the European Union is the largest donor, with a contribution about four times that of the United States, which is the second largest bilateral donor after France. In 2000, European donors stepped up their assistance to Southeast Europe, but "burden-sharing" continues to be a major foreign policy issue for the U.S. Government.

FY 2003 PROGRAM.

The FREEDOM Support Act (FSA) request level for Eurasia totals \$755 million to fund continuing programs of USAID and other agencies supporting economic and democratic transition and the war on terrorism.

The Assistance for Eastern Europe and the Baltic States Act (AEEB) request level totals \$ 495 million, a reduction of over 20% from FY 2002. The lower levels will require considerable adjustments to USAID's development strategies and programs in the region.

Under the Agency's Economic Growth, Agriculture and Trade area, USAID proposes \$ 194.5 million under AEEB and \$ 416.9 million under FSA to foster the emergence of competitive, market-oriented economies in which the majority of economic resources is privately owned and managed. USAID programs will place increasing emphasis on partnerships, assistance to small and medium enterprises, and corruption. Energy and environment programs are also included under this rubric, as well as a new initiative to help mitigate the social costs of transition through such activities as social insurance reform, employment generation, and education reform.

Under the Agency's Democracy, Conflict and Humanitarian Assistance area, USAID proposes \$287.8 million in AEEB funds and \$274.6 million under FSA to respond to humanitarian crises, facilitate the transition from emergency relief to more traditional development programs, and support transparent and accountable governance and the empowerment of citizens through democratic political processes and freedom of information. USAID also proposes use of \$44 million in Economic Support Funds (ESF), including \$29 million for Ireland and \$15 million for Cyprus to promote reconciliation and conflict resolution.

Under the Agency's Global Health area, USAID proposes \$12.6 million in AEEB funds and \$ 63.5 million under FSA to fight the spread of infectious diseases, including HIV/AIDS and tuberculosis, and improve primary health care practice.

Proposed AEEB and FSA funding under the economic growth and conflict prevention areas include other USG agencies participating in technical cooperation programs through inter-agency transfers from USAID, such as the Departments of State, Justice, Energy, Treasury, Agriculture, and Commerce, and the Environmental Protection Agency.

The E&E bureau has no regular, non-emergency P.L.-480 funds in the FY 2003 request year.

**Europe and Eurasia
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Asst. for E. Europe and the Baltic States	582,970	674,338	621,000	495,000
Child Survival and Disease Programs Fund	0	6,782	0	0
Economic Support Fund	59,614	44,901	45,000	44,000
FREEDOM Support Act	829,812 *	808,218	784,000	755,000
Emergency Response Fund - FSA/NIS	0	0	46,500	0
PL 480 Title II	73,120	59,057	24,733	0
Total Program Funds	1,545,516	1,593,296	1,521,233	1,294,000

* Excludes \$6 million of FSA funds for Mongolia managed by Asia and Near East Bureau.

**Europe
PROGRAM SUMMARY**

(in thousands of dollars)

Country/ Fund Account	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Albania				
Asst. for E. Europe and the Baltic States	31,301	35,123	35,000	28,000
PL 480 Title II	6,219	0	0	0
Total Albania	37,520	35,123	35,000	28,000
Bosnia and Herzegovina				
Asst. for E. Europe and the Baltic States	100,000	79,824	65,000	50,000
Total Bosnia and Herzegovina	100,000	79,824	65,000	50,000
Bulgaria				
Asst. for E. Europe and the Baltic States	32,197	35,123	34,000	28,000
Total Bulgaria	32,197	35,123	34,000	28,000
Croatia				
Asst. for E. Europe and the Baltic States	36,200	44,527	44,000	30,000
Total Croatia	36,200	44,527	44,000	30,000
Cyprus				
Economic Support Fund	14,950	14,967	15,000	15,000
Total Cyprus	14,950	14,967	15,000	15,000
Europe Regional				
Asst. for E. Europe and the Baltic States	75,523	86,609	74,500	60,000
Child Survival and Disease Programs Fund	0	770	0	0
Total Europe Regional	75,523	87,379	74,500	60,000
Kosovo				
Asst. for E. Europe and the Baltic States	168,000	149,670	118,000	85,000
Economic Support Fund	10,000	0	0	0
Total Kosovo	178,000	149,670	118,000	85,000
Macedonia				
Asst. for E. Europe and the Baltic States	37,500	32,927	49,500	50,000
PL 480 Title II	3,384	0	0	0
Total Macedonia	40,884	32,927	49,500	50,000
Montenegro				
Asst. for E. Europe and the Baltic States	42,249	72,340	60,000	25,000
Economic Support Fund	11,139	0	0	0
Total Montenegro	53,388	72,340	60,000	25,000
Northern Ireland				
Economic Support Fund	23,525	29,934	30,000	29,000
Total Northern Ireland	23,525	29,934	30,000	29,000

Country/ Fund Account	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Romania				
Asst. for E. Europe and the Baltic States	35,000	38,415	36,000	29,000
Total Romania	35,000	38,415	36,000	29,000
Serbia				
Asst. for E. Europe and the Baltic States	25,000	99,780	105,000	110,000
PL 480 Title II	54,277	33,978	0	0
Total Serbia	79,277	133,758	105,000	110,000
Total Program Funds	706,464	753,987	666,000	539,000

**Eurasia
PROGRAM SUMMARY**

(in thousands of dollars)

Country/ Fund Account	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Armenia				
FREEDOM Support Act	102,461	89,802	90,000	70,000
PL 480 Title II	1,291	742	0	0
Total Armenia	103,752	90,544	90,000	70,000
Azerbaijan				
FREEDOM Support Act	31,863	36,024	43,310	46,000
PL 480 Title II	2,443	2,501	582	0
Total Azerbaijan	34,306	38,525	43,892	46,000
Belarus				
FREEDOM Support Act	8,695	11,383	10,072	9,500
Total Belarus	8,695	11,383	10,072	9,500
Caucasus Regional				
FREEDOM Support Act	2,000	4,000	2,000	2,000
Total Caucasus	2,000	4,000	2,000	2,000
Central Asian Republics Regional				
Emergency Response Fund - FSA/NIS	0	0	6,000	0
FREEDOM Support Act	4,500	7,566	7,900	9,000
Total Central Asia Regional	4,500	7,566	13,900	9,000
Eurasia Regional				
Child Survival and Disease Programs Fund	0	550	0	0
FREEDOM Support Act	46,637	63,884	59,181	56,000
Total Eurasia Regional	50,637	64,434	59,181	56,000
Georgia				
FREEDOM Support Act	108,762	92,808	89,010	87,000
PL 480 Title II	985	9,205	0	0
Total Georgia	109,747	102,013	89,010	87,000
Kazakhstan				
Child Survival and Disease Programs Fund	0	200	0	0
FREEDOM Support Act	45,121	45,899	45,015	43,000
Total Kazakhstan	45,121	45,899	45,015	43,000
Kyrgyzstan				
FREEDOM Support Act	30,183	32,997	34,988	36,000
Total Kyrgyzstan	30,183	32,997	34,988	36,000
Moldova				
FREEDOM Support Act	50,091	44,803	35,416	32,500
Total Moldova	50,091	44,803	35,416	32,500

Country/ Fund Account	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Russia				
Child Survival and Disease Programs Fund	0	3,543	0	0
FREEDOM Support Act	190,014	159,861	157,728	148,000
PL 480 Title II	3,099	0	0	0
Total Russia	193,113	163,404	157,728	148,000
Tajikistan				
FREEDOM Support Act	9,947	16,735	19,222	22,500
PL 480 Title II	1,422	12,631	24,151	0
Total Tajikistan	11,369	29,366	43,373	22,500
Turkmenistan				
FREEDOM Support Act	6,195	6,275	7,072	7,000
Total Turkmenistan	6,195	6,275	7,072	7,000
Ukraine				
Child Survival and Disease Programs Fund	0	1,019	0	0
FREEDOM Support Act	174,753	171,581	154,196	155,000
Total Ukraine	174,753	172,600	154,196	155,000
Uzbekistan				
Child Survival and Disease Programs Fund	0	700	0	0
Emergency Response Fund - FSA/NIS	0	0	40,500	0
FREEDOM Support Act	20,590	24,800	28,890	31,500
Total Uzbekistan	20,590	25,500	69,390	31,500
Total Program Funds	839,052	839,309	855,233	755,000

* Excludes \$6 million of FSA funds for Mongolia program managed by Asia and Near East Bureau.

**Europe
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Asst. for E. Europe and the Baltic States	582,970	674,338	621,000	495,000
Child Survival and Disease Programs Fund	0	770	0	0
Economic Support Fund	59,614	44,901	45,000	44,000
PL 480 Title II	63,880	33,978	0	0
Total Program Funds	706,464	753,987	666,000	539,000

Albania

THE DEVELOPMENT CHALLENGE: Albania, with a population of about 3.1 million, has a small but growing economy that is simultaneously making the transition to a free market while recovering from civil strife. The structure of Albania's economy is rudimentary. Agriculture accounts for more than half of output and about 70% of the workforce. Much of the rural population still survives on subsistence agriculture, with little surplus to sell on domestic or foreign markets. Most farms

Agriculture accounts for more than half of output and about 70% of the workforce.

are small and fragmented and thus lack the economies of scale and technology to produce for export. Remittances and a large informal sector mask an undiversified and vulnerable economic foundation. The trade deficit amounted to 22% of GDP in 2001, illustrating the lack of international competitiveness of Albanian industry. The enterprise sector is dominated by very small businesses, many of which operate extra-legally and have no access to formal sources of finance. Legitimate enterprises encounter unfair competition from this informal sector. All enterprises continue to face problems of poor infrastructure, energy shortages, delays with property registration and a judicial system that is sometimes corrupt and slow to resolve commercial disputes.

Albania's transition to democracy is incomplete. The interface between the citizenry and government is weak and remote. The public perceives the police, prosecutors and judiciary as corrupt. Both central and local governments are assumed to be corrupt as well. Such corruption is perceived to aid and abet organized criminal activities in the trafficking of contraband, drugs and humans. While the parliamentary elections of 2001 were the best to date since the collapse of communism, much remains to be improved to ensure impartial, free and fair election processes in the future. The political process and parties remain captured by the communist mentality of the dominant elite. Women are woefully under-represented throughout all levels of government, and the concerns of the average citizen are largely ignored. The NGO sector, while improving, continues to hold little capacity for long-term effort and remains donor-driven. Although technically free of state interference, most print and television media are politically dominated and do not provide fact-based, objective reporting.

Albania faces problems in its health sector similar to other countries in the region. Its health care system requires significant restructuring to improve primary care resource allocation and provide satisfactory care for its citizens. The limited capacity of the health delivery and public health systems was severely strained by the civil unrest in 1997 and the influx of Kosovar refugees in 1999. Although real GDP is estimated to be about 50% higher in 1999 than in 1992, public funding for social programs, including health, has failed to keep pace.

Much work remains to prepare Albania to take an active role in the global political-economy. Improvement of the country's public infrastructure, particularly the electricity sector, remains a key consideration. The Government of Albania (GOA) must also intensify its efforts to fight corruption, improve the legal framework for credit provisioning, and reduce bureaucratic hurdles in order to foster domestic and foreign investment.

After years of mismanagement and little maintenance, Albania's water, transport and power infrastructure is in serious disrepair.

The Government of Albania (GOA) must also intensify its efforts to fight corruption, improve the legal framework for credit provisioning, and reduce bureaucratic hurdles in order to foster domestic and foreign investment.

It is in the U. S. national interest to help Albania address weaknesses in infrastructure networks, public and civil institutions, fragile government authority, crime, and corruption. This will enhance Albania's internal stability and facilitate its political and economic integration into the Balkans, thus contributing to regional stability. Albania is likely to enter into negotiations in late 2002 with the European Union (EU) for a Stabilization and Association Agreement, which would set the stage for preparations for the demands of becoming a candidate for EU membership sometime in the future. A stable, prosperous Albania will be in a good position to help U.S. efforts to combat terrorism, arms proliferation, narcotics and human trafficking, and international organized crime.

THE USAID PROGRAM:

FY 2002 Estimate: \$35.0 million

FY 2003 Requested: \$28.0 million

The USAID program in Albania supports economic growth and agricultural development, democratic development and social stability. These objectives support the U.S. interests identified in the U.S. Strategic Plan for International Affairs. These interests are: promoting broad-based economic growth; increasing foreign governments' adherence to democratic practices and respect for human rights; protecting human health; and ensuring that local and regional instabilities do not threaten the security and well-being of the United States and its allies.

The Program Data Sheets provided below cover the six strategic objectives for which USAID is requesting funds. These strategic objectives concentrate on the following three general development topics: 1) economic growth and agricultural development to improve productivity in the agricultural sector, encourage growth of private enterprises, improve availability of credit to entrepreneurs, and strengthen the banking system; 2) democratic reform to support civil society by increasing citizen awareness of public issues, assisting in elections, strengthening legal institutions, and supporting the GOA decentralization program; and 3) health reform to improve primary health care by developing and implementing quality primary health care models, strengthening management capacity at the primary health care level, and encouraging community participation to ensure better health care for Albanians. FY 2002 funds will be used to implement ongoing programs. The specific activities to be funded by FY 2002 and FY 2003 appropriations are described in more detail in the following Program Data Sheets.

OTHER PROGRAM ELEMENTS: USAID provides assistance for Albania through numerous programs that do not draw on bilateral funding. For example, regionally-funded activities in Albania include: support for NGOs which monitor government accountability; support for NGOs working on anti-corruption, advocacy and information sharing via the Organization for Economic Cooperation and Development's Anti-Corruption Network; provision of training for journalists, labor leaders, health professionals, bankers, and other professionals; and a group of energy activities that seek greater efficiency in power generation and distribution, as well as management of energy resources.

Overall development assistance to Albania totals about \$250 million per year.

OTHER DONORS: Cooperation between USAID and other donor organizations active in Albania is strong and growing. The United States is Albania's third largest bilateral donor, after Italy and Greece. Other major contributors include Germany, the World Bank, International Monetary Fund, European Union, European Investment Bank, European Bank for Reconstruction and Development, Open Society Foundation, United Nations Development Program, Food and Agriculture Organization, and International Fund for Agricultural Development. Key elements of donor support focus on democratization and institutional development, with an emphasis on the judiciary, political cooperation, media, local government, and civil service reform.

Albania
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Asst. for E. Europe and the Baltic States	31,301	35,123	35,000	28,000
PL 480 Title II	6,219	0	0	0
Total Program Funds	37,520	35,123	35,000	28,000

STRATEGIC OBJECTIVE SUMMARY

182-0130 Growth in Number of Self-Sustaining Private Enterprises				
AEEB	14,061	13,810	13,900	9,560
182-0140 A More Competitive and Market-Responsive Private Financial Sector				
AEEB	1,104	1,272	0	0
182-0160 Increased Environmental Management Capacity to Support Sustainable Economic Growth				
AEEB	200	0	0	0
182-0210 Increased Involvement of Civil Society in Economic and Political Decision Making				
AEEB	4,220	4,549	4,750	4,550
182-0220 Legal Systems that Better Support Democratic Processes and Market Reforms				
AEEB	436	550	2,900	2,500
182-0230 More Effective, Responsive and Accountable Local Government				
AEEB	1,997	1,501	0	0
182-0320 Improved Selected Primary Health Care Services at Targeted Sites				
AEEB	1,050	4,125	3,775	3,315
182-0410 Special Initiatives				
AEEB	655	1,991	2,250	1,500
182-0420 Cross-Cutting Programs				
AEEB	1,556	1,750	2,190	2,500
Total Transfers	6,022	5,575	5,235	4,075

Bosnia and Herzegovina

THE DEVELOPMENT CHALLENGE: The U.S. Government's overarching goal in Bosnia and Herzegovina (BiH or Bosnia) is to build an effective, functioning multi-ethnic state that will allow the United States to "normalize" its relations with BiH, turn over primary responsibility for modernization to the Europeans and conclude the U.S. military mission to BiH. While a great deal of progress has been made since the civil war ended in 1995, challenges remain.

The BiH economy remains weak. Unemployment is estimated at 40%. Large-scale privatization is progressing but at a slower rate than what needed to stimulate the economy. The administrative barriers to starting new businesses or expanding existing ones are excessively time consuming and costly, forcing many business owners to operate illegally.

Unemployment is estimated to be 40% in Bosnia-Herzegovina. The service sector accounts for 58% of the gross domestic product (GDP).

This, in turn, undermines the tax base. Lower than anticipated revenues, coupled with weak financial management, leave the governments unable to meet their basic obligations, e.g., pensions and health care.

To ensure security in BiH and to press the fight against terrorism, democratic values and freedoms need to be strengthened. The judicial system cannot effectively or efficiently prosecute lawbreakers or consistently protect civil and commercial rights. The average Bosnian citizen needs to play a stronger and more vocal role in political and social processes in order to break the hold of corrupt and nationalistic interests. Local governments and elected officials need to be more responsive to citizen needs and better stewards of taxpayer funds. Non-nationalistic political parties need to become even more representative and internally democratic.

Ethnic minorities are returning to their homes throughout BiH in unprecedented numbers. However, basic services, such as power and water, and the means to promote basic economic growth, such as micro loans and grants are needed to ensure the sustainability of the returns. Returnees will not stay in their communities without basic services and income.

Underlying all of the above is the need for the development and support of state level institutions. BiH is a small market which is best served when it presents itself as a single economic space. The differences in rules and regulations between the Federation of Bosnia-Herzegovina and the Republika Srpska (RS) entities present serious problems for the potential investor. In addition, state level institutions, such as a state treasury, a single BiH national institute for standards and a permanent secretariat in the Presidency, are prerequisites to the European Union (EU) accession so critical to Bosnia's future.

According to the BiH Central Bank and other organizations, Bosnia's real gross domestic product (GDP) growth was 8.5% in 2000. The trade deficit in 2000 was \$1.5 billion. Unemployment in 2000 was 39.2% in the Federation and 41.1% in RS. One of the sharpest differences between the two entities is seen in the net wage statistics. In 2000, the net wage in the Federation was 413 Convertible Marks (KM) or approximately \$206 per month. In RS, it was 276 KM or approximately \$138. This trend is echoed in GDP per capita. In 2000, the GDP per capita in the Federation was \$1,129; in RS it was \$823.

THE USAID PROGRAM:

FY 2002 Estimate: \$ 65 million

FY 2003 Requested: \$ 50 million

The Program Data Sheets provided below cover the three strategic objectives for which USAID is requesting funds. These three objectives concentrate on accelerated development

of the private sector, greater participation in democracy and the provision of basic services and other support to minority returnees. FY 2002 funds will be used to fund the ongoing programs of economic reform, democratic reform and support for minority returns. The specific activities to be funded by FY 2002 and FY 2003 appropriations are described in more detail in the following Program Data Sheets.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: The USAID program in BiH includes the following objectives for which USAID is not requesting new funds, but is continuing to expend funds already appropriated.

Number:	Title:	Last Notified	Planned Completion:
168-031	Recovery from Crisis	FY02 CBJ, p. 317	FY 2004

OTHER PROGRAM ELEMENTS: Additional support for minority returns will be provided with funding from the local currency account (Account 3) of the Business Development Program. This funding is critical in light of sharply declining bilateral funds. Account 3 Funds will also be provided for State level deposit insurance and for support of anti-corruption activities.

OTHER DONORS: USAID's economic reform program works closely with the IMF, the EBRD, and World Bank to ensure a common donor approach to promoting critical reforms.

External debt is \$3.4 billion. The World Bank, International Monetary Fund (IMF) and EBRD are among the largest creditors to BiH.

In democratic reform, USAID works primarily with the Office of the High Representative (OHR), the EU, the Council of Europe, and other bilateral and private organizations, in efforts to support independent media, political party development, judicial reform, and civil society building.

In minority returns, the Community Reintegration and Stabilization Program (CRSP) is closely coordinated with the infrastructure rehabilitation efforts of the World Bank, the EU, and other multilateral or bilateral organizations. The CRSP program also works very closely with the EU, OHR and World Bank in promoting institutional sector reform in the water and energy sectors. In both sectors, donor unity plays a major role in encouraging reforms to make the sectors eligible for much-needed loans and eventual utility privatization.

Donor coordination on the ground is good. The International Community charged the OHR and the Organization for Security and Cooperation in Europe with developing a plan for streamlining assistance to BiH. The plan presented at the Peace Implementation Council Meeting in December 2001 is being revised and will be reviewed.

Bosnia and Herzegovina

PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Asst. for E. Europe and the Baltic States	100,000	79,824	65,000	50,000
Total Program Funds	100,000	79,824	65,000	50,000

STRATEGIC OBJECTIVE SUMMARY

168-0130 Accelerated Development of the Private Sector				
AEEB	0	10,667	17,241	18,800
168-0210 A More Participatory, Inclusive Democratic Society				
AEEB	0	6,629	15,542	13,865
168-0310 Reduced Human Suffering and Crises Impact -- Democratic Reform				
AEEB	76,090	41,455	0	0
168-0311 Sustainable Minority Returns in Support of Creation of a Multi-ethnic Society				
AEEB	0	1,044	12,284	2,700
168-0410 Special Initiatives				
AEEB	0	10	0	0
Total Transfers	23,910	20,019	19,933	14,835

Bulgaria

THE DEVELOPMENT CHALLENGE: Twelve years after the beginning of its transition to a market-oriented democracy, Bulgaria continues to embrace the principles of democratic governance and free enterprise, though at an uneven pace of reform. Considerable progress has been made in boosting economic growth, maintaining financial stability, and moving ahead with removing assets from state ownership. Bulgaria's economy grew by 4.8% in the first half of 2001, the fourth consecutive year. With an inflation rate of 4.5% and nearly 70% private sector share of GDP, Bulgaria has shown commendable macroeconomic performance and strict fiscal discipline. Despite these positive developments, the country has still not managed to create an investor-friendly business environment. Enterprise development is hindered by a multitude of administrative barriers, slow reform of the judiciary, rampant corruption, and unfair competition stemming from the shadow economy. Bulgarian small and medium-sized enterprises are constrained by restricted access to credit, a weak capital market, and existing legal/regulatory impediments often created by the lack of constructive public-private dialogue. Because of an inherited, cumbersome public bureaucracy, Bulgaria's government seems poorly prepared to deal with the policy issues it faces. Most government institutions operate inefficiently with little transparency and continued over-centralization. Law enforcement is inadequate, and the fight against corruption sporadic. Growing public apathy and disengagement were reflected in the poor voter turnout at both the parliamentary and presidential elections in 2001, setting off alarms. Although the new government is committed to macroeconomic stability, structural reform, and growth of the private sector, public confidence in the government continues to decline.

Bulgaria faces strong social tensions stemming from growing unemployment and poverty, pervasive corruption, and deteriorating health and educational systems. In recent years, Bulgarians have

GDP per capita (2000): \$1,459
purchasing power parity
\$5,300; Monthly average
income: \$125; Unemployment:
17% of which 59% long-term;
Population growth rate: -5.1 per
1,000; 2/3 of Bulgarians suffer
from cardiovascular diseases.

experienced a sharp decline in real income, accompanied by increasing income inequality and growing long-term unemployment. This dramatic deterioration of living standards has disproportionately affected certain vulnerable groups within society like the elderly, children, minorities, and women. Regional disparities are growing more pronounced. Highly trained and educated youth are departing in droves for opportunity elsewhere. An aging population and a growing Roma minority are increasingly disaffected and negatively

impacted by financially unstable social programs. Therefore, improving the welfare and quality of life of the population and promoting participation and inclusion of marginalized groups ranks high on Bulgaria's human development agenda. However, this would prove unattainable unless driven by sustained economic growth, a flexible labor market, and increased investment required to generate new employment opportunities.

National security is the primary U.S. interest in Bulgaria, in the areas of promoting regional stability; fostering market-oriented reform; and strengthening rule of law and democratic institutions.

THE USAID PROGRAM:

FY 2002 Estimate: \$34.0 million

FY 2003 Request: \$28.0 million

FY 2002 is the last implementation year of the current USAID strategy. The Program Data Sheets provided below cover the five strategic objectives, crosscutting, and special initiatives for which FY 2002 funds are requested. The five core objectives actively support Bulgaria's accelerated efforts to achieve a democratic political system and an open, free, and competitive economy by: fostering a competitive, private sector-led, market-oriented economy and generating employment; institutionalizing rule of law and fighting corruption; strengthening local government and promoting fiscal decentralization; supporting civil society by building the capacity of non-governmental organizations; and modernizing Bulgaria's financial system through assistance to banking and capital

markets, while at the same time addressing social issues through pension and health reform. FY 2002 funds will be used to implement the ongoing programs of technical assistance to private enterprises in target industry clusters, trade promotion and facilitation, agribusiness development, microfinance initiatives, loan guarantee schemes, modernization of Bulgaria's court system, increasing the professionalism of the judiciary through training, fiscal decentralization, social enterprises, training of new members of Parliament, ethnic integration and conflict prevention. FY 2002 funds will also be used to fund a new anti-corruption program and other new activities that directly respond to the urgent needs of the new government.

USAID is in the process of finalizing its next five-year strategic plan. While most of the priorities will continue to be valid, USAID will broaden current strategic areas to include a robust engagement of social sector issues. Further, to streamline its management structure, USAID intends to reorganize its current portfolio and formulate three new strategic objectives: private sector development, improved effectiveness, accountability and responsiveness of key democratic systems, and mitigation of adverse social and economic impacts of the transition.

OTHER PROGRAM ELEMENTS: Bulgaria has benefited from several regional USAID programs. USAID's Regional Infrastructure Program for Water and Transportation is an important element of the U.S. Government's support for achieving Stability Pact regional objectives. The EcoLinks program links Bulgarian businesses, local governments and associations with counterparts in the U.S. or other countries in the region to promote regional efforts in addressing environmental problems with market-based solutions. Since 1998, Bulgarian leaders and experts have benefited from the Georgetown University Scholarship program by participating in more than 70 long-term academic and 59 short-term programs at U.S. and third-country universities. The American University in Bulgaria continues to receive USAID support.

OTHER DONORS: The United States is a major donor of assistance to Bulgaria, closely coordinating its activities with the other bilateral and multilateral donors. The European Union is currently the largest donor providing nearly \$280 million per year, in infrastructure development, agriculture and PHARE. Bulgaria has negotiated a stand-by agreement with the International Monetary Fund to cover balance of payments difficulties and support for its reform program. The World Bank program targets improving the business climate, accelerating private sector growth and reducing poverty and raising the living standards. The UNDP program is centered around good governance, job creation, and environmental protection. The European Investment Bank and the Government of Japan are taking the lead in infrastructure development projects. Other bilateral donors include Switzerland (environment, local government, small and medium enterprises, social sector), The Netherlands (energy, social transformation, regional cooperation), and the British Know-How Fund (public sector, civil society, financial markets, social welfare).

Bulgaria
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Asst. for E. Europe and the Baltic States	32,197	35,123	34,000	28,000
Total Program Funds	32,197	35,123	34,000	28,000

STRATEGIC OBJECTIVE SUMMARY

183-0100 Improved Business Climate in the Bulgarian Economy				
AEEB	0	0	0	7,550
183-0130 Accelerated Development and Growth of Private Enterprises in a Competitive Environment				
AEEB	6,704	5,675	7,800	0
183-0140 A More Competitive and Market Responsive Private Financial Sector				
AEEB	5,650	9,123	5,100	0
183-0200 Key Democratic Systems Work Effectively, Accountably and Responsively				
AEEB	0	0	0	7,900
183-0210 Increased, Better-Informed Citizens' Participation in Public Policy Decision-Making				
AEEB	3,850	5,230	3,700	0
183-0220 An Improved Judicial System that Better Supports Democratic Processes and Market Reforms				
AEEB	2,300	2,315	4,000	0
183-0230 Local Governments are Making Responsive Choices and Acting on Them Effectively and Accountably				
AEEB	4,797	4,255	3,675	0
183-0340 Mitigate Adverse Social and Economic Impacts of Transition				
AEEB	0	0	0	6,850
183-0400 Cross-Cutting Programs				
AEEB	0	0	0	2,300
183-0410 Special Initiatives				
AEEB	2,980	1,950	2,520	0
183-0420 Cross-Cutting Programs				
AEEB	3,390	3,150	3,225	0
Total Transfers	2,546	3,425	3,980	3,400

Croatia

THE DEVELOPMENT CHALLENGE: Croatia's reform-oriented coalition government, now nearly two years old, has held together through difficult political and economic challenges in 2001, but faces potentially greater perils in the second half of its mandate. The U.S. Government is the primary source of technical advice to the Government of Croatia (GOC) on economic reform and strengthening of democratic institutions. The United States continues to influence and leverage commitments that further U.S. policy goals – including implementation of the Dayton Agreement, cooperation on war crimes prosecution, stabilization and economic recovery of the Balkan region, and integration of the former Yugoslav countries with Europe. The U.S. commitment to assist Croatia's transition – which began in earnest only with the elections of early 2000, owing to the 10-year delay of war and Tudjman-led stagnation – is seen here as critical to its success. Continuing the U.S. Government's support for these processes will be essential to helping Croatia endure not only the typical "transition backlash", but also a detectable resurgence of nationalist sentiment led by the former ruling party as a result of the GOC's commitment to its international responsibilities to the International Criminal Tribunal on former Yugoslavia (ICTY). The moral suasion of the international community, led by the United States, continues to be critical for keeping Croatia on track in meeting its Dayton and Erdut commitments, including the continued improvement of ICTY cooperation.

The GOC's record on internal post-war recovery shows mixed results and reflects a continuing need for U.S. and other international pressure and support. The GOC's commitment to a real reform agenda has changed dramatically since the 2000 elections, but implementation still requires vigilance and resources. It has boldly pledged to complete all property restitution by the end of 2002 and reconstruction of war-damaged homes and infrastructure in 2003 but lacks the funds to accomplish these goals. Additionally, the number of refugee returns in 2001 is down nearly 25% from 2000, due primarily to the fact that few Croatian Serb returnees have benefited from government assistance to date in resolving shelter and property issues. Failure of the Croatian Parliament to adopt timely legislation that would facilitate repossession of minority returnees' homes has had a dampening effect on refugee return. Lack of employment opportunity and the fear of arrest for war crimes also negatively impact the return process. Croatia is still plagued by a high unemployment rate (22%) and low competitive capacity in international markets. The growth of public debt is worrisome, and the implementation of much needed economic reforms is proceeding too slowly. Foreign investment remains low because of slow privatization and various administrative barriers. Furthermore, there is a need for increased efforts against corruption through more effective application of the rule of law, particularly improvement in the court system.

THE USAID PROGRAM:

FY 2002 Estimate: \$44,000,000 **FY 2003 Request:** \$30,000,000

The USAID assistance program is aimed to help Croatia continue progress toward a prominent place within the community of democratic and market-oriented nations, and to become a force for stability, peace, cooperation and prosperity throughout Southeast Europe. Stronger economic and political institutions and social stability in Croatia will further peace and stability throughout the region. The USAID assistance program is structured around four Strategic Objectives as described in the Program Data Sheets.

Several new and follow-on AEEB-funded economic activities that were launched during FY 2001 addressing privatization, enterprise promotion, international competitiveness, energy restructuring, banking supervision and commercial law reform will continue to be supported in FY 2002 and FY 2003. AEEB-funded democratization efforts support civil society organizations, independent media, political parties and elections, local government capacity-building, and judicial reform. A second-generation NGO capacity-building program is being launched early in FY 2002. Commitment to the

continued return and reintegration of war-affected populations will be supported through two programs involving infrastructure reconstruction and economic revitalization of the war-affected regions. The infrastructure component of USAID's refugee return and reintegration program will peak in 2002. A recently introduced social transition program addressing pension reform, strengthening of democratic labor organizations, supporting tripartite dialogue on social issues related to labor, business and government, and community-based health care will continue in FY 2002 and 2003.

FY 2003 will witness the completion of the USAID's infrastructure reconstruction activities in the war-affected areas. Continued efforts to spur economic revitalization in these regions will be needed to address the more difficult economic devastation left by the war. A new agribusiness component in USAID's economic portfolio will be in its initial stages. Assistance to private enterprise promotion, local government reform and the tripartite dialogue between government, business and the unions will continue.

OTHER PROGRAM ELEMENTS

USAID's Regional Infrastructure Program (RIP) provides assistance to targeted Croatian cities in developing private sector participation in the provision of local utility services, with the prospects of attracting private investment to finance required capital improvements to local infrastructure such as water facilities. USAID's EcoLinks Program, the Eurasian-American Partnership for Environmentally Sustainable Economies, links businesses, local governments and associations in Croatia with counterparts in the U.S. or other countries in the region to promote market-based solutions to environmental problems with market-based solutions.

OTHER DONORS

The U.S. Government and the European Union (EU) are the principal donors in Croatia, although the EU has yet to begin to deliver broad-based Community Assistance for Reconstruction, Development, and Stabilization (CARDS) assistance. The International Monetary Fund (IMF) and the World Bank are the primary multilateral lenders. USAID is coordinating with the World Bank on an automation project on commercial law and on pension reform. USAID coordinates democracy and refugee reintegration assistance with the EU, United Nations High Commissioner for Refugee (UNHCR), the Council of Europe, Office of Security and Cooperation in Europe (OSCE), and other bilateral donors, including British, Norwegian, Dutch, German, Swedish and Canadian governments as well as with the Department of State's Bureau for Population, Refugees and Migration. Major private donors include the Open Society Institute and the C.S. Mott Foundation.

Croatia
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Asst. for E. Europe and the Baltic States	36,200	44,527	44,000	30,000
Total Program Funds	36,200	44,527	44,000	30,000

STRATEGIC OBJECTIVE SUMMARY

160-0130 Growth of a Dynamic and Competitive Private Sector	9,710	15,300	14,350	11,150
AEEB				
160-0210 More Effective Citizen Participation and Improved Governance	5,615	10,550	8,125	5,025
AEEB				
160-0310 Accelerated Return and Sustainable Reintegration of War-Affected Populations	15,785	10,131	12,450	5,900
AEEB				
160-0340 Mitigation of Adverse Social Conditions and Trends	0	2,681	3,120	3,050
AEEB				
160-0420 Cross-Cutting Programs	2,080	985	950	750
AEEB				
Total Transfers	3,050	4,900	5,005	4,125

Cyprus

THE DEVELOPMENT CHALLENGE: Following the provision of humanitarian relief assistance after the events of 1974, USAID shifted its program emphasis to multi-sector development activities, structured to engage individuals and organizations from both communities. USAID assistance is designed to increase multi-sectoral contact between Greek and Turkish Cypriots, reduce tensions on the island and improve cooperation between individuals and organizations from the two sides..

There is both a physical and economic division between the two communities. . While the GDP per capita is approximately \$16,400 on the Greek Cypriots side, it is approximately \$5,263 on the Turkish Cypriot side. The depreciation of the Turkish Lira in 2000 and Turkey's economic problems have exacerbated the economic hardships in the Turkish Cypriot community. An economic austerity package in the north led to strikes and public protests, and the failure of several banks reinforced the climate of economic deterioration. The disenchantment of the Turkish Cypriot community is reflected in an ongoing process of emigration - including many of the young - and a resulting brain drain.

Facilitating a resolution to the Cyprus dispute remains a key priority of U.S. foreign policy. The U.S. supports the UN-led effort to achieve a just and lasting settlement that protects the legitimate interests of both Greek Cypriots and Turkish Cypriots.

THE USAID PROGRAM:

FY 2002 Estimate: \$15 million FY 2003 Request: \$15 million

The USAID approach is to focus on increasing and strengthening cooperation between the communities on initiatives that support the goal of a comprehensive settlement. Consistent with the Congressional earmark for Cyprus, the purpose of this program is to promote activities that encourage tolerance and cooperation among Greek Cypriots and Turkish Cypriots. These cooperative relationships and activities are expected to:

- strengthen each side's ability to compromise on a just and lasting settlement;
- provide opportunities for multi-sectoral contacts to increase the number of stakeholders in a solution; and
- promote tolerance and mutual understanding in support of a comprehensive settlement.

The program funds technical assistance, commodities and training/workshops related to agriculture, education, participant training, civil society/NGO strengthening, information technology, education, communication, and telecommunications. Other activities involve public infrastructure, environmental management, public health, urban renewal, and historic restoration and preservation. The program has fostered cooperation on activities of mutual interest and increased understanding between the two sides despite an unevenly enforced prohibition against on-island bicomunal meetings by the Turkish Cypriot leadership. It is expected that USAID, in consultation with the State Department, would reconsider development needs in Cyprus in the event of a settlement

The Program Data Sheet provided below provides additional detail on the program for which USAID is requesting funds during FY 2002 and 2003. The \$15 million in Economic Support Funds (ESF) is requested to continue ongoing programs in FY 2002. These consist of a major grant to the United Nations Development Programme (UNDP) for the *Bicomunal Development Programme*, and activities of other agencies including the U.S. State Department's *Cyprus-America Scholarship Program* (CASP, implemented by the Cyprus Fulbright Commission); the *Bicomunal Support*

*Program; (implemented by the U.S. Embassy in Cyprus) and the U.S. Department of Interior's U.S. Geological Survey for the *Bicommunal Data Base for Water Management*.*

OTHER PROGRAM ELEMENTS: None.

OTHER DONORS: The United States is the principal donor supporting bicommunal activities in Cyprus. The EU and, separately, a number of European countries, including Germany, Norway, Slovakia, and the Czech Republic are funding bicommunally-oriented initiatives, including those focused on civil society, urban restoration, women, political parties, entrepreneurs, journalists, and labor unions.

Cyprus
PROGRAM SUMMARY
 (in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Economic Support Fund	14,950	14,967	15,000	15,000
Total Program Funds	14,950	14,967	15,000	15,000

STRATEGIC OBJECTIVE SUMMARY

233-0410 Special Initiatives				
ESF	14,950	14,967	15,000	15,000

Total Transfers

Northern Ireland and Ireland

THE DEVELOPMENT CHALLENGE: Northern Ireland and the six bordering Republic of Ireland counties have seen over 25 years of conflict, which has had negative effects economically.. Long-term unemployment remains higher than the UK average and all major social and economic indicators continue to show that Catholics in Northern Ireland, while making some gains, continue to be more disadvantaged than Protestants. The pattern of residential segregation also has economic implications as people are often reluctant to travel to work in neighborhoods dominated by members of the other community. ..

Despite the fact that Ireland's economy is among the fastest growing in Europe, the economy of Northern Ireland and its border counties of Donegal, Sligo, Leitrim, Cavan, Monaghan, and Louth have a high level of economic deprivation. Investment remains inadequate in Northern Ireland. Unemployment and under-employment are high, and economic opportunity is beyond the reach of many.

Support for the reconciliation of feuding factions in Northern Ireland has long been the predominant focus of U. S. assistance to Northern Ireland and the border counties of Ireland.

A breakthrough in negotiations between Protestant and Roman Catholic leaders occurred during 1998 with the Good Friday Peace Accord, raising hopes for sustained peace in Northern Ireland and surrounding of Ireland counties. That hope was reinforced in the fall of 2001 when members of the Irish Republican Army began to disarm in earnest. The U.S. Government makes significant contributions to the peace process in Northern Ireland and Ireland through the International Fund for Ireland and the Walsh Visa Program as described below and in the Program Data Sheets.

INTERNATIONAL FUND FOR IRELAND: Through the International Fund for Ireland (the Fund), the United States provides economic assistance to address the concerns expressed above at the community level as the most effective means of directly reaching wards, sub-wards, and individuals in need.

The objectives of the Fund are to promote economic and social advancement, and encourage contact, dialogue, and reconciliation between Nationalists and Unionists. The Fund seeks to achieve those objectives by supporting and promoting social reconciliation through economic development in Northern Ireland and Ireland, with priority given to new investments that create jobs and reconstruct disadvantaged areas. Fund policy requires that all projects benefit both communities, and that the implementing organization must include members of both communities. The Fund has been successful in encouraging communities to take ownership of projects. The jobs and social stability that have resulted from the U.S. contribution to the Fund are a tangible expression of the U.S. policy of encouraging peace and reconciliation through economic progress.

IRISH PEACE PROCESS CULTURAL AND TRAINING PROGRAM ACT OF 1998: In October 1998, President Clinton signed the *Irish Peace Process Cultural and Training Program Act of 1998* (IPPCTP), also known as the Walsh Visa Program. The law sunsets in 2005. It directs the Secretary of State and the U.S. Attorney General to establish a Program for young people who are residents of Northern Ireland and the border counties of Ireland to "develop job skills and conflict resolution abilities." The IPPCTP is intended to support economic regeneration and peace and reconciliation. Participants must have confirmed job offers before they enter the United States and may work here for up to 36 months. The Program includes a re-employment component to assist participants in finding jobs in their fields back home.

THE USAID PROGRAM:

FY 2002 Estimate \$ 30.0 million

FY 2003 Request: \$ 29.0 million

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED:
None.

OTHER PROGRAM ELEMENTS: None.

OTHER DONORS: The Fund's activities are financed through international contributions from the United States, the European Union, Canada, New Zealand, and Australia. Each of the donors sends a non-voting observer to all Fund Board meetings. In 2001, the United States was the largest donor to the Fund, providing approximately 50% of total donor funding for the year.

Northern Ireland
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Economic Support Fund	23,525	29,934	30,000	29,000
Total Program Funds	23,525	29,934	30,000	29,000

STRATEGIC OBJECTIVE SUMMARY

190-0410 Special Initiatives				
ESF	23,525	29,934	30,000	29,000

Total Transfers

Note: The Northern Ireland funds includes the Irish Visa Program. FY 2000 - 4,000; FY 2001 - 4,989; FY 2002 - 5,000; and FY 2003 - 4,000.

Kosovo

THE DEVELOPMENT CHALLENGE: The United States has compelling national interests in the political, economic development and stability of Kosovo and the Balkans region. After a decade of military and civilian involvement seeking peace in the region, the United States, NATO, the United Nations (UN), and the European Union (EU) have made a commitment to building a peaceful Kosovo that respects human rights of all ethnicities, and promotes and protects democratic rights and freedoms.

In November 2001 Kosovars of all ethnicities went to the polls to elect the first free, democratic and representative government of Kosovo; the challenge before the international community is to continue its assistance to strengthen and empower the new structures of Kosovo's government and work with them to develop a self-sustaining, vibrant, and healthy free-market economy. An independent judicial system free from political influence is critical to the success of the government – especially to protect and uphold the rights of all Kosovars. A difficult and long-term problem will be the safe and orderly return of Serbian Kosovars. This all is overshadowed by the uncertainty regarding the future status of the province within the Federal Republic of Yugoslavia (FRY), and the recent increase in regional instability that may hinder the recovery process and transition to democracy.

Questions regarding Kosovo's final status have led European donors and United Nations Mission in Kosovo (UNMIK) to adopt a cautious approach to privatization and economic reform. "Kosovarization" of the structures of governance is critical to the success of the international community. Additionally, trade-offs between rapid donor-led reform and more time-consuming consultative approaches loom large as donors attempt to accomplish as much as possible while funding levels and the international presence remain substantial. Moving quickly to rebuild economic, political and social structures that increase Kosovar citizens' control of their lives will increase their sense of security and help them over time to let go of past wrongs and focus on building their futures. Fundamental obstacles to democratic reform stem from a lack of traditional democratic institutions and experience. Limits to local involvement in governance, particularly in decision-making and policy implementation in areas such as electoral and judicial reform, make it difficult for Kosovars to acquire the necessary skills and experience to sustain program impact.

THE USAID PROGRAM:

FY 2002 estimate: \$118,000,000

FY 2003 request: \$85,000,000

The Program Data Sheets provided below cover the three program objectives and one support objective for which USAID is requesting funds. The first, economic reform, concentrates on expanding a private sector-led economy by promoting reforms in fiscal and monetary policy management, financial markets, commercial law, and privatization, with direct support for private businesses to generate income and employment. The democracy and governance assistance program in Kosovo aims to build accountable and transparent governance through an independent and ethnically blind judiciary, an independent media, vibrant civil society organizations, and political parties that represent the interests of constituents. USAID's "return to normalcy" program is improving the quality of and access to basic services through repairing municipal and local infrastructure, increasing employment opportunities and creating jobs, and creating an environment for pluralistic decision-making and advocacy. FY 2002 funds will be used to implement the ongoing program already notified. Within the programs described certain activities will be expanded or contracted in response to changing circumstances and opportunities. The specific activities to be funded by FY 2002 and FY 2003 appropriations are described in more detail in the following Program Data Sheets.

ONGOING PROGRAMS FOR WHICH NO FY 2003 FUNDING IS REQUESTED: The USAID program in Kosovo includes the following objectives for which USAID is not requesting new funds, but is continuing to expend funds already appropriated.

<u>number:</u>	<u>title:</u>	<u>last notified:</u>	<u>Est. Completion:</u>
167-041	Special Initiatives	FY 02 CBJ, p. 211	FY 2003

OTHER PROGRAM ELEMENTS: During FY 2001, the United States contributed AEEB, Peace Keeping Operations (PKO), and other funds to (1) support the presence of a U.S. police officer contingent, (2) support operations at the Kosovo Police Service School, and (3) assist in the formation, training and equipping of the Kosovo Protection Corps. This Kosovo Protection Corps was formed to offer a means by which the demilitarized former members of the Kosovo Liberation Army (KLA) could contribute to the rebuilding of Kosovo and be reabsorbed by their society. The United States also provided support for witness security, criminal intelligence unit operations, and covert electronic equipment for a newly-created Kosovo Organized Crime Bureau within UNMIK. This bureau was established to combat political and ethnic violence, organized crime and other criminal issues that threaten the security of Kosovo.

OTHER DONORS: UNMIK's Pillar IV (for reconstruction), whose overall leadership and several key management positions are supported by funding from the EU Agency for Reconstruction (EAR), directs and coordinates the efforts of donors assisting the recovery of Kosovo. Other major donors in this area include the Kosovo Force (KFOR) civilian affairs unit of Germany; the International Monetary Fund; and the World Bank. In the area of private sector development, major donors include the EAR; the European Development Bank; the World Bank; the German development agencies GTZ, KFW and DEG; and the Netherlands.

Donors in the area of democratic reform include the Organization for Security and Cooperation in Europe, the UN Development Program, the Department of State, Department of Justice, and Bureau for International Narcotics and Law Enforcement. The Kosovo Fund for Open Society, the Council of Europe, the British Department for International Development, the EAR, the French and Finnish governments, and the Dutch Foreign Ministry are all involved in judicial reform or administration of justice. Participation in media development is similarly broad and includes the British, Dutch, German, Japanese, French, Norwegian, and Danish governments, as well as the Open Society Institute, Press Now, EAR, and the UNDP. Virtually all donors work in some aspect of civil society development.

The EU has taken the lead in physical reconstruction of Kosovo's housing and major infrastructure. The European Commission Humanitarian Organization (ECHO) provided assistance in education, water and sanitation, health, and food. The World Health Organization (WHO); United Nations Fund for Population Activities (UNFPA); United Nations Children's Fund (UNICEF); the EAR of Kosovo; bilateral donors such as Japan, Finland, Canada, Sweden, and the UK; and nearly 30 international NGOs work in health sector policy and institutional reform as well as service delivery.

Kosovo
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Asst. for E. Europe and the Baltic States	168,000	149,670	118,000	85,000
Economic Support Fund	10,000	0	0	0
Total Program Funds	178,000	149,670	118,000	85,000

STRATEGIC OBJECTIVE SUMMARY

167-0130 Establishment of an Economic Policy and Institutional Framework				
AEBB	22,600	26,100	25,300	21,400
167-0210 Accountable and Transparent Governance				
AEBB	10,084	6,199	8,750	9,200
167-0310 Restored Normalcy in Living Standards and Opportunities				
AEBB	19,700	19,401	10,300	0
167-0410 Special Initiatives				
AEBB	4,500	11,300	500	0
167-0420 Cross-Cutting Program				
AEBB	3,116	1,800	2,100	1,000

Total Transfers	118,000	84,870	71,050	53,400
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Former Yugoslav Republic of Macedonia

The unemployment rate is estimated at 32% of the total workforce; incomes are roughly 75% of what they were prior to independence.

THE DEVELOPMENT CHALLENGE: The primary development challenge for Macedonia is to restore peace and stability so that efforts can be refocused on continuing democratic and economic reforms. In February 2001, conflict broke out between ethnic Albanian guerillas and ethnic Macedonian security forces.

At the request of the government, international facilitators brokered a cease-fire. With further facilitation by the United States and the European Union (EU), the ruling ethnic Macedonian and Albanian political party leaders signed a peace agreement, known as the Framework Agreement (FWA) in August 2001. In November, the Parliament passed the constitutional amendments required in the FWA. Macedonia is currently charged in the FWA with implementing several more legal and civil reforms. There is strong international pressure to maintain peace. It is hoped that Macedonia's desire to become a member of the World Trade Organization, the EU, and NATO will help achieve this goal.

Macedonia's democratic institutions and practices are weak and highly centralized. Macedonian citizens do not have a high degree of confidence in their democracy. The outbreak of hostilities and the inability of leaders to quickly resolve the conflict only served to further weaken institutions. Macedonia's democratic process is further distorted by the patronage systems used by political parties to win elections, which involve the distribution of key resources under their control (i.e., civil service jobs or jobs in state-owned enterprises). As a result, ordinary citizens, regardless of their ethnicity, feel alienated by the country's elite-dominated party system. Furthermore, civil society has not developed to the point where it can exert significant control over the actions of political players or function in a proactive way to meet the needs of its own citizens. The judiciary remains financially dependent on the executive branch and does not provide adequate checks and balances in the system.

Macedonia had one of the most resilient transition economies in the region, recovering quickly from the Kosovo crisis. In 2000, real GDP grew by 4.3% and it initially appeared that 2001 might surpass the prior year in generating investment and job creation. But after conflict broke out, GDP contracted by 5.7% for the first half of 2001. The official unemployment rate is 32% as compared to an estimated 18% in Albania and 12% in Bulgaria. At the end of 2000, 22% of the population lived below the poverty line of \$70 per month and this percentage is likely to increase as a result of the worsening economic situation. Average incomes are estimated to be roughly 75% of what they were prior to independence. Public sector employment accounts for 66% of total employment, at a time when the country needs privatization and downsizing of the public sector. Per capita foreign direct investment in the economy is the lowest in the Central and Eastern Europe region. Public confidence in the economy is weakening.

Key U.S. national interests in Macedonia include political stability, economic prosperity, and democratization. Ethnic tensions must be addressed because of their potential to cross national border and become a regional problem. Macedonia can serve a critical role in combatting organized crime. With peace and stability, more attention can be focussed on prosecuting organized crime or extremists.

THE USAID PROGRAM:

FY 2002 Estimate: \$49.5 million

FY 2003 Request: \$50.0 million

The Program Data Sheets provided below articulate the objectives for which USAID is requesting funds and which were presented in USAID's new strategic plan. These include:

accelerating private sector-led growth; improving the legitimacy of key democratic institutions; mitigating the adverse social impacts of the transition to a market-based economy; and training key leaders and decision makers in areas which support the program.

ONGOING PROGRAMS FOR WHICH NO NEW FY 2002 OR FY 2003 FUNDING IS REQUESTED: The USAID program in Macedonia is consolidating previous democracy objectives (shown below) into a new democracy and governance SO. The former programs will not request new funds, but will continue to expend funds already appropriated until remaining activities are completed. Under the new democracy SO, additional funds will be requested as described in the Program Data Sheet.

Number:	Title:	Last Notified	Planned Completion:
165-021	Increased, Better Informed Citizens' Participation in Political and Economic Decision-Making	FY2002 CBJ, p. 228	FY 2002
165-023	More Efficient, Responsive, and Accountable Local Government	FY2002 CBJ, p. 233	FY 2002

OTHER PROGRAM ELEMENTS: USAID is funding the U.S. Bureau of the Census to provide technical assistance to the Government of Macedonia (GOM) for a census in 2002. Completion of the census by the GOM is required by the terms of the peace agreement. U.S. assistance will strengthen the GOM's ability to complete a census whose results are accepted by all political parties and ethnic groups. In addition, the U.S. Department of Justice's International Criminal Investigative Training Assistance Program (ICITAP) provides assistance to improve the capacity, professionalism, and multi-ethnicity of Macedonia's police force.

Overall development assistance to Macedonia totaled roughly \$270 million in 2001, according to government statistics.

OTHER DONORS: The United States ranks first among bilateral donors to Macedonia. Macedonia receives substantial assistance from international financial institutions such as the World Bank, the European Bank for Reconstruction and Development (EBRD), the International Monetary Fund (IMF), and the World Bank's International Development Association. Several World Bank loan conditionalities are based on USAID activities, primarily in the financial sector. The WB and the EU are funding work to reform the payments system that complements USAID's work in banking and capital markets. The EU's PHARE program contributes to USAID efforts in accounting and banking and in small and medium enterprise development. USAID is also collaborating with the German, Dutch and Norwegian governments as they provide technical assistance for small business, agriculture, NGO, and community development. UNICEF and the World Bank are supporting initiatives in the education sector.

Macedonia, Former Yugoslav Republic of

PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Asst. for E. Europe and the Baltic States	37,500	32,927	49,500	50,000
PL 480 Title II	3,384	0	0	0
Total Program Funds	40,884	32,927	49,500	50,000

STRATEGIC OBJECTIVE SUMMARY

165-0130 Accelerated Development and Growth of the Private Sector				
AEEB	14,425	9,339	13,250	11,750
165-0200 More Legitimate Democratic Institutions				
AEEB	0	0	12,270	15,515
165-0210 Increased, Better Informed Citizens' Participation in Political and Economic Decision Making				
AEEB	7,250	4,486	0	0
165-0230 More Effective, Responsive and Accountable Local Government				
AEEB	3,205	2,083	0	0
165-0340 Mitigation of Adverse Social Impacts of the Transition to Market-Based Democracy				
AEEB	0	500	8,955	8,165
165-0410 Special Initiatives				
AEEB	5,450	8,500	4,620	3,800
165-0420 Cross-Cutting Programs				
AEEB	2,450	3,579	4,150	5,065
Total Transfers	4,720	4,440	6,255	5,705

Note:

In addition to the FY 2001 country level of \$32,927,000, \$1,250,000 of Europe Regional funds were used for the Macedonian police activities.

Romania

THE DEVELOPMENT CHALLENGE: Overall, economic reform progress in Romania has been modest compared to other transition countries in the region. The greatest reform gaps are in areas of enterprise restructuring, financial sector reforms, competition policy, and large-scale privatization. However, economic growth resumed in 2000 at 1.6%, and is forecast to continue at close to 4% in 2001-2002. Inflation remains too high, though it has fallen from 41% in 2000 to approximately 30% by 2001. Exports have surged, expanding at an annual rate of roughly 25% through mid-2001. To a large extent, economic growth is occurring, despite lack of progress on structural reform, due to global economic conditions, coupled with the expansionary policies of the current government and domestic business cycle trends. This current expansion will not be sustainable if critical structural reforms are not undertaken in the near-term.

Economic growth resumed in 2000 at 1.6% and is forecast to continue at close to 4%

As in many Central and Eastern European countries, political and democratic reforms in Romania are farther along than economic reforms. However, despite significant advances in decentralization and the administration of free and fair elections, Romania has significant problems in democratic governance, especially in the area of rule of law. According to an USAID-financed assessment of democracy and governance issues performed in 2001, the system of governance suffers from institutional weaknesses, especially in the parliament and the judiciary. There is a general lack of accountability on the part of politicians and government officials, an absence of effective oversight mechanisms to provide accountability, and few channels for popular pressures to influence institutional and professional conduct. Corruption is pervasive in the judicial, political as well as economic or private sector arenas.

Poverty and income inequality have increased in Romania over the last decade of transition. Most efforts to compare income show Romanians increasingly worse off. A recent World Bank study found that approximately 45% of the population fell below the poverty threshold of \$4.30 per day. The burdens of poverty impact most heavily on rural households, female-headed families, pensioners/the elderly and children. These groups are disproportionately at risk.

As the largest country in the region, Romania plays an important role in the stabilization of conflict-ridden Southeast Europe. A democratically vibrant and economically prosperous Romania is a strategic asset for regional peace and stability. The principal goal of U.S. foreign policy interest is regional stability and the mutually reinforcing objectives of economic growth, democracy and reduced human suffering.

THE USAID PROGRAM:

FY 2002 Estimate: \$36.0 million

FY 2003 Request: \$29.0 million

The Program Data Sheets provided below cover the three objectives for which USAID is requesting funds. All three strategic objectives are new and constitute the framework for USAID's development assistance strategy for the next five years (FY 2002 - FY 2006). These objectives are informed by successful performance in the past as well as recent evaluations and assessments. The new programs concentrate on the development of a competitive, market-oriented economy, the promotion of democratic governance, and improvements in the effectiveness and accessibility of child welfare, health care and the social service system. Specific activities to be funded by FY 2002 and FY 2003 appropriations are described in more detail in the following Program Data Sheets.

USAID has provided valued, notable technical assistance in areas ranging from energy deregulation, to fiscal decentralization, to redefining child welfare.

ONGOING PROGRAMS FOR WHICH NO NEW FY 2002 OR FY 2003 FUNDING IS REQUESTED: The USAID program in Romania includes the following objectives for which USAID is not requesting new funds but is continuing to expend funds already appropriated. This program change reflects the replacement of the FY 2002 objectives with 3 new ones in FY 2003.

<u>Number</u>	<u>Title</u>	<u>Last Notified</u>	<u>Planned Completion</u>
186-013	Development of private sector	FY2002 CBJ, p.257	FY 2002
186-014	Competitive private financial sector	FY2002 CBJ, p.262	FY 2003
186-015	Sustainable energy sector	FY2002 CBJ, p.266	FY 2002
186-016	Environment management	FY2002 CBJ, p.270	FY 2002
186-021	Participatory civil society	FY2002 CBJ, p.274	FY 2003
186-023	Effective local governments	FY2002 CBJ, p.278	FY 2002
186-032	Quality child welfare and health care	FY2002 CBJ, p.282	FY 2002
186-042	Cross-cutting activities	FY2002 CBJ, p.286	FY 2003

OTHER PROGRAM ELEMENTS: Activities that are not funded through USAID's bilateral program, but through the regional AEEB funds, will support infrastructure development, foster the creation of business support institutions in Central and Eastern Europe and increase awareness of labor unions regarding all aspects of child labor, including the trafficking of young girls for prostitution and pornography.

OTHER DONORS: USAID assistance ranks fourth behind the European Bank for Reconstruction and Development (EBRD), the World Bank, and the EU. The EBRD investment portfolio funds projects in transport, telecommunications, banking, tourism, private corporations, municipal utilities and energy. The World Bank has ongoing programs in energy, agriculture, privatization and financial reform, employment services, industrial pollution, health rehabilitation, and social development. The EU is supporting rural development, agriculture, banking, small and micro-lending, democracy, social sector, health and environment.

Romania
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Asst. for E. Europe and the Baltic States	35,000	38,415	36,000	29,000
Total Program Funds	35,000	38,415	36,000	29,000

STRATEGIC OBJECTIVE SUMMARY

186-0130 Development and Growth of Private Enterprises				
AEEB	10,615	10,054	0	0
186-013n Accelerated Private Sector Growth by Supporting a Market-Driven Environment				
AEEB	0	0	15,313	12,100
186-0140 A More Competitive and Market-Responsive Financial Sector				
AEEB	2,000	2,815	0	0
186-0150 A More Economically Sustainable and Environmentally Sound Energy Sector				
AEEB	1,335	1,185	0	0
186-0160 Increased Environmental Management Capacity to Promote Sustainable Economic Growth				
AEEB	0	1,427	0	0
186-0210 Increased, Better-Informed Citizens' Participation in Political and Economic Decision-Making				
AEEB	2,621	3,346	0	0
186-0230 More Effective, Responsive and Accountable Local Government				
AEEB	2,014	2,715	0	0
186-023n Improved Democratic Governance at Local Level				
AEEB	0	0	9,163	8,600
186-0320 Improve the Welfare of Children and Women in Romania				
AEEB	7,072	8,267	0	0
186-034n Improved Effectiveness of Selected Social and Primary Health Care Services for Targeted Vulnerable Groups				
AEEB	0	0	6,874	6,000
186-0420 Cross Cutting Programs				
AEEB	5,668	5,576	0	0
Total Transfers	3,675	3,030	4,650	2,300

Federal Republic of Yugoslavia

THE DEVELOPMENT CHALLENGE: U.S. assistance to the Federal Republic of Yugoslavia (FRY) and its two constituent republics (Serbia and Montenegro) continues to be based on fundamental U.S. national interests. Serbia has been the locus of instability in the Balkans since the end of the Cold War. After a decade of military and civil conflict, the international community seeks a lasting peace and stable region. The FRY is a social, political and geographic crossroads between Western and Eastern Europe, Turkey, and Greece.

The peaceful revolution of the people of FRY rejecting the Milosevic regime's authoritarianism on October 5, 2000 remains to be consolidated. Despite that dramatic political transition, the FRY's democratic future requires further consolidation. In addition to a peaceful resolution of the status of Montenegro and Kosovo and other pressures for increased autonomy, leaders

Mechanisms for meeting the aspiration of all ethnic groups remain weak after a decade of misrule and justice for past abuses is incomplete. Judicial reforms have yet to be started in the FRY and Serbia and are just beginning in Montenegro; transparent civil society organizations are incipient.

face the challenge of building broad consensus on a range of critical social, economic, and political changes necessary to move the country toward the global community of democracies. It is essential that constructive frameworks be developed to address lingering ethnic, religious, regional and economic concerns through peaceful, legal means to avoid regression. Internal differences within the governing 18-party coalition (DOS) could result in a no-confidence vote and early elections. Economic and political reforms will be a major issue whenever elections take place.

Reforms must be moved through largely unreformed bureaucracies and a Byzantine system of pervasive grand and petty corruption. Dealing with the past is of central importance in shaping the FRY's post-Milosevic national identity. Although Milosevic and others were transferred to The Hague in 2001, publicly -indicted war criminals remain in the region and attitudes toward efforts to bring Balkan war criminals to justice range from support for transfer, to apathy, or to anger. Other human rights problems, such as the trafficking in persons, also must be addressed. To confront these challenges, mechanisms for citizens to voice their concerns about issues that affect their lives and their communities must be practiced and expanded. The foundation for democratic transition and consolidation must be strengthened.

It is essential that citizens receive economic and political benefits quickly, as a result of the break with the country's nationalistic past. After a decade of suffering from economic instability and distorted

The FRY economy is in crisis. Unemployment continues to rise in both Montenegro and Serbia and financial and social systems are extremely fragile and inadequate for a competitive free-market economy.

economic policies exacerbated by manipulative domestic political parties and by sanctions which severed market and trade links, relief assistance must be tangible to the ordinary citizen. Physical infrastructure is in poor condition. Bank and enterprise closings initially will increase unemployment and reduce economic activity further threatening the already fragile public confidence and support for reform. In conjunction with the basic economic, policy, and financial market reforms needed, the

legislative and judicial systems must be overhauled before investment can be attracted.

THE USAID PROGRAM:

FY 2002 Estimate \$ 165 million

FY 2003 Request: \$ 135.0 million

The Program Data Sheets provided below describe the four objectives for which USAID is requesting funding in the FRY, including both republics, Serbia and Montenegro. These objectives focus on strengthening democracy and governance, including the direct participation of citizens in decisions affecting their development, and establishing the foundation for reintegration into the Euro-Atlantic

economic and democratic community and sustainable future economic growth. A fifth, ongoing objective is presented for Montenegro to cover budget support, which will end in FY 2002.

Support for civil society, NGOs, independent media and labor, citizens' participation in decision-making, and local government strengthening will be continued under objective 2.1 in FY 2002. In FY 2003, however, support for civil society, NGOs, independent media and labor will be established under a separate SO focused on civil institutions. Promotion of employment generation and economic growth will continue to be supported under objective 1.3.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: The USAID program includes the following objectives. Funds already obligated will continue to be expended.

Number:	Title:	Last Notified	Planned Completion
169-0230	More Effective, Responsive and Accountable Local Government	FY 02 CBJ, p. 180	FY 2002
169-0310	Humanitarian Community Services and Facilities	FY 02 CBJ, p. 183	FY 2002
169-0410	Special Initiatives	FY 02 CN#458 7/31/01	FY 2003

OTHER PROGRAM ELEMENTS: USAID will continue to support food assistance for refugees and internally displaced persons through the Food for Peace Program. In FY 2002 USAID also will continue support through the Office of Transition Initiatives.

OTHER DONORS: Donor coordination is good. The European Agency for Reconstruction is the largest donor to the FRY, followed by the United States. The International Monetary Fund, World Bank and European Bank for Reconstruction and Development also provide significant assistance to the FRY. Substantial donor resources have been promised for small and micro enterprise support. There is a large array of donors engaged in democracy and governance activities. Key players, especially in civil society, are the Open Society Institute, Organization for Security and Cooperation in Europe, UNDP, and bilateral donors such as Sweden, Canada, Holland, Norway, and the United Kingdom.

In June 2001, the donors pledged \$1.2 billion in assistance to FRY. The FRY was also promised significant debt relief from the Paris Club.

Serbia
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Asst. for E. Europe and the Baltic States	25,000	99,780	105,000	110,000
PL 480 Title II	54,277	33,978	0	0
Total Program Funds	79,277	133,758	105,000	110,000

STRATEGIC OBJECTIVE SUMMARY

169-0130 Accelerated Development and Growth of Private Enterprises				
AEBB	0	7,750	15,500	27,000
169-0200 More Effective, Responsive, and Accountable Democratic Institutions				
AEBB	0	0	0	15,000
169-0210 Increased, Better Informed Citizens' Participation in Political and Economic Decision Making				
AEBB	22,407	32,135	56,580	57,585
169-0230 More Effective, Responsive and Accountable Local Government				
AEBB	0	8,000	0	0
169-0310 Humanitarian Community Services and Facilities				
AEBB	0	10,450	0	0
169-0410 Special Initiatives				
AEBB	0	30,890	0	0
169-0420 Cross-Cutting Programs				
AEBB	1,500	1,000	3,000	3,000

Total Transfers	1,093	9,555	29,940	7,415
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Montenegro
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Asst. for E. Europe and the Baltic States	42,249	72,340	60,000	25,000
Economic Support Fund	11,139	0	0	0
Total Program Funds	53,388	72,340	60,000	25,000

STRATEGIC OBJECTIVE SUMMARY

170-0130 Accelerated Development and Growth of Private Enterprise				
AEEB	10,199	26,785	17,670	5,760
170-0200 More Effective, Responsive and Accountable Democratic Institutions				
AEEB	0	0	0	2,180
170-0210 Increased, Better Informed Citizens' Participation in Political and Economic Decision-Making				
AEEB	2,550	12,000	19,150	13,000
170-0410 Special Initiatives				
AEEB	28,500	29,900	15,000	0
ESF	11,139	0	0	0
170-0420 Cross-Cutting Programs				
AEEB	400	1,000	2,000	2,000

Total Transfers	600	2,655	6,180	2,060
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REGIONAL ACTIVITIES IN EUROPE

THE DEVELOPMENT CHALLENGE

Regional assistance to the countries of Central and Eastern Europe plays a vital role, both in promoting cross-border linkages and in implementing post-presence activities in countries that have graduated from bilateral assistance. Regional activities are viewed as a vehicle to promote lessons learned between the northern tier and Southeast Europe countries and to accelerate the integration of this region into Euro-Atlantic institutions.

The European northern tier countries have advanced economic and democratic reforms and are on the path to accession to the European Union. By the end of FY 2000, USAID closed its missions in these countries. In contrast, years of ethnic violence have slowed the transition to democracy and private sector growth in Southeast Europe.

In the European northern tier, USAID continues to implement several legacy and regional mechanisms that will help ensure the sustainability of transition to market democracies in this subregion. The legacy mechanisms are endowments managed by private foundations, such as the Baltic-American Partnership Fund and the Polish-American Freedom Foundation – both of which promote democratic and economic reforms through small grants to indigenous organizations. On a regional level, the environmental partnerships (EcoLinks) program helps to open European northern tier markets to U.S. environmental businesses while addressing issues of environmental abuse. The Partners for Financial Sustainability program continues to be available on a case-by-case basis to bolster past economic reforms and help improve local institutional capacity to deal with external financial shocks.

In Southeast Europe, USAID is focusing on reducing ethnic tension, supporting democratic processes, furthering economic reforms, and promoting regional cooperation in the region and their speedy integration into Europe proper. Regional programs are designed to establish common standards and practices across borders in such areas as trade and customs, health, labor, energy, and the environment. This strategy is intended to facilitate economic relationships among neighbors, reinforce stability, attract foreign investment and increase competitiveness in international markets.

THE USAID PROGRAM

FY 2002 Estimate: \$74.5 million AEEB

FY 2003 Request: \$60 million AEEB

The FY 2002 estimate and the FY 2003 request include transfers to other agencies. USAID will utilize \$32.505 million AEEB funds in FY 2002 and \$25.36 million in AEEB funds and \$770,000 in CSD funds in FY 2003 to continue to support existing strategic objectives and focus on sustainability issues in northern tier countries and the fostering of regional linkages among the countries in Southeast Europe. Activities under the economic restructuring area encompass those in anti-corruption, agro-industry competitiveness, micro-enterprise development, financial sector and fiscal reform, energy cooperation and trade, and environmental management. Activities under the democracy and governance rubric include efforts in civil society, the rule of law and judicial strengthening, and local government development. Activities under social transition encompass programs in conflict prevention, HIV/AIDS, humanitarian response, health promotion, health care access, including infectious disease control, social sector assessment and program design services, and regional review of social safety net issues. Cross-cutting support will also be provided for anti-trafficking, and through participant training, information technology development, and program evaluation and assessments.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: Instead of maintaining the regional privatization strategic objective, the remaining small activities on accounting reform and for corporate governance have been consolidated under the fiscal reform strategic objective.

<u>Number</u>	<u>Title</u>	<u>Last Notified</u>	<u>Planned Completion</u>
180-011	Increased Transfer of State-Owned	FY02 CBJ, p.293	FY 2002

**Europe Regional
PROGRAM SUMMARY**
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Asst. for E. Europe and the Baltic States	75,523	86,609	74,500	60,000
Child Survival and Disease Programs Fund	0	770	0	0
Total Program Funds	75,523	87,379	74,500	60,000

STRATEGIC OBJECTIVE SUMMARY

180-0110 Increased Transfer of State-Owned Assets to the Private Sector				
AEEB	523	659	0	0
180-0120 Increased Soundness of Fiscal Policies and Financial Management Practices				
AEEB	302	639	736	699
180-0130 Accelerated Development and Growth of Private Enterprise				
AEEB	4,466	4,595	1,919	1,823
180-0140 A More Competitive and Market Responsive Private Financial Sector				
AEEB	2,875	3,534	1,429	1,286
180-0150 A More Economically Sustainable and Environmentally Sustainable Energy Sector				
AEEB	7,126	6,722	5,226	4,703
180-0160 Increased Environmental Management Capacity to Support Sustainable Economic Growth				
AEEB	5,498	7,767	5,994	1,795
180-0210 Increased Better-Informed Citizens' Participation in Political and Economic Decision-Making				
AEEB	3,062	3,121	2,932	2,684
180-0220 Legal Systems that Better Support Democratic Processes and Market Reforms				
AEEB	2,102	2,302	1,246	1,031
180-0230 More Effective, Responsive and Accountable Local Governance				
AEEB	861	997	966	914
180-0310 Strengthened Humanitarian Responses to Crises				
AEEB	72	155	265	239
180-0320 Increased Health Promotion and Access to Quality Health Care				
AEEB	801	1,754	2,309	2,078
CSD	0	770	0	0
180-0340 Mitigation of Adverse Social Impacts of the Transition to Market-Based Democracies				
AEEB	1,200	1,867	720	648
180-0410 Special Initiatives				
AEEB	5,099	3,337	3,195	2,500
180-0420 Cross-Cutting Programs				
AEEB	4,999	4,650	5,569	4,960
Total Transfers	36,537	44,510	41,995	34,640

Eurasia
PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	0	6,012	0	0
FREEDOM Support Act	829,812 *	808,218	784,000	755,000
Emergency Response Fund - FSA/NIS	0	0	46,500	0
PL 480 Title II	9,240	25,079	24,733	0
Total Program Funds	839,052	839,309	855,233	755,000

* Excludes \$6 million of FSA funds for Mongolia program managed by the Asia and Near East Bureau.

Armenia

The Development Challenge: Like other countries of the former Soviet Union, Armenia's economic transition has been hampered by the legacy of central planning, severe economic shocks arising from the collapse of the USSR, and reluctance of national decision-makers to undertake critical reforms to restructure and privatize the economy. An additional impediment to Armenia's emergence as a prospering free market democracy has been the conflict with Azerbaijan over Nagorno-Karabakh, a disputed enclave located within the territory of Azerbaijan. A cease-fire has held since 1994, but Armenia and Azerbaijan have yet to resolve the status of Nagorno-Karabakh. As a result, Armenia does not have normal trading relations with Azerbaijan or Turkey. Successful resolution of the situation would allow the reopening of borders and facilitation of trade, making Armenia more attractive to potential investors.

Fairly impressive economic growth figures in recent years coupled with low inflation is now helping to reverse the decline in the standard of living of Armenians that began with independence in 1991. According to official figures, in the first nine months of 2001 the Armenian economy posted unprecedented 9.9% GDP growth compared to the same period in 2000. Official unemployment has decreased from 11.9% in 1999 to 10.9% in 2000 and 10.1% in 2001, although these figures do not include underemployment and are widely thought to underestimate the actual level (estimated at 30%). The external debt-to-GDP ratio stood at 44.9% in 2000 and the Central Bank of Armenia (CBA) projects it to decrease slightly to 44.5% in 2001. The external trade deficit for 2000 stood at \$585 million. Despite these economic indicators, 55% of the population subsist below the official poverty line, and the Government does not provide an adequate social safety net.

Although Armenia's macroeconomic indicators are among the best of the Former Soviet Union countries, conservative estimates indicate that some 55% of the population live below the poverty line.

Armenia is an important country to U.S. security and economic interests. Due to U.S. interest in the energy resources of the Caspian Sea Basin, regional stability and security are necessary to enhance the investor confidence needed for the development and transport of these resources. This stability and security rests, however, on the peaceful resolution of regional conflicts such as Nagorno-Karabakh. Continued stalemate discourages foreign and domestic investment, economic development and job creation and the establishment of a free market democracy while encouraging continued emigration abroad. Potential military escalation of the Nagorno-Karabakh conflict could invite outside intervention by regional powers that could undermine Armenia's independence.

The USAID Program:
FY 2002 Estimate: \$90 million

FY 2003 Request: \$70.0 million

The Program Data Sheets provided below cover the six strategic objectives for which USAID is requesting funds to assist Armenia. These objectives focus on helping Armenia to establish a vibrant market economy within a democratic society, while easing the impact of this transition on its populace. In particular, USAID assistance focuses on: economic restructuring and private sector development; restructuring and reform of the energy sector to promote economic and environmental efficiency; improving water quality and water management; strengthening democratic governance; improving social welfare and health systems; and facilitating recovery from the 1988 earthquake in Lori and Shirak provinces, including improving housing opportunities for families still living in temporary shelters. USAID also has a special cross-cutting objective that supports efforts under the other six objectives, including enhancing the regional dialogue on water management issues, promoting small business development, good governance and strengthened civil society, and improving media and communications capacity.

In FY 2002, USAID efforts in the economic sector will focus on: improving the tax, fiscal and customs systems; improving the legal and regulatory environment for trade investment and

economic growth; and reforming and developing Armenia's accounting and auditing infrastructure. USAID will also increase access to financial capital through capital markets development; improving bank supervision; and providing small loans for micro-entrepreneurs and small and medium-sized enterprises (SMEs). In the area of democracy, USAID will begin two new activities focused on fighting corruption and strengthening the legislature.

In FY 2003, funds will be used largely to implement the on-going programs described above.

Other Program Elements: In addition to the bilateral program described in this document, USAID is carrying out a farmer-to-farmer assistance program in Armenia that provides short-term, U.S. volunteer technical assistance to increase farming and agribusiness productivity and incomes.

Other Donors: The United States is the largest bilateral donor. Other bilateral donors, in order of levels of assistance, include Germany (energy, infrastructure development, small and medium enterprise development, health), Japan (energy, health, agriculture), the Netherlands (agribusiness, energy), United Kingdom (customs, social sector, public sector reforms), Italy (health, culture). The largest multilateral donor is the World Bank (enterprise development, energy, water, education, health, agricultural reform, municipal development, and judicial reform). The World Bank and USAID activities complement one another in most sectors. Other multilateral donors include International Monetary Fund (macroeconomic policy), the European Bank for Reconstruction and Development (credit and energy), European Union (civil society, social sector, energy, education, private sector development, land titling, agriculture, statistics and transport), and the United Nations network of agencies, e.g. UNDP (poverty reduction, democracy and governance), UNHCR (refugee support), UNICEF (health, education, social sector), World Food Program and World Health Organization. Most donors, including USAID, participate in monthly donors' meetings. Sector specific donor groups also meet periodically. There are also several Armenian Diaspora donors, the largest of which is the Lincy Foundation (SME development, road network, Yerevan city public works restoration and improvements, tourism and earthquake recovery). The Soros Foundation is also active in Armenia (civil society, education, public health, culture, media, and judicial reform).

Armenia
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
FREEDOM Support Act	102,461	89,802	90,000	70,000
PL 480 Title II	1,291	742	0	0
Total Program Funds	103,752	90,544	90,000	70,000

STRATEGIC OBJECTIVE SUMMARY

111-0130 Growth of a Competitive Private Sector				
FSA	18,000	15,000	19,700	14,375
111-0150 A More Economically and Environmentally Sustainable Energy Sector				
FSA	6,189	6,000	3,100	6,225
111-0160 More Sustainable Water Management for Enhanced Environmental Quality				
FSA	1,811	500	1,200	1,850
111-0210 More Transparent, Accountable and Responsive Democratic Governance				
FSA	9,000	9,000	10,450	6,750
111-0340 Mitigation of the Adverse Social Impacts of the Transition				
FSA	12,600	13,100	15,500	12,300
111-0411 Households Living in Inadequate Shelter as a Result of the 1988 Earthquake Reduced				
FSA	0	5,000	0	1,000
111-0420 Cross-Cutting Programs				
FSA	22,400	5,444	5,000	4,100
Total Transfers	32,461	35,758	35,050	23,400

Azerbaijan

The Development Challenge: Upon regaining independence in 1992, Azerbaijan was faced with significant political, economic, and social problems, many stemming from the military conflict with Armenia over Nagorno-Karabakh. A cease-fire has held since 1994, but Armenia and Azerbaijan have yet to resolve the status of this disputed enclave located within the territory of Azerbaijan. This conflict has constrained economic investment and trade, and has resulted in the displacement of more than 700,000 people. Meeting the immediate needs of the refugee and internally displaced (IDP) populations has distracted the Government of Azerbaijan (GOAJ) and donors from implementing meaningful, structural reforms in the key areas of rural development, infrastructure, legal and regulatory reform, and banking.

Sixty percent of Azerbaijan's population lives below the poverty line.

Boasting substantial oil reserves, Azerbaijan has managed to attract significant foreign investment and capitalize on higher oil prices in recent years. Oil revenues, coupled with the GOAJ's conservative approach to debt, have enabled Azerbaijan to achieve an impressive measure of macroeconomic stability. However, this dependency on oil revenues leaves the country vulnerable to price fluctuations. The GOAJ recognizes the need to diversify the economy and support development of other economic sectors, particularly agriculture.

A 2000 World Bank report placed Azerbaijan's per-capita GDP at \$664 – 98th out of the 189 countries of the world. The average monthly wage is \$45.80, with those individuals working in agriculture and health care earning far less.

The United States has taken great interest in the development of a prosperous and democratic Azerbaijan, both as an active partner in the War Against Terrorism and a valuable source of trade in the energy sector. Azerbaijan is a critical link in the East-West corridor and a vital connection in the Trans-Caspian energy export system. The Government of Azerbaijan has supported the U.S. Government in its fight against terrorism.

The USAID Program:

FY 2002 Estimate: \$43.89 million **FY 2003 Request:** \$46.0 million

USAID's program seeks to support Azerbaijan's transition to a democratic society and an open market economy. For the past two years USAID has been implementing a transitional strategy designed to create the foundation for expanded reforms toward a market economy and participatory democracy, while observing the restrictions placed on the assistance program by the provisions of Section 907 of the FREEDOM Support Act. The current strategy comprises four objectives: economic growth; a better organized and represented civil society; reduced human suffering in conflict-affected areas; and a fourth objective that is crosscutting in nature and supportive of the other three. While continuing with these same objectives, supportive, but new, activities are now being designed in response to the potential waiving of Section 907 sanctions. While USAID's programs to date have been able to produce some targeted results, the inability to work with the GOAJ to create an enabling and supporting environment has hampered the achievement of more sustainable and far-reaching results, especially in the areas of private sector development and health. New work with the GOAJ will be limited and directly linked to and supportive of on-going assistance objectives. The specific activities are described in the attached Program Data Sheets. FY 2003 marks the last year of USAID's current programming strategy for Azerbaijan and there are no plans to significantly modify the strategy in the interim. It is also expected that many of the elements contained in the current strategy will form part of the new strategy, although there will likely be increased emphasis on implementing programs that support economic growth.

Ongoing Programs for Which no FY 2002 or FY 2003 Funding is Requested: USAID does not plan to discontinue any strategic objectives during the next two fiscal years.

Other Program Elements: A regional Caucasus farmer-to-farmer program funded through P.L.-480 proceeds operates in Azerbaijan with approximately \$430,000 a year in funding. The activity assists rural farmers by placing volunteer technical advisors at their farms on a short-term basis. The technical advisors develop and disseminate a set of best practices to their local clients and assist in strengthening local credit providers. Advisors have assisted on issues of production, appropriate processing technology, and business management and planning. In 2001, 27 technical advisors visited Azerbaijan. In FY 2002, USAID/Azerbaijan anticipates the arrival of 29 volunteers, with an increased emphasis on improving the rural credit system.

Other Donors: USAID is coordinating closely with other donors in the implementation of all activities. Several donors are active in economic restructuring and private sector development, including World Bank (agricultural development, infrastructure), EU/TACIS (bank training), the British Embassy (macroeconomic forecasting and advising the Ministry of Finance), and Germany's KfW (privatization). Donors working in democracy and governance include the British Embassy, the Soros Foundation/Open Society Institute, and the United Nations. UNHCR plays an important role in assisting refugees and internally displaced persons and the EU assists with refugee housing.

Azerbaijan
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
FREEDOM Support Act	31,863	38,024	43,310	46,000
PL 480 Title II	2,443	2,501	582	0
Total Program Funds	34,306	38,525	43,892	46,000

STRATEGIC OBJECTIVE SUMMARY

112-0130 Accelerated Development and Growth of a Small and Medium Enterprises in Targeted Areas				
FSA	3,930	8,200	9,300	13,600
112-0210 Civil Society Better Organized and Represented				
FSA	4,400	5,129	5,500	6,000
112-0310 Reduced Human Suffering in Conflict-Affected Areas				
FSA	10,100	9,170	10,000	7,500
112-0420 Cross-Cutting Programs				
FSA	3,050	3,500	3,500	5,750
Total Transfers	10,383	10,025	15,010	12,950

Belarus

The Development Challenge: The 2001 presidential elections presented Belarus with alternatives to presidential autocracy and concentrated executive power. The elections attracted international attention, providing the possibility for a renewal of democracy. However, the Government of Belarus (GOB) ignored the recommendations of the Organization for Security and Cooperation in Europe (OSCE) for free and fair elections. The OSCE Limited Election Observation Mission concluded that the September 9 presidential elections in Belarus did not meet democratic standards, but that a vibrant civil society has emerged despite the efforts of the government.

Belarus ranks 135th among 156 countries in investment climate attractiveness; and 146th place in economic freedom according to, respectively, the World Bank and the Heritage Foundation.

In the early 1990s, Belarus, started economic liberalization and structural reforms after gaining independence from the Soviet Union. The election of the current president in 1995 interrupted this transformation, as he centralized all authority in the executive. State ownership of property, depreciated industrial assets, limited foreign and domestic investment due to an

unfavorable investment climate and the legacy of a command-driven economy also hampered economic development. A report released by the Commonwealth of Independent States (CIS) Statistical Committee in December 2001 shows that Belarus has the lowest GDP growth and highest inflation in the CIS.

According to the GOB's Labor and Social Protection Department, Belarus' social indicators have also deteriorated. Economic and social developments in the country have led to an acute decline in birth rates, marriages, and an increase in emigration and mortality rates (since 1990, the birth rate has declined 30%).

The legislative branch is largely limited in its powers, and a weak judiciary—directly controlled by the Executive branch—cannot protect civil or commercial rights. Nonetheless, the civic resistance that emerged during the presidential election period has broadened the debate on legislative reform and redistribution of power.

Civil society remains weak largely due to the restrictive environment imposed by the government and its harassment of the most active democratic non-governmental institutions. During the election year, the GOB chose to tighten the existing legislation even further, and used its administrative structures and state-controlled mass media to neutralize and discredit the most active components of the civil society: trade unions, democratic political parties, and non-governmental organizations (NGOs). The role of civil society is largely unrecognized and misunderstood by the general public due to the government's control over the media, and misinformation in the state-owned information sources. Despite the repressive climate, civil society struggles to raise the level of citizens' involvement in the political process, as demonstrated by the non-partisan get-out-the-vote campaign and the 2001 presidential election observation campaign. The developmental challenge is to broaden the constituency for change towards democratic, market-oriented society. USAID's assistance program will continue to play an important role in the democracy-building process.

Our national interests in Belarus stem from U.S. security and economic and political development concerns, including the need to promote genuine democratic institutions and a strong civil society. The U.S. Government supports the following developments: a legal environment in which peaceful political opposition and civil society can freely operate; free expression in the media, whether state-owned or independent; an open and transparent electoral process; and the return of independent legislative and judicial functions to those branches of government.

The USAID Program:

FY 2002 Estimate: \$10.07 million FY 2003 Request: \$ 9.50 million

USAID's objective in Belarus is to achieve a pluralistic and democratic political culture that involves citizens directly in civic action and participation in the private sector of the economy. The Program Data Sheet attached covers the Strategic Objective for which USAID is requesting funds. This Strategic Objective is aimed at supporting the development of civil society, complemented by continued support to a weak private sector existing in a heavily regulated and unfavorable business environment. There is a small, but limited Small and Medium Enterprise (SME) Development Program helps to build and support the private sector, an alternative to a largely centralized economy.

Specific activities to be funded by FY 2002 and FY 2003 appropriations are described in more detail in the following Program Data Sheet.

Other Program Elements: A regional Farmer-to-Farmer program supported by P.L. 480 funds provides technical assistance to private farmers in Belarus and assists them to organize democratic associations and cooperatives to serve and represent them. The program, implemented by the Citizens' Network for Foreign Affairs (CNFA) brings modern agricultural know-how and management skills to Belarusian farmers and cooperatives.

Other Donors: Donor coordination substantially improved during the election year. USAID implemented several joint projects with other donors. In its political process development and election monitoring activities, USAID cooperated closely with the Organization for Security and Cooperation in Europe, which had the mandate to monitor the electoral process and political parties. There are a number of donor and donor organizations operating in Belarus. The largest bi-lateral donors are Germany, France and the United States. Other bilateral donors are Sweden, Denmark, the United Kingdom, and Switzerland. Among the multi-lateral donors, the largest contributions come from the European Union Technical Assistance for the Commonwealth of Independent States (TACIS) and the European Bank for Reconstruction and Development. TACIS focuses on regional and cross-border activities and third sector development. The United Nations Development Program (UNDP) supports health improvement and economic development activities. Private donors include the Soros Foundations/Open Society Institute and the National Endowment for Democracy.

Belarus
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
FREEDOM Support Act	8,695	11,383	10,072	9,500
Total Program Funds	8,695	11,383	10,072	9,500

STRATEGIC OBJECTIVE SUMMARY

113-0210 Increased, Better-Informed Citizen Participation in Civic and Private Economic Activity				
FSA	2,584	4,560	4,500	3,900
113-0410 Special Initiative				
FSA	816	0	0	0
Total Transfers	5,295	6,823	5,672	5,600

Georgia

Approximately 53% of Georgians fall below the poverty line.

The Development Challenge: The first years of Georgia's independence, gained in 1991, were marred by violence. With political stability beginning in 1995 came economic and democratic reforms. The transition to a democratic market economy has moved ahead at an uneven pace. The government is weak and suffers from the inability to invest resources into the development of its people and into social safety nets. It provides few services and its reach outside Tbilisi, the capital, is severely restricted, rendering it vulnerable to conflict and unrest. Collection of tax revenue, about 14% of GDP or only half of its potential, is the lowest in the region. Starting in 1995, Georgia made significant strides in introducing economic reforms in areas such as privatization, banking restructuring, judicial reform, health care, and regulatory policies. That progress, however, has been slowed in recent years because of weak institutional capacity and wavering commitment to implement reform policies and laws. Unbridled corruption has weakened the ability of the state to govern and has eroded public trust in government. A presidential commission to address corruption in government has had little or no impact. "Chaotic" corruption, little recourse in the judicial system, and security concerns deter foreign investors and investment in general. As government revenues decline, so have resources for social programs. Government spending for health, education, and welfare programs have dropped significantly, possibly the most dramatic of the transition economies. The energy sector remains in shambles, despite some foreign investment, reaching crisis proportion in the winter of 2001/2002. The very limited power supply, felt even more outside Tbilisi, hinders economic growth and brought hardship on most of the country's population who had to seek other sources of heat.

Since the Russian financial crisis in 1998, Georgia's growth rate has been low, although GDP in 2001 is expected to have risen by 5% over last year. Growth in 2001 was largely fueled by an increase in agricultural production, a sector that was particularly hard-hit by the severe drought of the previous year.

Georgia's independence, sovereignty, and viability as a state are strategically important for promoting stability in the volatile Caucasus/Central Asia region bounded by Russia, Iran, and Turkey. Georgia's pivotal role in the Eurasian east-west energy and transport corridor is vital to the economic viability of that entire region and its integration with western political, economic, and security structures. The Georgian Government is supporting the U.S. Government in its fight against terrorism.

The USAID Program:

FY 2002 Estimate:

\$89.01 million

FY 2003 Request:

\$87.0 million

USAID's program in Georgia seeks to foster more stable and prosperous market-oriented democracy that empowers citizens, is governed by the rule of law and promotes the basic welfare of the population. This strategy comprises six objectives: economic growth; energy independence; improved local governance; development of the rule of law; reduced human suffering; and a cross-cutting objective that supports participant training, public information and outreach, and NGO development. It also takes into account the recommendations of the Georgia Assistance Review, which underscores the importance of political commitment and donor conditionality and recommends further attention to anti-corruption, energy, agriculture and small and medium enterprise (SME) development issues. Through these objectives, USAID will continue making its programmatic shift from working with Tbilisi-based institutions toward doing more to improve the lives of people in the regions, especially in those areas prone to conflict. New activities in FY 2002 include a public works program and a multi-year agribusiness program, both of which will be concentrated in the regions. FY 2002 funds also will be used to support continuing programs in business development, economic policy reform, energy sector revitalization, civil society development and local governance, rule of law, community development, health (including infectious diseases and HIV/AIDS), and humanitarian assistance. Approaches and activities are explained in the Program Data Sheets included below. FY 2003

marks the last year of USAID's current programming strategy for Georgia, though it is expected that many of the elements contained in the strategy will form part of a new strategy.

On-going Programs for Which No FY 2002 or FY 2003 Funding is Requested: USAID is not requesting new funds, but is continuing to expend funds already appropriated for the following:

Number :	Title:	Last Notified:	Planned Completion:
114-0410	Special Initiatives	FY 2001 CN	FY 2002

Other Program Elements: A regional Caucasus farmer-to-farmer program funded through P.L. 480 proceeds operates in Georgia with approximately \$400,000 a year in funding. The activity targets rural farmers and assists them by placing volunteer technical advisors at their farms on a short-term basis. The technical advisors develop and disseminate a set of best practices to their local clients and assist in strengthening local credit providers. Advisors have assisted farmers on issues of production, appropriate processing technology, and business management and planning. The program, in its second of four years, provided 56 short-term interventions out of a planned 112.

Donor coordination and collaboration has been exemplary in supporting the Georgian Government's Poverty Reduction and Economic Growth Program.

Other Donors: The five largest donors to Georgia are the World Bank, the International Monetary Fund (IMF), the United States, the European Bank for Reconstruction and Development (EBRD), and the European Union (EU). From FY 1992 through FY 2001, the United States appropriated \$986 million through the FREEDOM Support Act for assistance to Georgia, placing it fourth of the twelve Eurasian countries in terms of U.S. assistance received. Overall, donor coordination could be improved; however, there are areas and issues for which coordination has been ample and successful. World Bank assistance includes structural adjustment credits, agricultural development loans, assistance to the health and power sectors, and technical assistance to strengthen the private sector. A new loan will go toward rehabilitating the major road arteries. USAID programs tie in closely with the policy objectives of the World Bank and IMF structural reform programs, especially in the areas of economic restructuring and energy sector reform. EBRD provides direct funding for the power and transportation sectors and in support of private sector development. The EU's technical assistance program has focused on the rehabilitation of transportation infrastructure, strengthening the private sector, and food security. USAID provides technical assistance to the Ministry of Finance and the Ministry of Revenue in support of the Government's new three-year program with the IMF under the IMF's poverty reduction and growth facility.

Georgia
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
FREEDOM Support Act				
PL 480 Title II	108,762	92,808	89,010	87,000
Total Program Funds	985	9,205	0	0
	109,747	102,013	89,010	87,000

STRATEGIC OBJECTIVE SUMMARY

114-0130 Accelerated Development and Growth of Private Enterprises				
FSA	22,970	14,353	14,700	14,700
114-0150 A More Economically Sustainable and Environmentally Sound Energy Sector				
FSA	9,450	12,650	11,796	8,850
114-0220 Legal Systems that Better Support Implementation of Democratic Processes and Market Reforms				
FSA	3,230	870	4,041	4,025
114-0230 More Efficient and Responsive Local Governance				
FSA	5,170	3,866	6,970	5,375
114-0310 Reduced Human Suffering in Targeted Communities				
FSA	22,615	7,572	11,908	10,250
114-0410 Special Initiatives				
FSA	1,045	0	0	0
114-0420 Cross-Cutting Programs				
FSA	5,410	4,770	3,685	8,650
Total Transfers	38,872	48,727	35,910	35,150

Kazakhstan

The Development Challenge: Due to its oil and gas resources, and size and strategic location, Kazakhstan continues to have a special partnership with the U.S. Although it does not border Afghanistan, Kazakhstan's leading economic and political position in the region gives it an important role in the War on Terrorism. With a per capita GDP of \$1,421, Kazakhstan is the wealthiest of the Central Asian republics. It has made the most significant economic progress since independence, well surpassing many other former Soviet countries in macro-economic reform. However, the nation's historical legacies of authoritarianism and corruption, wasteful services and energy practices, and disdain for civic action and an independent media are still very evident. The already large income and social disparities continue to grow, with over 30% of the population living under the poverty line, according to official government statistics. The informal economy is estimated to account for 20 to 28% of GDP. The official unemployment rate is near 4%, but the real figure may be as high as 30%.

Kazakhstan's macroeconomy continues to show many positive signs: with 2001 GDP growth of 10.2%, solid fiscal management, privatization of state-owned enterprises, an innovative Oil Fund, growing pension funds and bond and mortgage markets, as well as other reforms. However, the economy remains dominated by oligarchic interests and lacks a vigorous small business sector. Avoiding adverse macro-economic consequences from concentration on the oil sector is a major economic policy concern.

Continued government attempts to control and stifle independent media and political groups indicate a reluctance to embrace basic civil liberties. According to Freedom House, Kazakhstan remains "not free." However, vocal public action against some of the more severe government proposals did result in some moderation. Although recent political shifts have led to the removal of some key reformers from the government, a new political movement that includes many of these same reformers may also signal an increase in public debate on issues such as corruption, media, electoral reform and decentralization.

Kazakhstan's energy and water resources are often wasted through mismanagement and lack of maintenance; the public is largely ignorant of the concept of or the need for efficiency. The World Bank estimates that 91% of the population has access to an improved water source, but poor sanitation and the lack of safe sources of potable water especially in areas surrounding the Aral Sea, exacerbate health problems.

HIV/AIDS in particular is rising dramatically among high-risk groups, including drug users. Over 5% of the intravenous drug-using population is infected, making Kazakhstan the site of a concentrated HIV epidemic. The popularity of new community-level primary care centers demonstrates a public desire for better quality and improved efficiency in the health care system. It is estimated that Kazakhstan's rate of infant mortality is 59.17 deaths per every 1,000 live births. Tuberculosis mortality rates dropped 12.4% in the last reporting period, and inoculations against Hepatitis B have brought its incidence to zero among young children. By comparison, the incidence of these diseases beyond childhood is still well above international norms.

The USAID Program:

FY 2002 Estimate: \$45.02 million *FY 2003 Request:* \$43.0 million

To meet these challenges, the goal of USAID assistance to Kazakhstan is to expand opportunities for participation in civil society and economic life, and for improved quality of life for all citizens. The Program Data Sheets provided below cover the five objectives for which USAID is requesting funds for Kazakhstan: small enterprise and trade, primary health care, democratic culture and institutions, energy and water resource management, and sound budgetary and tax systems. To

ensure demonstrable results in such a vast country, USAID is concentrating on selected localities and subregions. FY 2002 funds will be used to implement the program planned and described in the FY 2002 Congressional Budget Justification. Important cross-cutting objectives are conflict mitigation (through media, education, and community development), youth and education, gender, and anti-corruption and rule of law. Recognizing longer-term objectives, the cross-cutting nature of decentralization and the need to streamline management, in FY 2003, USAID's local government activities will be combined with the broader democratic objective. Local government initiatives continue as a means of strengthening democratic culture, social services, and small enterprise, rather than as an end in itself. The specific activities to be funded by FY 2002 and FY 2003 appropriations are described in more detail in the following Program Data Sheets. USAID will use \$3 million of the FY 2003 request to fund new activities in media and public advocacy, youth and education and community development, while the remaining \$29.35 million will fund ongoing efforts.

Ongoing Program for Which No FY 2002 or FY 2003 Funding is Requested:

USAID is not requesting new funds, but is continuing to expend funds already appropriated for the following objective:

Number:	Title:	Last Notified:	Planned Completion:
115-0230	More effective, responsive, accountable local governance	FY02 CBJ, p.494	FY 2002
115-014	Private financial sector	FY 02 CBJ, p. 470	FY 2002
115-041	Special Initiatives	FY 02 CBJ, p. 506	FY 2002

Other Program Elements: Through its Global Training for Development Program, USAID annually trains about 700 Kazakhstani citizens in enterprise and finance, democratic reform, and primary health care. In addition, USAID supports institutional partnerships that build lasting relationships in energy, health and governance between the U.S. and Kazakhstan. USAID uses several centrally-managed programs, including the agreement with the Centers for Disease Control, Monitoring and Evaluation to Assess and Use Results (MEASURE)/Evaluation, and the Ecolinks environmental partnership program. The Farmer-to-Farmer program complements other USAID agricultural enterprise activities in Kazakhstan. The Eurasia Foundation has an active small grants program in education, small business, local government and civil society. The Departments of Commerce, Defense, Energy, Agriculture, and State also manage programs complementary to USAID field activities in various sectors.

Other Donors: European Bank for Reconstruction and Development (EBRD), European Union - Technical Assistance for the Commonwealth of Independent States (EU-TACIS), the Asian Development Bank (ADB), and the World Bank (WB) are active in Kazakhstan. They provide resources to promote and support the development of SMEs; build public infrastructures; and modernize Kazakhstan's tax and treasury systems. The Soros Foundation/Open Society Institute (Soros/OSI), German Government, United Nations Development Program (UNDP) and Israeli Government complement the multi-lateral programs in SME development. UNDP, Soros/OSI, EU-TACIS, and the Organization for Security and Cooperation in Europe support initiatives in democracy and governance. The Government of Kazakhstan has cancelled the World Bank Health Loan. Without these funds, future activities of Britain's Department for International Development (DFID) in family medicine training are in question. The UN agencies - UNAIDS, United Nations Childrens Fund (UNICEF) and the World Health Organization - have important health programs and are collaborating actively with (and are funded by) USAID. ADB is becoming more involved in the health sector, including a major regional project on iodine deficiency and anemia. WB, Swiss Government, ADB, and the Canadian International Development Agency support activities to improve natural resources management.

Kazakhstan
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	0	200	0	0
FREEDOM Support Act	45,121	45,699	45,015	43,000
Total Program Funds	45,121	45,899	45,015	43,000

STRATEGIC OBJECTIVE SUMMARY

115-0120 Increased Soundness of Tax and Budget Policies and Administration				
FSA	2,723	2,400	1,455	0
115-0131 An Improved Environment for the Growth of Small and Medium Enterprises				
FSA	9,244	9,900	11,695	13,200
115-0140 A More Competitive and Market Responsive Private Financial Sector				
FSA	1,083	0	0	0
115-0161 Improved Management of Critical Natural Resources, Including Energy				
FSA	200	2,700	2,700	2,800
115-0211 Strengthened Democratic Culture Among Citizens and Target Institutions				
FSA	2,968	3,900	5,000	5,300
115-0230 More Effective, Responsive, and Accountable Local Governance				
FSA	1,600	1,800	0	0
115-0320 Increased Utilization of Quality Primary Health Care for Select Populations				
CSD	0	200	0	0
FSA	4,427	6,200	6,000	6,600
115-0410 Special Initiatives				
FSA	2,173	0	0	0
115-0420 Cross-Cutting Programs				
FSA	2,682	3,067	3,500	4,450
Total Transfers	18,021	15,732	14,665	10,650

Kyrgyzstan

The Development Challenge: Although small and landlocked with limited natural resources, Kyrgyzstan has been the most open, progressive and cooperative of the Central Asian republics. Kyrgyzstan is important to stability of the region and has remained a stalwart friend of the United States. The Kyrgyz Republic is a firm ally in the War on Terrorism and a significant coalition member. Its geographic location at the headwaters of major river systems in Central Asia enable it to affect critical and sensitive issues such as irrigated agriculture, electricity generation, and the environment in the downstream countries of Central Asia.

USAID programs build on Kyrgyzstan's cooperativeness, relatively open civil society, and economic and health reforms to meet the challenges of continuing oligarchy, corruption, debt burden, lack of trade, broad poverty, and weak governance.

Weak governance, continuing poverty, potential ethnic tensions, a porous southern border with Tajikistan and an essentially closed border with Uzbekistan are potential sources of conflict that could threaten regional stability and U.S. economic and political interests in Central Asia. Earlier armed incursions in the south of Kyrgyzstan by rebels from the Islamic Movement of Uzbekistan (IMU) and increased recruitment by the Hizb-u-Tahrir (both radical Islamic organizations) heighten the urgency to accelerate economic growth.

Although it inherited one of the least competitive economies of the former Soviet Union, Kyrgyzstan was the first Central Asian Republic to undertake meaningful economic and social reform. Positive signs of macro-economic stabilization continue. GDP rose by 5% in 2001, and inflation dropped from 9.6% in 2000 to 7.7% in 2001. The value of the Kyrgyz *som* has remained almost unchanged since 2000. However, 60.5% of the population now lives below the poverty line, up from 55.3% in 1999. Limited access to trade routes, a heavy burden of external debt (US\$1.5 billion, draining 50% of the national budget for monthly debt servicing expenses), a weak banking sector (four banks were closed in 2001 and one put in receivership), as well as corrupt courts overturning some bank closures, all threaten economic and political reform and limit growth. Poverty and limited opportunities particularly jeopardize stability in the south where isolation, difficult borders, lack of investment, and ethnic differences are problems.

Civil society in Kyrgyzstan is the most developed in Central Asia, although in 2001 the country's Freedom House rating dropped from "partly free" to "not free," and its civil liberties rating declined from 5 to 6, (7 being the lowest degree of freedom). Nevertheless, Non-governmental organizations (NGOs), civic organizations and media, increasingly influence government policy and legislation. Parliament is an increasingly active and responsive legislative body and provides a check on government authoritarianism. Likewise, local governments are increasingly transparent and responsive. However, the presidential and parliamentary elections held in 2000 did not meet international standards, although local elections in over 460 villages and cities represent the first direct local elections in Central Asia.

Kyrgyzstan leads the region in health care reform and in actively addressing new health issues, such as HIV/AIDS, in an open and direct manner. However, government-supplied social services, critical to maintaining public support for reform, are still inadequate. Widespread poverty and very limited prospects for economic growth will also continue to influence both health status and the operations of the new health care systems. While it has embarked on educational reform, Kyrgyzstan's educational system is in a poor state characterized by mis-investment and corruption.

Kyrgyzstan's neighbors depend upon its management of water resources to meet their agricultural and domestic water supply needs; and Kyrgyzstan depends on these water resources for a large portion of its electricity requirements. Consequently, Kyrgyzstan, in cooperation with the other Central Asian republics, must manage its water resources in the most sustainable and responsible manner possible.

The USAID Program:

FY 2002 Estimate: \$34.99 million

FY 2003 Request: \$36.0 million

To meet these challenges, the goal of USAID in Kyrgyzstan is to expand opportunities for citizens to participate, to increase their livelihoods and to improve their quality of life. The Program Data Sheets below cover the five objectives for which USAID is requesting FY 2003 funds for Kyrgyzstan: small enterprise development and trade, democratic culture and institutions, primary health care, energy and water resource management, and sound budgetary and tax systems. FY 2002 funds will be used to implement the program planned and described in the FY 2002 Congressional Budget Justification. USAID's FY 2002 funds will also serve cross cutting objectives in conflict mitigation, youth and education, gender, rule of law and anti-corruption. USAID will emphasize conflict mitigation through media, education, agro-enterprise growth and community development, especially in the southern portion of the country. In FY 2003, USAID's local government activities will be combined into the broader democracy objective to streamline management and acknowledge longer-term and cross-cutting issues, rather than as an end in itself. The specific activities to be funded by FY 2002 and FY 2003 appropriations are described in more detail in the following Program Data Sheets. USAID will use \$3 million of the FY 2003 request to fund new activities in education, agro-enterprise and community investment while the remaining \$24.35 million will fund ongoing efforts.

Ongoing Programs for Which No FY 2002 or FY 2003 Funding is Requested: Following are objectives for which USAID is not requesting new funds, but is continuing to expend funds already appropriated.

Number:	Title:	Last Notified:	Planned Completion:
116-023	More effective, responsive, accountable local governance	FY 2002 CBJ, p.494	FY 2002
116-014	Market environment	FY 2002 CBJ, p. 513	FY 2002
115-041	Special Initiatives	FY 2002 CBJ, p. 513	FY 2002

Other Program Elements: Partnerships, training and exchanges remain an important component of U.S. assistance. USAID's Global Training for Development Program trained over 1,500 Kyrgyzstani citizens in enterprise and finance, democratic reform, local governance, and primary health care in FY 2001. USAID supports a number of U.S. Kyrgyz institutional partnerships that seek to build lasting relationships. The Farmer-to-Farmer Program, managed by USAID's Bureau for Humanitarian Response, is active in Kyrgyzstan. The Eurasia Foundation has an active small grants program in education, small business, local government and civil society. The Departments of Commerce, Defense, Energy, Agriculture, and State also manage programs complementary to USAID field activities in various sectors.

Other Donors: Kyrgyzstan's largest donors are the Asian Development Bank (roads, agriculture, education, health and corporate governance) and the World Bank (irrigation, health, and micro-credit). Other bilateral donors besides the U.S. include the Swiss and German governments, which support important land reform activities, and the Dutch Center for legal cooperation in judicial reform. The World Health Organization and the German, British, and Japanese governments also support health activities. The United Nations Development Program, the United Nations High Commission for Refugees (UNHCR), Organization for Security and Cooperation in Europe's Office for Democratic Institutions and Human Rights(OSCE/ODHIR), International NGO Training and Research Center, and the Soros Foundation all support NGOs with small grants. UNHCR, Soros and the EU co-fund civil society support centers, along with USAID. The Swiss and German Governments are working in the area of natural resources management.

Kyrgyzstan
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
FREEDOM Support Act	30,183	32,997	34,988	36,000
Total Program Funds	30,183	32,997	34,988	36,000

STRATEGIC OBJECTIVE SUMMARY

116-0120 Increased Soundness of Tax and Budget Policies and Administration				
FSA	0	2,300	850	0
116-0131 Improved Environment for the Growth of Small and Medium Enterprises				
FSA	9,750	7,400	9,950	11,400
116-0140 A More Competitive and Market Responsive Private Financial Sector				
FSA	100	0	0	0
116-0161 Improved Management of Critical Natural Resources, Including Energy				
FSA	70	1,000	1,500	1,700
116-0211 Strengthened Democratic Culture Among Citizens and Target Institutions				
FSA	3,034	3,350	4,700	5,400
116-0230 More Effective, Responsible, and Accountable Local Governance				
FSA	2,000	1,700	0	0
116-0320 Increased Utilization of Quality Primary Health Care for Select Populations				
FSA	2,763	2,800	3,000	3,600
116-0410 Special Initiatives				
FSA	737	0	0	0
116-0420 Cross-Cutting Programs				
FSA	2,738	5,268	4,350	5,500
Total Transfers	8,991	9,179	10,638	8,400

Moldova

The Development Challenge: In the mid-1990s, Moldova made considerable progress in democratization and economic development, particularly in reforming the agricultural sector. Since then, development has stagnated partly as a result of a narrow economic base, concentrated ownership of assets, limited foreign and domestic investment, and a legacy of authoritarian leadership and corruption.

The Government of Moldova (GOM), headed by the Communist Party (which won more than a two-thirds majority in February 2001 elections), attempted to improve relations with the International Monetary Fund (IMF) and the World Bank and to comply with agreements negotiated by its predecessor. However, by mid-December 2001 the GOM could not to reach full agreement with the World Bank and IMF. Although discussions with these institutions continue, tranche releases from the international financial institutions will now be delayed for at least several months.

According to World Bank statistics, over the last decade Moldova experienced the largest decline in gross domestic product (GDP) of any country in Europe and Central Asia. In 1999, Moldova's annual GDP per capita of \$370 was less than a quarter of its 1990 level. However, a reversal of this downward trend started in 2000 and continued in 2001. The budget deficit remained at 1.5% of GDP for those two years. The foreign exchange rate was stabilized, inflation substantially declined and growth in GDP was positive. Moldova's economic decline also accentuated an increase in social and economic inequality.

Downward trend of economic growth reversed starting in 2000.

The decline in output and corresponding income and poverty levels are strongly influenced by poor agricultural performance. Agriculture is the mainstay of the economy, accounting for about 25 % of GDP, 40 % of employment and 65 % of exports (if agribusiness is included). Over the last decade Moldova has experienced significant and continued declines in agricultural production, productivity and exports. However, it appears that economic conditions in Moldova bottomed out in 1999. Agricultural performance led to positive growth in production in 2001. Projections for the coming years give hope that economic growth will continue in the agriculture sector. Agriculture and small and medium-sized enterprise (SME) projects supported by USAID are improving the living standards of people in the agricultural sector.

While it is too early to predict how the government will deal with reform programs over the long term, there are deep concerns regarding private sector agricultural development. To forestall a reversal in the land reform movement, USAID's new strategy will concentrate on farmer assistance and development of SMEs. The Moldova program will strive to create jobs and generate income. Growth will be encouraged through investment in agribusiness and and improving the environment for private enterprise. USAID activities are further discussed in the Program Data Sheets.

While Moldova's transformation to a market economy has proceeded largely on track, it has imposed significant hardships that have eroded popular support for reform. The percentage of Moldovans living below the absolute poverty line increased from 35 % in 1997 to over 53 % in 1999. Moldova's Soviet-era social safety net is ill equipped to handle the numbers of people living in poverty. A necessary step in consolidating economic restructuring activities is by helping Moldova overcome an energy crisis that has resulted in a large external debt to Russia. Since the sale of three of the country's five electric power distribution companies, Moldova's energy-sector reforms have stalled. USAID aims to reduce energy costs by concentrating on energy efficiencies realized through privatization of state-owned utilities, regulatory changes and the introduction of new technology.

Moldova's transformation to a market has imposed significant hardships that have eroded popular support for reform. The percentage of Moldovans living below the absolute poverty line increased from 35 % in 1997 to over 53 % in 1999.

The USAID Program:

FY 2002 Estimate: \$35.42 million FY 2003 Request: \$32.5 million

The Program Data Sheets provided below cover the four objectives for which USAID is requesting funds. These four objectives concentrate on: fiscal and financial reforms; supporting private enterprise growth to create jobs and generate income; developing effective, responsive and accountable democratic institutions by strengthening local government autonomy and civil society; and helping create a social safety net to reach vulnerable groups.

FY 2002 funds will be used to implement the program as currently planned and previously described in the FY 2002 Congressional Budget Justification. USAID also intends to use FY 2002 funds to carry out certain new activities in response to changing circumstances. The specific activities to be funded by FY 2002 and FY 2003 appropriations are described in more detail in the following Program Data Sheets. USAID/ Moldova will use the \$24.4 million FY 2003 funds to continue ongoing efforts.

Starting FY2002 USAID's technical assistance program will move from stabilization to growth.

On-going Programs for Which No FY 2002 or FY 2003 Funding is Requested: USAID is not requesting new funds, but is continuing to expend funds already appropriated for the following:

Number :	Title:	Last Notified:	Planned Completion:
117-0110	Private Sector	FY 02 CBJ, p. 554	FY 2002
117-0140	Private Sector	FY 02 CBJ, p. 554	FY 2002
117-0210	Citizen Participation	FY 02 CBJ, p. 554	FY 2002
117-0150	Energy	FY 02 CBJ, p. 554	FY 2002

Other Program Elements: USAID/Washington manages several activities including a Farmer - to - Farmer Agribusiness Volunteer Program (Citizens Network for Foreign Affairs), a loan portfolio guarantee program, a food industry development program (Louisiana State University), Customs Information, Trade and Transport and energy programs.

The Bureau for Economic Growth, Agriculture, and Trade manages the Loan Portfolio Guarantee (LPG) program, a particular success in Moldova, assists microenterprises and small businesses on the basis of a risk sharing arrangement. This project started in July 2000 with three Moldovan financial institutions. USAID is guaranteeing 50% of the collateral requested by the banks. This three-year, \$2.0 million project made 250 loans in the first 15 months for a total equivalent of about \$2.5 million in loans to SMEs.

The U.S. Department of Agriculture administers a commodity monetization program that provides agricultural land mortgage loans. Mortgage loans under this program, working through three financial institutions, total about \$1million.

Other Donors: Donor coordination is maintained through monthly meetings of all bilateral and multilateral donors at which the U.S. Ambassador and the USAID Country Program Coordinator represent the United States. The U.S. is the only major bilateral donor; however, Germany, the Netherlands, Japan, Great Britain and Sweden all have small bilateral programs. Further, the Soros Foundation and several other private organizations run development programs in Moldova. In addition to U.S. bilateral assistance, the other major players are the multilateral donors composed of the International Monetary Fund (economic policy), World Bank (economic policy, social investment fund, micro-projects at the village level and energy), European Union-Technical Assistance to the Commonwealth of Independent States (agricultural sector) and the International Fund for Agriculture Development (agriculture sector). The United Nations Development Program provides support for a number of separate activities.

Moldova
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
FREEDOM Support Act	50,091	44,803	35,416	32,500
Total Program Funds	50,091	44,803	35,416	32,500

STRATEGIC OBJECTIVE SUMMARY

117-0110 Increased Transfer of State-Owned Assets to the Private Sector				
FSA	4,943	0	0	0
117-0121 Fiscal and Financial Reforms Support Market-led Growth				
FSA	6,251	3,400	4,750	2,300
117-0131 Private Enterprise Growth Creates Jobs and Generates Income				
FSA	17,765	8,875	13,900	16,950
117-0140 A More Competitive and Market-Responsive Private Financial Sector				
FSA	1,048	0	0	0
117-0150 Economically Sound/ Environmentally Sustainable Energy System				
FSA	6,738	0	0	0
117-0210 Increased Citizens' Participation in Political/ Economic Decision-Making				
FSA	1,171	0	0	0
117-0230 Local Democratic Institutions More Effective, Responsive and Accountable				
FSA	0	3,100	2,750	3,250
117-0340 Social Safety Net Reached Vulnerable Groups				
FSA	0	4,190	4,000	1,900
117-0420 Cross-Cutting Programs				
FSA	1,334	0	0	0
Total Transfers	11,841	25,238	10,016	8,100

Russia

The Development Challenge: The Russian Federation has made major strides in its transition to a market-oriented democracy, but many challenges remain. Over the past three years, the Russian economy, fueled in part by a boom in oil export revenues, grew at an average rate of 6.4%, with a projected rate of 5.5% in 2001. By the end of 2001, the Russian government achieved a budget surplus for the second consecutive year, with foreign exchange reserves reaching record levels.

Sustaining this growth is partly dependent on fundamental policy changes. In the past 18 months, the Russian government has enacted an array of legislation crucial to Russia's long-term economic future and social transition. This includes groundbreaking legislation on personal income tax, land ownership, business deregulation, leasing, labor code, housing and communal services, judicial reform, money laundering, and child welfare. While reform progress has been unprecedented over the past year, the remaining agenda is staggering. Legislation currently before the Duma covers: military reform, further tax reforms, pension reform, further land reform, implementing legislation to promote real estate market development, civil service reform, natural monopoly restructuring, World Trade Organization accession, banking reform, education reform, and health care financing. USAID has played an important role in developing many of these proposed reforms over the past ten years.

Clearly more needs to be done, both in deepening reforms and in translating reform into improved living standards for the majority of Russians, supporting the growth of the middle class – a vital constituency for a vibrant market-oriented democracy.

A USAID-funded survey found per capita income increased by 22 % between 1998 and 2000; incomes of the lowest income quintile grew by over 30%.

Problems in the regions need to be confronted directly, and success more broadly disseminated. The standard of living – measured by average purchasing power – has improved in much of the country since the 1998 financial crisis; however, though by late 2000 few regions had achieved pre-crisis levels

of prosperity. Small and medium-sized businesses continue to be hampered by excessive government regulation and lack of access to essential resources and services. Poor environmental management is also resulting in inefficient business operations.

Life expectancy, in decline for two decades, was 65.9 in 1999, among the lowest in Europe, and the gap between men (59.8 years) and women (72.2 years) is the largest in the world. This trend is symptomatic of the health care system's lack of attention to lifestyle factors and the over-reliance on antiquated curative approaches. The re-emergence of tuberculosis at epidemic proportions along with one of the fastest rates of increase in HIV/AIDS infections in the world are threats to world health. These scourges, if unchecked, will

Russia and Ukraine have the most rapid rates of increase in HIV infection in the world.

further tax Russia's health care and social services and could devastate the economy.

Russia's civil society has blossomed over the past ten years, but the relationship between the state, the media, and independent citizen groups remains uneasy and ill-defined. The Putin Administration has centralized political power in a way that has facilitated some important reforms but leaves few checks on federal executive power. The independent mass media – crucial for ensuring government accountability – is under increasing pressure from the government and struggles to maintain itself in an economy that lacks the means to sustain it. Meanwhile, responsibility and some resources for providing a broad array of basic social services have been devolved to the regions. Municipal and regional governments, in turn, increasingly, look to partnerships with civil society to deliver these services.

Russia is making progress in strengthening the rule of law, but reform is impeded by the absence of strong enforcement mechanisms, failure to protect the social and economic rights of the poor and vulnerable, corruption, and the judiciary's struggle to gain independence from the executive branch. NGOs need to step forward to play a more constructive role in addressing religious and ethnic

intolerance, gender discrimination and trafficking in persons. Meanwhile, the Chechnya conflict remains unresolved, resulting in violations of human rights on both sides and displacement of the civilian population.

U.S. foreign policy priorities germane to Russia – including missile defense, the future of NATO, nuclear disarmament, non-proliferation, trade and investment, regional stability and conflict prevention, transboundary health and environmental threats – are amongst the most critical to national interests. In addition, Russia has become a United States ally in the war on terrorism and is likely to be a vital partner in Afghanistan’s reconstruction.

THE USAID PROGRAM:

FY 2002 Estimate: \$157.73 million

FY 2003 Request: \$148.0 million

The Program Data Sheets provided below cover the objectives for which USAID is requesting funds. These objectives concentrate on supporting Russian economic policy reform initiatives, expanding the small and medium size business sector, sustaining economic growth through improved environmental resources management, opening up society to broad participation by men and women, strengthening the rule of law, strengthening local governance, improving health care and child welfare practices, financing the U.S.-Russia Investment Fund and financing cross-cutting programs. FY 2002 and FY 2003 funds will be used to implement ongoing programs in all of these areas, taking into account the inter-agency program review of assistance to Russia which called for focusing U.S. assistance in the areas of health, civil society, and small enterprises, while limiting engagement with the GORF. USAID also intends to use FY 2002 funds to carry out certain new activities in response to changing circumstances. The specific activities to be funded by FY 2002 and FY 2003 appropriations are described in more detail in the following Program Data Sheets.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: In FY 2002, USAID/Russia is amending its country strategy to refocus its programs. Consequently, the USAID program in Russia continues to expend funds for the following programs for which funds are not being requested in FY2002 or FY2003. The Program Data Sheets describe the adjusted programs that build on the programs listed below.

<u>Number:</u>	<u>Title:</u>	<u>Last Notified:</u>	<u>Planned Completion:</u>
118-0130	Accelerated Growth of Private Enterprises	FY02 CBJ p. 589	FY03
118-0140	Improved Economic Infrastructure	FY02 CBJ p. 594	FY03
118-0160	Improved Environmental Management	FY02 CBJ p. 600	FY03
118-0210	Increased Better Informed Citizen Participation	FY02 CBJ p. 604	FY03
118-0220	Strengthened Rule of Law and Human Rights	FY02 CBJ p. 609	FY03
118-0320	Improved Effectiveness of Social Services	FY02 CBJ p. 615	FY03

OTHER PROGRAM ELEMENTS: Non-bilateral resources include U.S.-Russian health and environmental partnerships, donated medical equipment, regional programs to combat tuberculosis and HIV/AIDS, farmer-to-farmer advisors, and small business loan guarantees.

Russia is no longer on an International Monetary Fund program, and World Bank funding has declined.

OTHER DONORS: The United States is the largest donor in Russia, followed by: the European Union (legal, civil service, fiscal, banking, and social reform); Germany (education, health, environment, and economic infrastructure); the United Kingdom (economic policy reform, participatory government, civil society, the rule of law, health, and enterprise development); France (economic and social infrastructure); and the Netherlands (economic and social infrastructure).

Russia
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	0	3,543	0	0
FREEDOM Support Act	190,014	159,861	157,728	148,000
PL 480 Title II	3,099	0	0	0
Total Program Funds	193,113	163,404	157,728	148,000

STRATEGIC OBJECTIVE SUMMARY

118-0130 Accelerated Development and Growth of Private Enterprises				
FSA	11,262	10,360	0	0
118-013X Strengthened and Expanded Small and Medium Enterprises				
FSA	0	0	11,197	10,840
118-0140 Improved Economic Infrastructure to Support Market-Oriented Growth				
FSA	5,000	8,946	0	0
118-014X Market-Oriented Reforms Developed and Implemented in Selected Sectors				
FSA	0	0	6,343	6,000
118-0160 Increased Environmental Management Capacity to Support Sustainable Economic Growth				
FSA	6,820	6,960	0	0
118-016X Environmental Resources Managed More Effectively to Support Economic Growth				
FSA	0	0	6,800	6,325
118-0210 Increased, Better Informed Citizens' Participation in Political and Economic Decision-Making				
FSA	9,010	13,123	0	0
118-021X A More Open, Participatory Society Fostered				
FSA	0	0	12,449	12,644
118-0220 Strengthened Rule of Law and Respect for Human Rights				
FSA	5,523	2,978	0	0
118-022X Increased Confidence in a Strengthened Rule of Law				
FSA	0	0	4,374	4,797
118-023X More Responsive and Accountable Local Governance				
FSA	0	0	3,220	3,220
118-0320 Improved Effectiveness of Selected Social Benefits and Services				
CSD	0	3,543	0	0
FSA	12,345	14,879	0	0
118-032X Increased Use of Improved Health and Child Welfare Practices				
FSA	0	0	13,215	15,000
118-0410 Special Initiatives				
FSA	24,000	20,000	20,000	20,000
118-0420 Cross-Cutting Programs				
FSA	10,040	14,176	14,602	14,844
Total Transfers	106,014	68,439	65,528	64,430

Tajikistan

The Development Challenge: Tajikistan is a front line state in the War on Terrorism and, despite risks from its own Islamists, quickly gave the United States necessary access for the intervention in Afghanistan. Tajikistan's role in the conflict and humanitarian relief effort has been essential. The most disadvantaged of the Central Asian Republics (CARs), Tajikistan has limited resources, is landlocked with few transportation links, was ravaged by several years of civil war, and is one of the poorest countries in Asia. Lawlessness and trafficking in both arms and drugs remain U.S. concerns.

Notwithstanding its disadvantages, Tajikistan is successfully, if haltingly, making a transition to civil order and democracy. Despite several potentially destabilizing events during 2001, e.g. the assassination of cabinet officials by unknown assailants, the various parties remain committed to peace even as they struggle for influence within the political landscape. The government continues to work to maintain a balance among various factions, such as between the president's party and former opposition members integrated into the government following the 1997 Peace Accord. The peace process resulted in a unique coalition government of Islamists and former Communists. Yet, governance and rule of law remain weak. In 2001, Freedom House characterized Tajikistan as "not free", and its political rights and civil liberties ratings are both 6 out of 7, with 7 designated as the lowest degree of freedom.

Corruption and local abuse of power are pervasive. Anecdotal evidence suggests that bribery is necessary for most transactions with the government, as well as for health services and training. Weak government institutions, deteriorated infrastructure and social services, and a largely subsistence (and criminalized) economy limit the pace of reform. Reforms are, however, moving forward, and the economy grew by about 10% last year. Since privatization began in 1991, Tajikistan has privatized nearly 5,500, an estimated 83% of its small state-owned properties. The agricultural sector, which employs over 60% of the population, is seriously constrained by the deterioration of the country's irrigation infrastructure and a lack of quality inputs. The economy as a whole remains overly dependent on its two main exports, cotton and aluminum, the earnings from which are controlled by politically connected elites. Tajikistan has the lowest per capita GDP (\$286) among the 15 former Soviet republics, and inflation in 2001 was 35.5%. Thus far, the government has not been able to establish the rule of law sufficiently to attract the domestic and foreign investment needed to spur economic growth. The perceived inability of the government to prevent Islamic extremists and drug traffickers from transiting Uzbekistan prompted the Government of Uzbekistan to severely restrict movements across their common border, effectively shutting off much of Tajikistan's international trade and migratory labor. Two successive years of drought have further exacerbated the country's economic condition.

USAID programs are expanding in Tajikistan. One of the poorest and weakest countries in Asia, it is nevertheless making surprising headway with economic and political reforms and is the only Central Asian republic with a coalition government.

Tajikistan's social indicators reflect the seriousness of the problem it faces: 80% of the population is below the poverty line, with 17% in extreme poverty. A recent national nutritional assessment found 17.3% of those surveyed suffering from acute malnutrition, with 4.2% with severe malnutrition, and 37.9% with chronic malnutrition. Tajikistan has the highest rates of infant mortality in Central Asia, with an estimated 116 deaths per every 1,000 live births.

According to World Bank estimates, Tajikistan's total external debt is slightly over \$1.2 billion, 129% of GDP, mostly to Russia and Uzbekistan. Debt servicing is expected to require 50% of total government revenues in 2002. There has been no negotiated reduction in Tajikistan's debt despite a net present value of debt above 400 % of revenues, well above the Highly Indebted Poor Country threshold of 250%.

THE USAID PROGRAM:

FY 2002 Estimate: \$43.37 million *FY 2003 Request:* \$22.50 million

To meet these challenges, USAID's goal in Tajikistan is to expand opportunities for citizens to participate in economic and political decision-making, to increase their livelihoods and to improve their quality of life. The Program Data Sheets provided below cover four objectives for which USAID is requesting funds: small enterprise and agriculture, primary health care, democratic culture and institutions, and water and energy management, with cross-cutting objectives in conflict mitigation, youth and education, gender, anti-corruption and rule of law. The State Department's lifting of security restrictions is alleviating the primary constraint to USAID programs in Tajikistan. FY 2002 funds will be used to implement the program as planned and described in the FY 2002 Congressional Budget Justification. Supplemental funding from the War on Terrorism will be used for increased efforts in micro-credit, irrigated agriculture, and community development. With the War on Terrorism, USAID will place greater emphasis on conflict mitigation through media, education and community development. New initiatives include broader community development, an irrigation management pilot, micro-credit training and legislation, a Regional Trade Network, and expanded infectious disease control. Specific activities to be funded by FY 2002 and FY 2003 appropriations are described in the Program Data Sheets that follow. USAID will use the full \$17.85 million of the FY 2003 request to fund ongoing efforts.

On-going Programs for Which No FY 2002 or FY 2003 Funding is Requested: USAID is not requesting new funds, but is continuing to expend funds already appropriated for the following:

Number :	Title:	Last Notified:	Planned Completion:
119-031	Human Suffering	FY 02 CBJ, p. 632	FY 2002
119-041	Special Initiatives	FY 02 CBJ, p. 632	FY 2002

OTHER PROGRAM ELEMENTS: Funding from USAID's Child Survival Matching Grant program will continue a successful primary and reproductive health care activity in the isolated and under-served Zarafshan Valley in northern Tajikistan. USAID/CAR takes advantage of several centrally managed programs, including the agreement with the Centers for Disease Control and the Monitoring and Evaluation to Use and Assess Results (MEASURE)/Evaluation Program. The Office of Foreign Disaster Assistance has given disaster grants and has had a presence in Tajikistan since October 2001. The Farmer-to-Farmer program, managed by USAID/Washington, is also active. The Eurasia Foundation has a modest small grants program in education, small business and civil society. The Departments of Defense, Agriculture (food aid), and State also manage programs complementary to USAID field activities in various sectors.

OTHER DONORS: The World Bank is Tajikistan's largest donor, providing loans in health reform and private sector development. The United States is the largest bilateral donor, providing assistance through USAID, the State Department, USDA (food aid), and others. The second biggest bilateral donor is Japan, which provides assistance for rehabilitation of the agricultural sector, and food security and poverty reduction programs through international NGOs, many of which are also partners of USAID. The European Union supports a number of humanitarian programs through the European Commission Humanitarian Office (ECHO). Other bilateral donors include Switzerland, Germany and the United Kingdom. Multilateral donors include the Asian Development Bank (social service sector rehabilitation, transportation, irrigation, hydroelectric generation) and the European Bank for Reconstruction and Development (telecommunications and airport navigation). USAID works closely with the Swiss Development Agency on water management issues, judicial reform and training, and conflict-mitigation activities, and with ECHO in implementing humanitarian assistance programs.

Tajikistan
PROGRAM SUMMARY
(In thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
FREEDOM Support Act	9,947	16,735	19,222	22,500
PL 480 Title II	1,422	12,631	24,151	0
Total Program Funds	11,369	29,366	43,373	22,500

STRATEGIC OBJECTIVE SUMMARY

119-0131 Improved Environment for the Growth of Small and Medium Enterprises				
FSA	750	2,000	2,700	3,300
119-0161 Improved Management of Critical Natural Resources, including Energy				
FSA	0	2,530	1,100	1,400
119-0211 Strengthened Democratic Culture Among Citizens and Target Institutions				
FSA	1,321	3,150	2,500	3,200
119-0310 Human Suffering and Negative Consequences of Crisis are Reduced				
FSA	1,481	0	0	0
119-0320 Increased Utilization of Quality Primary Health Care for Select Populations				
FSA	979	1,500	2,500	3,450
119-0410 Special Initiatives				
FSA	601	0	0	0
119-0420 Cross-Cutting Programs				
FSA	2,389	5,050	5,700	6,500
Total Transfers	2,426	2,505	4,722	4,650

Turkmenistan

The Development Challenge: Of all the Central Asian Republics (CARs), Turkmenistan is the slowest to reform. The U.S. has a strong interest in the development of Turkmenistan's energy potential, but its continued self-isolationism limits United States involvement and opportunities in this regard. Turkmenistan has the longest border with Afghanistan, and its supportive role in supplying humanitarian relief for Afghanistan has been essential: it facilitated over 30% of the food aid for Afghanistan. Notwithstanding this cooperation, there appears little change in a regime characterized by patronage and corruption, a highly restrictive visa regime, suspicion of civic action and the media, and state-control over and distortion of the economy, as well as unsustainable water use.

While the lack of significant political or economic reform calls into question and limits USAID programs in Turkmenistan, promising social, civic and people-to-people efforts warrant modest support to build for the future.

Freedom House has consistently rated Turkmenistan as "not free", with the lowest ranking of political rights and civil liberties possible on the Freedom House scale. A weak judiciary follows the will of the President for Life and is unprepared to protect civil and commercial rights. Civic action is still very risky, though a handful of non-governmental organizations (NGOs), such as

water user associations, has taken up issues at the local level to some effect.

There is almost no competitive business sector in Turkmenistan, and over-regulation continues to stifle any potential for growth in this sector. Due to the lack of transparency and an unwillingness to share information, precise numbers on Turkmenistan's per capita GDP and debt are not available, although the International Monetary Fund (IMF) estimates that the GDP per capita income is \$652.

Due to the government's willingness, health reform shows some promise, although the situation is bad: the infant mortality rate in Turkmenistan is now the second highest in Central Asia, just behind Tajikistan, with 74 deaths per every 1,000 live births. According to the results of the 2000 Turkmenistan Demographic and Health Survey, 47% of women and 36% of children are anemic. This past year when Turkmenistan's neighbors sought relief for a drought in the region for several years, Turkmenistan's leadership would not publicly acknowledge or discuss the shortage of water. Agriculture consists of forced cotton and wheat production, state profiteering and wasteful water use. Despite these problems, USAID remains welcomed by the leadership and has had modest successes with local-level efforts in health, energy and training.

The USAID Program:

FY 2002 Estimate: \$7.07 million

FY 2003 Request: \$7.0 million

To meet these challenges, the goal of USAID in Turkmenistan is to expand opportunities for citizens to participate, to increase their livelihoods and to improve their quality of life. The Program Data Sheets provided below cover the four objectives for which USAID is requesting funds for Turkmenistan: primary health care; water and energy management; democratic culture; and small enterprise; with cross-cutting objectives in conflict mitigation; youth and education; gender; anti-corruption; and rule of law. FY 2002 funds will be used to implement the program as planned and described in the FY 2002 Congressional Budget Justification. The specific activities to be funded by FY 2002 and FY 2003 appropriations are described in more detail in the following Program Data Sheets. USAID will use \$300,000 of the FY 2003 request to fund a new community development program (CAIP), while the remaining \$3.7 million will fund ongoing efforts.

On-going Programs for Which No FY 2002 or FY 2003 Funding is Requested: USAID is not requesting new funds, but is continuing to expend funds already appropriated for the following:

Number :	Title:	Last Notified:	Planned Completion:
120-041	Special Initiatives	FY 02 CBJ, p. 666	FY 02
120-031	Human Suffering	FY 02 CBJ, p. 666	FY 02

Other Program Elements: Partnerships, training and exchanges remain an important component of U.S. assistance. Through its Global Training for Development Program, USAID trained about 1,000 Turkmen citizens in all areas including economic and business education, NGO-sector development and primary health care in FY 2001. This program also exposed key water/irrigation and education personnel to neighboring countries' approaches to solving issues of mutual interest. USAID/CAR takes advantage of several centrally managed programs, including the inter-agency agreement with the Centers for Disease Control and a regional mechanism for reproductive health. The Office of Foreign Disaster Assistance has had a presence in Turkmenistan since October 2001. The Farmer-to-Farmer program, also active in Turkmenistan, is financed through P.L. 480 and managed by USAID's Bureau for Humanitarian Response. Eurasia Foundation grant-making has generally not been successful. The Departments of State and Defense also manage programs complementary to USAID's field activities.

Other Donors: World Bank lending has been restricted due to an unresolved negative pledge. The European Union – Technical Assistance to the Commonwealth of Independent States (EU-TACIS) continues to support improved agricultural production and processing, energy, and private sector development. The United Nations Children's Fund assists with maternal and child health care. The United Nations Development Program supports economic reform and management, the health and education sectors, and environmental protection. Other donors include the United Kingdom Department for International Development, the Organization for Security and Cooperation in Europe, and the United Nations High Commissioner for Refugees. The Canadian International Development Agency and the World Bank's Global Environmental facility continue to support natural resource management through their regional programs. The Asian Development Bank is in the process of approving a country strategy. The European Bank for Reconstruction (EBRD) has suspended future loans but continues to service its existing portfolio. The International Finance Corporation closed its office in November.

Turkmenistan
PROGRAM SUMMARY
(In thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
FREEDOM Support Act	6,195	6,275	7,072	7,000
Total Program Funds	6,195	6,275	7,072	7,000

STRATEGIC OBJECTIVE SUMMARY

120-0131 An Improved Environment for the Growth of Small and Medium Enterprises				
FSA	700	750	700	600
120-0161 Improved Management of Critical Natural Resources, Including Energy				
FSA	20	400	400	400
120-0211 Strengthened Democratic Culture among Citizens and Targeted Institutions				
FSA	60	660	900	800
120-0310 Human Suffering and Negative Consequences of Crisis are Reduced				
FSA	838	0	0	0
120-0320 Increased Utilization of Quality Primary Health Care for Select Populations				
FSA	0	900	1,000	1,000
120-0410 Special Initiatives				
FSA	1,402	0	0	0
120-0420 Cross-Cutting Programs				
FSA	480	315	1,000	1,200
Total Transfers	2,695	3,260	3,072	3,000

Ukraine

Official GDP in 1999 for Ukraine was only 35% of the 1989 level. Real economic growth in 2000 was 5.8%; and is estimated to be 9% in 2001. Inflation for 2001 is estimated at 6.5%. The GOU's budget deficit is 1.7%

THE DEVELOPMENT CHALLENGE: Ukraine's transition to a prosperous market economy has been difficult. At independence in 1991, it inherited an obsolete industrial base that was dependent on low-cost Russian energy supplies, and that was closely linked to other economies of the former Soviet Union. With the Soviet Union's collapse, Ukraine lost protected markets and cheap energy, and found it difficult to manufacture products that meet world quality standards. An agricultural sector in need of deep

structural reform further complicated this situation. The Ukrainian Parliament's inability to organize itself has made it difficult to quickly pass reform legislation, and has strengthened the executive branch of government at the expense of the legislative and judicial branches. However, Ukraine has managed to avoid the serious social unrest that accompanied independence in other some former Soviet republics.

Poor economic and political choices made in the mid-1990s further delayed Ukraine's democratic and free market transition. Hyperinflation in 1994-95 and the 1998 banking crisis wiped out most Ukrainians' savings. This period resulted in wage and pension arrears, barter trading, and the further weakening of the fiscal base as economic activities migrated from the formal to the shadow economy.

In the last two years, Ukraine's macro-economic stability and economic growth have improved remarkably. After nine years of contraction, Ukraine experienced its first real economic growth in 2002. This growth is expected to continue and perhaps increase in 2001. The inflation rate is the lowest in seven years. The Government of Ukraine's (GOU's) budget deficit is well within the International Monetary Fund's (IMF) guidelines. The GOU is in full compliance with the IMF Standby Agreement and Extended Credit Facility, and signed its latest Letter of Intent with the IMF in September 2001. Sector data showing broad-based growth in agriculture, industry and services, supported by improvement in exports, provide further evidence of a strong, broad-based recovery.

The financial sector is also showing increased ability to mobilise resources for private sector expansion. Interest rates, while high, decreased in 2001. However, credit risks remain high due to uncertainty over the rule-of-law. Consequently, foreign direct investment, critical for sustaining Ukraine's current economic growth rate over the longer term, remains weak. With better macro-economic management, rescheduling of debt, and evidence of economic recovery, some major international credit rating agencies have now upgraded Ukraine's international credit rating.

Ukraine's monetization ratio (Bank deposits/GDP) has risen from a low of 11% between 1991 and 1991 to 17.5% in November 2001. In the last two years, commercial banks have doubled net lending to the private sector, and increased real lending by 80%.

The population rated as "healthy" has declined from 54 % in 1995 to 46 % in 2000. Almost 42,000 Ukrainians are registered as HIV-positive. Health officials estimate the actual number to be closer to 500,000, or about 1 % of the population.

Ukraine's health statistics reflect the impact of nine years of economic decline. Life expectancy for both men and women has fallen. The number of HIV/AIDS cases is escalating rapidly in Ukraine, where AIDS deaths doubled from 1999 to 2000.

Ukraine made significant progress on key reform laws in 2001. The new Land Code will help to develop a land market that is crucial to a more efficient agricultural sector.

New codes were also passed for criminal and civil law, and customs administration. The Parliament also passed amendments to improve laws on political parties, elections, and the judiciary. This

year's budget code contains provisions for intergovernmental transfer of funds, a key reform USAID advocated to support its objectives for local governance. Parliament passed a law on bankruptcy, which USAID advocated as critical to improve the regulatory environment for the private sector. These legislative accomplishments were exceptional, and reflect many years of effort by the Parliament, donor organizations and Ukrainian civil society. Despite these achievements, much remains to be done to reconcile conflicting laws and to improve business regulation and tax administration. Judicial and regulatory institutions are notoriously weak, resulting in selective law and regulation enforcement. In 2000, Freedom House ranked Ukraine 15th of 27 transition countries for democratization, and 19th to 20th for economic reform. Parliamentary elections scheduled for spring 2002 will be closely watched for signs of progress in democratization.

Ukraine's strategic position between Europe and Eurasia, large population, and industrial potential make it crucial to regional stability. The United States has a national interest in helping Ukraine to develop a democratic, market-oriented, prosperous state founded on the rule of law that is better integrated into European and Euro-Atlantic institutions.

THE USAID PROGRAM:

FY 2002 Estimate: \$154.20 million

FY 2003 Request: \$155 million

The Program Data Sheets provided below cover the 13 strategic objectives for which USAID is requesting funds. These objectives focus on: supporting economic and fiscal reform; developing a market oriented agricultural sector, including the privatization of agricultural land; private enterprise development, especially small and medium-sized enterprises (SMEs); financial sector and commercial law reform; energy sector reform and restructuring; strengthening civil society, the media, and the electoral system; judicial reform; promoting more responsive and accountable local government; promoting good health and access to quality health care; and social insurance and pension reform. Several special initiatives are aimed at: anti-trafficking; women's economic empowerment; public education for market reform; economic development in the Kharkiv Region; Polish-Ukrainian partnerships to share knowledge and experience on SME development, local government, and cross-border issues; the application of remote-sensing and geographic information systems technology to environmental problems; and a Small Business Loan Program and strengthened economic education and research capabilities. FY 2002 funds will be used to implement on-going programs in all of these areas. The Mission is now developing a new strategy that is likely to entail fewer and more focused strategic objectives.

OTHER PROGRAM ELEMENTS: The Europe and Eurasia Bureau supports a program on mother-to-child transmission of HIV/AIDS. The World Health Organization provides a grant for tuberculosis control, and the POLICY project for reproductive health. USAID/Ukraine participates through a buy-in to the centrally managed Eurasia Foundation for its economics education program and for small research grants. Other centrally managed activities include the E&E Bureau Utility Partnership and the National Association of Utilities Commissioners.

OTHER DONORS: The European Bank for Reconstruction and Development (EBRD), with a diversified portfolio in enterprise development, privatization, financial sector assistance, infrastructure, and energy, is the largest donor in Ukraine. The World Bank ranks second, with its portfolio concentrated in public sector management, community development, institutional development and rural finance. As Ukraine's largest bilateral donor, followed by the European Union-Technical Assistance to the Commonwealth of Independent States (EU-TACIS) program, USAID is concentrated in institutional, legal and administrative reforms, economic reform and private sector development and the social consequences of transition. Germany and Canada provide assistance in SME development, agriculture and the energy and social sectors. Critical cooperation links are with the EU and Germany for the energy sector, the World Bank and the EU-TACIS for policy reform, the World Bank and the EU for the social sectors, the EBRD for SME development, and with Canada, Germany and the EU-TACIS for agriculture.

Ukraine
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	0	1,019	0	0
FREEDOM Support Act	174,753	171,581	154,196	155,000
Total Program Funds	174,753	172,600	154,196	155,000

STRATEGIC OBJECTIVE SUMMARY

121-0120 Increased Soundness of Fiscal Policies and Fiscal Management Practices				
FSA	4,706	3,094	3,670	3,280
121-0130 Accelerated Growth and Development of Private Enterprises				
FSA	33,283	33,473	29,069	27,421
121-0140 A More Competitive and Market-Responsive Private Financial Sector				
FSA	7,957	4,715	3,000	3,600
121-0150 A More Economically Sustainable and Environmentally Sound Energy Sector				
FSA	7,995	4,284	3,475	3,275
121-0160 Increased Environmental Management Capacity to Promote Sustainable Development				
FSA	1,933	1,760	1,645	460
121-0210 Increased Better-Informed Citizens' Participation in Political and Economic Decision-Making				
FSA	6,119	7,842	7,368	8,269
121-0220 Legal Systems that Better Support Democratic Processes and Market Reforms				
FSA	2,970	1,530	1,070	1,534
121-0230 More Effective, Responsive and Accountable Local Government				
FSA	4,300	4,459	4,456	4,920
121-0320 Increased Promotion of Good Health and Access to Quality Health Care				
CSD	0	1,019	0	0
FSA	4,263	6,095	5,496	6,801
121-0340 Mitigation of Adverse Social Impacts of the Transition to Market-Based Democracies				
FSA	5,265	2,635	2,500	2,650
121-0410 Special Initiatives				
FSA	0	12,000	0	0
121-0420 Cross-Cutting Programs				
FSA	9,090	13,853	11,991	13,250
Total Transfers	86,873	75,841	80,456	79,540

Uzbekistan

The Development Challenge: Uzbekistan is the most populous of the Central Asian Republics (CARs) and is situated in the geographic heart of the region, bordered by the four other Central Asian countries, as well as Afghanistan. Uzbekistan has suddenly found itself on the frontline of the War on Terrorism and has assumed increased strategic importance to the stability of Central Asia. With its central location, fast growing population, a variety of natural resources, and a potential for a diversified economy, an open, prosperous Uzbekistan is central to economic growth in the region. Uzbekistan aspires to regional leadership and continues to be key in maintaining security in Central Asia. However, its leadership remains entrenched in a closed and stagnant political and economic system. The overall development challenge in Uzbekistan is to help build constituencies for political, economic and social change.

The unwillingness of the Government of Uzbekistan (GOU) to introduce market-oriented reforms in the financial sector continues to constrain economic development. In 2000, GDP grew by a mere 1.5%. The GDP per capita income is \$488. Ten percent of the population is estimated to be unemployed, with another 20% underemployed. Inflation rose from 25% in 2000 to 35.5% in 2001. According to World Bank estimates, one-third of annual profits from small private enterprises is channeled as protection and bribes. The economy and infrastructure have declined each year since independence and will continue to do so without economic reform and new investment. As 2001 ends with the signing of a Staff Monitoring Agreement with the International Monetary Fund, there is guarded hope that the GOU may be ready to take steps toward market liberalization. Its authoritarian politics and state-controlled economy stymie meaningful transition, contribute to human rights violations and limit foreign investment.

Authoritarianism and vested interests make reform a long-term effort in Uzbekistan. Given its strategic importance and deteriorating situation, USAID programs are expanding to pursue reform over the long term.

Newly appreciative of the vital role small enterprises play in the economy, the country's leadership is calling for greater growth of the small business sector. Nonetheless, citizens remain poorly informed and their participation in economic and political life restricted. Political opposition is not

tolerated and interference with the independent media persists. Despite public statements from the highest levels of the GOU, promising legal and judicial reform and protection of the independent media, there is little tangible achievement. Freedom House has consistently ranked Uzbekistan as "not free", with the lowest degree of political freedom possible on the Freedom House scale. Nevertheless, progress does continue in building a vocal and effective NGO community, particularly at local levels.

Uzbekistan inherited Soviet-style water management systems, for which it has neither the financial resources nor management experience to adequately maintain or replace. Two successive years of drought have focused the need for improved water management in the upstream areas, as well as the need for new investments in providing potable water in order to have a positive impact on health and social conditions. The GOU shows considerable eagerness to cooperate with USAID and others to modernize this system as a first and essential step toward modernizing its state-controlled agricultural sector.

Uzbekistan's population is growing at 1.6%, and the infant mortality rate is 71.92 deaths per 1,000 live births. In Ferghana oblast, for example, 78% of women and children suffer from anemia. The GOU is committed to providing quality health services and is working with USAID and other donors to gradually shift the focus of the health care system from curative to preventive. Investment in education appears skewed to universities and technical schools, while primary education is impoverished.

THE USAID PROGRAM:

FY 2002 Estimate: \$28.89 million *FY 2003 Request:* \$31.50 million
\$40.5 million FY 02 FSA Supplemental: Emergency Response Fund

To meet these challenges, the goal of USAID in Uzbekistan is to expand opportunities for citizens to participate, to increase their livelihoods and to improve quality of life. The Program Data Sheets provided below cover the four objectives for which USAID is requesting funds: primary health care, water resource management, democratic culture, and small enterprise, with cross cutting objectives in conflict mitigation, youth and education, gender, anti-corruption and rule of law. Supplemental funding from the War on Terrorism will be used for conflict mitigation by strengthening community development and improving access to health, water and employment opportunities especially in southern Uzbekistan. USAID will also advance conflict prevention and mitigation through media, education and public advocacy. The specific activities to be funded in FY 2002 and FY 2003 are described in more detail in the following Program Data Sheets.

On-going Programs for Which No FY 2002 or FY 2003 Funding is Requested: USAID is not requesting new funds, but is continuing to expend funds already appropriated for the following:

<u>Number :</u>	<u>Title:</u>	<u>Last Notified:</u>	<u>Planned Completion:</u>
122-0410	Special Initiatives	FY 02 CBJ. P. 768	FY 2002

OTHER PROGRAM ELEMENTS: In addition, USAID supports a number of institutional partnerships that seek to build lasting relationships between the U.S. and Uzbekistan. USAID takes advantage of several centrally-managed programs, including the agreement with the Centers for Disease Control and the Monitoring and Evaluation to Assess and Use Results (MEASURE)/Evaluation Program. The Office of Foreign Disaster Assistance has had a presence in Uzbekistan since October 2001. The Farmer-to-Farmer program managed by USAID's Bureau for Democracy, Conflict and Humanitarian Assistance is also active. The Eurasia Foundation has an active small grants program in education, small business, local government and civil society. The Departments of Commerce, Defense, Energy, Agriculture, and State also manage programs complementary to USAID field activities in various sectors.

OTHER DONORS: USAID is the largest bilateral donor and continues to strengthen its coordination with other donors through joint activities. The World Bank follows the U.S. lead, and is renewing attention to the Fergana Valley and to the education sector. The World Bank continues its support to natural resource management issues through the Global Environmental facility and its large health sector reform loan, the latter implemented in conjunction with USAID's health care project. The Asian Development Bank (ADB) and the European Bank for Reconstruction and Development (EBRD) are also large donors. The ADB supports programs in infrastructure and education and anticipates beginning a new program to establish credit unions. ADB invited USAID to join this effort through the provision of technical assistance, and is also initiating a micronutrient program aimed at addressing iodine and iron deficiencies. The EBRD has made loans for textile plants, energy, and small enterprise development. Several smaller but still significant donors have effective programs. The European Union focuses on agriculture, private business development, and training and is launching a social infrastructure program in the Surhandarya region. The United Nations, the Soros Foundation, and the Organization for Security and Cooperation in Europe (OSCE) fund training to improve civil society and collaborate well with USAID. The World Health Organization is providing support for tuberculosis control, also in cooperation with USAID and Project Hope. The Japan International Cooperation Agency is examining the feasibility of providing health and medical equipment to Karakalpakstan. The United Nations Development Program continues to work on microcredit and poverty alleviation.

Uzbekistan
PROGRAM SUMMARY
(In thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	0	700	0	0
FREEDOM Support Act	20,590	24,800	28,890	31,500
Emergency Response Fund - FSA/NIS	0	0	40,500	0
Total Program Funds	20,590	25,500	69,390	31,500

STRATEGIC OBJECTIVE SUMMARY

122-0131 An Improved Environment for the Growth of Small and Medium Enterprises				
FSA	1,600	2,100	2,100	2,800
122-0161 Improved Management of Critical Natural Resources, Including Energy				
FSA	0	1,750	1,700	2,300
122-016X Emergency Response Fund - FSA/NIS				
FSA	0	0	18,000	0
122-0211 Strengthened Democratic Culture Among Citizens and Target Institutions				
FSA	2,000	2,950	4,000	5,400
122-0320 Increased Utilization of Quality Primary Health Care for Select Populations				
CSD	0	700	0	0
FSA	3,222	5,500	4,000	5,400
122-032X Emergency Response Fund - FSA/NIS				
FSA	0	0	15,000	0
122-0410 Special Initiatives				
FSA	1,378	0	0	0
122-0420 Cross-Cutting Programs				
FSA	1,200	2,598	2,750	3,900
122-042X Emergency Response Fund - FSA/NIS				
FSA	0	0	4,000	0
122-042Y Emergency Response Fund - FSA/NIS - Transfer				
FSA	0	0	3,500	0
Total Transfers	11,190	9,902	14,340	11,700

Central Asian Republics Regional

The Development Challenge: The governments of all five Central Asian Republics¹ willingly supported the U.S. effort against terrorism in various ways. The effort appears to have engendered greater regional cooperation among these five competitive nations. Even Turkmenistan, which is generally reluctant to engage internationally, has been key to the Afghan humanitarian relief effort. The potential for the spread of Islamic radicalism is a major anxiety for the republics' leaders and has enabled them to justify human rights transgressions in the name of national security. Unfortunately, the three republics that border Afghanistan (Turkmenistan, Uzbekistan, and Tajikistan) have shown the least commitment to economic and political reform, and the war may create plausible excuses for them to regress even further in this regard.

Balancing repression in the name of stability and national security with democratization, human rights and economic growth is one of USAID's greatest challenges in this region. Overall, aspects of public civic action are taking hold to varying degrees in all five of the Central Asian republics, but real reform within the present authoritarian systems will be slow for some time yet. Likewise, while superficial economic reforms have taken hold in some republics, there is only a fledgling competitive business sector outside of the oligarchies. Income disparities and unemployment rates in the region have not decreased significantly. Social services, water and energy are taken very much for granted; cost-effectiveness and cost recovery are still foreign. Healthcare is an area where commitment to reform is growing. All five republics are making efforts to improve primary health care and are actively battling the rising incidence of tuberculosis, Hepatitis B, HIV/AIDS, and drug addiction.

The overall challenge in the region is to build broad-based economic and political systems through expanding opportunities for citizens, thus building longer-term stability in the region. Failure to implement these political, economic and social changes would ultimately result in radicalism and the exacerbation of social and ethnic tensions. Improving economic opportunities also involves cost-effective social services and natural resource management, especially in the critical water and energy sectors.

USAID is addressing these challenges primarily through its bilateral assistance programs in enterprise development, health, water, energy, and democracy. However, Central Asia's development challenges also require a regional response. For example, resurgence of infectious disease is a regional problem. A disease outbreak in one country frequently leads to the resurgence of this disease in neighboring countries. Region-wide drug trafficking, a serious problem in itself, also exacerbates HIV rates. Thus, coordinated regional efforts are needed to effectively deal with these threats. Water is a scarce resource throughout the region, and questions about its distribution and use are a potential source of conflict. Equitable distribution and use of this resource requires strengthening mechanisms for cooperation and coordination among all five Central Asian countries. The drought of the last few years has intensified the already critical issues concerning water use and allocation. The region is rife with impediments to free trade and marketing due to difficult border situations, and lack of sufficient progress in trade policy reform. A regional approach also enables the Central Asian countries to share lessons learned and information with their neighbors to promote improved business and economic opportunities, civil society and open media.

The USAID Program:

<i>FY 2002 Estimate:</i>	\$7.9 million	<i>FY 2003 Request:</i>	\$9.0 million
	\$6.0 million	Emergency Response Fund	

To meet these challenges, the goal of USAID in Central Asia is to expand opportunities for citizens

¹ Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan

to participate, and to improve their livelihoods and quality of life. The Program Data Sheets provided below cover the ongoing four objectives for which USAID is requesting funds: primary health care; water and energy resource management; democratic culture and institutions; and small enterprise and trade. As noted above, USAID's regional objectives parallel and support the specific country objectives. FY 2002 funds will be used to implement the program described in the FY 2002 Congressional Budget Justification, including water management, infectious disease control, regional trade and conflict prevention (in the Ferghana Valley). USAID will also use current year funding to expand its cross-cutting initiative in conflict mitigation through community development and to explore opportunities in higher education, anti-corruption and rule of law. The specific activities to be funded by FY 2002 and FY 2003 appropriations are described in more detail in the following Program Data Sheets. USAID will use \$3 million of the FY 2003 regional program request to fund new activities in conflict mitigation, while \$5.1 million will fund ongoing efforts. \$6 million in supplemental funds will be used for conflict prevention.

On-going Programs for Which No FY 2002 or FY 2003 Funding is Requested:

Number	Title	Last Notified	Completion Date
176-0150	More Economically and Environmentally Sustainable Energy Sector	FY02 CBJ, p. 805	FY 2002

Other Program Elements: The USAID mission also takes advantage of technical expertise available in the Centers for Disease Control, including its regional office in Almaty. Other country-specific programs in which USAID participates include the Global Training for Development Program, through which USAID trained over 5,000 Central Asians in primary health care, democratic reform, economic and business education, and enterprise and finance in FY 2001. The Farmer-to-Farmer program managed by the Office of Private and Voluntary Cooperation in the Bureau for Democracy, Conflict and Humanitarian Assistance, is active throughout Central Asia. USAID also takes advantage of the new Monitoring and Evaluation to Assess and Use Results (MEASURE)/Evaluation Program managed out of the Bureau for Global Health. The Departments of Commerce, Defense, Energy, Agriculture, and State also manage programs complementary to USAID field activities in various sectors.

Other Donors: Although there are many other donors in each of the specific republics of Central Asia, the United Nations Development Program (UNDP), European Union/Technical Assistance for the Commonwealth of Independent States (EU/TACIS) and World Bank have programs that are funded on a regional basis (as opposed to bilateral) programs. UNDP and EU/TACIS are working on customs and transportation; the World Bank is working on energy and water management. USAID is collaborating closely with the World Bank.

**Central Asian Republics Regional
PROGRAM SUMMARY**
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
FREEDOM Support Act	4,500	7,566	7,900	9,000
Emergency Response Fund - FSA/NIS	0	0	6,000	0
Total Program Funds	4,500	7,566	13,900	9,000

STRATEGIC OBJECTIVE SUMMARY

176-0131 Improved Environment for the Growth of Small and Medium Enterprises				
FSA				
176-0150 A More Economic Sustainable and Environment Sound Energy Sector	0	500	1,000	1,200
FSA				
176-0161 Improved Management of Critical Natural Resources, Including Energy	500	0	0	0
FSA				
176-0211 Strengthened Democratic Culture among Citizens and Target Institutions	4,000	4,000	3,500	4,100
FSA				
176-0320 Increased Utilization of Quality Primary Health Care for Select Populations	0	0	500	600
FSA				
176-0420 Cross-Cutting Programs	0	966	1,000	1,200
FSA				
176-042X Emergency Response Fund - FSA/NIS	0	0	1,000	1,000
FSA				
Total Transfers	0	2,100	900	900

Eurasia Regional

The Development Challenge

Progress on democratic transition and economic restructuring in Eurasia is taking longer in comparison to Europe, bearing witness to the difficulties of implementing the fundamental changes required in this sub-region. Although each of the Eurasian countries is changing at its own pace, overall, key economic and political institutions are still being developed and corruption is widespread. In too many cases, these societies are polarized between a few wealthy beneficiaries of transition and a great number of people who have been unable to access the benefits of reform. At the same time, social services are woefully insufficient, adding to the burden of common citizens. The turmoil and pain resulting from incomplete reforms have discouraged citizens and led many to long for the certainty of the old Soviet days.

Fundamental challenges in Eurasia include: a) rampant corruption; b) weak or non-existent legal infrastructure including inconsistent application of the rule of law; c) non-competitive industries; d) inefficient financial systems; e) lack of a stable environment for private investment and efficient market development in energy; and f) overextended and inefficient health systems and the impending epidemic of HIV/AIDS. In addition, the Eurasian economies remain relatively autarchic, with relatively few trade and investment ties to countries outside the region

USAID's challenge is to stay the course with the Eurasian countries and encourage and support reformers at all levels of society. Our country strategies are tailored to meet the particular needs and foreign policy interests of the United States in a specific nation. Regional programs address cross-border issues and help to forge substantive linkages among the organizations and people of these nations as well as with reformers in the European transition countries. Regional programs help to break through the isolation many of the Eurasian countries continue to experience.

The USAID Program

FY 2002 Estimate: \$61.181 million FY 2003 Request: \$58.0 million

Estimated FY 2002 regional resources, and requested FY 2003 regional resources include both USAID-managed funds and transfers of \$40.981 million and \$38 million, respectively. USAID's regional budget is \$18.2 million in FY 2002 and \$18 million in FY 2003. Regional budget funds are used to fill gaps in bi-lateral programs, fund directives and special initiatives that country budgets cannot, implement cross-border or truly regional activities, and foster dissemination of lessons learned across the region.

Regional funds are used to provide E&E specific technical assistance in energy, whose complex technical issues are closely intertwined with the politics of the region. The regional program also helps address problems that cross borders, such as health and environment. Activities under the economic restructuring area encompass those directed at anti-corruption, agro-industry competitiveness, micro-enterprise development, financial sector and fiscal reform, energy cooperation and trade, and environmental management. Activities under the democracy and governance rubric include those in civil society, the rule of law and judicial strengthening, and local government. Activities under social transition encompass efforts on conflict prevention, HIV/AIDS, humanitarian response, health promotion, health care access, infectious disease control, social sector assessment and program design services, and regional review of social safety net issues. Cross-cutting

support will also be provided through participant training, information technology development, and program evaluation, assessment, and support.

On-Going Programs for Which No FY 2002 or FY 2003 Funding is Requested: Instead of maintaining the regional privatization strategic objective, the remaining small activities on accounting reform and for corporate governance have been consolidated under the fiscal reform strategic objective.

Number:	Title:	Last Notified:	Planned Completion:
110-0110	Increased Transfer of State-Owned Assets to the Private Sector	FY02 CBJ, p. 821	FY 2002
110-0410	Special Initiatives	FY02 CN, Dec. 2001	FY 2002

**Eurasia Regional
PROGRAM SUMMARY**
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	0	550	0	0
FREEDOM Support Act (Includes Caucasus Regional)	52,637	67,884	61,181	58,000
Total Program Funds	52,637	68,434	61,181	58,000

STRATEGIC OBJECTIVE SUMMARY

110-0110 Increased Transfer of State-Owned Assets to the Private Sector				
FSA	684	936	0	0
110-0120 Increased Soundness of Fiscal Policies and Fiscal Management Practices				
FSA	279	447	1,079	1,079
110-0130 Accelerated Development and Growth of Private Enterprise				
FSA	2,542	1,602	1,192	1,192
110-0140 A More Competitive and Market Responsive Private Financial Sector				
FSA	1,361	1,392	500	500
110-0150 A More Economically Sound and Environmentally Sustainable Energy System				
FSA	54	822	775	775
110-0160 Increased Environmental Management Capacity to Support Sustainable Economic Growth				
FSA	2,545	2,166	1,453	1,453
110-0210 Increased Better-Informed Citizens' Participation in Political and Economic Decision-Making				
FSA	803	739	875	875
110-0220 Legal Systems that Better Support Democratic Processes and Market Reforms				
FSA	300	827	950	950
110-0230 More Effective, Responsive and Accountable Local Governance				
FSA	409	724	1,098	1,098
110-0310 Strengthened Humanitarian Responses to Crises				
FSA	95	219	170	170
110-0320 Increased Health Promotion and Access to Quality Health Care				
CSD	0	550	0	0
FSA	2,848	3,946	4,492	4,492
110-0340 Mitigation of Adverse Social Impacts of the Transition to Market-Based Democracies				
FSA	225	572	510	510
110-0410 Special Initiatives				
FSA	1,500	100	0	0
110-0420 Cross-Cutting Programs				
FSA	3,323	5,342	5,106	4,906
123-0310 Strengthened Humanitarian Response to Crises				
FSA	2,000	4,000	2,000	2,000
Total Transfers	33,669	44,050	40,981	38,000

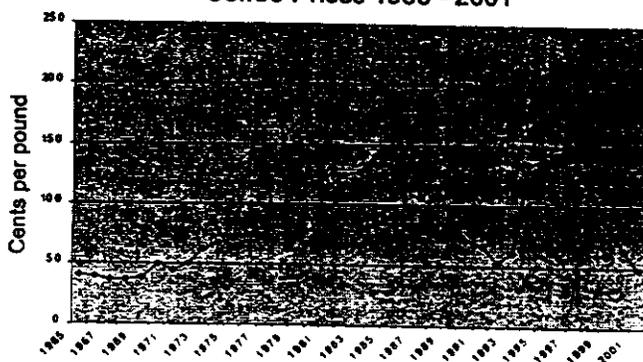
LATIN AMERICA AND THE CARIBBEAN

DEVELOPMENT CHALLENGE: This past year has been witness to an exciting mixture of heartening triumphs and disconcerting challenges throughout Latin America and the Caribbean. Despite the highly polarized atmosphere of Nicaragua's elections, and the abrupt resignation of President Alberto Fujimori in Peru, these countries ushered in democratically elected governments that must break from the past, rise to the challenge, and respond to their citizens' calls for transparency and accountability. However, there is growing concern that the economic crisis and the rising populist sentiment in Argentina could spill over to neighboring countries and endanger the region's commitment to market-based reform and the establishment of a Free Trade Area of the Americas (FTAA) by January 2005. USAID's efforts will help our regional partners stay the course on the hard road of reform and implement the trade, democracy, and education commitments agreed upon by President Bush and leaders of the Western Hemisphere at the Third Summit of the Americas held in Quebec, Canada.

Looking back, USAID investments in the region helped spread democratic processes and reduce human rights violations. Today, all governments in the LAC region, with the exception of Cuba, have democratically elected governments. USAID efforts have also contributed toward the continued reduction of the region's infant mortality rate, which now stands at 30 per 1000 live births as compared to 91 in the late 1960s. Additionally, access to basic education has increased and adult illiteracy rates have been more than cut in half. Coupled with this, USAID assistance has helped countries in the region increase and diversify their agricultural exports. Cultivation of licit crops in Bolivia and Peru has increased as USAID's alternative development programs in South America have given small farmers new economic options. USAID has also helped countries mitigate the effects of disasters. As part of hurricane reconstruction programs in Central America and the Caribbean and the El Salvador earthquake reconstruction program, improved environmental standards have been developed to protect physical and social investments. Houses constructed after Hurricane Mitch withstood the shocks of the devastating El Salvador earthquakes. The Rio Lempa watershed did not flood with the heavy rains of Hurricane Keith in 2000. USAID has also been highly successful in promoting the adoption of agriculture, forestry, energy, and industrial production practices that are environmentally sound and economically competitive.

Despite these encouraging trends, substantial challenges remain. Although the 1990s brought the region a welcome recovery from the economic troubles of the 1980s, the achievements of the past decade have not created enough economic horsepower to reduce poverty and income inequality. Persistent poverty still characterizes the LAC region today, with more than one-third of the population living below the poverty line. While roughly two-thirds of the poor live in urban areas, people living in rural areas are twice as likely to be poor. The skewed income inequality in the LAC region is the worst in the world with countries like Nicaragua, Honduras, Brazil, and Guatemala at the top of the global list. The lack of economic opportunities in Latin America and the Caribbean makes the region the number one source of illegal immigration into the United States, with 88% of illegal immigrants coming from these countries. An additional concern is the cross-border spread of communicable diseases such as tuberculosis and HIV/AIDS.

Coffee Prices 1965 - 2001



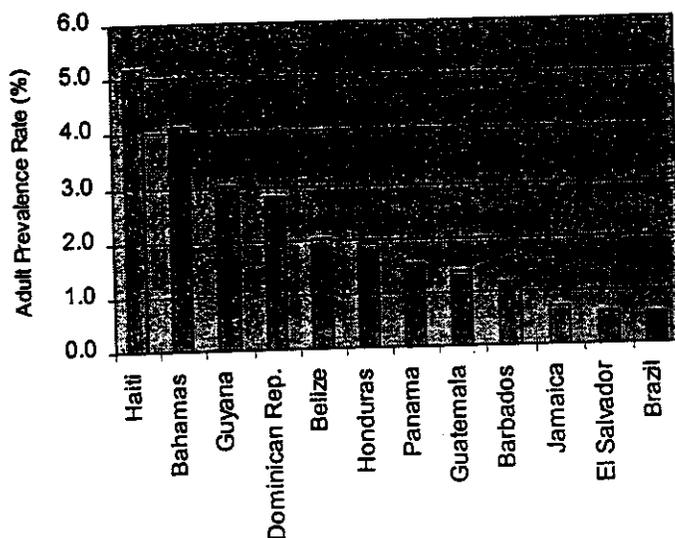
These challenges are compounded by the current worldwide recession, which has depressed commodity prices. Coffee, a major export earner for Latin American countries, is experiencing its lowest price levels in 30 years due to the entry of Vietnam and Indonesia into the market. Many coffee-producing areas of Central America have been devastated, a situation further exacerbated by two years of severe drought. Effects of the crisis will be felt in the region for a number of years, as

coffee prices remain low. With the economic downturn, even the region's bright spots have dimmed – Mexico's sterling growth and job creation rates, which were fueled by the North American Free Trade Agreement (NAFTA), have plunged. The aftershock of the tragic terrorist attacks of September 11, 2001, has accelerated the economic deterioration in the region. Countries with significant trade and tourism sectors are particularly vulnerable. Sixty-five percent of Caribbean holiday bookings were cancelled after the September 11th attacks. The decrease in tourism revenue has reduced many governments' budgets and boosted unemployment rates. Worsening economic conditions could fuel an increase in narcotics trade, other criminal activities, and violence, especially since the region has already proven to be fertile ground for transnational crime networks (Jamaica and the Eastern Caribbean), guerilla insurgency and terrorism (Colombia), and money laundering (Paraguay).

Continued efforts are needed to solidify democracy and reduce the potential for conflict. While impressive gains in democratic institution building have taken place in the region, these new institutions are still fragile and not all political processes are fair and democratic. Electing democratic governments is one step in the process of creating a democratic society; however, to sustain and achieve further gains in democracy, people in the LAC region must be able to envision the linkages between democracy and direct improvement in their daily lives. Many citizens have lost their early fervor for a return to democracy, especially as crime and corruption continue to erode the legitimacy of freely elected governments. There is still a great deal of work to be done to improve the responsiveness of government institutions, especially for the poor and the indigenous groups who find themselves relegated to the margins of the political process, to help strengthen the rule of law, and to eliminate corruption.

The area's natural resource base is under increasingly intense pressure. The region has rich soils and fisheries and is home to one-half the world's remaining tropical forests and biodiversity. Unfortunately, it also has one of the world's highest rates of deforestation. Two-thirds of the region's coral reefs are either dead or highly threatened, and available fresh water per capita is one-fifth that of 50 years ago. Environmental degradation has a negative impact on development efforts. The World Bank estimates that environmental degradation reduces the gross domestic product (GDP) of developing countries by roughly 4 to 8 percent. Additionally, the International Committee of the Red Cross has concluded that environmental degradation, not war or political repression, is the greatest cause of displaced people and refugees.

HIV/AIDS Adult Prevalence Rate in Selected LAC Countries, 1999



Although considerable progress has been made in the health and education sectors, HIV/AIDS is taking its toll, especially in the Caribbean where the prevalence of HIV/AIDS in adults is second only to sub-Saharan Africa. More work is needed to reduce maternal mortality, through increased access to professional care during delivery, and to reduce malnutrition. Malnutrition has declined in the rest of the region, but in Central America, the rates of underweight and stunting in children have remained stagnant for 20 years. While there have been significant reductions in child mortality rates and an increase in the use of family planning region-wide, focus needs to shift to younger infants for whom death rates remain high, and family planning efforts must expand to reach all couples who want this important service, especially in remote rural areas. In the education sector, remarkable progress has been made in providing access to basic education, but

major failings still exist in the quality, equity, and efficiency of education systems. The majority of LAC children attend weak and under-funded public schools, where they fail to acquire basic skills in mathematics, language, and science. In the region, only 56% of students who start school finish six grades and only about one-third of those children attend secondary school. When comparing LAC countries with countries of similar incomes, students in LAC enter the labor force with far less education than their counterparts. This under-investment in human capital, if not reversed, will ensure that world markets turn elsewhere and that labor, not commodities, will become the region's chief export.

USAID's approach to addressing the challenges faced by Latin American and Caribbean countries is based upon the Agency's four pillars: Economic Growth, Agriculture, and Trade; Global Health; Democracy, Conflict, and Humanitarian Assistance; and Global Development Alliances.

To address the myriad challenges in the LAC region, USAID has developed subregional initiatives that cut across the Agency's pillars. These initiatives are: the Partnership for Prosperity, a trade-led rural economic growth strategy for Central America and Mexico that focuses on reducing poverty, particularly in rural areas; the Andean Regional Initiative, a multi-country counternarcotics program which emphasizes political stability and addresses widespread poverty reduction through activities in democracy, economic growth, trade, and alternative development in South America; and the Third Border Initiative, which includes measures to address poverty, trade, fragile democracies, health, education, and crime in the Eastern Caribbean.

The Economic Growth, Agriculture, and Trade pillar strengthens U.S. efforts to ensure that the people of Latin America and the Caribbean are able to take advantage of the potential of globalization, rather than become its victims. USAID activities under this pillar fully support the commitment made at the Third Summit of the Americas held in Quebec, Canada, to establish FTAA by 2005, as well as the summit themes of creating prosperity and realizing human potential. The activities underscore the interrelationship of economic growth and agricultural development, environmental sustainability, and the development of a country's human capital with the ultimate goal of creating and cultivating vibrant, broad-based market economies. Moreover, the approach to achieving this goal centers on improving rural livelihoods and contributes toward the prevention of conflict as the poor and often disenfranchised are better able to envision and take steps toward a more prosperous future. This is important in LAC where many countries still have serious stability issues that emanate from rural areas (e.g., Colombia, Nicaragua, and Guatemala).

For example, USAID's Partnership for Prosperity (PfP) program, to be initiated in FY 2002, will provide market development, business services, and access to finance to small farmers; build trade capacity and competitiveness; support applied agricultural research and biotechnology; enhance education; and improve disaster preparedness. The PfP initiative will signal a new way of doing business by forging strong partnerships with the U.S. Hispanic community, corporations, private foundations, U.S. state governments, and international financial institutions. USAID is planning to partner with private groups in order to help coffee farmers tap premium specialty markets, including the environmentally certified, or "green," market. PfP will also explore ways to reduce transaction costs and facilitate the use of remittances for development purposes. Remittances play a critical role in the Central American and Caribbean economies, for example, accounting for over 10% of GDP in Nicaragua and El Salvador.

Under the Andean Regional Initiative (ARI), USAID is playing a central role in helping Colombia and its neighbors address the economic, social, and institutional problems linked to illicit coca and drug production. USAID will continue programs under this initiative aimed at developing viable alternatives to coca production. USAID will also undertake trade capacity-building activities in the Andean region, which, in addition to being vital to identifying markets for alternative crops in coca growing areas, will also be key to promoting the FTAA. Similarly, as part of the Third Border Initiative, the Eastern Caribbean regional program will assist countries with trade-capacity development. USAID is committed

to developing alliances with non-governmental organizations, foundations, corporations, and others in order to leverage resources and new technologies to address the most important development issues.

USAID encourages the development of human potential through education programs that focus on improving service delivery in basic education, particularly to disadvantaged populations including girls, indigenous and rural people. In FY 2002, USAID will implement a new initiative creating Centers of Excellence for Teacher Training to serve as regional teacher training and resource centers in the Caribbean, the Andean region, and Central America. The focus of the program will be on improving reading instruction and upgrading the knowledge and pedagogical skills of poorly qualified teachers.

USAID's environment and natural resource management programs focus on promoting policies and practices that are both environmentally sustainable and economically competitive. USAID helps farmers to implement hillside agriculture practices that reduce erosion while increasing household income. Focus is placed on management practices that increase the profitability of sustainable natural forest management while reducing the incentive to convert forested lands to other uses. In Brazil, Bolivia, Ecuador, Central America, and Mexico, USAID has promoted low-impact harvesting techniques that provide timber on a sustainable basis at costs comparable to the traditional destructive cutting practices. Additionally, USAID promotes pollution prevention practices and technologies to a variety of industries, which have helped to reduce production costs. USAID also supports conservation through the Parks in Peril program, through which 28 million acres of fragile ecosystems are protected and supported by local communities.

The Global Health pillar includes activities to promote maternal and child health, nutrition, and women's reproductive health and to combat HIV/AIDS and other infectious diseases such as tuberculosis (TB) and malaria. These are global issues with global consequences: the health of a population directly affects their productivity, and unchecked infectious diseases in other countries pose threats to our own. USAID carries out population, health, and nutrition programs in 14 countries in the region. The major areas of focus include family planning, child survival, HIV/AIDS, infectious diseases, health sector reform, and maternal health. USAID targets its assistance to countries with the most needs, and within these countries, to the most needy populations. Our approach to health challenges in the region reflects an in-depth understanding of national health-sector resources and weaknesses combined with on-the-ground coordination with other major donors and host-country public- and private-sector organizations. Recently, programs in HIV/AIDS and TB have shown the most growth, as a concrete response to the increasing concern that these infectious diseases are literally on our doorstep.

The Democracy, Conflict, and Humanitarian Assistance pillar integrates the existing portfolio of USAID democracy programs with new approaches to crisis and conflict analysis and resolution. LAC democracy programs, with their emphasis on institutional reform and citizen participation, are at the heart of conflict prevention. The Peace Accords program in Guatemala for example, promotes good governance, which is critical to reducing the economic, health, and environmental vulnerabilities that continue to breed instability. As a result of USAID's efforts under the Andean Regional Initiative, community participation is improving local democratic processes and government decentralization in Colombia. USAID will continue programs under this initiative aimed at establishing a fair and transparent justice system, attaining a greater voice in government decision-making, and improving basic human rights making crime, insurgency, and drug trafficking less attractive alternatives. In El Salvador, the USAID-funded community policing pilot activity has been adopted nationwide. USAID activities under this pillar also support the Summit of the America's action plan in the areas of anti-corruption, human rights, access to justice, and political participation.

In recent years, Central America and the Caribbean have been rocked by earthquakes and deluged by hurricanes. Although these natural phenomena cannot be prevented, poor choices in land use increase vulnerability. USAID's disaster reconstruction programs help countries implement improved disaster mitigation measures and environmental standards. USAID works with national agencies, local

governments, and communities to identify flood or disaster-prone areas, promote practices to prevent risk in the future, and improve preparedness for disasters. To mitigate future disasters, USAID programs are preparing risk maps of landslide hazards that threaten water and sanitation systems, small towns, and rural roads; are putting in place land use ordinances; and are strengthening seismic, landslide, flood, and volcanic monitoring capacities.

PROGRAM AND MANAGEMENT CHALLENGES: LAC is actively supporting the Administration's foreign-policy objectives by integrating and focusing the impact of our activities through major initiatives: the Partnership for Prosperity, the Andean Regional Initiative, and the Third Border Initiative. The major management challenge faced by LAC continues to be constraints on the human resources needed to implement the planned programs. Having successfully completed regionalization of management support services in the field on a sub-regional basis over the past few years, LAC will continue to examine approaches to further restructure the workforce for greater efficiency. Initial steps will include a series of management assessments to identify options for more efficient management within and across individual operating units.

OTHER DONORS: The United States is the largest provider of Official Development Assistance among all bilateral donors in this region. The other major donors in the region are the European Union, Japan, the Netherlands, and Germany. USAID's collaboration with other donors is a critical and expanding focus of its strategy in the LAC region. Our primary multilateral partners are the Inter-American Development Bank (IDB), the World Bank, the Pan American Health Organization, and the Organization of American States. As a key source of development finance in the LAC region, the IDB is our natural partner. USAID's extensive coordination with the IDB continues to bring positive results. USAID is using its strong ties to IDB technical staff to ensure that its grant investments enrich the World Bank loan investments. USAID has applied its established relationships with local NGOs, flexible grant funds, and in-country presence to shape IDB programming and improve implementation.

FY 2003 PROGRAM: USAID FY 2003 resources for the LAC region total \$894 million. Of this amount, \$417 million is for Development Assistance (DA), \$96 million is Economic Support Funds (ESF), \$278 million is Andean Counterdrug Initiative, and \$103 million is P.L. 480 Title II. The USAID FY 2003 program for LAC addresses the highest priority goals for the region. In Economic Growth, Agriculture, and Trade, activities focus on promoting trade-led and broad-based growth in developing and transitional economies, securing a sustainable global environment in order to protect the United States and its citizens from the effects of international environmental degradation; improving equity and quality in education and training, and reducing the risk of future disasters by promoting disaster mitigation measures. In Global Health, activities focus on stabilizing the world's population and protecting human health and reducing the spread of infectious diseases. In Democracy, Conflict, and Humanitarian Assistance, activities focus on increasing adherence to democratic practices and strengthening democratic governance with increased respect for human rights, stemming the flow of illegal narcotics into the United States, and preventing or minimizing the human costs of conflict and natural disasters.

Latin America and the Caribbean

PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	79,957	98,743	0	0
Child Survival and Health Programs Fund	0	0	144,615	0
Development Assistance	201,000	225,515	228,437	417,005
Economic Support Fund	124,877	120,238	166,500	96,000
Andean Counterdrug Initiative *	46,000	25,750	215,000	278,000
PL 480 Title II	123,511	113,163	68,209	102,518
Plan Colombia Supplemental	207,500	0	0	0
Total Program Funds	782,845	583,409	822,761	893,523

* Includes International Narcotics Control (INC) funding

**Latin America and the Caribbean
PROGRAM SUMMARY**

(in thousands of dollars)

Country/ Fund Account	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Bolivia				
Child Survival and Disease Programs Fund	7,583	6,598	0	0
Child Survival and Health Programs Fund	0	0	19,410	0
Development Assistance	25,388	25,098	12,053	30,547
Economic Support Fund	0	1,995	10,000	10,000
Andean Counterdrug Initiative *	16,000	0	33,000	42,000
PL 480 Title II	22,059	15,918	9,910	21,525
Plan Colombia Supplemental	80,000	0	0	0
Total Bolivia	151,030	49,609	84,373	104,072
Brazil				
Child Survival and Disease Programs Fund	4,150	7,883	0	0
Child Survival and Health Programs Fund	0	0	8,700	0
Development Assistance	8,491	7,318	3,930	17,537
Total Brazil	12,641	15,201	12,630	17,537
Caribbean Regional Program				
Child Survival and Disease Programs Fund	0	1,497	0	0
Child Survival and Health Programs Fund	0	0	4,000	0
Development Assistance	540	0	0	15,750
Economic Support Fund	7,000	6,985	11,000	3,000
Total Caribbean Regional Program	7,540	8,482	15,000	18,750
Central America Regional Program				
Child Survival and Disease Programs Fund	3,150	3,692	0	0
Child Survival and Health Programs Fund	0	0	4,750	0
Development Assistance	8,200	9,030	8,142	26,927
Total Central America Regional Program	11,350	12,722	12,892	26,927
Colombia				
Economic Support Fund	4,000	0	0	0
Andean Counterdrug Initiative *	5,000	0	104,500	151,000
PL 480 Title II	2,306	0	0	0
Plan Colombia Supplemental	119,500	0	0	0
Total Colombia	130,806	0	104,500	151,000
Cuba				
Economic Support Fund	3,500	4,989	5,000	6,000
Total Cuba	3,500	4,989	5,000	6,000

Country/ Fund Account	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Dominican Republic				
Child Survival and Disease Programs Fund	3,300	6,385	0	0
Child Survival and Health Programs Fund	0	0	9,532	0
Development Assistance	6,800	8,800	6,450	19,409
Economic Support Fund	3,356	3,492	2,000	3,500
PL 480 Title II	99	1,525	0	0
Total Dominican Republic	13,555	20,202	17,982	22,909
Ecuador				
Child Survival and Disease Programs Fund	550	0	0	0
Development Assistance	11,720	8,184	6,855	7,130
Economic Support Fund	7,000	8,984	17,500	22,250
Andean Counterdrug Initiative *	0	0	10,000	16,000
PL 480 Title II	0	1,459	0	0
Plan Colombia Supplemental	8,000	0	0	0
Total Ecuador	27,270	18,627	34,355	45,380
El Salvador				
Child Survival and Disease Programs Fund	10,495	14,557	0	0
Child Survival and Health Programs Fund	0	0	14,822	0
Development Assistance	19,508	31,807	44,880	33,724
Economic Support Fund	4,950	4,989	25,000	0
Total El Salvador	34,953	51,353	84,702	33,724
Guatemala				
Child Survival and Disease Programs Fund	7,810	6,905	0	0
Child Survival and Health Programs Fund	0	0	15,350	0
Development Assistance	13,150	16,937	12,320	26,691
Economic Support Fund	20,000	13,969	10,000	7,500
PL 480 Title II	18,356	16,036	15,808	18,013
Total Guatemala	59,316	53,847	53,478	52,204
Guyana				
Child Survival and Disease Programs Fund	200	798	0	0
Child Survival and Health Programs Fund	0	0	1,000	0
Development Assistance	3,200	3,800	3,100	3,180
Total Guyana	3,400	4,598	4,100	3,180
Haiti				
Development Assistance	0	0	0	25,000
Economic Support Fund	52,550	46,894	30,000	0
PL 480 Title II	25,076	25,111	0	22,375
Total Haiti	77,626	72,005	30,000	47,375

Country/ Fund Account	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Honduras				
Child Survival and Disease Programs Fund	7,400	8,936	0	0
Child Survival and Health Programs Fund	0	0	13,070	0
Development Assistance	12,633	16,789	15,430	35,096
Economic Support Fund	0	998	1,000	0
PL 480 Title II	9,340	5,270	3,647	5,190
Total Honduras	29,373	31,993	33,147	40,286
Jamaica				
Child Survival and Disease Programs Fund	3,357	4,116	0	0
Child Survival and Health Programs Fund	0	0	2,821	0
Development Assistance	7,810	7,685	9,471	15,980
Economic Support Fund	500	1,497	1,000	0
Total Jamaica	11,667	13,298	13,292	15,980
LAC Regional				
Child Survival and Disease Programs Fund	12,830	14,780	0	0
Child Survival and Health Programs Fund	0	0	11,765	0
Development Assistance	22,970	27,284	60,466	60,274
Economic Support Fund	7,000	7,584	17,500	12,500
Total LAC Regional	42,800	49,648	89,731	72,774
Mexico				
Child Survival and Disease Programs Fund	4,200	5,987	0	0
Child Survival and Health Programs Fund	0	0	5,500	0
Development Assistance	9,562	7,885	6,915	18,276
Economic Support Fund	2,736	6,178	10,000	12,000
Total Mexico	16,498	20,050	22,415	30,276
Nicaragua				
Child Survival and Disease Programs Fund	7,932	7,006	0	0
Child Survival and Health Programs Fund	0	0	8,170	0
Development Assistance	14,450	16,390	16,152	27,258
Economic Support Fund	500	1,499	1,500	0
PL 480 Title II	6,702	7,808	8,039	10,363
Total Nicaragua	29,584	32,703	33,861	37,621
Panama				
Development Assistance	3,500	3,700	4,500	7,000
Economic Support Fund	1,000	998	4,000	3,500
Total Panama	4,500	4,698	8,500	10,500
Paraguay				
Child Survival and Health Programs Fund	0	0	2,525	0
Development Assistance	5,175	6,320	3,600	6,625
Economic Support Fund	1,000	3,492	3,500	3,500
Total Paraguay	6,175	9,812	9,625	10,125

Country/ Fund Account	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Peru				
Child Survival and Disease Programs Fund	7,000	9,603	0	0
Child Survival and Health Programs Fund	0	0	23,200	0
Development Assistance	27,904	28,488	14,173	40,601
Economic Support Fund	9,785	5,695	17,500	12,250
Andean Counterdrug Initiative *	25,000	25,750	67,500	69,000
PL 480 Title II	39,573	40,036	30,805	25,052
Total Peru	109,262	109,572	153,178	146,903
Total Program Funds	782,848	583,409	822,761	893,523

*Includes International Narcotics Control (INC) funding

BOLIVIA

THE DEVELOPMENT CHALLENGE: Bolivia has enjoyed macroeconomic stability for over 15 years and free democratic elections over the last 19 years. The Government of Bolivia (GOB) has implemented an impressive array of key policy and institutional reforms: financial market and trade liberalization; divestiture and privatization of the major state enterprises; establishment of the independence of the Central Bank; laws for popular participation and decentralization; pension reform; establishment of independent regulatory bodies and independent superintendencies; and customs reform. Nevertheless, the Bolivian economy has grown at less than three percent per annum on average during this 15-year period, or at a mere 0.5% more than population growth.

63% of Bolivia's population live in poverty.

Located in the heart of the Andes, landlocked and rugged, Bolivia remains one of the most impoverished nations in the hemisphere. A large income gap between rich and poor continues to widen. The wealthiest 20% of Bolivians possess 57.5% of the country's total income while the poorest 20% have only 3.1%. Constraints such as weak institutions, limited financial services, inadequate infrastructure, low productivity in rural areas, inadequate technological development, lack of competitiveness, and a shortage of human capital continue to impede economic growth and efforts to reduce poverty.

In June 2001, the World Bank and the International Monetary Fund boards approved a GOB-submitted Poverty Reduction Strategy Paper (PRSP), opening the way for \$1.5 billion in debt relief over the next 15 years under the Heavily-Indebted Poor Countries Initiative (HIPC). Bolivia's external debt totals approximately \$4.5 billion, with gross domestic product totaling \$7.8 billion. The poverty reduction strategy aims to alleviate poverty by promoting the efficient and transparent use of resources from the HIPC debt relief, the GOB, and all donors.

U.S. foreign policy priorities in Bolivia emphasize supporting Bolivian democracy and counter-narcotics efforts. A stable democracy is a necessary condition for continued success in combating narcotics production and trafficking. Bolivia is also a committed U.S. ally in the war on terrorism.

THE USAID PROGRAM:

FY 2002 Estimate: \$84.373 million

FY 2003 Request: \$104.072 million

The Program Data Sheets cover the five development objectives for which USAID is requesting funds. These five objectives concentrate on nurturing and institutionalizing democratic principles, providing opportunities to increase the incomes of the poor, improving the health of Bolivians, protecting the environment, and promoting alternative development. FY 2002 and FY 2003 funds will be used to continue implementation of the ongoing programs as described in the FY 2002 Congressional Budget Justification. USAID/Bolivia also intends to use FY 2002 funds to carry out certain new activities under the ongoing objectives. The specific activities to be funded by FY 2002 and FY 2003 appropriations are described in more detail in the Program Data Sheets.

ONGOING PROGRAMS FOR WHICH NO NEW FY 2002 OR FY 2003 FUNDING IS REQUESTED:

None

OTHER PROGRAM ELEMENTS: In addition to the bilateral program, several centrally-managed activities are being implemented in Bolivia. Child survival activities managed by the Democracy, Conflict and Humanitarian Assistance Bureau are implemented by three U.S. private voluntary organizations (PVOs): Medical Care Development International, Save the Children, and the International Eye Foundation. All activities are carried-out in under-served rural areas of Bolivia where child health is at greatest risk. Political party training is done by the National Democratic Institute, and Partners of the Americas promotes political participation. Support from the Economic Growth, Trade and Agriculture Bureau is also provided to expand financial services in Bolivia.

OTHER DONORS: The number of donors is significant, with the participation of eight multilateral and 15 bilateral donors. Of the bilateral donors, 13 are Development Assistance Committee members. Japan and the United States are the largest bilateral donors. The donors are organized around four working groups in support of the GOB's National Poverty Strategy and according to their main areas of interest. The groups are: Sustainability of the PRSP (macroeconomic policy, HIPC initiative, and access to markets), led by the IMF and European Union; Implementation and Monitoring of the PRSP (public investment, Bolivian Comprehensive Development Framework, national dialogue, and social control), led by Holland; Institutionality (anticorruption, rule of law, and modernization of the State), led by Denmark and the United Nations Development Program (UNDP); and Participation and Social Integration, led by UNDP. USAID participates in the majority of the groups and leads the Rule of Law sub-group. In addition, Spain, the United Nations Drug Control Program, and the European Union are active members of the Alternative Development Donor Group, led by USAID.

Bolivia
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	7,583	6,598	0	0
Child Survival and Health Programs Fund	0	0	19,410	0
Development Assistance	25,388	25,098	12,053	30,547
Economic Support Fund	0	1,995	10,000	10,000
Andean Counterdrug Initiative *	16,000	0	33,000	42,000
PL 480 Title II	22,059	15,918	9,910	21,525
Plan Colombia Supplemental	80,000	0	0	0
Total Program Funds	151,030	49,609	84,373	104,072

STRATEGIC OBJECTIVE SUMMARY

511-001 Increased Citizen Support for the Bolivian Democratic System				
DA	3,100	2,850	2,500	2,500
ESF	0	1,995	4,000	4,000
ACI	2,000	0	4,000	3,500
Plan Colombia	2,000	0	0	0
511-002 Increased Income for Bolivia's Poor with Emphasis on Targeted Communities Directly or Indirectly Assisted by USAID				
DA	3,400	3,576	3,500	4,650
ESF	0	0	6,000	6,000
PL 480	8,828	6,367	3,964	8,610
511-003 Improved health of the Bolivian population				
CSD	7,583	6,598	0	0
CSH	0	0	19,410	0
DA	12,390	13,271	0	18,317
PL 480	13,231	9,551	5,946	12,915
511-004 Forest, water and biodiversity resources managed for sustained economic growth				
DA	6,498	5,401	6,053	5,080
511-005 Illegal and Excess Coca Eliminated from Bolivia				
ACI	14,000	0	29,000	38,500
Plan Colombia	78,000	0	0	0

*Includes International Narcotics Control (INC) funding.

BRAZIL

THE DEVELOPMENT CHALLENGE: Brazil is one of the leading economic and political powers in Latin America and a leader in hemispheric affairs. U.S.-Brazilian economic ties have grown steadily as exporters and investors have responded to Brazil's reform, stabilization, and modernization efforts. Nevertheless, Brazil faces many development challenges including providing increased protection for globally important biodiversity; reducing the green house gases associated with global climate change; and increasing support for HIV/AIDS and tuberculosis prevention. While trying to address these important needs, a deteriorating socioeconomic situation has made the development challenge even greater. For example, Brazil's poor have increased from 35 to 50 million people over the last six years. Income distribution has also become more skewed, with 10% of the population holding 50% of the total income, while the poorest 50% holds only 10% of the wealth. The north and the northeast, with 43% of Brazil's population, constitute the single largest regional concentration of rural poor in Latin America according to the World Bank. In addition, Brazil faces a staggering foreign debt, which totaled \$210 billion in August 2001, or 26% of GDP, resulting in \$17 billion being spent on debt servicing between January and August 2001.

Globally important ecosystems in the vast Amazon basin, which are essential to addressing climate change, face extensive biodiversity loss.

Brazil faces challenges that are global in nature, such as the continuing degradation of its rainforests that contributes to climate change and threatens one of the major stocks of the world's biodiversity. Its globally important ecosystems, including the vast Amazon basin, face extensive biodiversity loss from forest conversion and burning. Poorly regulated timber industries and ranching threaten sound land use in the Amazon, Atlantic Coast

Rainforest, Cerrado and Wetlands. Therefore, Brazil continues to work with the G-7 Pilot Program to Conserve the Brazilian Rainforest (PPG-7) to improve Amazonian Science Centers of Excellence; strengthen environmental agencies of the Amazonian states; conserve Brazil's cultural and biological heritage; and demonstrate economically and environmentally viable options for sustainable use of Amazonian resources.

The spread of infectious diseases is another global challenge for Brazil where over 50% of reported AIDS cases in Latin America are located. Many of these cases are low-income women who acquired the disease through heterosexual transmission. The rate of infection exceeds the capacity of programs to prevent sexual transmission of HIV in women, adolescents, and low-income populations. Low-income populations are also more susceptible to tuberculosis than the population at large. The GOB does not have the institutional capacity to diagnose, treat, control, and monitor tuberculosis (TB) through Directly Observed Therapy-Short Course (DOTS) or to develop and implement activities related to TB/HIV co-infection.

U.S. national interests in Brazil include protecting the environment; HIV/AIDS prevention; the development of stronger partnerships in open trade throughout the hemisphere; counter-narcotics; and South American regional cooperation. USAID continues to be successful in leveraging resources from NGOs, industry, multilateral banks, cooperatives, universities, and government agencies to address these interests.

THE USAID PROGRAM:

FY 2002 Estimate: \$12.630 million

FY 2003 Request: \$17.537 million

The Program Data Sheets provided below cover the four program areas for which USAID is requesting funds. These four program elements concentrate on the global issues of climate change; biodiversity conservation; prevention of HIV/AIDS, tuberculosis and malaria; and assistance to at-risk children and youth. FY 2002 funds will be used to implement the ongoing programs and bring USAID's current strategy to a close. FY 2003 funds will be used to start the implementation of

USAID's new five-year strategy, which will continue to focus on the global issues mentioned above, with particular emphasis on those activities that can contribute to improved living conditions for Brazil's poor. The specific activities to be funded by FY 2002 and FY 2003 appropriations are described in more detail in the following Program Data Sheets.

ONGOING PROGRAMS FOR WHICH NO NEW FY 2002 OR FY 2003 FUNDING IS REQUESTED:
None

OTHER PROGRAM ELEMENTS: Funding under the centrally managed Democracy and Governance Program supports the American Center for International Labor Solidarity's program in Brazil. Its objectives are to improve union institutional capacity, improve enforcement of the Brazilian labor code, and promote internationally recognized labor rights. Complementary to USAID's bilateral energy program, Development Credit Authority funds have been directed to a Clean Technology Fund and an Amazon timber company energy co-generation activity. Also, technical assistance has been provided to the Government of Brazil and local universities and research centers in the area of global climate change. USAID is also carrying out activities in the education sector in Brazil as part of the Program for Educational Reform in the Americas (PREAL). Activities include the dissemination of PREAL documents in Portuguese, the organization of a conference on education reform, and the development and maintenance of a database of innovative facts/experiences relative to Brazilian education.

OTHER DONORS: While Brazil is currently the recipient of numerous foreign donor programs valued in the billions of dollars, USAID's influence in policy dialogue in areas identified within our strategic plan is significantly larger than our relatively smaller proportion of donors funds would tend to indicate. USAID collaborates with other bilateral and multilateral donors, the Government of Brazil, and the country's private sector, for the purpose of leveraging funds and coordinating efforts. In the environment sector, the main bilateral donors that work in close collaboration with USAID are Germany, the United Kingdom, Canada and the Netherlands. Activities under USAID's environment program leverage considerable funds, especially the \$331 million World Bank Program to Conserve the Brazilian Rain Forest (PPG-7). USAID also works in close cooperation with the European Union and United Nations Development Program (UNDP) in the area of energy technologies.

On AIDS prevention, the World Bank's AIDS II loan has contributed substantially to Brazil's AIDS programs. Coordination of activities among donors is done through the United Nations (U.N.) AIDS Thematic Group that includes USAID, the Brazilian Ministry of Health, the United Kingdom's Department for International Development, the German GTZ, the Japanese International Cooperation Agency, the Pan-American Health Organization, the U.N. Drug Control Program, the U.N. Educational, Scientific and Cultural Organization, the U.N. Nations Population Fund, the U.N. Children's Fund (UNICEF) and recently, several Brazilian private-sector foundations. In assisting at-risk children and youth, USAID joins efforts with UNICEF, the International Labor Organization, the Brazilian National Social and Economic Development Bank, Save the Children, World Vision, Oxfam, Catholic Relief Services, and a considerable number of private-sector organizations.

Brazil
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	4,150	7,883	0	0
Child Survival and Health Programs Fund	0	0	8,700	0
Development Assistance	8,491	7,318	3,930	17,537
Total Program Funds	12,641	15,201	12,630	17,537

STRATEGIC OBJECTIVE SUMMARY

512-001 Environmentally and socio-economically sustainable alternatives for sound land use adopted beyond target areas				
DA	7,341	4,950	2,930	5,680
512-002 Increased adoption by key actors of concepts, methods, and technologies for clean and efficient energy production and use				
DA	1,150	2,368	1,000	1,000
512-003 Increased Effective Programs to Prevent HIV Transmission and Control Tuberculosis				
CSD	2,000	6,164	0	0
CSH	0	0	7,700	0
DA	0	0	0	9,957
512-005 Improved Ability of At-Risk and Working Children to become Productive, Healthy Citizens				
CSD	2,150	1,719	0	0
CSH	0	0	1,000	0
DA	0	0	0	900

COLOMBIA

THE DEVELOPMENT CHALLENGE: Democracy is under attack in Colombia. The democratically elected government does not control large portions of its own territory and is challenged by leftist guerilla groups and right-wing paramilitary forces that compete for territory and control of the drug trade. The United States seeks to strengthen Colombia's fragile democracy, stem the production and flow of illicit drugs from Colombia and assist with social dislocations caused by internal conflict. Colombia is the fourth largest economy in South America and the United States' fifth largest export market in Latin America with over \$9 billion annually of bilateral trade. It faces grave income disparities, growing poverty, and declining foreign direct investment. With export earnings from oil and coffee in decline, Colombia must still meet fiscal targets negotiated with the International Monetary Fund and allocate funds for additional social investment. Foreign debt, at approximately \$35 billion in 2000, is 44% of its Gross Domestic Product. The country is pivotal to stability of the Andean region, but is severely constrained by a deteriorating economy and serious internal security problems as it approaches upcoming presidential elections in May.

A longstanding culture of impunity from prosecution has not only engendered a lack of confidence in the rule of law, but has also focused international attention on Colombia's poor human rights record, which is marred by politically motivated murders, disappearances, and other egregious human rights violations. Government presence is nonexistent in many rural areas and is often limited to uniformed security services elsewhere. Access to justice-sector services, although increasing, is still limited. Local governments, either municipal or departmental, have little capacity to manage the national revenue that is by law shared with them. Corruption and lack of accountability are serious disincentives to more effective local government.

Drug production has increased dramatically while security conditions and social cohesion have worsened.

Current estimates indicate that 163,290 hectares of coca cultivation fueled the production and export of cocaine, while 6,200 hectares of opium poppy sustained heroin exports, primarily to the U.S. eastern seaboard. The Colombian government (GOC) attacks this illicit industry by fumigation of coca areas and by providing alternative income opportunities for

farmers who cultivate drug crops out of poverty. USAID's alternative development program aims to achieve sustainable voluntary elimination of opium poppy and coca on 33,000 hectares of small farmer land. Program activities in southern Colombia were slowed during the past year due to lack of security, GOC institutional weaknesses, and GOC reluctance to mount sustained coca spraying and interdiction programs.

Over one million Colombians have been internally displaced by the protracted conflict between armed groups. These families, many of which are headed by single mothers, flee to squalid urban slums where some receive limited and short-term Government support. Their existence is precarious as they live in competition with the poor for limited economic relief services and are resented by other residents who believe their presence lessens availability of GOC services such as health care, education, and social integration services.

THE USAID PROGRAM:

FY 2002 Estimate: \$104.5 million

FY 2003 Request: \$151 million

USAID's program objectives in Colombia address three principal areas of U.S. policy: 1) strengthening democracy; 2) sustainable reduction of drug crop production through alternative development; and 3) assistance to internally displaced persons. While the program must be closely monitored and periodically adjusted to reflect changing security and political conditions, it retains the same general characteristics that were planned and described in the FY 2002 Congressional Budget Justification.

In democracy, USAID will continue to support the transition of Colombia's judicial system from an inquisitorial to an accusatorial system of justice and increase access to justice for thousands of low income and marginalized Colombians through national coverage of the "Justice Houses" program. USAID will strengthen GOC capabilities to respond to human rights violations through creation of an Early Warning System to thwart massacres, establishment of a protection program for threatened individuals, improvement of case monitoring systems and strengthened coordination procedures with civil society. USAID will also enhance local government management capacity and increase citizen participation to improve municipal government transparency, and will support GOC anti-corruption efforts to increase and improve financial and management controls and proper use of audits.

The alternative development program is being revised to incorporate adjustments needed to adapt the program to the difficult circumstances currently found in Putumayo and Caqueta. USAID will expand the alternative development program's geographic focus beyond southern Colombia to include the western half of the country and will increase the number of USAID partners. Future assistance will focus on more cohesive communities, which are less likely to replant coca. USAID promotes social and economic incentives that cause small farmers to voluntarily eliminate their drug crops and develop sustainable licit income generating alternatives. In more remote coca-producing areas, licit production may include agro-forestry and tree cropping, as well as programs tailored to indigenous populations. Social and productive infrastructure, including schools, health clinics, potable water, sewerage, electricity, roads, and bridges, among others, will generate employment and income, and provide infrastructure needed to support licit productive activities.

USAID will help integrate internally displaced persons into the society and economy where they live, until it becomes feasible for them to return to their places of origin. This assistance includes community development projects, health, education, shelter, employment, income generation and vocational education. USAID collaborates with local leaders to promote participation of the displaced in their new community and to gain access to social services.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: The USAID program in Colombia includes the following objectives for which USAID does not require additional funds:

<u>Number:</u>	<u>Title:</u>	<u>Last Notified:</u>	<u>Planned Completion:</u>
514-003	Illicit Crop Production Reduced	FY02 CBJ, p. 90	FY 2005
514-004	Earthquake Reconstruction	FY02 CBJ, p. 94	FY 2002

OTHER PROGRAM ELEMENTS: Under the bilateral program, USAID also assists the GOC with management of a \$45 million environmental fund created under the Enterprise for the Americas Initiative. In addition to the bilateral program, USAID is carrying out activities in Colombia through centrally and regionally managed programs in democracy (anti-corruption, civil society strengthening, decentralization, and local governance), environment, health, education, and microenterprise development.

OTHER DONORS: The Inter-American Development Bank, World Bank, and Andean Development Corporation have committed over \$4 billion for social development projects, including employment creation and training. The European Union has pledged \$95 million for socio-economic development and humanitarian assistance. United Nations agencies provide approximately \$30 million in social and economic development support. Bilateral donors, led by Spain and Japan, have pledged approximately \$463 million through a combination of grants and loans for humanitarian relief and economic development.

Colombia
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Economic Support Fund	4,000	0	0	0
Andean Counterdrug Initiative *	5,000	0	104,500	151,000
PL 480 Title II	2,306	0	0	0
Plan Colombia Supplemental	119,500	0	0	0
Total Program Funds	130,806	0	104,500	151,000

STRATEGIC OBJECTIVE SUMMARY

514-001 Improve the effectiveness of the Colombian criminal justice system				
ESF	4,000	0	0	0
514-004 Provide earthquake reconstruction assistance				
ACI	5,000	0	0	0
514-007 Promote More Responsive, Participatory, and Accountable Democracy				
ACI	0	0	24,000	24,000
Plan Colombia	47,000	0	0	0
514-008 Provide economic and social alternatives to illicit crop production				
ACI	0	0	56,500	75,000
Plan Colombia	42,500	0	0	0
514-009 Provide economic and social opportunities for vulnerable groups, particularly internally displaced persons				
ACI	0	0	24,000	52,000
Plan Colombia	30,000	0	0	0

* Includes International Narcotics Control (INC) funding.

CUBA

THE DEVELOPMENT CHALLENGE: The Cuban government continues to violate the most fundamental human rights including freedom of assembly, freedom of speech, freedom of religion, freedom to form political parties and trade unions, and free elections. The Cuban government directly controls mass media, the communist party, trade unions, universities, and all formal economic activity. It strives to censor all independent sources of information that may reach the Cuban people by jamming foreign radio broadcasts, controlling internet access, censoring or banning foreign books, newspapers and magazines, and forbidding importation of videocassettes and videocassette recorders.

More than 300 Cubans are currently in prison for peaceful political dissent.

During 2001, the Cuban government further increased its repression of human rights groups, independent journalists, and other peaceful democratic activists. It recently passed legislation imposing a 10 - 20 year prison sentence for any Cuban receiving or disseminating prohibited information, or printed material or engaging in any activity deemed as aiding U.S. policy towards Cuba. In the economic arena, the government's punitive taxation and harassment of self-employed people reduced their numbers to an estimated 150,000 in 2001 (down from 210,000 in 1997).

The U.S. national interest in Cuba is to promote a peaceful transition to democracy. To that end, U.S. policy is proceeding on a multi-faceted track: pressure on the regime for change through comprehensive economic sanctions; outreach to the Cuban people; promotion and protection of human rights; multilateral efforts to press for democracy; and migration accords to promote safe, orderly and legal migration.

THE USAID PROGRAM:

FY 2002 Estimate: \$5.0 million

FY 2003 Request: \$6.0 million

The Program Data Sheet provided below covers the single objective for which USAID is requesting funds. This objective concentrates on information dissemination efforts that will foster democratic progress through the development of civil society. The USAID Cuba Program continues to increase the flow of accurate information on democracy, human rights, and free enterprise to, from, and within Cuba. The program provides support to U.S. non-governmental organizations (NGOs) and individuals engaged in this effort. U.S. partners encourage the development of independent civil society and provide humanitarian assistance to political prisoners, their families, and other victims of repression. Authorized assistance also includes: published and informational matter (e.g. books, videos, and cassettes) on democracy, human rights and market economies; support for democratic and human rights groups; and support for visits by and permanent deployment of independent international human rights monitors in Cuba.

In 1996, USAID awarded the first grant aimed at promoting a democratic transition in Cuba. The grant was awarded pursuant to the authority provided in the Cuban Democracy Act of 1992 which authorizes the U.S. government to provide assistance "through appropriate nongovernmental organizations, for the support of individuals and organizations to promote nonviolent democratic change in Cuba." The Cuban Liberty and Solidarity (LIBERTAD) Act of 1996 further elaborates the types of assistance and support the President is authorized to provide for individuals and independent NGOs in order to support democracy-building efforts for Cuba.

U.S. policy encourages U.S. NGOs and individuals to undertake humanitarian, informational and civil society-building activities in Cuba with private funds, subject to applicable Treasury and Commerce Department regulations. Dozens of NGOs have engaged in such activities over the past several years, with licensed humanitarian goods alone amounting to millions of dollars. The intent of USAID funding is to support activities for which adequate private resources are not presently available, and which offer favorable prospects for serving a catalytic role for the promotion of a peaceful transition.

All FY 2002 and FY 2003 funding will go to implement ongoing democracy-building programs. These monies will help build upon initiatives already underway and permit the solicitation of new grant proposals to help achieve stated objectives.

The FY 2002 funds will be used to help build solidarity with Cuba's human rights activists, give voice to Cuba's independent journalists, help develop independent Cuban NGOs, defend the rights of Cuban workers, provide direct outreach to the Cuban people, and support planning for assistance to a future transition government in Cuba. Partnership with U.S. NGOs and their Cuban counterparts is central to program design and implementation. At the start of FY 2002, 12 U.S. NGOs were helping provide assistance to the Cuban people.

ONGOING PROGRAMS FOR WHICH NO NEW FY 2002 OR FY 2003 FUNDING IS REQUESTED: None.

OTHER PROGRAM ELEMENTS: None.

OTHER DONORS: The Roman Catholic Church provides assistance to CARITAS Cubana, one of the few independent Cuban nongovernmental organizations. In 2000, Canada, China, Russia, the European Union, Japan, and the United Nations Development Program delivered more than \$90 million in economic and humanitarian aid through Cuban government organizations.

Cuba
PROGRAM SUMMARY
(In thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Economic Support Fund	3,500	4,989	5,000	6,000
Total Program Funds	3,500	4,989	5,000	6,000

STRATEGIC OBJECTIVE SUMMARY

516-001 Civil Society Developed Through Information Dissemination				
ESF	3,500	4,763	5,000	6,000

Total Transfers	0	226	0	0
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DOMINICAN REPUBLIC

Approximately 30% of Dominicans live below the poverty line despite a per capita income of \$2,326 in 2000.

THE DEVELOPMENT CHALLENGE: The Dominican Republic's geo-strategic location links the United States to the Caribbean and South America. Although its economy is one of the fastest-growing in the region, 30% of its citizens live below the poverty line. The Dominican Republic shares a long border with Haiti, one of the poorest, least developed and least stable countries in the Americas. Large numbers of poor, illegal Haitian immigrants add to the Dominican poverty burden.

The Dominican Republic's greatest development risks stem from the relatively large segment of the population that has not shared in recent economic prosperity; the fragility of its democratic institutions, including unfinished justice sector and electoral reforms; the potential for conflict; the continued abuse of human rights, especially by a corrupt and incompetent police force that also contributes to weak public security; a large social investment gap particularly in education, health, basic services, housing, pensions, and rural productive infrastructure; and the need to quickly learn to compete in the global economy. A growing population, increased economic activity, competition for resources, inadequate environmental protection and natural disasters continue to strain environment resources particularly affecting sectors that traditionally employ the Dominican poor, such as tourism and agriculture.

The current Administration, inaugurated in August 2000, appears committed to addressing the social investment gap that has accumulated over the years and to confronting corruption and environmental concerns while pressing forward with key economic, political, social, and institutional reforms. The country is now considered to be a high

Life expectancy is 68 years;
Infant mortality is 47 per 1,000;
and HIV/AIDS affects 2.5% of
the adult population.

contraceptive prevalence country with 65% of married women using a modern contraceptive method. The method mix, however, does not adequately serve adolescents, which results in high pregnancy rates among this population. The HIV seroprevalence rate is stable, but still high, at

approximately 2.5% of the adult population. The incidence of HIV/AIDS-related tuberculosis is increasing. Effective treatment is difficult because this strain of tuberculosis has a higher rate of resistance to common medicines. The total fertility rate is 2.6%, below average for the Latin American and Caribbean region, but maternal mortality remains a problem. Despite the fact that 95% of births are attended in hospital settings, the maternal mortality rate is estimated to be between 110 and 160 deaths per hundred thousand births. The infant mortality rate has been steadily decreasing (estimated at 47 per thousand) although the low fully-vaccinated coverage rate (35%) could reverse progress. Only 18% of the population is covered by some type of health insurance. Finally, basic education lags behind countries with similar economic conditions and equity is still a challenge, particularly for children in rural areas.

Per capita gross domestic product in 2000 was \$2,326. External debt as of December 2001 amounted to \$4.082 billion. The debt is owed primarily to multilateral institutions. The Dominican Republic, a World Trade Organization member, recently completed Free Trade Agreements with the Caribbean Community (CARICOM) and the Central American Common Market, and is committed to the goal of a Free Trade Area of the Americas by 2005. U.S. national interests in the Dominican Republic focus on strong trade and investment ties, promoting regional security, stability, and democracy, reducing international crime, and encouraging economic development.

THE USAID PROGRAM:

FY 2002 Estimate: \$17.982 million

FY 2003 Request: \$22.909 million

The Program Data Sheets provided below cover the six strategic objectives for which USAID is requesting funds. Three strategic objectives relate to ongoing activities under the current Strategic

Plan for FY 1997 through FY 2002 (517-002; 517-003; and 517-007). The other three strategic objectives refer to the new, six-year Strategic Plan for FY 2002 through FY 2007. The three new strategic objectives concentrate on institutional changes and public-private partnerships that expand job creation and income opportunities, expand trade and investment, improve environmental protection, improve educational opportunities, foster continued democratic progress through development of the rule of law, political and electoral reform and anti-corruption measures, and improve the health and welfare of women and children. FY 2002 funds will be used to implement the program as currently planned and previously described in the FY 2002 Congressional Budget Justification. USAID also intends to use FY 2002 funds to carry out certain new activities in response to changing circumstances. The specific activities to be funded by FY 2002 and FY 2003 appropriations are described in more detail in the following Program Data Sheets.

ONGOING PROGRAMS FOR WHICH NO NEW FY 2002 OR FY 2003 FUNDING IS REQUESTED:

Number	Title	Last Notified	Planned Completion
517-005	Hurricane Georges Reconstruction	FY02 CBJ, p. 138	September 30, 2002*

* Program activities/implementation ended on December 31, 2001. Program close-out will be complete by September 30, 2002.

OTHER PROGRAM ELEMENTS: In addition to the bilateral program, USAID's other program activities in the Dominican Republic include initiatives in the economic, health, education environment, and disaster mitigation areas. A USAID regional anti-corruption program that partners Transparency International with local NGOs is active in the Dominican Republic. USAID's Program Supporting Central American Participation in the Free Trade Area of the Americas (PROALCA) provides specialized technical assistance, inter-ministerial cooperation programs, short-term training, observational trips and support for regional seminars and workshops, and will continue to provide assistance to the Dominican Ministry of Labor. USAID's Energy Partnership Program will continue to increase energy regulatory capability of the Dominican Superintendency of Electricity. Also, USAID will continue to stimulate private sector investment in renewable energy to help address the energy needs of the Dominican rural population through an agreement with Winrock International. USAID's Parks-in-Peril Program will continue to train key government and NGO partners on parks conservation and management, ecotourism, parks-community linkages, and environmental protection. USAID assistance will help Dominicans improve their capability to protect endangered species in 2002 with the launch of Peregrin Fund activities under the Neotropical Raptor Conservation Program.

Overall development assistance to the Dominican Republic totals about \$235 million per year.

OTHER DONORS: Donor coordination is good. USAID is the largest bilateral donor, followed by Spain (justice, education and local government). Other bilateral donors include Germany (local government, environment), Japan (health, environment), Canada (micro-hydro), France (agriculture, rural electrification, rural water) and Taiwan (environment, agriculture). Multilateral donors include the Inter-American Development Bank (the largest donor overall involved in education, health, justice, public administration), the World Bank (HIV/AIDS, energy, education), the European Union (health, environment, education, local government), and the Pan American Health Organization (health).

Dominican Republic
PROGRAM SUMMARY
(In thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	3,300	6,385	0	0
Child Survival and Health Programs Fund	0	0	9,532	0
Development Assistance	6,800	8,800	6,450	19,409
Economic Support Fund	3,356	3,492	2,000	3,500
PL 480 Title II	99	1,525	0	0
Total Program Funds	13,555	20,202	17,982	22,909

STRATEGIC OBJECTIVE SUMMARY

517-002 Increased Use of Sustainable Basic Health Care Services and Practices				
CSD	3,300	5,885	0	0
CSH	0	0	2,557	0
DA	2,800	3,800	0	0
517-003 More Participatory, Representative and Better Functioning Democracy Achieved				
DA	2,885	3,400	700	0
ESF	3,356	3,492	0	0
517-007 Policies Adopted that Promote Good Governance and Sustained Economic Growth				
CSD	0	500	0	0
DA	1,115	1,600	175	0
517-XXX Increased Sustainable Economic Opportunities for the Poor				
DA	0	0	2,775	6,000
517-YYY More Participatory, Representative and Accountable Democracy Achieved				
DA	0	0	2,800	2,000
ESF	0	0	2,000	3,500
517-ZZZ Sustained Improvement in the Health of Vulnerable Populations in the Dominican Republic				
CSH	0	0	6,975	.0
DA	0	0	0	11,409

ECUADOR

THE DEVELOPMENT CHALLENGE: Ecuador made several important strides toward greater economic stability during FY 2001. Annual inflation, while still extremely high, dropped from more than 90% in 2000 to approximately 24% in 2001. Economic growth, spurred by the initiation of construction on a new crude oil pipeline, increased from 1.9% to more than 5% during that same time.

70% of Ecuador's population lives in poverty; confidence in democracy is dangerously low; and narco-terrorism from Colombia increasingly threatens the northern border region.

Unemployment is down from 14.4% to 11% (due in part to a substantial increase in workforce migration out of the country). After seven failed attempts, Ecuador has successfully completed a stand-by agreement with the IMF. Nevertheless, it will take substantial time before the positive effects of these indicators are felt by Ecuador's citizens, 70% of whom live in poverty. This unstable economic system, together with pervasive corruption and rising crime, continues to erode Ecuadorian confidence in a fragile

democratic system of government. Preliminary results from a USAID-funded national democratic values survey indicate that in the face of rising corruption and crime a great majority of Ecuadorians are beginning to favor non-democratic forms of government – a deeply disturbing trend. Powerful special interests continue to dominate decision-making, accelerating resource degradation (e.g. uncontrolled clearing of primary tropical forests) and a growing sense of exclusion for many social and economic groups. The security situation in the northern border provinces is becoming more tense, with escalating violence and increasing reports of cross-border incursions by narco-terrorist groups. Planned reductions in subsidies (e.g., for cooking gas, gasoline) also threaten political stability. Fortunately Ecuador's armed forces continue to maintain a low profile (after the January 2000 coup that overthrew President Mahuad). The environment for 2002's national elections remains unsettled and could derail the reform process, taking the country backwards once again. Most recent figures put Ecuador's external debt at \$12.6 billion, close to 77% of GDP.

Situated in the heart of Latin America's most conflictive region, Ecuador's importance to U.S. interests far outstrips its size. A democratic, prosperous, and secure Ecuador can play a key role in stabilizing the northern Andes and curbing the spread of narco-terrorism and violence. Actions taken now (in particular through the Andean Regional Initiative) will help prevent far greater (and more costly) problems in the future, both for Ecuador and the United States.

THE USAID PROGRAM:

FY 2002 Estimate: \$34.355 million

FY 2003 Request: \$45.380 million

USAID's development plan in Ecuador continues to evolve in response to the myriad challenges that are emerging throughout the region. USAID is requesting funds for five important programs. The democracy program is providing critical help to make key democratic institutions more transparent and accountable and Ecuador's democratic process more inclusive, while at the same time facilitating consensus on critical national policy issues. USAID's poverty reduction program will expand access to microfinance services and provide technical assistance to support macroeconomic policy reform. Targeted efforts are underway through USAID's environment program to reduce resource-based conflicts and support the sustainable use and conservation of Ecuador's globally significant (and economically important) biological resources. In the north, USAID's Northern Border Development program is expanding. This program has helped improve living conditions, enhance stability, and reduces vulnerability to narco-violence from southern Colombia. USAID is currently providing technical assistance to conduct field assessments and identify additional high-priority activities (e.g., development of licit production alternatives to increase income and employment) for this region during 2002 and beyond. USAID's Southern Border Integration program continues to help consolidate the Ecuador-Peru peace process by providing assistance to one of the poorest regions of the country, a region that plays an important role in the illegal movement of drugs and

precursor chemicals. By targeting assistance toward the country's fragile political system and its most vulnerable regions, USAID's program is uniquely positioned to meet Ecuador's development challenges and enhance the country's economic and social stability.

ONGOING PROGRAMS FOR WHICH NO NEW FY 2002 OR FY 2003 FUNDING IS REQUESTED:
None.

OTHER PROGRAM ELEMENTS: USAID's centrally funded Living Landscapes Program provides assistance through the Wildlife Conservation Society to conserve the biodiversity of the Greater Yasuni-Napo Moist Forest Landscape Conservation Area in the Ecuadorian Amazon. This program is working with indigenous groups, public- and private-sector stakeholders (including local oil companies), and NGO partners to develop a strategy to improve management of the protected areas and surrounding biological resources. The Washington-managed Collaborative Research Support Program (CRSP) brings the expertise of several U.S. universities to Ecuador, with three activities: integrated pest management (to reduce the very high levels of pesticides now used on target crops); studies on nitrogen fixation (to improve crop yields) and; an analysis of the impact of the increasing human population on the conversion of forests and the management of integrated livestock systems. The National Endowment for Democracy (NED) is also providing some assistance, e.g. analyzing the importance of civil-military relations in Ecuador. The Pan American Health Organization is using USAID funds to assist municipal government leadership to improve health services decision-making, directly complementing USAID's democratic local governance efforts.

OTHER DONORS: In FY 2000, the United States ranked second (with 19%), after Japan (31%), in non-reimbursable assistance to Ecuador. Total development assistance from all donors reached \$723 million of which loans amounted to \$603 million. Japanese funding supported social development, transportation, agriculture, fishing, and some production forestry initiatives. German assistance was targeted at agricultural research and development, natural resources management, local government strengthening, and decentralization. Switzerland, Belgium, Holland, and Spain all supported rural development, poverty alleviation, health, education, and social infrastructure. Multilateral development banks contributed more significant resources, with the Corporación Andina de Fomento (CAF) providing 23% of multilateral development bank (MDB) support for macroeconomic stabilization, strengthening of the financial system, tax reform, and infrastructure. The Inter-American Development Bank's (IDB) program (41% of MDB funding) included decentralization and municipal strengthening; administration of justice, fiscal transparency and tax administration; and support for environmental management. Similarly, the Global Environmental Facility/World Bank (GEF/WB) recently committed \$18 million to finance a program to support eradication of introduced species in the Galapagos. The World Bank has several important projects in Ecuador focused on rural poverty alleviation; water supply and sanitation; modernization of health services; administration of justice; and public financial management.

The USAID coordinates closely with other donor institutions. For example, the Global Environmental Facility and World Bank approved three proposals to continue environmental activities initiated by USAID on (sustainable forestry, land titling and forest products marketing in Esmeraldas province). USAID is analyzing the efforts of the GEF/WB, IDB, and Spain to better define our support to the Galapagos. More directly, a binational program on water and sanitation in the Southern Border area is being implemented in conjunction with the Swiss development agency (COSUDE). Opportunities for coordination on the new poverty reduction program are excellent, with different donor efforts (albeit small) ongoing and planned in the microfinance and macroeconomic policy reform areas. Coordination will be especially important for the Northern Border Development Program, with the recent Consultative Group meeting in Brussels yielding donor pledges of \$266 million over five years.

Ecuador
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	550	0	0	0
Development Assistance	11,720	8,184	6,855	7,130
Economic Support Fund	7,000	8,984	17,500	22,250
Andean Counterdrug Initiative *	0	0	10,000	16,000
PL 480 Title II	0	1,459	0	0
Plan Colombia Supplemental	8,000	0	0	0
Total Program Funds	27,270	18,627	34,355	46,380

STRATEGIC OBJECTIVE SUMMARY

518-001 Biodiversity conserved in selected protected areas and their buffer zones				
DA	3,500	4,837	5,375	5,000
ESF	0	0	2,000	2,000
518-002 increased use of sustainable family planning/maternal child health services				
CSD	550	0	0	0
DA	6,800	1,247	0	0
518-011 Improved Social and Economic Conditions of Inhabitants along the Peru-Ecuador Border, thereby Promoting Border Integration				
ESF	5,500	3,493	2,500	2,250
518-012 Increased Support for the Democratic System				
DA	1,420	600	100	100
ESF	1,500	3,500	7,500	10,000
518-013 Improved Quality of Life of Population Living Along the Northern Border				
ACI	0	0	10,000	16,000
Plan Colombia	8,000	0	0	0
518-014 Increased Economic Opportunities for the Poor				
DA	0	1,700	1,380	2,030
ESF	0	1,991	5,500	8,000

EL SALVADOR

The massive earthquakes of January 13 and February 13 of 2001 caused the loss of 1,159 Salvadoran lives, injured another 8,100 people, produced damage in excess of \$2 billion, affected more than 1.6 million people, and destroyed or severely damaged 277,000 houses.

THE DEVELOPMENT CHALLENGE: Ten years ago, El Salvador embarked on a hard-won process of peace and democratization. Today rural poverty, the impact of natural disasters, high levels of crime and violence, and a justice system in need of repair challenge a democratic and free-market-oriented El Salvador. El Salvador is still recovering from the aftermath of the two massive earthquakes that have greatly weakened the rural economy and produced devastation across a

wide swath of the country in early calendar year 2001. Even before the earthquakes, rural poverty was endemic with more than 54% of residents living below the poverty line, three in ten unable to read or write, and only 35% with access to potable water. The agricultural economy remains depressed. From 1993-2000, agricultural output declined in per capita terms and agriculture's share of Gross Domestic Product (GDP) represents only 12% of GDP today. All these difficulties are compounded by significant security concerns where violent crime, ranging from kidnapping to murder, has depressed domestic and foreign investment, contributing to low levels of national economic growth that barely keep pace with population increases. According to the most recent data, El Salvador's external debt is slightly more than \$2.8 billion, or about 23% of GDP.

Notwithstanding these problems, the process of national healing in the wake of the Peace Accords that brought to an end the country's civil war is well on its way. Elections have been effectively institutionalized and the most recent one, for local authorities and legislators, was deemed free and fair by international observers. Economic liberalization and market reforms are core to the government's growth strategy, and the Government of El Salvador (GOES) is committed to the promotion of free trade.

The United States has multiple national interests in El Salvador. After the civil war, the UNITED STATES invested heavily in securing peace within the country, and the political and economic liberalization that we encouraged and that the country adopted is seen as a model for other developing countries. The United States is El Salvador's most important trading partner, absorbing 60% of its exports and providing more than 50% of its imports. More than 1.5 million Salvadorans reside in the United States, many of them illegally. By promoting growth in El Salvador with the Agency's new Partnership for Prosperity initiative for Central America and Mexico, the United States can stem the flow of economic migrants and reduce the country's vulnerability to narcotics abuse and trafficking.

THE USAID PROGRAM:

FY 2002 Estimate: \$84.702 million¹

FY 2003 Request: \$33.724 million

USAID requests funds for the four Strategic Objective programs within of economic growth and education, democracy and governance, health, and water and environment. In response to the massive earthquakes, USAID recently established a Special Objective program for a comprehensive reconstruction effort. The overall goal of USAID's program remains rural poverty reduction, and the primary focus is on poor women, youth, and children residing in rural areas. USAID is helping to get the rural sector back on its feet through microfinance, marketing, and rural infrastructure programs, in addition to increasing access to quality early childhood education in rural areas. USAID is also fostering continued democratic development by reinforcing the rule of law, and promoting active citizen participation and representation in government. USAID programs contribute to improving

¹ In FY 2002, \$100 million will be provided for El Salvador Earthquake Reconstruction: This is comprised of \$64 million in FY 2002 resources, \$25 million in IDA and \$11 million in prior year resources.

primary health care and reducing child mortality, strengthening and expanding reproductive health and family planning, and helping control HIV/AIDS, Tuberculosis (TB) and dengue. USAID is also increasing access of rural residents to safe water via improving watershed management and expanding water distribution systems. Under its earthquake program, USAID will (a) restore community infrastructure, focusing on houses, schools, health facilities, and potable water systems; (b) reactivate economic activity in the earthquake-affected areas, working with micro and small businesses and small farmers; (c) mitigate the adverse effects of future disasters; and (d) restore damaged municipal infrastructure.

FY 2002 funds for core activities will be utilized to implement the planned programs described in the FY 2002 Congressional Budget Justification. USAID will utilize increased funding for its earthquake reconstruction program to respond to earthquake-related needs, especially housing for the rural poor. Specific activities funded by FY 2002 and FY 2003 appropriations are described in the program data sheets for the five programs.

ONGOING PROGRAMS FOR WHICH NO NEW FY 2002 OR FY 2003 FUNDING IS REQUESTED:
None

OTHER PROGRAM ELEMENTS: USAID's Regional Central American Program (G-CAP) will continue to help high-risk populations control and prevent the spread of HIV/AIDS in El Salvador communities. USAID's Global Health Bureau is collaborating with the NGO Salvadoran Demographic Association to achieve financial sustainability of the family planning services. The Office of Women in Development's Strategy for Advancing Girls' Education activity will work in tandem with the Mission's landmark Early Childhood Education program to build within the private sector business community and the country's press, a constituency for girls' education. USAID Central America Regional Program (G-CAP) will continue to work with the Mission under its regional electricity program to put in place a regulatory framework and tariff system for electricity that is conducive to promotion of economic activity in country. USAID Development Credit Authority (DCA)-funded loan guarantees help microfinance institutions revitalize and expand rural economic activity. G-CAP will provide technical assistance to promote private sector participation for improved municipal infrastructure. Finally, USAID's Economic Growth, Agriculture, and Trade Bureau is working with a local NGO to provide for water quality testing in rural areas. The test results contribute to the Mission's potable water activities.

OTHER DONORS: Most of economic development assistance for El Salvador comes from multilateral lending institutions such as the Inter-American Development Bank (IDB), the Central American Bank for Economic Integration (CABEL), and the World Bank. The IDB, by far the largest donor operating in country, is active in economic and social infrastructure as well as earthquake reconstruction. CABEL too is focusing on earthquake reconstruction, as well as roads. The World Bank emphasis is basic health services and emergency hospital reconstruction related to the earthquakes. Other

Earthquake reconstruction costs are estimated to exceed \$2 billion. Last year at the IDB-sponsored Madrid Conference, international donors pledged \$1.2 billion and the GOES has since allocated \$260 million from its own resources for this purpose.

active multilateral donors include the European Union (EU), the World Food Program, UNICEF and the Pan American Health Organization. Besides the United States, key bilateral donors consist of Spain (earthquake reconstruction), Japan (port infrastructure), and Germany. USAID is collaborating with the IDB (micro-finance, earthquake-related schools reconstruction), Germany (local governance, economic reactivation), the International Monetary Fund (tax reform), and the World Bank (earthquake-related hospital reconstruction), in addition to coordinating the donor group for the rule of law in which the IDB and the UNDP also are active.

El Salvador
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	10,495	14,557	0	0
Child Survival and Health Programs Fund	0	0	14,822	0
Development Assistance	19,508	31,807	44,880	33,724
Economic Support Fund	4,950	4,989	25,000	0
Total Program Funds	34,953	51,353	84,702	33,724

STRATEGIC OBJECTIVE SUMMARY

519-001 Expanded Access and Economic Opportunities for Rural Poor Families				
CSD	3,350	700	0	0
DA	8,403	6,779	6,020	15,527
519-002 More Inclusive and Effective Democratic Processes				
DA	3,800	4,400	3,000	4,469
ESF	1,500	1,489	0	0
519-003 Sustainable Improvements in the Health of Women and Children Achieved				
CSD	7,145	6,814	0	0
CSH	0	0	8,522	0
DA	3,972	3,991	0	9,628
519-004 Increased Access by Rural Households to Clean Water				
DA	3,333	3,189	3,200	4,100
519-008 Lives of Targeted Earthquake Victims Improved				
CSD	0	7,043	0	0
CSH	0	0	6,300	0
DA	0	13,448	32,660	0
ESF	3,450	3,500	25,000	0

GUATEMALA

58% of the 11.4 million population lives on less than \$2 per day.

THE DEVELOPMENT CHALLENGE: Open armed conflict has ended, but many causes of the 36-year civil conflict remain unaddressed. The 1996 Peace Accords offer a framework for addressing these causes and developing a just and prosperous society. Yet, despite the efforts of two successive governments to meet social goals and

transform institutions, the country continues to face deep structural problems of poverty, growing inequality, and concomitant ignorance and disease. Guatemala's transition to sustainable peace and democracy is thus still fragile and uncertain.

The percentage of poor people in Guatemala has declined in recent years, but absolute numbers of those living in extreme poverty have increased due to one of the highest population growth rates in the hemisphere (2.9%). The poverty in which some 6.4 million people live reflects profound inequalities in Guatemalan society, and a widening income gap between *ladino*-indigenous societies and rural-urban communities. Rural dwellers in Guatemala suffer the highest infant mortality rates (4.5% of live births in 1999), and high levels of malnutrition. Half of all children under five are stunted; in rural towns the rate can exceed 70%. Limited access to quality basic education leaves the majority under-served (three years average schooling overall, and two years among indigenous populations), especially girls. Adult literacy is low (69% overall and some 48% for rural women). These stark social realities are exacerbated by low public social sector spending—the lowest in the region for education and health.

Two-fifths of Guatemala's population is indigenous. 57% of indigenous children under five years of age suffer from chronic malnutrition.

Contaminated water sources, deforestation, and soil depletion threaten biodiversity and agricultural productivity. The Government of Guatemala (GOG) has formulated a Poverty Reduction Strategy and is allocating its scarce budget resources for this priority. Efforts to reduce poverty have been hobbled by falling economic growth rates, (down to 2.5% in 2001 due to the impact of Hurricane Mitch), low coffee prices, and global recession. The most recent published figures indicate that Guatemala's external debt is about \$2.6 billion, or a relatively modest 14% of GDP.

As economic opportunities have receded, a parallel rise in violent crime brings increasing numbers of Guatemalans to question the value of democracy versus authoritarian solutions. While rule of law and human rights improvements have occurred, corruption, lack of accountability in state institutions and impunity continue unabated, compounding current governance problems. The potential for conflict remains, given the history of ethnic exclusion, limited economic opportunities, and the prevalence of organized crime and drug trafficking—all of which threaten prospects for "growing" out of poverty and pose increasing concerns for the stability of Central America's most populous nation. The national elections in 2003 make the coming year critical, given Guatemala's need to democratically elect a new president who will address key national issues.

U.S. support to the peace process at this stage, therefore, is crucial to help propel peace and structural reforms, and further key U.S. interests in Guatemala, Central America and the hemisphere. Improved living conditions to address social polarization and strengthen democracy can help stem illegal immigration to the United States, increase physical security and strengthen Guatemala as a trading partner. In addition, continued U.S. support will help enhance regional cooperation on terrorism, money laundering, and drug trafficking. Approximately 66% of cocaine detected departing South America toward the U.S. in 2000 was shipped through the Meso-American Corridor. Money laundering is rampant; Guatemala was declared noncooperative on money laundering last year by the Organization for Economic Cooperation and Development. Cooperation to contain organized crime is important for U.S. homeland security and long-term U.S. interests in the region.

THE USAID PROGRAM:

FY 2002 Estimated: \$53.478 million

FY 2003 Requested: \$52.204 million

The Program Data sheets provided below cover the five objectives for which USAID is requesting funds, and one special objective that supports the peace process. DA, CSH, and P.L. 480 resources will support five sectoral programs for: 1) more inclusive and responsive democracy and strengthened local government; 2) increased access to quality basic education for rural children in targeted Peace Zone areas, improved rural educational services, and multicultural educational policies; 3) better health services for rural women and children and improved management of maternal-child health programs; 4) increased rural income and food security through higher value production and marketing by small-scale farmers, microenterprise services, and food aid to reduce chronic malnutrition in small children; and 5) improved sustainable management and increased local participation in protection of natural resources. These programs are described in the FY 2002 Budget Justification. Some programs were recently adjusted to address the increased rates of chronic and acute malnutrition among children in seven departments. This outbreak of child malnutrition stems from the rural economic crisis. Funds provided under the Partnership for Prosperity will address the rural coffee crisis and support the GOG's Rural Development Strategy. ESF resources will continue to support implementation of key Peace Accord commitments under USAID's Special Objective. Priority programs include human rights and rule of law reform, anti-corruption, and modernization of the state. ESF funding under democracy will provide support to promote free and fair elections.

ONGOING PROGRAMS FOR WHICH NO NEW FY 2002 OR FY 2003 FUNDING IS REQUESTED: On December 31, 2001, USAID completed two years of assistance to help Guatemala recover from the Mitch Hurricane and reduce vulnerability to future disasters.

<u>Number</u>	<u>Title</u>	<u>Last Notified</u>	<u>Planned Completion</u>
520-007	Hurricane Mitch Recovery	FY 2002 CBJ, p. 257	FY 2002

OTHER PROGRAM ELEMENTS: USAID activities not managed directly by USAID/Guatemala include the LAC Bureau's Program for Educational Reform in the Americas (PREAL) which has provided small grants to Guatemalan educational organizations to support policy innovations and system reforms. Other LAC Bureau-sponsored projects promote mechanisms for human rights and the rule of law, support decentralized local governance through assistance to the Guatemalan municipal association, and – through the International Criminal Investigation Training and Assistance Program (ICITAP) – provide training in basic criminal investigation to national police. Under the Parks in Peril program, The Nature Conservancy is partnering with local nongovernmental organizations (NGOs) to improve protection and biodiversity in the Lake Atitlan and the Motagua/Polochic watersheds. The Women in Development office of the Economic Growth, Agriculture, and Trade Bureau is assisting girls' education. Grants from the Private and Voluntary Cooperation Office of the Bureau for Democracy, Conflict, and Humanitarian Assistance assist Guatemalan NGOs in improved crop production/marketing services and support an important child survival initiative.

OTHER DONORS: Donor coordination is structured to reinforce policy dialogue with the GOG supporting reforms called for under the Peace Accords. The United States continues to be among the largest bilateral donors supporting the peace process. Other bilateral donors include Spain, Germany, Norway, Sweden, and Japan. Major multinational donors include the Inter-American Development Bank (the largest donor), the World Bank, the Central American Bank for Economic Integration, United Nations agencies, and the European Union.

Guatemala
PROGRAM SUMMARY
(In thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	7,810	6,905	0	0
Child Survival and Health Programs Fund	0	0	15,350	0
Development Assistance	13,150	16,937	12,320	26,691
Economic Support Fund	20,000	13,969	10,000	7,500
PL 480 Title II	18,356	16,036	15,808	18,013
Total Program Funds	59,316	53,847	53,478	52,204

STRATEGIC OBJECTIVE SUMMARY

520-001 More Inclusive and Responsive Democracy				
DA	2,300	2,850	2,000	2,200
ESF	0	0	1,000	0
520-002 Better Educated Rural Society				
CSD	2,535	2,529	0	0
DA	0	0	2,750	3,750
520-003 Better Health for Women and Children				
CSD	5,275	4,376	0	0
CSH	0	0	15,350	0
DA	4,550	5,737	0	11,731
520-004 Increased Rural Household Income and Food Security				
DA	3,300	4,780	3,500	5,500
PL 480	18,356	16,036	15,808	18,013
520-005 Improved Natural Resources Management and Conservation of Biodiversity				
DA	3,000	3,570	4,070	3,510
520-006 Support the Implementation of the Peace Accords				
ESF	20,000	13,969	9,000	7,500

GUYANA

THE DEVELOPMENT CHALLENGE: Since Guyana's first freely and fairly elected post-independence government took office in 1992 (after 28 years of authoritarian rule), the country has made substantial progress in transitioning to a market-oriented democratic society. Between 1992 and 1997, significant steps were taken to reform macroeconomic policy and strengthen systems of democracy and governance. Per capita GDP income grew at an average annual rate of 7.3%, exports increased, and external debt declined. However, controversy surrounding the 1997 presidential election and inter-ethnic tensions raised by the three-year legal challenge to overturn the results have slowed the pace of economic growth and democratic reform.

New elections were held in 2001. It was widely hoped that that the outcome would be a positive turning point in Guyana's troubled political history. However, deep-seated ethnic tensions have led to frequent violent conflict between the Afro-Guyanese and Indo-Guyanese populace before and after the election. In an effort to quell civic unrest, the newly elected President sought to find common ground upon which to engage the opposition in reform-minded dialogue. Inter-party task force committees were established to consider pressing national and international issues. The dialogue continues and while the progress made to date is encouraging, the process of arriving at mutually acceptable outcomes has been slow.

Thirty-five percent of the population lives below the poverty line, with 19% living in extreme poverty.

Meanwhile, Guyana remains one of the Western Hemisphere's poorest nations: 35% of the population lives below the poverty line (as defined by the Government's recent Living Conditions Survey), with 19% living under conditions of extreme poverty. In 2000, GDP per capita was estimated at \$773, while external debt amounted to \$1.2 billion and debt servicing absorbed 37% of the Government of Guyana's revenues. The debt is owed

primarily to multilateral institutions, and relief will be sought under the enhanced Heavily Indebted Poor Country Initiative (HIPC) in 2002.

Health indicators are similarly discouraging. The infant mortality rate stands at 57 per 1,000 and the maternal mortality at 188 per 100,000 births. In 1999, less than half of Guyana's residents had access to potable water. The incidence of communicable vector-borne diseases, HIV/AIDS, and sexually transmitted infections is high. The situation with regards to HIV/AIDS and sexually transmitted infections is particularly alarming, with HIV prevalence among the sexually active populace estimated at 5% to 6%, the second highest in the Latin American and Caribbean region. Significant out-migration, particularly to the U.S. and Canada, that started in the 1980s continues unabated and has dramatically reduced Guyana's pool of intellectual and technical talent.

Responding in an environment where democratic institutions, private enterprise and civil society organizations are nascent, USAID's modest resources have been targeted at three critical areas of U.S. national interest: fostering economic growth in a transitional economy; encouraging adherence to democratic principles and human rights; and arresting the HIV/AIDS epidemic.

THE USAID PROGRAM:

FY 2002 Estimate: \$ 4.1 million

FY 2003 Request: \$ 3.180 million

The Program Data Sheets below discuss the three programs for which USAID is requesting funds. USAID's programs in Guyana address its goal of increasing broad-based participation in the economic and democratic processes. The economic growth program seeks to improve the climate for private investment by increasing the capacity of government to implement economic policy, strengthening the capacity of the private sector to influence economic policy, and increasing the level of support for micro- and small enterprises. The democracy program seeks to encourage more responsive and participatory governance and rule of law through a broad-based approach that is

expected to lead to strengthened legislative and election processes, more vibrant civil society organizations, and a more responsive civil and criminal justice system.

The HIV/AIDS program seeks to increase prevention efforts and slow the rate of new infections by encouraging local non-governmental organizations (NGOs) to plan and implement youth-focused prevention activities. Additionally, faith-based NGOs that provide basic care and support services to persons infected and affected by HIV/AIDS are being incorporated into the program.

FY 2002 funds will be used to implement ongoing activities in economic growth, democracy and HIV/AIDS prevention. FY 2003 funds are requested to enable continuation of ongoing activities and to serve as a bridge to a new country strategy for FYs 2004-2009.

OTHER PROGRAM ELEMENTS: In addition to its bilateral program, USAID implements activities in Guyana through the centrally-funded activities of the Bureau for Economic Growth, Agriculture and Trade (EGAT) and the Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA).

Under EGAT sponsorship, Conservation International is addressing biodiversity issues with Amerindian communities in the Kanuku Mountains. In addition, in a matching grant with the International City Management Association under the Making Cities Work Program, a partnership between Huntsville, Texas, and Guyana's second largest city, New Amsterdam, is being developed to implement a public/private sector participatory planning process.

The local Partners of the Americas chapter (twinned with farmers in Mississippi) is engaged in a Farmer-to-Farmer Program to improve fruit and vegetable husbandry and aquaculture projects. Partners of the Americas is also implementing a dairy development project aimed at improving the nutrition of Guyanese children and expanding dairy production.

Guyana's Institute of Private Enterprise Development is being supported through a microcredit lending facility. Funds from EGAT, along with assistance from the Inter-American Development Bank and the Canadian International Development Agency (CIDA) are helping the Guyana Volunteer Consultancy to develop a program for microenterprise training services.

Under DCHA's University Linkage program, Clark Atlanta University and the University of Guyana have initiated a conflict management program aimed at developing mediation skills among a cadre of promising professionals. DCHA's Denton Program has also been providing free shipping for donated supplies and military excess property for distribution by Food for the Poor.

OTHER DONORS: Donor coordination in Guyana is good. The United States and the United Kingdom (U.K.) are Guyana's first and second largest bilateral partners. The U.K. provides technical assistance mainly in the education, forestry and water sectors and also funds a targeted program aimed at improving the administration of justice and upgrading management skills in the police and prison services. CIDA funding is primarily aimed at strengthening NGOs while the European Union funds infrastructure and economic growth activities. The Inter-American Development Bank (IDB), the largest multilateral donor, provides loans for infrastructure, civil service reform, health reform and telecommunications. The United Nations agencies, including the United Nations Development Program, focus on poverty alleviation and rural development, maternal and child health, constitutional reform, and elections. The UN activities are supported with funds from the U.K., the European Union, and the IDB.

Guyana
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	200	798	0	0
Child Survival and Health Programs Fund	0	0	1,000	0
Development Assistance	3,200	3,800	3,100	3,180
Total Program Funds	3,400	4,598	4,100	3,180

STRATEGIC OBJECTIVE SUMMARY

504-001 Improved Climate for Private Investment				
DA	1,400	2,000	1,600	836
504-003 Improved HIV/AIDS Awareness, Knowledge and Applied Prevention Strategies				
CSD	200	798	0	0
CSH	0	0	1,000	0
DA	0	0	0	1,000
504-004 More Responsive and Participatory Governance and Rule of Law				
DA	1,800	1,800	1,500	1,344

HAITI

U.S. national interests in Haiti include limiting the number of illegal immigrants from Haiti, decreasing narcotics trafficking, strengthening democracy, and alleviating poverty.

THE DEVELOPMENT CHALLENGE: With a heavily eroded natural resource base, inadequate infrastructure, and ineffective public institutions, Haiti is the poorest country in the Western Hemisphere. Maternal and infant mortality rates are among the highest in the world, and malnutrition rates are very high. Illiteracy stands at 48%, and 6% of urban dwellers are infected with HIV/AIDS. With unemployment hovering at around 50%, some poorer Haitians take their chances on the high seas, hoping to secure a better life elsewhere.

The country's deteriorating economy is an enormous constraint to progress: both exports and imports dropped around 3% in 2001; inflation is at 16%; and the currency has lost 15% of its value relative to the U.S. dollar in the past year, 32% since 1999. Foreign direct investment was a paltry 0.1% of gross domestic product in 2000 and net international reserves of the Central Bank currently stand at less than \$100 million.

Conditions in the country have worsened considerably since May 2000, when flawed local and parliamentary elections left opposition parties outraged and the international community alienated. Tremendous efforts have been expended by the Organization of American States and other international actors over the past 20 months to mediate the conflict, but an accord remains elusive. In the meantime, the executive branch has moved steadily to consolidate power at the expense of the judicial and legislative branches of government. Especially worrisome has been a sharp deterioration in the human rights situation, particularly since the government adopted an official policy of "zero tolerance" for "criminals".

The international community has responded by either sharply reducing assistance programs or eliminating them altogether. In 2000 the World Bank closed its office in Port-au-Prince, principally as a result of the government's failure to adhere to International Monetary Fund targets. The European Union (EU) disbursed about \$13 million in FY 2001 but froze another \$54 million intended for rural roads and education. The Inter-American Development Bank is delaying the disbursement of up \$146 million in outstanding loans to Haiti, largely due to issues surrounding the legitimacy of parliament, which must ratify the loans. U.S. assistance levels have been curtailed since FY 1999 and programmatic changes made in response to deteriorating conditions in the country.

However, USAID programs continue to make a tangible difference:

- 50,000 Haitians, mostly women, have access to microcredit due to USAID assistance;
- child immunization rates in USAID-assisted areas are nearly double the national average;
- childhood malnutrition rates in USAID-assisted areas fell from 32% to 22% between 1995 and 2000;
- the proportion of women nationwide seeking prenatal consultation rose from 68% in 1995 to 79% in 2000;
- interactive radio instruction has improved achievement scores in USAID project schools;
- civil society groups continue to exercise their political rights and participate in the political process, despite systematic attempts to repress them.

On a per capita basis, Haiti is among the least-indebted countries. The amount owed to the United States is approximately \$9.8 million as of September 2001, about 0.8% of Haiti's total debt; however, the Government of Haiti has difficulty servicing this debt. At last report, Haiti's total external debt was \$1.2 billion, or about 27% of GDP.

THE USAID PROGRAM:
 FY 2002 Estimate: \$30.0 million

FY 2003 Request: \$47.375 million

The Program Data Sheets that follow cover the four strategic objectives for which USAID is requesting funds in FY 2003: promoting sustainable agricultural practices and increasing economic opportunities for farmers and microentrepreneurs; improving families' health; improving the quality of basic education; and strengthening organizations critical to democracy. These programs will be active in FY 2002 but have had to be modified somewhat in response to changing conditions on the ground. For example, programs that formerly provided direct support to the country's judicial and electoral systems have been replaced by activities aimed at strengthening civil society, independent media, and political parties. Health programs command more than half of the assistance budget, mainly to address HIV/AIDS. Based on the recommendations of an evaluation, PL 480 Title II resources will be focused more directly on nutritional programs directed at segments of the population that are at the highest risk nutritionally (children under five, pregnant and lactating mothers, and groups with special health needs such as tuberculosis and AIDS patients and orphans). Changes to the USAID portfolio stemming from reduced funding and changes in the country's political-economic situation are scheduled for review in May 2002.

With the exception of HIV/AIDS programs, all USAID assistance is provided to indigenous non-governmental organizations through U.S. contractors and private voluntary organizations. No assistance is provided directly to the central government, although there is frequent and substantive interaction in the health and education sectors.

ONGOING PROGRAMS FOR WHICH NO NEW FY 2002 OR FY 2003 FUNDING IS REQUESTED: The USAID program in Haiti includes the following objectives for which USAID is not requesting new funds, but is continuing to expend funds already appropriated.

Number	Title	Last Notified	Planned Completion
521-002	Environmental Degradation Slowed	FY01 CN #371	FY 2002
521-009	Hurricane Georges Recovery	FY01 CN #227	FY 2002

OTHER PROGRAM ELEMENTS: Under a grant to Partners of the Americas, the Farmer-to-Farmer project brings volunteer farmers from the U.S. to Haiti to provide technical assistance and training to agricultural cooperatives and rural enterprises on crop production, processing, post harvest handling, and marketing to increase both income and productivity of small farmers. About \$2.5 million is being provided under Child Survival grants (Project Hope, Focus, and Population Services International) to improve access to and use of child health services and promote social marketing efforts. These grants are managed by the Bureau of Global Health. An estimated \$6 million will be provided through the Departments of Health and Human Services, Labor, and Agriculture to finance HIV/AIDS prevention, agriculture, infrastructure repair, and disaster mitigation activities.

OTHER DONORS: Donor grants declined by more than 50% over the last two years, from \$357 million in FY 1999 to about \$160 million in FY 2001. Gross loan disbursements fell by more than 66% during the same period. With \$67 million disbursed in FY 2001, the U.S. was Haiti's largest donor, followed by Canada (health, justice, education, food), Taiwan (roads, education, social housing, agriculture), and the EU (rural roads, education, food). Other key donors include the United Nations agencies, France, and Japan.

Haiti
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Development Assistance	0	0	0	25,000
Economic Support Fund	52,550	46,894	30,000	0
PL 480 Title II	25,076	25,111	0	22,375
Total Program Funds	77,626	72,005	30,000	47,375

STRATEGIC OBJECTIVE SUMMARY

521-001 Sustainable increased income for the Poor				
DA	0	0	0	6,500
ESF	10,153	9,704	7,100	0
PL 480	1,254	0	0	5,370
521-002 Environmental degradation slowed				
ESF	4,677	3,596	0	0
521-003 Healthier families of desired size				
DA	0	0	0	14,000
ESF	19,550	20,300	17,900	0
PL 480	5,015	11,337	0	13,873
521-004 Increased human capacity				
DA	0	0	0	2,500
ESF	5,000	4,275	2,500	0
PL 480	18,807	13,774	0	3,132
521-005 Genuinely Inclusive Democratic Governance Attained				
DA	0	0	0	2,000
ESF	9,570	8,794	2,500	0
521-009 Hurricane Georges Recovery				
ESF	0	125	0	0
Total Transfers	3,600	100	0	0

HONDURAS

THE DEVELOPMENT CHALLENGE: Honduras is one of the poorest countries in Latin America. Economic growth over the last decade only slightly exceeded population growth and had little effect on poverty reduction. Average per capita annual income is less than \$600 and approximately two-thirds of Honduran households live in poverty. Along with the rest of Central America, Honduras is suffering from a long-term economic crisis both in its agricultural and manufacturing sectors. The socioeconomic circumstances, i.e. lack of employment, insufficient policing, etc., have led to increased crime and personal security problems in Honduras. The increasing crime rate also stems from a rising prevalence of gangs in Honduras, as well as organized gangs in Honduran immigrant groups in the United States. This dramatically deteriorating security situation is another serious disincentive to investment. Furthermore, the influence of special interests represents a direct challenge to the application of the rule of law and limits the public's confidence in the democratic system and the notion of equal protection under the law. Combined with chronic shortcomings in the provision of adequate education and health services, these daunting and persistent challenges contribute to the growing disappointment felt by many Hondurans that democracy has failed to deliver on its economic and social expectations.

More and more Hondurans are migrating to the U.S. for economic reasons. It is estimated that over 600,000 Honduran immigrants live in the U.S., most of whom are illegal.

Honduras has the largest concentration of HIV/AIDS in Central America.

A new presidential administration, under the Nationalist Party leadership of Ricardo Maduro, entered office on January 27th, 2002. Maduro, a successful businessman and former president of the Central Bank of Honduras, was elected primarily on his promises to transform Honduras into a safer and more prosperous country in which to live, work, invest, and visit. His strategy is based on the following seven pillars: 1) personal security and secure property rights; 2) democratic reform; 3) economic growth with equity; 4) human resource development; 5) combating corruption; 6) environmental sustainability; and 7) a just foreign policy. These pillars are similar to the Stockholm Principles announced by the donor community in responding to Hurricane Mitch devastation in May 1999, and echoed nearly two years later in the white paper on transformation delivered by the U.S. Ambassador on behalf of the highly successful Donors' Follow-up Group (now the G-15).

The incoming government will benefit greatly from the post-Hurricane Mitch reconstruction program of the past three years and successful negotiation with the International Monetary Fund (IMF) of the third-year Poverty Reduction Growth Facility (PRGF) in October 2001. Approximately two-thirds of the \$2.7 billion that the international donor community pledged in Stockholm in May 1999 has been disbursed and most of the critical public infrastructure that was destroyed by Hurricane Mitch has not only been replaced, but has been built back better. Along with approving the third year of the PRGF and disbursing \$136.5 million in the last quarter of 2001, the International Financial Institutions also approved Honduras's Poverty Reduction Strategy Paper, which entitles Honduras to greater interim debt relief next year and eligibility to receive full Heavily Indebted Poor Country (HIPC) debt relief in October 2002 if it complies with PRGF program conditionality. Honduras's total debt burden is \$4.1 billion, the equivalent of 76% of its GDP.

THE USAID PROGRAM:
FY 2002 Estimate: \$33.147 million

FY 2003 Request: \$40.286 million

The Program Data Sheets provided below cover the six ongoing objectives for which USAID is requesting FY 2002 and FY 2003 funds. These six objectives concentrate on economic reactivation to meet the needs of the poor, sustainable and integrated management of water resources, improvements in family health, strengthened rule of law and respect for human rights, improved access to basic education and skills, and more responsive and effective municipal governments. USAID is currently preparing its follow-on strategy with strong links to the Honduran Poverty

Reduction Strategy Paper and a focus on the long-term transformation issues critical to Honduras' social, economic, and political development. The new strategy will be designed to ensure that its programs maximize the combined impact of its initiatives on the pressing needs for economic growth, transparency, and decentralization and fundamental reforms in the judicial, health, and education sectors.

It should also be noted that the activities identified herein complement the areas of emphasis included under the new Partnership for Prosperity initiative, including, but not limited to, efforts to assist small farmers in producing non-traditional crops and improving their competitiveness through improved technologies and marketing; improving trade and investment policies; promoting financial sector reforms; continued strengthening of disaster mitigation capabilities at the national and local levels; improved education and youth employment; and assistance for anti-corruption initiatives.

ONGOING PROGRAMS FOR WHICH NO NEW FY 2002 OR FY 2003 FUNDING IS REQUESTED: The USAID program in Honduras includes the following objectives for which USAID is not requesting new funds, but is continuing to expend funds already appropriated.

Number	Title	Last Notified	Planned Completion
522-005	Critical Hurricane Reconstruction Needs Met	FY02 CBJ, p.340	FY 2002

OTHER PROGRAM ELEMENTS: With funding from the Central America Regional Program (G-CAP) trade negotiators and administrators are trained in trade, labor, and energy policies in order to prepare for Honduran integration into hemispheric markets. G-CAP's regional environmental program focuses on border areas and supports implementation of the Central America - U.S. Agreement's (CONCAUSA) commitments to biodiversity conservation and environmental legislation. G-CAP's regional HIV/AIDS program increases the capacity of local organizations to deliver HIV/AIDS services and information. Honduras has benefited from programs managed by USAID's Office of Regional Sustainable Development (LAC/RSD) to strengthen regional mechanisms to promote human rights, fortify government accountability, and promote decentralization and local governance.

Through its farmer-to farmer program, the Office of Private and Voluntary Cooperation (DCHA/PVC) funds short-term, U.S. volunteer technical assistance to increase farm and agribusiness productivity and incomes. The Office of Women in Development (EGAT/WID) is funding a study in Honduras to determine the impact of women's integrated literacy programs on social and economic development indicators. In 2000, the Office of American Schools and Hospitals Abroad (DCHA/ASHA) provided funds to the Pan-American Agricultural School (Zamorano) to repair Hurricane Mitch-related damage.

Overall development assistance to Honduras totaled about \$300 million, excluding debt relief, in 2001.

OTHER DONORS: Through the Stockholm follow-up effort, the highly successful G-15 donors group has been working together closely to ensure the full application of the Stockholm Principles of poverty alleviation, environmental protection, accountability and transparency, civil society participation, and democracy. The U.S. has been the largest bilateral donor during the three years following Hurricane Mitch. Other major bilateral donors include: Japan (roads, bridges, agriculture, disaster mitigation); Sweden (bridges, housing, health, statistics); Germany (housing, education, agriculture, forestry); and Spain (municipal infrastructure, justice, education). USAID is coordinating closely with other donors on municipal infrastructure projects, as well as social sector projects such as education, health, justice, transparency, environment, and poverty reduction. The major multilateral lenders in Honduras are the Inter-American Development Bank (public infrastructure, government reform, rural development, education, and health), the World Bank (public infrastructure, government reform, anti-corruption, and education), the IMF (PRGF support), the European Union (municipal and rural infrastructure), and the Central American Bank for Economic Integration (public infrastructure, private sector).

Honduras
PROGRAM SUMMARY
(In thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	7,400	8,936	0	0
Child Survival and Health Programs Fund	0	0	13,070	0
Development Assistance	12,633	16,789	15,430	35,096
Economic Support Fund	0	998	1,000	0
PL 480 Title II	9,340	5,270	3,647	5,190
Total Program Funds	29,373	31,993	33,147	40,286

STRATEGIC OBJECTIVE SUMMARY

522-001 Economic reactivation meeting the needs of the poor				
DA	3,900	4,240	3,730	8,830
522-002 Improved Management of Watersheds, Forests, and Protected Areas				
DA	1,200	3,691	2,800	2,800
522-003 Sustainable improvements in family health				
CSD	4,900	5,642	0	0
CSH	0	0	13,070	0
DA	3,533	5,138	0	12,566
PL 480	9,340	5,270	3,647	5,190
522-004 Strengthened Rule of Law and Respect for Human Rights				
DA	1,500	1,900	2,400	3,100
ESF	0	998	1,000	0
522-006 Improved Opportunity to Obtain Basic Education and Vocational Skills				
CSD	2,500	3,294	0	0
DA	0	0	3,500	5,000
522-007 More responsive and effective municipal government				
DA	2,500	1,820	3,000	3,000

JAMAICA

THE DEVELOPMENT CHALLENGE: During the last decade, the Jamaican economy has been adversely affected by persistently poor performance, registering an average annual growth rate of only 0.2%. The Economic and Social Survey of Jamaica (2000) shows that in 1999 the GDP growth rate was -0.4%. This has had a cumulative effect on major productive sectors of the economy, resulting in a decline in government revenues and, therefore, a shortage of funds to meet the growing needs of essential social services, such as education and health. An additional burden was placed on the fiscal budget by the Government of Jamaica's (GOJ) heavy debt portfolio, which amounted to \$3.9 billion or 115.1% of GDP in 1999. Unemployment levels remained high at 15.5% in 2000, with 18.7% of the population living below the poverty line.

In early September 2001, the economy showed signs of possibly attaining a 2% growth rate by the end of 2001. However, the prolonged effects of the global recession, followed by the terrorist attacks in the United States on September 11, and a major flood in the north-eastern part of the island in November threatened to reverse the positive trends. Flood relief and reconstruction efforts are estimated to reach over \$22 million. Tourism traditionally contributes a very significant one-sixth of GDP, but is projected to decline precipitously (by up to 18%) in the wake of the attacks. The agricultural sector has been negatively impacted by both the floods and the attacks.

Economic growth has been stifled not only by the GOJ's high interest rate policy, but by significant impediments to trade and investment. There is also a growing need to safeguard the country's natural resources in the interior highlands, watersheds, and coastal shoreline, particularly given Jamaica's dependence on tourism. Jamaica's social indicators are disturbing. Poverty has given rise to increased school absenteeism, and deteriorating literacy and numeracy rates, furthering the cycle of unemployment and increased crime. Pressure is intensifying on the nation's ill-equipped security force and heavily backlogged judicial system. The number of AIDS cases has risen, indicating the need to quickly contain the rate of infection, especially among high-risk groups. Given Jamaica's history of violence during pre-election campaigning, an increase in the number of murders is anticipated as Jamaica moves toward general elections, which will be held before March 2003.

There were approximately 200,000 youths age 15-24 who were neither in school nor employed in 2001.

U.S. national interests in Jamaica focus on strong trade and investment ties, cooperation in regional and international fora, reduction in the production and export of illegal drugs, and enhanced security of U.S. citizens.

THE USAID PROGRAM:

FY 2002 Estimate: \$13.292

FY 2003 Request: \$15.980 million

FY 2002 funds will be used to provide technical assistance and training in natural resource management, reproductive health and related efforts to combat the spread of HIV/AIDS, education, microenterprise, democracy, and inner-city development. FY 2003 funds will be utilized to expand in similar areas, with particular emphasis on environmental policy reform, reducing constraints to business, broader reach of health and HIV/AIDS awareness programs, and greater community involvement in education and reducing violence. The Program Data Sheets provided below cover six objectives for which USAID is requesting funds. These six objectives seek to (1) address deficiencies in the small, medium, and micro-enterprise business sectors; (2) encourage sustainable management practices in Jamaica's key natural resources; (3) improve reproductive health of youth; (4) improve the numeracy and literacy skills of youth; (5) promote good governance as a way of improving citizen security; and (6) bring about a reduction in unemployment and crime in two inner-

city communities. The specific on-going programs to be funded by the FY 2003 request are described in more detail in the following Program Data Sheets.

ONGOING PROGRAMS FOR WHICH NO NEW FY 2002 or FY 2003 FUNDING IS REQUESTED: Not applicable.

OTHER PROGRAM ELEMENTS: In addition to the bilateral program, USAID is carrying out regional and centrally-funded activities in Jamaica. Disaster mitigation activities promote sustainable development by reducing risk and mitigating damage of natural disasters, and by establishing an effective framework for disaster management in the region. In the areas of trade and economic growth, USAID activities work to enhance the capacity of the Jamaican trade ministry to analyze, negotiate, and implement regional and worldwide trade agreements and related agricultural import standards and regulations. USAID is also supporting agricultural research initiatives to improve farming technologies as well as the expansion of the Jamaica Rural Agricultural Development Authority, which will enhance the sustainability of Jamaica's remarkable natural resource base. Additionally, USAID supports the efforts of the Jamaican Exporters Association to raise the quality, and reduce pest infestation, of Jamaican tropical crops. In the democracy sector, USAID's regional program is working to increase the effectiveness of the court system through judicial training.

USAID also has an active Denton Amendment program in Jamaica, which facilitates the arrival of approximately 30 to 40 humanitarian freight shipments per year from non-governmental organizations (NGOs) in the United States. These shipments are transported on U.S. military flights to Jamaica and USAID provides programmatic and logistical support to our U.S. NGO partners. Additionally, USAID supports U.S. NGO Food for the Poor's participation in the U.S. Government's excess property program. With USAID approval and assistance, Food for the Poor coordinates the shipment and distribution of humanitarian commodities to Jamaica and other countries in the region.

OTHER DONORS: Major multilateral donors to Jamaica include the Inter-American Development Bank (IDB), the largest contributor, which provides funds for direct budgetary support, agricultural services support, poverty alleviation, security and justice, primary education, parish infrastructure development, and other social infrastructure projects. The World Bank supports education, poverty eradication, public sector and financial reform, export development and financial sector reform. The European Union (EU) mainly supports poverty alleviation and infrastructure development. The Caribbean Development Bank (CDB) focuses on development finance to support fiscal reform, poverty alleviation, institutional strengthening, tourism, infrastructure development, and agricultural development. Major bilateral donors include the United Kingdom, through the Department for International Development (DFID), which provides funds for education, poverty reduction and good governance, along with a debt relief facility. The Canadian International Development Agency (CIDA) contributes funds in the areas of economic competitiveness, environmental management, governance, poverty alleviation, and early childhood education. The Government of Japan also supports infrastructure and cultural projects.

Jamaica
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	3,357	4,116	0	0
Child Survival and Health Programs Fund	0	0	2,821	0
Development Assistance	7,810	7,685	9,471	15,980
Economic Support Fund	500	1,497	1,000	0
Total Program Funds	11,667	13,298	13,292	15,980

STRATEGIC OBJECTIVE SUMMARY

532-002 Improved Quality of Key Natural Resources in Selected Areas that are both Environmentally and Economically Significant				
DA	3,465	2,989	3,203	3,642
532-003 Improved reproductive health of youth				
CSD	875	1,247	0	0
CSH	0	0	2,821	0
DA	1,120	1,896	0	2,270
532-004 Increased Literacy and Numeracy among Targeted Jamaican Youth				
CSD	2,482	2,869	0	0
DA	750	100	3,678	4,678
532-006 Improve Business Environment for Developing the Small, Medium, and Micro Enterprise Sectors				
DA	1,975	2,200	2,090	2,590
532-007 Improved economic and social conditions in targeted inner city communities				
DA	500	500	500	0
ESF	500	500	500	0
532-008 Improved Citizen Security and Participation in Democratic Processes				
DA	0	0	0	2,800
ESF	0	997	500	0

MEXICO

"This is a recognition that the United States has no more important relationship in the world than the one we have with Mexico.... Good neighbors work together and benefit from each other's successes."

President George W. Bush

THE DEVELOPMENT CHALLENGE: Mexico's new President, Vicente Fox, has promised sweeping political and economic reforms. Of greatest interest to the United States will be Fox's efforts to reform government, increase economic growth and equity, improve the quality of education, and reorient foreign policy.

Challenges to the development of Mexico are numerous. Environmental degradation undermines the natural resource base that supports Mexico's growing economy and population. Corruption and insecurity are concerns nationwide, weakening confidence in government and the democratic process as well as

inhibiting foreign investment. Mexico has the second highest number of reported HIV/AIDS cases in Latin America. Nationwide, 57% of the population is classified as poor; in the three poorest southwestern states, over 50% of the citizens are extremely poor. These three states are also affected by lower education and health levels, marginalized indigenous populations, limited economic opportunities, and pressure on the local natural resource base, which create a potentially explosive situation. Mexico's external debt at the end of the 1990s was close to \$90 billion, or about 38% of GDP.

The Fox Administration has requested direct USAID assistance on several policy priorities and program changes, including environment, energy, transparency and accountability at all levels of government, infectious diseases, and economic growth. USAID is responding to this opportunity by playing a significant role in supporting the foreign policy priorities and initiatives emerging from the Bush-Fox partnership.

THE USAID PROGRAM:

FY 2002 Estimate: \$ 22.415 million

FY 2003 Request: \$30.276 million

USAID's six strategic objectives and one special objective focus on the following: helping public and private agencies to combat HIV/AIDS, sexually transmitted infections (STIs), and tuberculosis; developing more responsive government institutions; supporting efforts to use natural resources more sustainably; reducing carbon dioxide emissions and pollution; and supporting microenterprise. FY 2002 funds will be used to implement the program as described in the FY 2002 Congressional Budget Justification. With the requested levels, the microenterprise special objective will require no additional resources. USAID will be participating in the regional Partnership for Prosperity (PfP) initiative and implement the administration's new Training, Internships, Education, and Scholarships (TIES) program. USAID will continue to consolidate and leverage successes in all program areas over the coming year. Ecosystem conservation, pollution prevention, HIV/AIDS, and microenterprise support have been very effective at developing successful policies and practices and generating funding sources for larger scale replication.

The South-South transfer of U.S.-Mexican development experience to Central America will remain a cross-cutting objective in FY 2002. The South-South program covers environment, disaster prevention and mitigation, watershed protection, tuberculosis and HIV/AIDS prevention, women in development, microenterprise and ecotourism, democracy, and training and education. Some of these activities will be merged into the Agency's new Partnership for Prosperity initiative. USAID/Mexico has submitted a coordinated request with USAID/Guatemala for PfP support for disaster prevention and regional trade facilitation. Through lessons learned from its pilot South-South projects, USAID/Mexico is well positioned to respond to additional targets of opportunity that

arise with Fox Administration initiatives such as the Plan Puebla-Panama initiative and governance and conflict resolution program and with USAID's Partnership for Prosperity initiative.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED:

None.

OTHER PROGRAM ELEMENTS: USAID's Democracy, Conflict, and Humanitarian Assistance Bureau supports ongoing activities in Mexico implemented by U.S. medical and educational institutions, and provides support for activities such as human rights education. The Global Health Bureau funds research to improve health interventions and techniques. The Economic Growth, Agriculture and Trade Bureau supports U.S. technology transfer and microenterprise activities, and funds human capacity development in education and public administration. USAID/Mexico also implements part of the Agency's Global Climate Change program by matching the centrally-funded contributions with bilateral funds. Latin America and Caribbean Bureau regional funding to the Inter-American Democracy network supports the activities of Mexico civil society organizations in areas that complement USAID's program.

OTHER DONORS: The World Bank and the Inter-American Development Bank (IDB) are the two major multilateral lenders, providing support for economic development, social services targeted at Mexico's poor, and critical institution-building. Mexico accounts for the second largest share in the World Bank's disbursed and outstanding portfolio, totaling \$11.1 billion. The largest bilateral donor is Japan, followed by Germany, Spain, France, and the United States, in that order. USAID leverages other donor resources, conducting joint activities with Japan in the areas of HIV/AIDS, tuberculosis, forestry, coastal resource management, protected area projects, energy and pollution prevention. The World Bank's Global Environment Fund provided \$30 million in FY 2001 to replicate rural renewable energy models developed with USAID funding. In addition, on-going World Bank and IDB support for protected areas builds directly on park management models developed under the USAID-funded Parks in Peril program. The World Bank and IDB are also developing a new program to support judicial branch modernization, based in large part on a USAID-funded needs assessment. The IDB's recent loan to the Mexican National Development Bank includes \$500,000 for microenterprise. USAID also cooperates with UNAIDS, the Pan-American Health Organization and the Ford Foundation.

Mexico
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
			0	0
Child Survival and Disease Programs Fund	4,200	5,987		
Child Survival and Health Programs Fund	0	0	5,500	0
Development Assistance	9,562	7,885	6,915	18,276
Economic Support Fund	2,736	6,178	10,000	12,000
Total Program Funds	16,498	20,050	22,415	30,276

STRATEGIC OBJECTIVE SUMMARY

523-002 Enhanced Quality and Sustainability of HIV/AIDS and STI Services in Targeted Areas				
	1,200	1,996	0	0
CSD			1,500	0
CSH	0	0		2,111
DA	0	0	0	
523-003 More Democratic Processes Adopted in Key Government Institutions				
DA	725	700	700	1,700
ESF	2,736	6,178	9,000	10,000
523-006 Critical ecosystems and biological resources conserved				
DA	6,242	4,764	3,765	5,265
523-007 Carbon dioxide emissions and pollution reduced				
DA	2,125	1,421	1,750	1,500
523-008 Sustainable and Effective Institutional Capacity Developed to Diagnose, Control, and Monitor Tuberculosis in Target Areas				
CSD	3,000	3,991	0	0
CSH	0	0	4,000	0
DA	0	0	0	4,000
523-009 Strengthen the Institutional Base for Sustainable Microenterprise Growth by Supporting Mexican Initiatives				
DA	470	1,000	700	700
523-XXX Increased Opportunities for Mexicans in Further Education and Training				
DA	0	0	0	3,000
ESF	0	0	1,000	2,000

NICARAGUA

THE DEVELOPMENT CHALLENGE: Despite positive growth rates over the last eight years, poverty in Nicaragua remains pervasive and acute. More Nicaraguans are poor today than in 1993; about half the population lives in poverty (as defined by the World Bank) and an estimated 17% live in extreme poverty, making Nicaragua one of the poorest countries in Latin America. Most of the poor, whether urban or rural, depend heavily on agricultural employment for their livelihood. In addition, Nicaragua is saddled with an enormous foreign debt. The most recent data indicates that Nicaragua has a total foreign debt of \$4.8 billion, well over 200% of GDP. Economic momentum has been vanishing as growth declined from 7.3% in 1999, to 5.5% in 2000, to 3.0% in 2001. Poverty rates will not drop unless growth rates above 6% can be achieved and maintained for at least a decade. The Government of Nicaragua (GON) has developed a poverty reduction strategy as part of its participation in the Heavily Indebted Poor Countries debt relief initiative. Along with poverty reduction, creation of an effective democratic system of government is a basic requirement if Nicaragua is to achieve equitable growth and prosperity for its citizens.

As trade barriers among countries in the hemisphere fall and the date for establishing the Free Trade Area of the Americas (FTAA) approaches, it is in the U.S. interest that Nicaragua becomes a more competitive trading partner. Further, Nicaragua must become more resilient in the face of floods, droughts, and other natural disasters. Still recovering from the devastation of Hurricane Mitch that struck in October 1998, Nicaragua has also been hit hard by a severe drought affecting the northwest area of the country, sharply depressed prices in the international coffee market, and a \$500 million GON bailout of private banks. Nonetheless, a serious crisis was averted when the United States provided emergency assistance in the form of food, seeds and tools.

In November 2001, Nicaragua conducted national elections that were notable for their high voter turnout, and fair, peaceful election-day operations. Although the new GON administration recently took office in January 2002, early indications are that it is committed to programs to create jobs, increase productivity in the rural areas, reduce social and environmental vulnerabilities, eliminate corruption, and reform the justice sector. The challenges of reducing poverty, increasing economic growth, and strengthening democracy will require a major commitment from Nicaragua and the international donor community.

THE USAID PROGRAM:

FY 2002 Estimate: \$ 33.861 million

FY 2003 Request: \$37.621 million

After the 30-month Hurricane Mitch Reconstruction and Recovery Program and an election support program in 2001, USAID is returning to its core sustainable development program and preparing a new strategy to be implemented beginning FY 2003. USAID requests funds for its three ongoing objectives that will complement Nicaragua's poverty reduction strategy, strengthen democratic participation, increase broad-based growth to benefit from membership in the FTAA, and enable Nicaragua to be an effective opponent of international terrorism and narcotrafficking. FY 2002 funds will be used to implement the program as described in the FY 2002 Congressional Budget Justification with small modifications to respond to new priorities. In FY 2003, USAID will continue to work toward a favorable investment climate framed by effective economic policies and resolution of long-standing property issues. A modern, fair and open judicial system and a solid base of human capital are related goals. Specific activities to be funded by the FY 2003 request are described in detail in the following Program Data Sheets.

Most immediately, USAID will help small producers become more competitive by encouraging rational crop diversification, increased agricultural productivity, the sustainable use of natural resources, and the development of systems to mobilize savings and credit, particularly in rural areas. An internationally competitive agricultural sector also leads to cheaper food locally – and hence greater access to food. In addition, by promoting development in Nicaragua through the Agency's

new agriculture, trade and disaster mitigation-based Partnership for Prosperity for Central America and Mexico, the U.S. will be able to stem the flow of economic migrants and reduce the country's vulnerability to narcotics abuse and trafficking.

Establishing a credible, equitable, and efficient judicial system based on rule of law is necessary to encourage productive investment in Nicaragua. USAID will therefore continue its efforts in criminal and administrative code reform, including assistance in drafting modern codes, in getting codes enacted and implemented, and in strengthening judicial sector institutions. USAID will also provide technical assistance and training to ensure the new codes are widely understood and fairly applied.

Laying the foundation for a healthy, well-educated workforce is also necessary to increase productivity. USAID continues to support programs promoting healthy children, family planning, and primary education. Fifty percent of the population is under 15 and 45.6% of 19 year old women were pregnant or mothers according to a survey undertaken in 2001. Helping families space births is essential to keep population growth from swamping economic growth. In addition, keeping HIV/AIDS from becoming an epidemic is essential to preserving a healthy workforce.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: The USAID program in Nicaragua includes the following objective for which USAID is not requesting new funds, but for which it is continuing to expend funds already appropriated.

Number	Title	Last Notified	Planned Completion
524-005	Hurricane Mitch Reconstruction and Recovery	FY 2002 CBJ p.439	FY 2002

OTHER PROGRAM ELEMENTS: In addition to its bilateral program, USAID implements activities in Nicaragua through the Latin American and Caribbean Bureau (LAC) regional projects including local government strengthening, Parks in Peril, the dairy directive, and education reform. Nicaragua's Human Rights Ombudsman has been assisted through LAC's grant to the Inter-American Institute for Human Rights.

LAC Central American regional programs are managed by the USAID/Guatemala-Central America Program. These activities provide assistance in the areas of child labor rights, HIV/AIDS prevention, and natural resources management in Nicaragua. Three programs in USAID's Bureau for Economic Growth, Agriculture and Trade support USAID/Nicaragua's micro-enterprise activities, including the Program for Innovation in Microenterprise Fund, and the Microenterprise Implementation Grant Program. USAID's centrally-managed matching grant programs also fund child survival and micro-credit activities. The Central American Mitigation Initiative of USAID's Office of Foreign Disaster Assistance funds activities in Nicaragua that reduce the impact of natural disasters.

OTHER DONORS: Major donors include the World Bank, Inter-American Development Bank (IDB), the European Union (EU), Japan, Sweden, Denmark, Germany, Spain, and the United Nations Development Program (UNDP). Total donor support to Nicaragua in grants and loans is estimated at \$492 million in 2000, 20% of the GDP. The U.S. was the lead bilateral donor, providing about 13% of bilateral assistance, closely followed by Japan with 12%. USAID works collaboratively with World Bank and IDB on projects that promote transparency in government procurement, financial management reform, municipal strengthening, agricultural technology, health modernization and primary education. The EU supports both primary and secondary education. USAID, the World Food Program, and other donors worked together on emergency programs following both droughts and flooding in 2001. The Swedish International Development Agency and other Nordic donors are implementing a program to improve decentralized delivery of primary health care, a program that complements USAID's Prosalud project. The Danish and German governments support environmental conservation. Japan focuses on infrastructure. USAID has partnered with the EU, Spain and the Konrad Adenauer Foundation on justice sector activities.

Nicaragua
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	7,932	7,006	0	0
Child Survival and Health Programs Fund	0	0	8,170	0
Development Assistance	14,450	16,390	16,152	27,258
Economic Support Fund	500	1,499	1,500	0
PL 480 Title II	6,702	7,808	8,039	10,363
Total Program Funds	29,584	32,703	33,861	37,621

STRATEGIC OBJECTIVE SUMMARY

524-001 More Political Participation, Transparency and Compromise				
DA	3,000	3,350	3,722	4,510
ESF	500	1,499	1,500	0
524-002 Sustainable Growth in Small Producer Employment and Income				
DA	8,150	9,049	9,930	12,520
PL 480	0	2,926	4,204	5,814
524-003 Better Educated, Healthier, Smaller Families				
CSD	7,932	7,006	0	0
CSH	0	0	8,170	0
DA	3,300	3,991	2,500	10,228
PL 480	0	2,700	3,835	4,549
524-005 Rapid reconstruction and sustainable recovery in Mitch-affected areas				
PL 480	6,702	0	0	0

PANAMA

THE DEVELOPMENT CHALLENGE: U.S. assistance to Panama contributes to the achievement of U.S. foreign policy objectives in the areas of environment, democracy, and human rights. The assistance program focuses on ensuring effective protection and management of the Panama Canal Watershed (PCW) through which significant amounts of U.S. (13%-14%) and world (4%) ocean-going cargo transit. The protection of the watershed's natural environment is vital to safeguarding

Each ship that transits the Panama Canal requires 52 million gallons of fresh water.

the fresh water resources upon which the canal's hydrology and sustainability depends. Increasing rates of population migration into areas near the watershed, with concomitant urbanization and economic activities, threaten the environmental health and stability of the PCW. As a result, the fresh water supply of the watershed is increasingly vulnerable to agricultural and industrial pollution, siltation, and sedimentation with a consequent reduction

in the storage capacity of its lakes. This is a serious problem considering that fresh water, provided by rainfall across the 339,649-hectare watershed, powers the Panama Canal. The PCW is the only source of water to meet requirements for Panama Canal operation, as well as the needs of the rapidly growing population in the area.

USAID's assistance program also seeks to increase the momentum towards improvements in the criminal and commercial justice systems of Panama. A more fair and efficient justice system will help to ensure transparent treatment of U.S. citizens and businesses in Panamanian commercial and criminal courts, strengthen democracy, and enhance the credibility of justice sector institutions. An inherently slow, complex and non-transparent justice system has impeded development in Panama. The system is difficult to understand or access for both Panamanians and non-Panamanians and is highly susceptible to manipulation. The USAID program complements a larger effort by the Inter-American Development Bank (IDB) to consolidate ongoing efforts by the Government of Panama (GOP) to implement critical reforms of both the criminal and civil (commercial) justice systems. The USAID program is selective in that it focuses only on issues not addressed by IDB or other donors. USAID will concentrate on implementing pilot activities that would improve management of the courts and on capacity building for non-governmental organizations (NGOs) to advocate more effectively for justice sector reforms.

Panama's external debt is about \$5.6 billion, or close to 60% of GDP.

THE USAID PROGRAM:

FY 2002 Estimate: \$8.5 million

FY 2003 Request: \$10.5 million

USAID's program addresses complex issues related to the protection and conservation of the Panama Canal Watershed and critical judicial reforms. In an environmentally friendly manner, the PCW program seeks to increase the capacity of Panamanians of all strata who have a direct impact on the PCW. As such, mechanisms to coordinate activities of central and local government entities as well as those of local residents are being established and strengthened. New sources of cofinancing are being developed to support the increased effort of PCW protection. In addition, technical assistance and training is being provided to increase environmental awareness and develop alternative production methodologies that replace current destructive environmental practices.

The program supporting judicial reforms is gaining support from influential groups in the judiciary and the private sector in an effort to initiate reforms and increase the momentum towards fairer and faster justice in Panama. FY 2002 funds will be used to improve the management of criminal courts by implementing pilot-targeted reforms, foster alliances in civil society to increase their advocacy role and impact for significant reforms, and to promote the use of alternative dispute resolution mechanisms in the civil (commercial) courts.

In the Darien border region with Colombia a new program is anticipated that would mitigate the 'spillover' effects of illicit narcotic trafficking activities and tentatively explore the feasibility of a complementary anticorruption activity. The new program would strengthen democracy and expand good governance in this neglected region, with greater community participation addressing critical needs.

ONGOING PROGRAMS FOR WHICH NO NEW FY 2002 OR FY 2003 FUNDING IS REQUESTED:

None.

OTHER PROGRAM ELEMENTS: Other U.S. Government-supported activities include USAID's regional Central American Program (G-CAP) support to provide technical assistance and training to promote policy dialogue/public awareness, strengthen NGO capacity for effective HIV prevention efforts and for the development and implementation of a condom social marketing strategy. Another G-CAP program is providing limited technical assistance and training through its PROALCA program (Program Support to Central American Participation in the Free Trade Area of the Americas [FTAA]), in support of Panamanian efforts to prepare for participation in the FTAA.

OTHER DONORS: USAID is the major donor active in the PCW. Under the Common Agenda Initiative, the Government of Japan is providing assistance to the GOP and the NGO community in activities complementary to the USAID program in the conservation and protection of the watershed. With support from Japan, the GOP has established a training center in the PCW. This center is providing environmental education and awareness training in forestry and agroforestry techniques. Also, the Japan International Cooperation Agency is funding a study to develop for the Municipality of Panama a plan for solid waste management.

An ongoing IDB program is assisting the GOP to strengthen institutional management and implementing mechanisms to support community environmental mitigation. IDB is also supporting a process of conversion from destructive agricultural practices to environmentally friendly productive activities in the PCW. Additionally, IDB is implementing an integrated development program in the Darien province, including environmental issues. As stated earlier, the IDB is the lead donor supporting a major GOP effort in the improvement of its criminal justice system, primarily by constructing infrastructure, which will physically house law enforcement and judicial functions at two locations in Panama. USAID justice reform activities complement this effort.

Panama
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Development Assistance	3,500	3,700	4,500	7,000
Economic Support Fund	1,000	998	4,000	3,500
Total Program Funds	4,500	4,698	8,500	10,500

STRATEGIC OBJECTIVE SUMMARY

525-004 Panama Sustainably Manages the Canal Watershed and Buffer Areas				
DA	0	3,700	4,500	7,000
525-005 Momentum Towards Fairer and Faster Justice System Established				
DA	3,500	0	0	0
ESF	1,000	998	4,000	3,500

PARAGUAY

THE DEVELOPMENT CHALLENGE: Consolidating democracy is the primary U.S. national interest in Paraguay. The past 12 years since the fall of the dictatorship have seen the adoption of a new constitution, the establishment of freedom of expression, the development of a transparent and free electoral process, a considerably improved judicial system that permits public scrutiny of legal cases, and the defense of democratic institutions in the face of coup attempts and the assassination of the vice president.

Popular dissatisfaction with continuing corruption, lack of economic reform, falling incomes and purchasing power, and the possible return of thousands of workers from Argentina threaten this nascent democracy.

Despite efforts to reduce poverty, advance economic and social reforms, improve the economy, eliminate corruption, address environmental degradation, and provide effective basic services to Paraguay's citizens, problems still persist. During 2001, the country continued its fifth consecutive year in

which per capita income declined, leaving more than one-third of the population below the poverty line. The value of Paraguayan currency depreciated more than 30% against the dollar in 2001 and perceptions of corruption in the national government have led to considerable social unrest. Paraguay's external debt is about \$1.6 billion, or about 27% of GDP.

Approximately 30% of the population do not have regular access to health services and those services that are available are often of very low quality. A shortage of reproductive health services has contributed to high maternal mortality and one of the highest fertility levels in Latin America. Many citizens lack access to basic services such as education, potable water, sewer systems, solid waste collection, and basic infrastructure.

At a minimum, Paraguayan democracy must be able to demonstrate an ability to improve economic conditions, ensure the provision of basic services to its citizens, and provide jobs for a rapidly expanding population. If democracy does not provide hope for the future, there is a real possibility that the people will lose faith in this fledgling democracy and embrace populist solutions.

THE USAID PROGRAM:

FY 2002 Estimate: \$9.625 million

FY 2003 Request: \$10.125 million

USAID/Paraguay began implementing its new Strategic Plan in FY 2001. The new strategy integrates environmental and reproductive health initiatives into the overall democracy program. The two major themes that link these initiatives are: 1) the decentralization of power and authority to local levels strengthens government accountability and accessibility to citizens; and 2) a vibrant, pluralistic civil society is the basis for democratic governance.

The Program Data Sheets provided below cover the four development objectives for which USAID/Paraguay is requesting funds. These four objectives concentrate on: strengthening local government and civil society; protecting the environment through better management of globally important ecoregions; decentralizing and expanding access to quality reproductive health services and reducing maternal mortality; and increasing incomes in rural areas.

In FY 2002, funding will be used for activities being implemented under three ongoing objectives (democracy, environment and reproductive health). In FY 2003, in addition to the ongoing objectives, USAID will use \$1 million to initiate a new economic growth program aimed at increasing the incomes of the poor. The new objective will address poverty, encourage economic reforms to expand trade, assist small landholders to obtain titles for their properties, and generate employment by expanding access by the rural poor to financial services. The specific activities to

be funded by FY 2002 and FY 2003 appropriations are described in more detail in the following Program Data Sheets.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED: The USAID program in Paraguay includes the following objectives for which USAID is not requesting new funds, but is continuing to expend funds already appropriated.

<u>Number</u>	<u>Title</u>	<u>Last Notified</u>	<u>Planned Completion</u>
526-001	Improved Key Democratic Institutions	FY 02 CBJ, p. 466	FY 2002
526-002	Improved Management of Protected Areas	FY 02 CBJ, p. 470	FY 2002
526-003	Increased Use of Voluntary Family Planning	FY 02 CBJ, p. 474	FY 2002

OTHER PROGRAM ELEMENTS: USAID's Democracy, Conflict, and Humanitarian Assistance Pillar, Office of U.S. Foreign Disaster Assistance, assists a network of Paraguayan organizations that coordinate efforts in disaster preparedness and emergency training activities.

USAID/Paraguay has been instrumental in organizing a previously disjointed donor community and has been quite successful in having other donors build upon its pioneering demonstration activities.

OTHER DONORS: Donor coordination in Paraguay is excellent. USAID has organized donor coordination related to decentralization, judicial reform, environment, and health. USAID is the main donor working on the decentralization of power and authority to local governments with a strong civil society focus. USAID has the comparative advantage of developing innovative programs that can be tested

through field experience without having to go through a lengthy process of Government of Paraguay approvals. The focus will continue to be on developing pioneer demonstration activities for other donors to replicate. USAID is unique among donors in Paraguay in that it works exclusively through non-governmental organizations.

Japan is Paraguay's largest bilateral donor, followed by the United States, the European Union, Spain, and Germany. The major donors and their interests are: Japan (agriculture, health), European Union (rural development, state reform), Spain (infrastructure), and Germany (state reform). The Inter-American Development Bank, the World Bank, various United Nations agencies, the Global Environmental Facility, and the Pan-American Health Organization are major multilateral contributors.

Paraguay
PROGRAM SUMMARY
(In thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Health Programs Fund	0	0	2,525	0
Development Assistance	5,175	6,320	3,600	6,625
Economic Support Fund	1,000	3,492	3,500	3,500
Total Program Funds	6,175	9,812	9,625	10,125

STRATEGIC OBJECTIVE SUMMARY

526-001 Improved Responsiveness and Accountability of Key Democratic Institutions				
DA	2,700	0	0	0
ESF	1,000	0	0	0
526-002 Improved Management of an Expanded Protected Area System				
DA	525	0	0	0
526-003 Increased Use of Voluntary Family Planning Services				
DA	1,950	0	0	0
526-004 Key Democratic Governance Practices instituted				
DA	0	2,850	2,600	2,600
ESF	0	3,492	3,500	3,500
526-005 Management of Globally Important Ecoregions Improved				
DA	0	1,000	1,000	1,000
526-006 Use of Voluntary Reproductive Health Services Increased				
CSH	0	0	2,525	0
DA	0	2,470	0	2,025
526-007 Increased Incomes for the Poor in Selected Economic Regions				
DA	0	0	0	1,000

PERU

THE DEVELOPMENT CHALLENGE: In order to strengthen Peru's fragile democracy, sustainable social and economic development must lead to improvements in the quality of life for all Peruvians, especially the rural poor. Free trade and more decentralized private and social investment are needed to drive broad-based economic growth as a foundation for democracy. However, Peru's economic growth slowed from 6.7% in 1997 to 3.1% in 2000, and stalled at zero growth in 2001. Income distribution remains extremely uneven. Poverty is skewed along geographic and ethnic lines, and the country continues to have a significant debt burden of more than \$19 billion, equivalent to more than 36% of Gross Domestic Product (GDP). Unless the immediate needs of its citizens are met, Peru's nascent democratic advances—as well as the economic reforms of the last decade—are at risk of reversal.

Having recently emerged from years of authoritarian rule, Peru must strengthen its key democratic institutions and promote a market-based economy.

Throughout the 1990s, Peru made exceptional progress in combating terrorism, reducing the production of coca, and stabilizing the economy. However, the government of President Alberto Fujimori collapsed under the weight of corruption, authoritarian rule, an economic downturn, and increasing public discontent, culminating in a universally acknowledged unfair election and the President's resignation in disgrace in November 2000. An eight-month transitional government oversaw an open and fair electoral process in 2001 and took measures to pave the political road for the newly elected government that took office in July 2001. Since the beginning of its mandate, President Alejandro Toledo's administration has made a commitment to reinvigorate the country's democracy and promote a market-based economy that will provide benefits to all Peruvians. Yet the internal political and economic situation remains precarious, especially in light of the current instabilities in the global economy. This context presents a unique set of opportunities and challenges to furthering U.S. interests in a key country of the Andean Region.

The overriding U.S. national interest in Peru is to promote genuine democracy. Maintaining Peruvian cooperation in combating narcotics trafficking leads a second tier of interests that also includes open markets and expansion of exports; poverty alleviation; improved health; and sound environmental policies and practices. USAID works as an integral member of the Embassy country team to promote these U.S. interests in Peru.

THE USAID PROGRAM:

FY 2002 Estimate: \$153.178 million

FY 2003 Request: \$146.903 million

The overarching goal of USAID's program in Peru is the promotion of sustainable opportunities for improved quality of life through strengthened democratic processes and institutions. This democracy-oriented goal is woven throughout all program objectives, primarily by increasing citizen participation and strengthening the capacity of both private- and public-sector institutions to be transparent in their decision-making and accountable for their actions. In FY 2002, USAID begins a new five-year strategy period with seven development objectives, which will build on past successes and efforts to strengthen democratic institutions and practices; reduce poverty in select areas; improve health care for populations at high risk; promote sustainable natural resources management; support the U.S. Government's (USG) efforts to reduce illicit drug production through alternative development in coca-growing regions; improve the quality of basic education, especially for girls; and address quality-of-life issues to promote political and social stability on the border with Ecuador.

These programs represent the next phase in USAID's assistance to Peru, continuing to focus on the same sectors in which USAID has worked in recent years, but in the context of Peru's return to a

more democratic political environment and worsening economic circumstances in the country and region. FY 2002 funds will principally finance activities described in last year's Congressional Budget Justification. However, the following Program Data Sheets include adjustments that reflect lessons learned through the previous strategy period (FY 1997-FY 2001), the current political and economic circumstances in Peru, and shifting USG priorities and approaches in the Andean region.

ONGOING PROGRAMS FOR WHICH NO FY 2002 OR FY 2003 FUNDING IS REQUESTED:

Number	Title	Last Notified	Planned Completion
527-001	Broader Citizen Participation in Democratic Processes	FY02 CBJ, pg. 498	FY02
527-002	Increased Incomes of the Poor	FY02 CBJ, pg. 504	FY02
527-003	Improved Health, Including Family Planning, of High-Risk Populations	FY02 CBJ, pg. 509	FY02
527-004	Improved Environmental Management in Target Sectors	FY02 CBJ, pg. 512	FY02
527-005	Reduced Illicit Coca Production In Target Areas of Peru	FY02 CBJ, pg. 520	FY02

OTHER PROGRAM ELEMENTS: A variety of USAID centrally-funded activities are being implemented in Peru. Since February 2001, the Office of Transition Initiatives (OTI) has managed a number of important transition activities, which directly complement and are closely coordinated with USAID's democracy program. OTI's two-year, \$10 million program covers decentralization, legislative strengthening, anti-corruption, human rights, and civil-military relations, and will be gradually phased out as new USAID initiatives begin. Also in the democracy area, centrally managed programs support assistance to victims of torture. In the health sector, Washington-based activities support work with street children and orphans, as well as activities in family planning service provision and applied research on drug resistance. Centrally funded small grants from the Women in Development Program support activities in natural resources management and income generation for poor women. Washington-based agriculture activities in Peru focus on applied research and extension. Central funds also support educational reform and the improvement of girls' education. The U.S.-Israeli Development Research Program funds several university research activities. USAID's Office of Foreign Disaster Assistance has a regional representative based in Peru, who is responsible for training in disaster prevention, mitigation, and preparedness.

OTHER DONORS: Official international technical cooperation to Peru for 2000 was \$281 million. This amount includes bilateral and multilateral assistance and excludes loans. The United States was the largest bilateral donor with 70% of total international technical cooperation to Peru, followed by Japan (18%), whose programs focus on economic growth, health and social development and infrastructure; and Switzerland (4%), whose programs focus on economic growth, agriculture and pollution control. Other donors include Germany, Canada, Spain, the Netherlands, and Sweden. Major multi-lateral donors include the United Nations, the Inter-American Development Bank, the World Bank, the Andean Development Corporation, and the European Union. Donor coordination is well organized through sectoral donor coordination groups focused on gender, education, counternarcotics, health, the environment, and poverty reduction.

Peru
PROGRAM SUMMARY
(In thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	7,000	9,603	0	0
Child Survival and Health Programs Fund	0	0	23,200	0
Development Assistance	27,904	28,488	14,173	40,601
Economic Support Fund	9,785	5,695	17,500	12,250
Andean Counterdrug Initiative *	25,000	25,750	67,500	69,000
PL 480 Title II	39,573	40,036	30,805	25,052
Total Program Funds	109,262	109,572	153,178	146,903

STRATEGIC OBJECTIVE SUMMARY

527-001 Broader citizen participation in democratic processes				
DA	3,100	2,844	0	0
ESF	4,285	2,002	0	0
527-002 Increased incomes of the poor				
DA	7,350	7,345	0	0
PL 480	39,573	40,036	0	0
527-003 Improved health, including family planning, of high-risk populations				
CSD	6,500	8,505	0	0
DA	13,350	14,218	0	0
527-004 Improved environmental management of targeted sectors				
DA	4,104	4,081	0	0
527-005 Reduced illicit coca production in target areas in Peru				
ACI	25,000	25,750	0	0
527-006 Expanded opportunities for girls' quality basic education in target areas				
CSD	500	1,098	0	0
DA	0	0	1,000	2,424
ACI	0	0	500	1,000
527-008 Improved Quality of Life of Peruvians Along the Peru-Ecuador Border Target Areas				
ESF	5,500	3,493	2,500	2,250
527-009 Democratic Processes and Institutions Strengthened in Critical Areas				
DA	0	0	2,526	3,026
ESF	0	0	15,000	10,000
ACI	0	0	0	4,000
527-010 Increased Economic Opportunities for the Poor in Selected Economic Corridors				
DA	0	0	5,920	8,120
ACI	0	0	3,000	3,000
PL 480	0	0	30,805	25,052
527-011 Improved Health for Peruvians at High Risk				
CSH	0	0	23,200	0
DA	0	0	0	21,731
ACI	0	0	5,000	5,000
527-012 Strengthened Environmental Management to Address Priority Problems				
DA	0	0	4,727	4,300
ACI	0	0	3,000	3,000

	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
527-013 Reduced Illicit Coca Production in Targeted Areas of Peru				
ACI	0	0	56,000	53,000
Total Transfers	0	200	0	1,000

* Includes International Narcotics Control (INC) funding

CARIBBEAN REGIONAL

THE DEVELOPMENT CHALLENGE: The small island nations of the Caribbean face special developmental challenges due to their small economies, their dependence on export revenues and tourism as the foundation for growth, their vulnerability to natural disasters, and the growing incidence of HIV/AIDS in the region.

For many years, most Caribbean countries depended on preferential trade arrangements for key commodity exports such as sugar and bananas. With the removal of trade preferences and other

Preliminary figures from the World Tourism Organization and the Caribbean Tourism Organization indicate that, as a result of September 11, tourism arrivals in Caribbean Community countries are 9% lower than 2000 levels.

trends related to globalization, countries are facing declining export earnings and severe economic hardships. For example, a 2001 World Bank report indicates that Dominica's exports fell by over 30% between 1997 and 2000 due to a sharp retrenchment in the banana industry. The Caribbean region faces significant challenges in gearing up to compete effectively in the world economy, due to its

lack of capacity to meet the Free Trade Area of the Americas and World Trade Organization standards and requirements.

The national interests of the United States in the Caribbean region are guided by the 1997 Bridgetown, Barbados Summit accords, which committed the United States and signatory Caribbean nations to implement plans of action that promote free trade and economic development, safeguard the natural environment, and enhance justice and security. For the United States, the Caribbean constitutes our "third border." The U.S. Government has developed a Third Border Initiative (TBI) which is an interagency coordinated package of measures centering around five themes: social and education matters, security and law enforcement, economic and commercial matters, environment, and diplomacy. The goal of TBI is to better align U.S. and Caribbean priorities, to improve the focus of USG assistance and engagement, and to encourage U.S. partners to assume ownership and leadership on common interests. The large number of U.S. citizens of Caribbean origin, the region's proximity to the United States, and its importance as a U.S. tourist destination mean that joblessness, the HIV/AIDS epidemic, drug trafficking, environmental degradation and recurrent natural disasters in the Caribbean directly affect the United States' well-being.

The natural environment, on which the Caribbean relies heavily for economic growth and tourism, is in jeopardy due to poor environmental management practices. There is a growing need to overcome the negative effects of the events of September 11 in the region by improving the viability, visibility, and competitiveness of small tourism enterprises. The high cost of telecommunications constitutes a major barrier to developing electronic commerce in the region. Competitiveness can be increased by expanding knowledge about information technology, and increasing access to financial markets in the region. Small- and medium-sized enterprises have been plagued with numerous problems across industries that severely inhibit their ability to deliver products and services that meet international standards. In virtually all of the Caribbean countries, the judiciary is weak and unable to tackle a growing backlog of civil and commercial legal actions.

The region is further hampered by a labor force that is inadequately trained to meet today's global challenges. Many countries in the region are losing their best and brightest workers through a combination of emigration and the effects of the HIV/AIDS epidemic. HIV seroprevalence in the region is second only to sub-Saharan Africa. The World Health Organization and the Joint United Nations Program on HIV/AIDS (UNAIDS) estimate that more than 500,000 out of approximately 25 million people in the region are infected with HIV.

THE USAID PROGRAM:*FY 2002 Estimate: \$ 15.0 million**FY 2003 Request: \$ 18.75 million*

The Caribbean Regional Mission, located in Kingston, Jamaica, focuses its program on the island nations of Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines. However, the Mission also covers the Bahamas, Barbados, Belize, Trinidad and Tobago, and Surinam. This entire group of countries, plus Haiti, Jamaica and Guyana constitute the Caribbean Community (CARICOM).

The Program Data Sheets below discuss the four programs for which USAID's Caribbean Regional Mission is requesting funds. The programs seek to improve the region's economic competitiveness, strengthen environmental management by private entities, increase the effectiveness and efficiency of legal systems, and enhance the region's ability to respond to the HIV/AIDS crisis. FY 2002 funds will help to implement the economic growth, trade capacity assistance, disaster mitigation, and HIV/AIDS components of the Administration's Third Border Initiative. Ongoing programs addressing economic competitiveness, environmental management, rule of law, and HIV/AIDS will also be implemented.

OTHER PROGRAM ELEMENTS: USAID's Office of Foreign Disaster Assistance is implementing disaster mitigation activities that seek to reduce risks and losses from natural hazards, educate the public, and establish an effective framework for disaster management. The Regional Sustainable Development Office of the Latin America and Caribbean Bureau (LAC/RSD) is funding capacity-building efforts targeted at Eastern Caribbean governments and regional organizations to strengthen their capacity to implement regional and worldwide trade agreements and related agricultural import customs requirements. LAC/RSD is also funding activities in the Eastern Caribbean that promote human rights education and protection, especially for women and marginalized populations. USAID's Economic Growth, Agriculture, and Trade Bureau is supporting loan programs targeted at micro- and small enterprises. USAID has also transferred funds to the Peace Corps for a small grant activity which develops collaborative programs with community groups to promote local development.

OTHER DONORS: Donor coordination under the Caribbean Regional program is excellent. The International Monetary Fund, the United Nations Development Program, the Canadian International Development Agency (CIDA), the European Union (EU), the Inter-American Development Bank (IDB), and the United Kingdom's Division for International Development (DFID) have pooled resources to address the urgent and demanding needs of the region to reform fiscal and monetary policies and systems by establishing the Caribbean Regional Technical Assistance Center. In the area of HIV/AIDS, USAID, CIDA, Germany, EU, DFID, and the Pan American Health Organization are in partnership to support the Caribbean Epidemiology Center as it implements its HIV/AIDS strategic plan. Major donors complementing other USAID work in the Caribbean include the World Bank, the IDB (telecommunications) and CIDA (judicial reform). The Organization of American States and CIDA support small hotel programs. CIDA and the IDB have programs in trade reform and integration.

**Caribbean Regional Program
PROGRAM SUMMARY
(In thousands of dollars)**

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	0	1,497	0	0
Child Survival and Health Programs Fund	0	0	4,000	0
Development Assistance	540	0	0	15,750
Economic Support Fund	7,000	6,985	11,000	3,000
Total Program Funds	7,540	8,482	15,000	18,750

STRATEGIC OBJECTIVE SUMMARY

538-004 Increased employment and diversification in select non-traditional activities				
DA	150	0	0	5,500
ESF	2,500	2,500	4,500	1,000
538-005 Improved environmental management by public and private entities				
DA	270	0	0	2,500
ESF	2,500	2,500	3,100	0
538-006 Increased Efficiency and Fairness of Legal Systems in the Caribbean				
DA	120	0	0	1,000
ESF	2,000	1,985	1,000	0
538-008 Enhanced Caribbean Response to the HIV/AIDS Crisis in Target Countries				
CSD	0	1,497	0	0
CSH	0	0	4,000	0
DA	0	0	0	5,750
ESF	0	0	2,000	2,000

Total Transfers	0	0	400	1,000
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CENTRAL AMERICA REGIONAL PROGRAM

Over half of Central America's population lives in rural areas, and two-thirds survive on less than \$2 per day.

THE DEVELOPMENT CHALLENGE: The Central American region is consists of seven countries: Belize, Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama, with a population of 37 million growing at a rate of 2.6% annually. In addition to the challenge of addressing poverty and improving the living conditions of its people, Central American countries remain ill-equipped to confront the globalization of trade and labor markets, the frequent natural disasters

that befall them, the cross-border spread of HIV/AIDS and other infectious diseases, and continuing deforestation and environmental degradation. These challenges are compounded by new and ongoing threats to the region's stability, including transnational crime and drug-trafficking, corruption, poor governance, and periodic border tensions which persist despite growing regional integration.

In March 2001 at the Regional Consultative Group meeting, Central American leaders, the United States and other donors identified challenges and opportunities for regional integration. Alongside commitment to reinforce disaster preparedness, the Central American countries presented a regional strategy for economic integration, infrastructure modernization, trade competitiveness, environmental management, and social development. The regional plan for economic growth emphasizes freer trade, increased competitiveness, and cooperation with Mexico to build on its experience in the North American Free Trade Agreement (NAFTA) and a recent free trade agreement between Guatemala, Honduras and El Salvador. Central American and Mexican representatives have endorsed trade and development initiatives in eight sectors for joint investments of \$2 billion under Mexico's Puebla-Panama Plan (PPP). The PPP, the U.S. partnership with Central America under the Alliance for Sustainable Development (ALIDES), and the Central America-USA Agreement (CONCAUSA) offer opportunities to increase trade and improve environmental management, while advancing wider Central America-Mexico cooperation toward these common objectives. In June 2001, the USG and Central America formally extended CONCAUSA to address sustainable development, biodiversity, environmental policy, and energy, and to integrate disaster mitigation and global climate change as new areas of cooperation.

U.S. interests in the stability and growth of Central America as a major regional trading partner are considerable. Regional economic integration advances the U.S. foreign policy objective of establishing the Free Trade Area of the Americas (FTAA) by 2005 and President Bush's announced objective of a Free Trade Agreement (FTA) with Central America. The increased economic prosperity promoted by the FTAA and FTA should further other U.S. Government (USG) interests in the region, such as stemming the tide of illegal immigration from the region into the United States, and lessening incentives for involvement in narcotics trafficking. USAID's Central America program supports Mexico-Central America coordination and collaboration under the USG's recently announced initiative, the Partnership for Prosperity (PFP), particularly in the areas of poverty reduction, disaster mitigation, expanded trade, environmental protection, and agricultural diversification. The Regional Program directly advances U.S. foreign policy and development objectives at a pivotal point in relations as we promote closer cooperation and freer trade with Central America and Mexico.

THE USAID PROGRAM:

FY 2002 Estimate: \$12.892 million

FY 2003 Request: \$26.927 million

The Program Data Sheets provided below cover the four objectives for which USAID is requesting funds. These programs will: 1) promote open trade and investment policies, support regional economic integration, trade and competitiveness, and improve the functioning of regional labor markets and protection of labor rights; 2) improve protected area management in the Meso-American Biological Corridor, expand markets for environmentally sound products and services, and

promote local capacity and private sector participation in natural resource management; 3) strengthen Central American organizations to deliver HIV/AIDS services and information; and 4) support development of credit quality standards for local governments, increase their access to capital markets, and promote private sector participation in local services and infrastructure. The first three of these programs are ongoing efforts that build on the first phases of the regional trade and investment, environmental, and HIV/AIDS programs and USAID's extensive experience in each area. The municipal finance activity, a new program, begins in FY 2003. These programs are managed by USAID's regional Central America and Program (G/CAP) located in Guatemala whose regional programs will soon include Mexico.

Areas for expanded cooperation under the PfP initiative build on key U.S. interests identified above. FY 2003 PfP funds will allow G-CAP's regional program, in close coordination with USAID/Mexico, to initiate additional activities in the areas of accelerated trade facilitation and regional economic competitiveness and activities to mitigate disasters and environmental degradation. This initiative is also taking place in other Central American countries and through LAC Regional mechanisms. Additional details are provided in Program Data Sheets.

ONGOING PROGRAMS FOR WHICH NO NEW FY 2002 OR FY 2003 FUNDING IS REQUESTED: On December 31, 2001, USAID completed two-year assistance provided in the wake of Hurricane Mitch. The following summarizes this and other terminating regional programs:

Number	Title	Last Notified	Planned Completion
596-001	Regional Trade and Investment Phase I	FY 2002 CN #369	FY 2002
596-002	Regional Environment (PROARCA) Phase I	FY 2002 CBJ, p. 579	FY 2002
596-003	Regional HIV/AIDS Program Phase I	FY 2002 CBJ, p. 584	FY 2001
596-004	Regional Disaster Mitigation	FY 2002 CBJ, p. 589	FY 2002

OTHER PROGRAM ELEMENTS: USAID activities in Central America managed outside G-CAP include: the USAID and UNAIDS-supported HIV/AIDS activity for mobile populations; the Program for Educational Reform in the Americas (PREAL), which provides small grants to educational organizations in at least four Central American countries; human rights projects with the Inter-American Institute for Human Rights and other groups; rule of law projects to strengthen national police institutions with the International Criminal Investigation Training and Assistance Program (ICITAP); the Decentralization and Democratic Local Governance project, which assists local authorities and the Central American Federation of Municipalities (FEMICA) in four countries; sustainable forestry projects implemented by the World Wildlife Fund; and Parks in Peril, implemented by The Nature Conservancy, which partners with local NGOs to improve protection of national parks and biodiversity in at least two Central American countries.

OTHER DONORS: Donor coordination at the regional level is very active in all sectors. The March 2001 Regional Consultative Group meeting allowed donors to meet with Central American leaders and review plans for disaster mitigation, regional integration and modernization. Other major donors providing support on a regional basis to Central America are the United Nations agencies, the Pan-American Health Organization, Canada, the European Union, the Nordic countries, and the Inter-American Development Bank. Spain has pledged to join the Central American Bank for Economic Integration as the first nonregional member, and will contribute to its financial and institutional strengthening in coming years.

Central America Regional Program

PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	3,150	3,692	0	0
Child Survival and Health Programs Fund	0	0	4,750	0
Development Assistance	8,200	9,030	8,142	26,927
Total Program Funds	11,350	12,722	12,892	26,927

STRATEGIC OBJECTIVE SUMMARY

596-001 Increased Central American Participation in Global Markets				
DA	3,200	2,400	0	0
596-002 Increased Effectiveness in Regional Stewardship of the Environment and Key Natural Resources in Targeted Areas				
DA	5,000	0	0	0
596-003 Enhanced Central American capacity to respond to the HIV/AIDS crisis				
CSD	3,150	1,120	0	0
596-005 Increased Central American Competitiveness in Global Markets				
DA	0	600	2,800	7,300
596-006 Improved Environmental Management in the Mesoamerican Biological Corridor				
DA	0	6,030	5,342	10,742
596-007 Strengthened Municipal Finance Systems for Local Governments in Central America				
DA	0	0	0	1,100
596-008 Enhanced Central America Capacity to Respond to HIV/AIDS Crisis - Phase II				
CSD	0	2,572	0	0
CSH	0	0	4,750	0
DA	0	0	0	6,785
Total Transfers	0	0	0	1,000

LAC REGIONAL

THE DEVELOPMENT CHALLENGE: Despite improvements in the economic and social well-being of people living in Latin America and the Caribbean (LAC), the region continues to face serious development challenges which threaten the United States' national security. Inadequate economic growth rates, growing unemployment, extensive poverty, and skewed income distribution increasingly undermine the political and economic stability of the region. Problems associated with narcotics trafficking in Colombia; the coffee crisis and drought in Central America; natural disasters, and a major drop in tourism in the Caribbean region have had a serious impact on long-term prosperity and peace.

The economic growth rate for the LAC region is projected to be only 0.5% - 1.5% for 2002 (IDB).

Overall economic growth for the LAC region, which was expected to be low prior to September 11, is projected to be 0% to 0.7% for 2001. Annual rates of growth in regional trade have been 10% to 12% over the past decade. In 2001 the rate of trade growth was zero.

Concern about Argentina's economic and political stability and default on its foreign debt, reduced foreign investment in LAC economies such as Brazil and Mexico, and a persistent drought in Central America and plummeting world market coffee prices have further retarded economic growth. The economic situation for many LAC countries was further devastated by the slowing of the U.S. economy and the global recession. After September 11, the Caribbean, with its heavy dependence on tourism, has been the most affected sub-region.

The trend toward consolidating democracy in LAC remains generally positive. Institution-building efforts to strengthen judicial systems and local governments are paying off, most notably in Bolivia and Honduras. Free and fair elections in Nicaragua and Honduras demonstrated the benefits of the democratic process. Citizens also are continuing to organize into civil society and business organizations to work for reform within the system. But various problems threaten the stability of fragile democratic states. High levels of violence and narcotics trafficking in Colombia are affecting neighboring Andean countries, and continuing instability in Haiti and Venezuela remains unchecked. While more citizens continue to support democracy over other forms of government, disillusionment is high with governments that are unable to reduce poverty, corruption, crime, and violence.

Access to primary education is generally adequate throughout the region; however, the quality and relevance of basic and secondary education remain a major problem. Public expenditures on basic education or per child is extremely low compared to other developed countries outside of LAC. On average, it takes 11.8 years for a student to complete primary school, and the number of students who complete secondary school is low. A large percentage of children who complete primary school do not have access to secondary or technical schools, leaving many children with inadequate opportunities to succeed in the workplace. A significant number of high-school graduates lack adequate workforce skills, which is a drag on the region's economies and global competitiveness.

The health sector has achieved many successes in vaccination coverage and eliminating or reducing major childhood illnesses. At the same time, the Caribbean has the second highest rate of HIV/AIDS in the world, maternal mortality rates have not been significantly reduced, and malaria and other infectious diseases are increasingly resistant to treatment therapies. Further, the environment in LAC continues to suffer from severe degradation and the rates of degradation are accelerating. The negative effects of this environmental crisis include increased vulnerability to disasters, rising conflict over natural resources, and reduced economic opportunities and growth.

The Summit of the Americas continues to influence the U.S. foreign policy agenda in LAC and the LAC Regional program. The Summit has served as a catalyst in forging a vision for regional development among the countries in the hemisphere. Through technical cooperation and donor

coordination, significant resources have been directed to the region to support specific development initiatives. USAID has taken a lead role for initiatives related to local government and property registration and has been active in shaping the agenda across other sectors. Since the April 2001 Quebec Summit, USAID has participated in the inter-agency coordination process and has pursued initiatives in trade and investment, anti-corruption, education, health and telecommunications.

U.S. national interests in the LAC region include strengthening democratic processes, promoting equitable economic growth and free trade, and reducing poverty.

THE USAID PROGRAM:

FY 2002 Estimate: \$89.731 million

FY 2003 Request: \$72.774 million

The Program Data Sheets provided below cover the ten programs for which USAID is requesting funds. These programs concentrate on deepening democracy, assisting sub-regional trading blocs in the Free Trade Area of the Americas (FTAA) process, improving the institutional infrastructure to help the poor access markets, promoting educational reform, training potential leaders, improving regional health policies and services, improving the environmental performance of targeted LAC businesses and communities, conserving the region's biological resources, and advancing development cooperation opportunities in the hemisphere. FY 2002 funds will be used to implement the program as currently planned and described in the FY 2002 Congressional Budget Justification; however, the existing health and trade objectives are being extended. Resources will also be used to launch new regional activities under the Partnership for Prosperity and to support forest management, coral reef management, and educational partnerships with LAC universities.

USAID is undergoing a reorganization to reduce the number of activities managed in Washington and, correspondingly, transfer more resources to programs managed overseas. As a result, the LAC Bureau's Office of Regional Sustainable Development (LAC/RSD) will reduce the number of activities that it manages over the FY 2002-2003 timeframe. Some will be transferred to overseas programs in LAC, in the Agency's pillar bureaus, and some will be phased out. LAC/RSD will develop a new strategy once the reorganization and transfer process is complete.

ONGOING PROGRAMS FOR WHICH NO NEW FY 2002 OR FY 2003 FUNDING IS REQUESTED:

Number	Title	Last Notified	Planned Completion
598-002	Improved Human Resource Policies	FY02 CBJ, p. 621	FY 2002
598-004	Protection of Selected LAC Parks	FY02 CBJ, p. 631	FY 2002
598-016	Hurricane Reconstruction	FY02 CBJ, p. 645	FY 2002

OTHER DONORS: Consultations with the Inter-American Development Bank (IDB), World Bank, Organization of American States (OAS), Pan American Health Organization (PAHO), and other regional and international institutions allow USAID to promote U.S. foreign policy interests in the region, influence development policy, and shape the direction of other donors' programs. In health, USAID collaborates with PAHO, the World Bank and the IDB on a shared agenda focusing on national health accounts, pharmaceuticals, disease surveillance and environmental health. In the environment, USAID worked with the World Bank to secure over \$55 million for Ecuador, Peru, Bolivia, Colombia and Mexico. In democracy, USAID collaborated with other donors (World Bank, IDB, OAS, PAHO and United Nations) to launch the Inter-American Coalition for the Prevention of Violence in the Americas to promote implementation of national strategies to combat crime and violence. In education, USAID is developing a partnership with private companies to support the Presidential Summit initiative, the Centers for Excellence in Teacher Training. In the economic growth area, USAID and the IDB are collaborating on a new rural economic strategy, an assessment of the coffee crisis, and exploring ways to improve the flow of remittances to the region.

**LAC Regional
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Child Survival and Disease Programs Fund	12,830	14,780	0	0
Child Survival and Health Programs Fund	0	0	11,765	0
Development Assistance	22,970	27,284	60,466	60,274
Economic Support Fund	7,000	7,584	17,500	12,500
Total Program Funds	42,800	49,648	89,731	72,774

STRATEGIC OBJECTIVE SUMMARY

598-002 Improved human resource policies adopted in selected LAC countries				
CSD	3,050	0	0	0
598-003 More effective delivery of selected health services and policy interventions				
CSD	5,029	8,467	0	0
CSH	0	0	9,029	0
DA	0	698	0	7,166
598-004 Protection of selected LAC parks and reserves important to conserve the Hemisphere's biological diversity				
DA	4,500	0	0	0
598-005 Reinforcement of regional trends that deepen democracy				
DA	4,900	5,000	4,500	5,100
ESF	7,000	6,985	10,500	11,500
598-006 A broad base of leaders and potential leaders in LAC countries equipped with technical skills, training and academic education				
CSD	4,000	4,000	0	0
CSH	0	0	1,000	0
DA	6,000	6,000	9,000	0
598-017 Institutional infrastructure improved to support access of the poor to markets (property, financial, and product)				
DA	4,500	5,000	2,700	2,200
598-018 Environmental performance of LAC businesses and communities improved through the promotion of replicable market-based				
DA	1,000	949	730	500
598-019 Continued participation of LAC sub-regional trading blocs in the FTAA process achieved				
DA	1,000	1,000	1,550	1,100
598-020 Program Development and Learning				
CSD	251	23	0	0
CSH	0	0	355	0
DA	1,070	116	4,196	2,192
ESF	0	216	0	0
598-021 Advancing Development Cooperation Opportunities in the Hemisphere				
CSH	0	0	1,381	0
DA	0	5,689	14,200	18,261
ESF	0	0	0	1,000
598-022 Improved Conservation of the Region's Biological Resources				
DA	0	2,832	7,235	4,500
598-023 Strengthened Regional Initiatives to Improve Equity and Quality of Education and Training				
CSD	0	2,290	0	0
DA	0	0	8,355	11,255
ESF	0	0	7,000	0

	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
598-XXX Support to Programs Throughout the LAC Region (via other USAID Bureaus)				
CSD	500	0	0	0
DA	0	0	8,000	8,000
Total Transfers	0	383	0	0

GLOSSARY OF TERMS

The glossary defines legislative, administrative, programming and budget terms referred to in this budget justification. Frequently used abbreviations are included.

Accrual: An estimate of cost that has been incurred but not yet paid by the Agency. An accrual is calculated for a specific agreement. It helps provide current information on the financial status of an activity and program.

Activity: A set of actions through which inputs such as commodities, technical assistance and training are mobilized to produce specific outputs such as vaccinations given, schools built, and micro-enterprise loans issued. Activities are undertaken to achieve "strategic," "special," or "strategic support" objectives that have been formally approved and notified to Congress.

Agency Strategic Plan: The Agency's overall plan for providing development assistance. The strategic plan articulates the Agency's mission, goals, objective, and program approaches. The Agency strategic plan is coordinated with, and reflects the priorities of, U.S. Government international affairs agencies.

Agreement: An agreement is the formal mutual consent of two or more parties. The Agency employs a variety of agreements to formally record understandings with other parties, including grant agreements, cooperative agreements, strategic objective agreements, memoranda of understanding, interagency agreements, contracts, and limited scope grant agreements. In most cases, the agreement identifies the results to be achieved, respective roles, and contributions to resource requirements in pursuit of a shared objective within a given timeframe.

Annual Performance Plan: The Agency's annual performance plan (APP) summarizes the Agency's performance plans for the same year as the budget request year (e.g., FY 2003). It is organized by the Agency goals outlined in the Agency strategic plan. The annual performance plan is a required document under the Government Performance and Results Act. In contrast, the annual budget justification, formerly titled the Congressional presentation, is organized by specific countries, regions, or central program. The budget justification contains the plans for each Agency operating unit.

Annual Performance Report: The Agency's annual performance report (APR) synthesizes the Agency program performance for the year ending the past September (e.g., FY 2001). It reports by Agency goal against the Agency's FY 2001 annual performance plan that was prepared and submitted to Congress in 2000. The annual performance plan is a required document under the Government Performance and Results Act. In contrast, the annual budget justification, formerly titled the Congressional presentation, is organized by the operating, or management, units in countries, regions, or Washington. The budget justification reports on the performance of each program managed by each Agency operating unit.

Annual Report: The document that is reviewed internally and submitted to USAID headquarters by the field or Washington operating unit on an annual basis. The Annual Report is used to produce several other Agency reports.

Actual Year: Last completed fiscal year; in this case, FY 2001.

Appropriation: An act of Congress permitting Federal agencies to incur obligations for specified purposes, e.g., Foreign Assistance and Related Programs Appropriation Act, 2002.

Appropriation Accounts: The separate accounts for which specific dollar amounts are authorized and appropriated.

Authorization: Substantive legislation which establishes legal operation of a Federal program, either indefinitely or for a specific period, and sanctions particular program funding levels, e.g., the Foreign Assistance Act of 1961, as amended (FAA).

Bilateral Assistance: Economic assistance provided by the United States directly to a country or through regional programs to benefit one or more countries indirectly. (USAID Child Survival and Health Programs Fund, Development Assistance, Economic Support Fund, Assistance for Eastern Europe and the Baltic States, Assistance for the Independent States of the former Soviet Union, and most P.L. 480 food aid are among the U.S. bilateral programs. Others include Peace Corps and International Narcotics Control.)

Budget Authority: Authority provided to the U.S. Government by law to enter into obligations that result in outlays or government funds.

Budget Justification: The presentation to the Congress that justifies USAID's budget request and provides information on the programs, objectives and results. Formerly, referred to as the Congressional Presentation (CP).

Budget Year: Year of budget consideration; in this case, FY 2002.

Child Survival and Health Programs Fund: An appropriation account, formerly Child Survival and Diseases Program Fund, for funding child survival, infectious diseases and family planning activities.

Consortium Grant: A grant to consortia of private and voluntary organizations (PVO) to enable a group of PVOs with similar interests to exchange information and program experiences and to collaborate in programs, thereby avoiding duplication.

Continuing Resolution: A joint resolution passed to provide stop-gap funding for agencies or departments whose regular appropriations bills have not been passed by the Congress by the beginning of the fiscal year.

Cooperative Development Organization (CDO): A business voluntarily owned and controlled by its users and operated for their benefit.

Deobligation: Unexpended funds obligated for a specific activity which are subsequently withdrawn, following a determination that they are not required for that activity.

Development Assistance: Assistance under Chapters I and 10 of the Foreign Assistance Act primarily designed to promote economic growth and equitable distribution of its benefits.

Development Assistance Committee (DAC): A specialized committee of the Organization for Economic Cooperation and Development (OECD). The purpose of the DAC is to increase total resources made available to developing countries. Member countries jointly review the amount and nature of their contributions to bilateral and multilateral aid programs in the developing countries. DAC members are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, the United States and the Commission of the European Economic Communities.

Development Fund for Africa (DFA): The Development Fund for Africa (Chapter 10 of the Foreign Assistance Act), relating to the authorization of long-term development assistance for sub-Saharan Africa, was added to the FAA by the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1991 (P.L. 101-513).

Development Loan: Development assistance which must be repaid, usually a long-term, low-interest loan repayable in U.S. dollars.

Development Program Grant (DPG): A grant to assist a private and voluntary organization to strengthen its ability to be an effective development agency.

Disbursement: Actual payment made for a product, service or other performance, pursuant to the terms of an agreement.

Economic Assistance: Bilateral and multilateral foreign assistance designed primarily to benefit the recipient country's economy. Military assistance, Export-Import Bank activities, Overseas Private Investment Corporation programs, and Commodity Credit Corporation short-term credit sales, which have primary purposes other than economic development, are not included in this category.

Economic Support Fund: An appropriation account for funding economic assistance to countries based on considerations of special economic, political or security needs and U.S. interests. It took the place of Security Supporting Assistance, as provided in Section 10(b)(6) of the International Security Assistance Act of 1978 (92 STAT 735).

Expenditure: As reported in this document, represents the total value of goods and services received, disbursement for which may not have been made. A disbursement, also referred to as an actual expenditure or outlay, represents funds paid from the U.S. Treasury.

Fiscal Year: Yearly accounting period, without regard to its relationship to a calendar year. (The fiscal year for the U.S. Government begins October 1 and ends September 30.)

Foreign Assistance Act (FAA): The Foreign Assistance Act of 1961, as amended (USAID's present authorizing legislation).

Foreign Assistance and Related Programs Appropriation Act: The Appropriation Act for a particular year for economic (except P.L. 480 food aid) and military assistance and Export-Import Bank.

FREEDOM Support Act (FSA): The Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992 (P.L. 102-511) authorizes assistance to the Independent States of the former Soviet Union (referred to as Eurasia).

Functional Assistance: Development Assistance funded from the Development Assistance, Child Survival and Health Programs Fund, and Development Credit Authority appropriation accounts and authorized from one of the following eight authorization accounts: (1) Agriculture, Rural Development and Nutrition; (2) Population Planning; (3) Health; (4) Child Survival; (5) AIDS Prevention and Control; (6) Education and Human Resources Development; (7) Private Sector, Environment and Energy; and (8) Science and Technology.

Global Program or Activity: A global program or activity refers to a USAID program or activity that takes place across various regions (i.e., trans-regional in nature). This type of program is most often managed by a central operating bureau such as Democracy, Conflict, and Humanitarian Assistance; Economic Growth, Agriculture, and Trade; or Global Health.

Goal: A long-term development result in a specific area to which USAID programs contribute and which has been identified as a specific goal by the Agency.

Government Performance and Results Act (GPRA): The Government Performance and Results Act of 1993 (P.L. 103-62) provides for the establishment of strategic planning and performance management in the Federal Government.

Grant: Assistance to an organization to carry out its activities as opposed to the acquisition of services for USAID or a host country which need not be repaid. (Term also describes a funding instrument for programs of an institution or organizations, e.g., International Executive Service Corps or an international agricultural research center.)

Gross Domestic Product (GDP): Measures the market value of total output of final goods and services produced within a country's territory, regardless of the ownership of the factors of production involved, i.e., local or foreign, during a given time period, usually a year. Earnings from capital invested abroad (mostly interest and dividend receipts) are not counted, while earnings on capital owned by foreigners but located in the country in question are included. The GDP differs from the GNP in that the former excludes net factor income from abroad.

Gross National Product (GNP): Measures the market value of total output of final goods and services produced by a nation's factors of production, regardless of location of those factors, i.e., in the country or abroad, during a given time period, usually a year. Earnings from capital owned by nationals but located abroad (mostly interest and dividend receipts) are included, while earnings in the country by factors owned by foreigners are excluded.

Host Country: A country in which the USAID sponsoring unit is operating.

Input: A resource, operating expense or program funded that is used to create an output.

Intermediate Result: The most important results that must occur in order to achieve a strategic objective; a cluster or summary of results used in summarizing the results framework.

International Financial Institution (IFI): Currently known as a multilateral development bank (MDB), a multilateral lending institution that provides resources for development. These institutions, or banks, include the following: Asian Development Bank (ADB) and Fund (ADF), African Development Bank (AFDB) and Fund (AFDF), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IADB), International Bank for Reconstruction and Development (IBRD, or the "World Bank"), International Finance Corporation (IFC), International Development Association (IDA), Middle East Development Bank (MEDB), and North American Development Bank (NADB).

Joint Planning: A process by which an operating unit actively engages and consults with other relevant and interested USAID offices in an open and transparent manner. This may occur through participation on teams or through other forms of consultation.

Life of Strategic Objective: The approved time for a strategic objective, which can be amended at any time. While formal approval is within the overall operating unit's strategic plan, a strategic objective may not necessarily begin and end when a plan begins and ends. No activity helping to achieve a result for a given strategic objective can be implemented beyond that strategic objective's life.

Limited Scope Grant Agreement: This agreement is similar to the strategic objective agreement, but is shorter in length. It is used for obligating funds for a small activity or intervention, e.g., participant training or program development and support.

Loan: Assistance that must be repaid. Repayment terms for development loans under Development Assistance and the Economic Support Fund are established by USAID in accordance with the Foreign Assistance Act of 1961, as amended (FAA), and the current Foreign Assistance and Related Programs Appropriation Act.

Manageable Interest: That which is within USAID's reasonable control, within the context of contracts and grants. That which is in the strategic objective team's reasonable influence, in the context of the strategic objective team including partners.

Management Services Grant: A grant to a private and voluntary organization (PVO) which in turn provides management or program support services (e.g., clearinghouse, accounting assistance, evaluation) to other PVOs.

Mission: The ultimate purpose of the Agency's programs. It is the unique contribution of USAID to U.S. national interests. There is one Agency mission.

Multilateral Assistance: Assistance which the United States provides to less or least developed countries (LDC) through multilateral development banks, the United Nations agencies, and other international organizations with development purposes.

Multilateral Development Bank (MDB): See international financial institutions.

National Interest: A political and strategic interest of the United States that guides the identification of recipients of foreign assistance and the fundamental characteristics of development assistance.

New Directions: Legislation enacted in 1973 requiring USAID to focus more of its efforts on helping the poor majority in developing countries.

Nongovernmental Organization (NGO): An organization, organized either formally or informally, that is independent of government.

Non-Presence Country: A country where USAID-funded activities take place but where U.S. direct-hire staff are not present to manage or monitor these activities. Note that some non-presence countries may have other USAID employees, such as foreign service nationals or U.S. personal service contractors, present.

Non-Project Assistance: Program or commodity loans or grants that provide budget or balance-of-payments support to another country. Such assistance is usually funded through the Economic Support Fund or Development Fund for Africa.

Obligation: Legal commitment of funds through such mechanisms as signed agreements between the U.S. Government and host governments, contracts and grants to organizations and purchase orders.

Objective: A significant development result that contributes to the achievement of an Agency goal. Several Agency objectives contribute to each Agency goal. An Agency objective provides a general framework for more detailed planning that occurs for a specific country and regional program.

Ocean Freight Reimbursement: Reimburses private and voluntary organizations (PVO) for up to one-half of their cost in shipping equipment and commodities overseas in support of their development programs.

Official Development Assistance (ODA): Assistance on concessional terms (with a grant element of at least 25%), provided by member countries of the Development Assistance Committee to promote economic development in developing countries.

Operating Expenses: Those appropriated funds used to pay salaries, benefits, travel, and all support costs of direct-hire personnel. The "cost of doing business."

Operating Unit: An agency field mission or Washington office or higher level organizational unit that expends program or operating expense funds to achieve a strategic or special objective, and that has a clearly defined set of responsibilities focused on the development and execution of a strategic plan.

Operational Year: Fiscal year in progress (current year), presently FY 2002.

Operational Program Grant (OPG): A grant to private and voluntary organizations to carry out specific programs.

Organization for Economic Cooperation and Development (OECD): Organization of donor countries that promotes policies designed to stimulate economic growth and development of less developed countries. OECD member countries are Australia, Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

Outlay: Cash disbursement from the Treasury.

Output: A tangible, immediate and intended product or consequence of an activity. Examples of outputs include personnel trained, people fed, analyses prepared, vaccinations given, policies recommended, technical assistance delivered, better technologies developed, and new construction completed.

Parameter: A given framework or condition within which decision-making takes place, i.e., Agency goals, earmarks, legislation, etc.

Parameter-Setting: A process by which a parameter is agreed upon and used to define limits, constraints and options for the development or revision of a strategic plan.

Participant: USAID-sponsored, less developed country (LDC) national being trained outside his or her own country.

Peacekeeping Operations: The program authorized and appropriated for a special type of economic assistance for peacekeeping operations and other programs carried out in furtherance of the national interests of the United States.

Performance Indicator: A particular characteristic or dimension used to measure intended changes defined by an organizational unit's results framework. Performance indicators are used to observe progress and to measure actual results compared to expected results. The indicators are usually expressed in quantifiable terms, and should be objective and measurable (numeric values, percentages, scores and indices).

Performance Plan: The performance plan identifies annual performance benchmarks of the operating unit. Meeting benchmarks, or the planned levels of achievement for a given year, are considered important steps toward ultimately achieving the ten-year performance goals identified in the Strategic Plan.

Performance Target: The specific and intended result to be achieved within an explicit timeframe and against which actual results are compared and assessed. In addition to final targets, interim targets also may be defined.

Pillar: USAID's new strategic orientation involves four pillars. The first, the Global Development Alliance (GDA), represents a change in the way USAID implements assistance; USAID will serve as a catalyst to mobilize the ideas, efforts, and resources of the public sector, corporations, the higher education community, and nongovernmental organization in support of shared objectives overseas. USAID has aggregated its current and new mutually reinforcing programs and activities into three program pillars to utilize resources more effectively and to describe its programs more clearly. The three program pillars are: economic growth, agriculture, and trade; global health; and democracy, conflict, and humanitarian assistance.

Pipeline: The difference between obligations and expenditures.

P.L. 480: The Agricultural Trade Development and Assistance Act of 1954, as amended, which governs administration of the U.S. Food for Peace program. (Term is often used to describe food aid.)

President's Budget: Budget for a particular fiscal year transmitted to Congress by the President in accordance with the Budget and Accounting Act of 1921, as amended.

Private and Voluntary Organization (PVO): A non-profit, tax-exempt and nongovernmental organization established and governed by a group of private citizens whose purpose is to engage in voluntary charitable and development assistance operations overseas.

Program: A coordinated set of USAID-financed activities directed toward specific goals. For example, maternal and child health, nutrition, education and family planning activities designed to promote the spacing of children may comprise a program to reduce infant deaths.

Program Approach: A tactic identified by the Agency as commonly used to achieve a particular objective. Several program approaches are associated with each Agency objective.

Project: A structured undertaking (often involving considerable money, personnel and equipment) of limited duration that is developed through various bureaucratic, analytical, and approval processes in order to achieve a tangible objective (e.g., a school construction project, an adult literacy project). A project should be considered as one of several types of activities that contribute to a given result or set of results. (See Activity.)

Reimbursement: Collection of funds for services provided to recipients outside the USAID.

Reobligation: Obligation of an amount that had been obligated and deobligated in prior transactions.

Result: A significant, intended and measurable change in the condition of a customer or a change in the host country, institution or other entity that will affect the customer directly or indirectly.

Results Framework: The results framework explain how the strategic objective is to be achieved, including those results that are necessary and sufficient, as well as their causal relationships and underlying assumptions.

Results Package: A collection of activities, including staff and partner involvement, necessary and sufficient to achieve one or more results in a results framework.

Results Review and Resource Request (R4): This document has been replaced by the Annual Report.

Special Objective: The result of an activity or activities which do not qualify as a strategic objective, but support other U.S. Government assistance objectives. A special objective is expected to be small in scope relative to the portfolio as a whole.

Stakeholder: An individual or group who has an interest in and influences USAID activities, programs and objectives.

Strategic Framework: A graphical or narrative representation of the Agency's strategic plan. The framework is a tool for communicating the Agency's development strategy. The framework also establishes an organizing basis for measuring, analyzing, and reporting results of Agency programs.

Strategic Objective: The most ambitious result that an Agency operational unit, along with its partners, can materially affect, and for which it is willing to be held accountable within the time period of the strategic objective..

Strategic Plan: The framework which an operating unit uses to articulate the organization's priorities, to manage for results, and to tie the organization's results to the customer and beneficiary. The strategic plan is a comprehensive plan that includes the limitation of strategic objectives and a description of how resources will be deployed to accomplish the objectives. A strategic plan is prepared for each portfolio whether it is managed at a country, regional, or central level.

Support for East European Democracy (SEED) Act: The Support for East European Democracy Act of 1989 (P.L. 101-179) authorizes assistance to Eastern Europe.

Sustainable Development: Economic and social growth that does not exhaust a country 's resources; that does not damage the economic, cultural or natural environment; that creates incomes and enterprises; and that builds indigenous institutions.

Target: See Performance Target.

BUDGET JUSTIFICATION TERMS

All Spigots Table: Table that shows U.S. economic and military assistance levels from all International Affairs (Function 150) sources, broken out by program, region and country. The State Department budget justification contains the International Affairs "all spigots" tables. The USAID budget justification "all spigots" tables show USAID-managed assistance levels only (Child Survival and Health Programs Fund, Development Assistance, Assistance for Eastern Europe and the Baltic States, Assistance to the Independent States of the former Soviet Union, Economic Support Fund, and P.L. 480).

Congressional Presentation: Now called budget justification to the Congress.

Green Book: This publication is entitled U.S. Overseas Loans and Grants and Assistance from International Organizations. This data, which is grouped by country and geographic region, includes assistance from USAID, military assistance, P.L. 480, Export-Import Bank, etc. from 1945 to the last completed fiscal year, in this case FY 2001. This publication is released shortly after the budget justification is presented to the Congress.

Program Summary Table: The table found at the end of each region, country and central program narrative contained in this budget justification document. This table summarizes proposed year budget levels for the prior two fiscal years (i.e., FY 2000 and FY 2001), current year (i.e., FY 2002), and budget year (i.e., FY 2003) by type of assistance (i.e., by accounts).

Strategic Objective Summary Table: The table found at the end of each region, country and central program narrative contained in this budget justification document. This table summarizes budget levels for the prior two fiscal years (i.e., FY 2000 and FY 2001), current year (i.e., FY 2002), and budget year (i.e., FY 2003) for the strategic objectives by type of assistance (i.e., accounts).

ABBREVIATIONS AND ACRONYMS

AACD	Activity Assistance Completion Date
AAD	Activity Approval Document
AAEF	Albanian-American Enterprise Fund
AAFLI	Asian-American Free Labor Institute
AAUJ	Arab American University in Jenin
ABA	American Bar Association
ABEL	Advancing Basic Education and Literacy
ACDI	Agriculture Cooperation Development International
ACDI	Agricultural Cooperative Development Institute
ACI	Andean Counterdrug Initiative
ACILS	American Center for International Labor Solidarity
ACLEDA	Association of Cambodian Local Economic Development
ADB	Asian Development Bank
ADEA	Association for the Development of Education in Africa
ADEX	Exporters' Association (Peru)
ADR	Alternative Dispute Resolution
ADRA	Adventist Development and Relief Agency
ADS	Automated Directives System
AED	Academy for Educational Development
AELGA	Africa Emergency Locust/Grasshopper Assistance
AERA	Accelerating Economic Recovery in Asia
AFDB	African Development Bank
AFDF	Africa Development Fund
AG	Attorney General
AGEXPRONT	Nontraditional Exporters' Guild (Guatemala)
AGILE	Accelerated Growth, Investment, and Liberalization with Equity
AGOA	Africa Growth and Opportunity Act
AIDS	Acquired Immune Deficiency Syndrome
AIDSCAP	Acquired Immunodeficiency Syndrome Control and Prevention Project
AIFLD	American Institute for Free Labor Development
AIHA	American International Health Alliance
ALGAS	Asia Least Cost Greenhouse Gas Abatement Strategy
ALO	Association Liaison Office
AMC	Ahmedabad Municipal Corporation
AMIR	Access to Micro-Finance and Implementation of Policy Reform
ANACAFE	Guatemala' National Coffee Association
ANDA	El Salvador Water Authority
ANE	Asia and Near East
ANERA	American Near East Refugee Aid
AOJ	Administration of Justice
AOJS	Administration of Justice Support
APAC	AIDS Prevention and Control
APEC	Asia-Pacific Economic Cooperation
APEDA	Agricultural Products Export Development Authority
APR	Agricultural Policy Reform
APRP	Agricultural Policy Reform Program

AREP	Accelerated Reform for Enterprise Promotion
ARI	Acute Respiratory Infection
ASEAN	Association of Southeast Asian Nations
ASHA	American Schools and Hospitals Abroad
ATFL	American Task Force in Lebanon
ATI	Appropriate Technology International
ATRIP	Africa Trade and Investment Program
AUB	American University of Beirut
AUSAID	Australia Agency for International Development
AVRDC	Asian Vegetable Research and Development Center
AVSC	Access for Voluntary Surgical Contraceptive
AWACS	AID Worldwide Accounting and Control System
BAPPENAS	Indonesia National Planning Agency
BARC	Bangladesh Agricultural Research Council
BASIC	Basic Support for Institutionalized Child Support
BBSA	Basic Business Skill Acquisition
BCN	Biodiversity Conservation Network
BHR	Bureau for Humanitarian Response (now Bureau for Democracy, Conflict and Humanitarian Assistance)
BIGUF	Bangladesh Independent Garment Workers Union Federation
BOD	Biochemical Oxygen Demand
BOOT	Build-Own-Operate-Transfer
BOT	Build-Operate-Transfer
BRAC	Bangladesh Rural Advancement Committee
CA	Cooperating Agency
CAAEF	Central Asian - American Enterprise Fund
CABEI	Central American Bank for Economic Integration
CAC	Community Access Center
CACEDERF	Central America and Caribbean Emergency Disaster Relief Fund
CAI	Creative Associates Incorporated
CAIC	Caribbean Association of Industry and Commerce
CAIP	Cairo Air Improvement Project
CAMP	Coastal Aquifer Management Program
CAP	Counterpart Alliance for Partnership Program
CAPAS	Central American Protected Areas System
CAPEL	Center for the Promotion of Electoral Assistance
CARE	Cooperative for Assistance and Relief Everywhere, Inc.
CAREC	Caribbean Epidemiology Center
CARICOM	Caribbean Community
CARPE	Central African Regional Program for the Environment
CATIE	Center for Tropical Agriculture Investigations and Studies
CBFRM	Community-based Forest Resource Management
CBJ	Congressional Budget Justification
CBNRM	Community-based Natural Resource Management
CBO	Community-Based Organization
CBSL	Central Bank of Sri Lanka
CCAD	Central American Commission for Environment and Development

CCP	Code of Criminal Procedures
CCT	Cooperative Coffee Timor
CDC	Centers for Disease Control and Prevention
CDIE	Center for Development Information and Evaluation
CDP	Cambodian Defenders Project
CECI	Canadian Center for International Studies and Cooperation
CEDPA	Center for Development and Population Activities
CEE	Central and Eastern Europe
CEELI	Central and East European Law Institute
CEP	Community Empowerment Program
CEPAL	Economic Commission for Latin America
CEPPS	Consortium for Elections and Political Process
CERTI	Complex Emergency Response and Transition Initiative
CEWARN	Conflict Early Warning Network
CFET	Consolidated Fund for East Timor
CFO	Chief Financial Officers Act
CG	Consultative Group
CGIAR	Consultative Group for International Agricultural Research
CHF	Cooperative Housing Foundation
CIDA	Canadian International Development Agency
CIFOR	Center for International Forestry Research
CILSS	Permanent Interstate Committee for the Control of Drought in the Sahel
CIMMY	International Maize and Wheat Improvement Center
CIP	Commodity Import Program
CIT	Communities in Transition
CITES	Convention of International Trade in Endangered Species
CLD	Consortium for Legislative Development
CLD/SUNY	Center for Legislative Development, State University of New York/Albany
CLDP	Commercial Law Development Program
CLUSA	Cooperative League of the United States of America
CMR	Child Mortality Rate
CMS	Commercial Markets Strategy
CNG	Compressed Natural Gas
CO2	Carbon Dioxide
COE	Council of Europe
COEN	El Salvador Disaster Preparedness Organization
COMESA	Common Market for Eastern and Southern Africa
COMURES	Corporation of Municipalities in El Salvador
CONRED	National Disaster Coordinating Committee (Guatemala)
CONTIERRA	Land Conflict Resolution Commission (Guatemala)
CP	Congressional Presentation (now Congressional Budget Justification)
CPP	Comprehensive Post Partum Center
CPR	Contraceptive Prevalence Rate
CRM	Coastal Resources Management
CRS	Catholic Relief Services
CRSP	Collaborative Research Support Program
CSD	Child Survival and Diseases Fund
CSD	Commission on Sustainable Development
CSE	Colombo Stock Exchange

CSG	Council of State Governments
CSH	Child Survival and Health Fund
CSM	Contraceptive Social Marketing
CSO	Civil Society Organization
CSW	Commercial Sex Workers
CT	Cash Transfer
CVA	Conflict Vulnerability Assessment
CWS	Church World Services
CY	Calendar Year
CYP	Couple-Years' Protection
DA	Development Assistance
DAC	Development Assistance Committee
DAF	Development Assistance Fund
DAI	Development Alternatives Incorporated
DAP	Development Activity Proposal
DART	Disaster Assistance Response Team
DAVIS	Universities of Florida and California
DBO	Design-Build-Operate
DCA	Development Credit Authority
DCHA	Democracy, Conflict and Humanitarian Assistance
DCOF	Displaced Children and Orphans Fund
DEVTA	Deworming and Enhanced Vitamin A
DFA	Development Fund for Africa
DFID	Department for International Development, United Kingdom
DG	Democracy and Governance
DHRF	Democracy and Human Rights Fund
DHS	Demographic Health Survey
DIET	District Institute of Education and Training
DIMS	Democratic Indicators Monitoring Survey
DOD	Department of Defense, U.S. Government
DOE	Department of Energy, U.S. Government
DOH	Department of Health, U.S. Government
DOJ	Department of Justice, U.S. Government
DOP	Declaration of Principles on Interim Self-Governing Arrangement
DOT	Department of Treasury, U.S. Government
DOTS	Directly Observed Therapy Short Course
DP	Democracy Partnership
DPEP	District Primary Education Program
DPT	Diphtheria, Pertussis and Tetanus
DPT3	Diphtheria, Pertussis, Tetanus Immunization Series
DRG	Diagnostic -Related Group
DRP	Demobilization and Rehabilitation Program (World Bank)
DSP	Development Support Program
DVS	Democratic Values Survey
EA	Environmental Assessment
EAC	East African Community
EAGER	Equity and Growth through Economic Research

EAI	Enterprise for the Americas Initiative
EAP	Environmental Action Plan
EAPEI	East Asia and Pacific Environmental Initiative
EBRD	European Bank for Reconstruction and Development
EC	European Community
ECEP	Energy Conservation and Environment Project
ECHO	European Commission Humanitarian Organization
ECLAC	Economic Commission for Latin America and the Caribbean
ECOMOG	Economic Community of West African States Monitoring Group
ECOWAS	Economic Community of West African States
ECU	European Currency Unit
EDDI	Education for Development and Democracy Initiative
EEAA	Egyptian Environmental Affairs Agency
EEDC	Economic Entrepreneurial Development Center
EEHC	Electricity Holding Company
EEPP	Egypt Environmental Policy Program
EG	Economic Growth
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EMED	Entrepreneur Management and Executive Development
EMPS	Environment Managed for Prosperity and Sustainability
ENI	Europe and New Independent States (now Europe and Eurasia)
ENR	Environment and Natural Resources
EPA	Environmental Protection Agency, U.S. Government
EPI	Expanded Program of Immunization
EPRA	Economic Policy Resource Center
EPSP	Economic Policy Support Project
ESAF	Extended Structural Adjustment Facility (IMF)
ESCOs	Energy Service Companies
ESEG	Energy Security for Economic Growth
ESF	Economic Support Fund
ETU	Egyptian Technology University
EU	European Union
EU/PHARE	European Union – Poland, Hungary, Albania, Romania, Estonia
FAO	Food and Agriculture Organization (United Nations)
FAR	Fixed Amount Reimbursable
FDA	Food and Drug Administration, U.S. Government
FDI	Foreign Direct Investment
FEMA	Federal Emergency Management Agency, U.S. Government
FEWS	Famine Early Warning System
FFP	Food for Peace
FFW	Food for Work
FH	Freedom House
FH/FNN	Freedom House/National Forum Foundation
FIAS	Foreign Investment Advisory Service
FICCI	Federation of Indian Chambers of Commerce and Industry
FINCA	Foundation for International Community Assistance
FLAG	Firm Level Assistance Group
FORWARD	Fostering Resolution of Water Resources Disputes

FP	Family Planning
FREEDOM	Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992 (FREEDOM Support Act)
FRM	Forest Resources Management
FSA	FREEDOM Support Act
FSVC	Financial Services Volunteer Corps
FTA	Federal Trade Agreement
FTAA	Free Trade Area of the Americas
FTF	Farmer to Farmer Program
FWWB	Friends of Women's World Banking
FY	Fiscal Year
G-7	Group of Seven (leading industrialized nations consisting of Canada, France, Germany, Italy, Japan, United Kingdom, and United States)
GATT	General Agreement on Tariffs and Trade
GCA	Global Coalition for Africa
GCC	Global Climate Change
GDA	Global Development Alliance
GDP	Gross Domestic Product
GEF	Global Environment Facility
GESAMP	Group of Experts on the Scientific Aspects of Marine Environmental Protection
GESI	Global Environmental Sanitation Initiative
GHA	Greater Horn of Africa
GHAI	Greater Horn of Africa Initiative
GHG	Greenhouse Gas
GIE	Gaza Industrial Estate
GIN	Greening of Industry Network
GIS	Geographic Information System
GLI	Great Lakes Initiative
GLJI	Great Lakes Justice Initiative
GNP	Gross National Product
GPA	Global Program of Action for the Protection of the Marine Environment from Landing-based Activities
GPRA	Government Performance Review Act (P.L. 103-62)
GREGI	Gobi Regional Growth Initiative
GSA	General Services Administration
GSP	General System of Preference
GSU	Georgia State University
GTN	Global Technology Network
GTZ	German Agency for Technical Cooperation
HA	Hectare
HBCUs	Historically Black Colleges and Universities
HCC	Historical Clarification Commission
HG	Housing Guaranty
HIID	Harvard Institute of International Development
HIPC	Heavily Indebted Poor Countries
HIV	Human Immunodeficiency Virus
HKI	Helen Keller International

HMHC	Health Maintenance and Health Care
HMO	Health Maintenance Organization
HPSP	Health Policy Support Program
HRC	Human Rights Commission
IACCC	Inter-Agency Climate Change Committee
IADN	Inter-American Democracy Network
IARC	International Agricultural Research Center
IAS	International Accounting Standards
IBRA	Indonesian Bank Restructuring Agency
IBRD	International Bank for Reconstruction and Development (World Bank)
IBTC	International Business and Technical Consultants
ICASS	International Cooperative Administrative Support Services
ICDDR	International Center for Diarrheal Disease Research
ICDS	Integrated Child Development Services
ICICI	Industrial Credit and Investment Corporation of India
ICITAP	International Criminal Investigation and Training Assistance Program
ICLARM	International Center for Living Aquatic Resources Management
ICNL	International Center for Not-For-Profit Law
ICRC	International Committee of the Red Cross
ICZM	Integrated Coastal Zone Management
ID	Infectious Diseases
IDA	International Development Association
IDA	International Disaster Assistance
IDB	Inter-American Development Bank
IDE	International Development Enterprises
IDEE	Institution for Democracy in Eastern Europe
IDP	Internally Displaced People
IDSR	Integrated Disease Surveillance and Response
IEC	Information, Education and Communication
IESC	International Executive Service Corps
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFDC	International Fertilizer Development Center
IFES	International Foundation for Electoral Systems
IFESH	International Foundation for Education and Self Help
IFI	International Financial Institute
IFOR	Implementation Force (NATO)
IFPRI	International Food Policy Research Institute
IFPS	Innovations in Family Planning Services
IFRC	International Federation of the Red Cross
IG	Inspector General
IHE-Delft	International Institute for Infrastructural, Hydraulic, and Environmental Engineering
IHRIG	International Human Rights Law Group
IIDH	Inter-American Institute of Human Rights
ILO	International Labor Organization
IMCI	Integrated Management of Childhood Illnesses
IMET	International Military Education and Training

IMF	International Monetary Fund
IMR	Infant Mortality Rate
IMT	Irrigation Management Transfer
INAS	Morocco's School of Public Health
INC	International Narcotics Control (State Department)
INCLEN	International Clinical Epidemiology Network
INDRA	Indonesia Debt Restructuring Agency
INL	International Narcotics and Law Enforcement (State Department)
IOM	International Organization for Migration
IPEC	International Program on the Elimination of Child Labor
IPO	International Public Organization
IPPF	International Planned Parenthood Federation
IPR	Intellectual Property Rights
IQC	Indefinite Quantity Contract
IR	Intermediate Result
IRDP	Integrated Rural Development Program
IREX	International Research and Exchanges Board
IRI	International Republican Institute
IRIS	Institutional Reform and the Informal Sector
IRIS	Center for Institutional Reform in the Informal Sector
ISA	Initiative for Southern Africa
ISAR	Institute on Soviet - American Relations
ISBO	Institutional Strengthening for Business Opportunities
ISO	International Export Standard
IT	Information Technology
IUD	Inter-Uterine Device
IVCHS	Improved Village and Community Health Service Program
IVS	International Voluntary Services
JAFPP	Jordan Association of Family Planning
JHPIEGO	Johns Hopkins Program Providing Reproductive Health
JHU/PCS	Johns Hopkins University/Population Communication Services
JICA	Japanese International Cooperation Agency
JSI	John Snow Incorporation
JUSBP	Jordan U.S. Business Partnership
JVA	Jordan Valley Authority
JWC	Joint Water Committee
KG	Kilogram
KHANA	Khmer HIV/AIDS Alliance
LAC	Latin America and the Caribbean
LAF	Lebanese Armed Forces
LAU	Lebanese American University
LC	Local Currency
LE	Egyptian Pound
LEB	Locally Elected Body
LG	Local Government
LGU	Local Government Unit

LMI	Lower-Middle-Income
LTTE	Liberation Tigers of Tamil Elam
MAFF	Ministry of Agriculture Forestry and Fisheries
MAI	Multilateral Assistance Initiative
MAP	Market Access Program
MAP	Morocco Agribusiness Promotion
MBA	Masters of Business Administration
MBIT	Masters of Business in Information Technology
MCEI	Municipal Coastal Environmental Initiative
MCH	Maternal and Child Health
MCM	Million Cubic Meters
MDB	Multilateral Development Bank
ME&A	Mendez-England and Associates
MEA	Middle East and North Africa
MEG	Morocco Education for Girls
MERC	Middle East Regional Cooperation
MES	Mongolian Energy Sector Project
MFA	Microenterprise Finance
MFI	Microfinance Institution
MHO	Mutual health organizations
MILGP	Military Group
MINUGUA	United Nations Verification Mission for Guatemala
MIS	Management Information System
MMR	Maternal Mortality Rate
MNE	Ministry of National Education
MNLF	Moro National Liberation Front
MOA	Ministry of Agriculture
MOE	Ministry of Education
MOE	Ministry of Environment
MOEYS	Ministry of Education, Youth and Sports
MOF	Minister of Finance
MOH	Ministry of Health
MOHHC	Ministry of Health and Health Care
MOHP	Ministry of Health and Population
MOJ	Ministry of Justice
MOLG	Ministry of Local Government
MOMRA	Ministry of Municipal and Rural Affairs
MOPH	Ministry of Public Health
MOST	Micronutrient Operational Strategies and Technologies
MP	Members of Parliament
MPF	Multiproject Financing Facility
MPP	Mission Performance Plan
MPRP	Mongolian People's Revolutionary Party
MSE	Micro and Small Enterprises
MSED	Micro and Small Enterprise Development
MSH	Management Sciences for Health
MSI	Management Education for Girls
MT	Metric Tons

MTCT	Maternal-to-Child Transmission
MTT	Mobile Task Team
MVCS	Most Valuable Companies
MW	Megawatt
MWI	Ministry of Water and Irrigation
NA	Not applicable, or Not Available
NACP	National AIDS Control Program
NAMRU-3	Naval Medical Research Unit
NAPA	National Academy for Public Administration
NAS	Narcotic Affairs Section (State Department)
NASA	National Aeronautics and Space Administration
NASDA	National Association of State Development Agencies
NATO	North Atlantic Treaty Organization
NBG	National Bank of Georgia
NCBA	National Cooperative Business Association
NCJS	National Center for Judicial Studies
NDI	National Democratic Institute
NEAP	National Environmental Action Plan
NED	New Enterprise Development
NED	National Endowment for Democracy
NEPAD	New Partnership for Africa's Development
NET	NIS Exchanges and Training Project
NFALP	Non-Formal and Adult Literacy Program
NGO	Non-Governmental Organization
NIDS	National Immunization Days
NIH	National Institutes of Health
NIS	New Independent States of the former Soviet Union
NOAA	National Oceanic and Atmospheric Administration
NORAD	Norwegian Aid
NPA	Non-Project Assistance
NPI	New Partnership Initiative
NPR	National Performance Review
NRECA	National Rural Electric Cooperative Administration
NRM	Natural Resources Management
NTA	New Transatlantic Agenda
NTE	Non-traditional Export
NTFP	Non-traditional Forest Products
NWI	Ministry of Water and Irrigation
OAS	Organization of American States
OAU	Organization of African Unity
ODA	Official Development Assistance
OE	Operation Expenses
OECD	Organization for Economic Cooperation and Development
OECF	Overseas Economic Cooperation Fund
OECS	Organization of Eastern Caribbean States
OFDA	Office of Foreign Disaster Assistance
OHCHR	Office of the High Commissioner for Human Rights (United Nations)

OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPEC	Organization of Petroleum Exporting Countries
OPIC	Overseas Private Investment Corporation
OPV	Oral Polio Vaccine
ORS	Oral Rehydration Salts
ORS/T	Oral Rehydration Salts/Therapy
ORT	Oral Rehydration Therapy
OSCE	Organization for Security and Cooperation in Europe
OTI	Office of Transition Initiatives
OVC	Orphans and Vulnerable Children
PA	Palestinian Authority
PACD	Project Assistance Completion Date
PACT	Private Agencies Collaborating Together
PACT	Program for the Advancement of Commercial Technology
PAHO	Pan American Health Organization
PASA	Participating Agency Service Agreement
PATH	Program for Appropriate Technologies in Health
PC	Palestinian Council
PDF	Power Development Fund
PEDS	Provincial Environment Departments
PERPP	Public Enterprise Reform and Privatization Program
PES	Policy Environment Score
PHC	Primary Health Care
PHCI	Primary Health Care Initiative
PHN	Population, Health and Nutrition
PIEFZA	Palestinian Industrial and Free Zone Authority
PIL	Public Interest Litigation
PIP	Parks in Peril
PIPA	Palestinian Investment and Promotion Agency
PK-3	Third Generation Labor Intensive Works
PKSF	Palli Karma Sahayak Foundation
PL	Public Law
PLANTE	National Alternative Development Plan (Colombia)
PLC	Palestinian Legislative Council
PLN	Indonesian National Electric Company
PLO	Palestinian Liberation Organization
PMA	Palestinian Monetary Authority
PMC	Pune Municipal Corporation
PMTI	Presidential Management Training Initiative
PNFPP	Philippine National Family Planning Program
POP	Persistent Organic Pollutant
PPG7	Pilot Program to Conserve the Brazilian Rainforest, Group of 7
PREAL	Program for Education Reform in the Americas
PRIME	Program for Innovation in Microenterprise
PRIME	Primary Providers' Training and Education in Reproductive
PRM	Population, Refugees, and Migration (State Department)
PRSP	Poverty Reduction Strategy Paper

PSC	Personal Service Contract
PSO	Private Sector Organization
PVC	Private Voluntary Cooperation
PVO	Private and Voluntary Organization
PW	Price-Waterhouse
PWA	Palestinian Water Authority
PWC	Price Waterhouse Coopers
QCHT	Quality Control of Health Technologies
QIZ	Qualifying Industrial Zones
RACHA	Reproductive and Child Health Alliance
RCSA	Regional Center for Southern Africa (USAID)
RCSP	Rural Civil Society Program
RDS	Regional Development and Support
REDSO	Regional Economic Development Support Office (USAID)
RH	Reproductive Health
RHUDO	Regional Housing and Urban Development Office (USAID)
RIG	Regional Inspector General (USAID)
ROL	Rule of Law
ROT	Rehabilitate-Operate-Transfer
RRB	Regional Rural Banks
RSD	Regional Sustainable Development Office (USAID)
RTI	Research Triangle Institute
RTII	Regional Trade and Investment Initiative
SAARC	South Asian Association for Regional Cooperation
SADC	Southern Africa Development Community
SAEDF	Southern Africa Enterprise Development Fund
SAGA	Strategies and Analyses for Growth and Access
SAGE	Strategies for Advancing Girls Education
SAI	Special Assistance Initiative
SARI	South Asia Regional Initiative
SCA	Supreme Council for Antiquities
SDF	Special Development Fund
SEBI	Securities and Exchange Board of India
SEC	Securities and Exchange Commission
SEED	Support for East European Democracy
SEI	State Environmental Initiative
SEP	Senior Executive Program
SET	Supreme Electoral Tribunal
SIWM	Souss-Massa Integrated Water Resources
SME	Small and Medium-sized Enterprises
SME	Small- and Micro-enterprises
SMME	Small, Medium and Micro Enterprises
SO	Strategic Objective
SOE	State-Owned Enterprise
SOW	Scope of Work
SPA	Special Program of Assistance (for Africa)

SPO	Special Objective
SPR	Sector Policy Reform
SPRP	Sector Policy Reform Program
SRII	Standard Research Institute International
SRP	Sahel Regional Program
SSH	Special Self-Help Program
SSMSC	Stock Market State Commission (Ukraine)
STD	Sexually Transmitted Disease
STI	Sexually Transmitted Infection
TAACS	Technical Advisors for AIDS and Child Survival
TACIS	Technical Assistance for the Commonwealth of Independent States, European Union
TAF	The Asia Foundation
TB	Tuberculosis
TBD	To be Determined
TDA	Tourism Development Authority
TFCA	Tropical Forest Conservation Act
TFET	Trust Fund for East Timor
TFR	Total Fertility Rate
TIFA	Trade and Investment Framework
TISS	Tata Institute of Social Sciences
TN	Tamil Nadu
TNC	The Nature Conservancy
TR&D	Tropical Research and Development
TRA	Telecommunications Regulatory Agency
TRADE	Trade for African Development and Enterprise
TRM	Tadla Resources Management
TSG	The Services Group
UC	Union Council
UECP	Urban Environmental Credit Program
UES	Urban Environmental Services
UK	United Kingdom
ULP	University Linkages Project
UMCOR	Untied Methodist Committee on Relief
UN	United Nations
UNAIDS	United Nations Joint Program on HIV/AIDS
UNCHS	United Nations Center for Human Settlements (Habitat)
UNDB	United Nations Development Bank
UNDCP	United Nations Drug Control Program
UNDP	United Nation Development Program
UNECE	United Nations Economic Commission for Europe
UNEP	United Nations Environment Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCCC	United Nations Framework Convention on Climate Change
UNFPA	United Nations Population Fund
UNGA	United Nations General Assembly
UNHCR	United Nations High Commissioner for Refugees

UNHRC	United Nations Human Rights Commission
UNICEF	United Nations Children's Fund
UNOPS	United Nations Operations Support
UNRWA	United Nations Relief and Works Agency
UNTAET	United Nations Transitional Authority for East Timor
UP	Uttar Pradesh
URC	University Research Corporation
US	United States
USACE	United States Army Corps of Engineers
USAEP	U.S.-Asia Environmental Partnership
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USEA	United States Energy Association
USF	University of San Francisco
USFDA	U.S. Food and Drug Administration
USG	United States Government
USIA	United States Information Agency
USIS	United States Information Service
USSR	Union of Soviet Socialist Republics
USTR	United States Trade Representative
UTC	United Technologies Corporation
UZP	Upazila Parishad
VC	Vulnerable Children
VCT	Voluntary Counseling and Testing
VHS	Voluntary Health Services
VITA	Volunteers in Technical Assistance
VOA	Voice of America
VOCA	Volunteers in Overseas Cooperative Assistance
VSC	Voluntary Surgical Contraceptive
WAEN	West Africa Enterprise Network
WAJ	Water Authority of Jordan
WARP	West African Regional Program
WB	World Bank (International Bank for Reconstruction and Development)
WCC	World Coast Conference
WFF	World Wildlife Federation
WFP	World Food Program (United Nations)
WHO	World Health Organization
WID	Women in Development
WMO	World Meteorological Organization
WOCCU	World Council of Credit Unions
WRS	Water Resource Sustainability
WSSCC	Water Supply and Sanitation Collaborative Council
WTO	World Trade Organization
WWF	World Wildlife Fund
YMCA	Young Men's Christian Association